Tencent 腾讯

Tencent Holdings Limited

Incorporated in the Cayman Islands with limited liability

騰訊控股有限公司

於開曼群島註冊成立的有限公司

(Stock Code 股份代號：700)

2014 Annual Report

smart communication inspires

智慧溝通 靈感無限

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Corporate Information

DIRECTORS

Executive Directors

Ma Huateng *(Chairman)*
Lau Chi Ping Martin

Non-Executive Directors

Jacobus Petrus (Koos) Bekker
Charles St Leger Searle

Independent Non-Executive Directors

Li Dong Sheng
Iain Ferguson Bruce
Ian Charles Stone

AUDIT COMMITTEE

Iain Ferguson Bruce *(Chairman)*
Ian Charles Stone
Charles St Leger Searle

CORPORATE GOVERNANCE COMMITTEE

Charles St Leger Searle *(Chairman)*
Iain Ferguson Bruce
Ian Charles Stone

INVESTMENT COMMITTEE

Lau Chi Ping Martin *(Chairman)*
Ma Huateng
Charles St Leger Searle

NOMINATION COMMITTEE

Ma Huateng *(Chairman)*
Li Dong Sheng
Iain Ferguson Bruce
Ian Charles Stone
Charles St Leger Searle

REMUNERATION COMMITTEE

Ian Charles Stone *(Chairman)*
Li Dong Sheng
Jacobus Petrus (Koos) Bekker

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

TENCENT GROUP HEAD OFFICE

Tencent Building
Kejizhongyi Avenue
Hi-tech Park
Nanshan District
Shenzhen, 518057
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

29/F., Three Pacific Place
No. 1 Queen's Road East
Wanchai
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

COMPANY WEBSITE

www.tencent.com

STOCK CODE

700

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December				
	2010 RMB'Million	2011 RMB'Million	2012 RMB'Million	2013 RMB'Million	**2014 RMB'Million**
Revenues	19,646	28,496	43,894	60,437	**78,932**
Gross profit	13,326	18,568	25,687	32,659	**48,059**
Profit before income tax	9,913	12,099	15,051	19,281	**29,013**
Profit for the year	8,115	10,225	12,785	15,563	**23,888**
Profit attributable to equity holders of the Company	8,054	10,203	12,732	15,502	**23,810**
Total comprehensive income for the year	9,936	8,957	13,619	18,376	**21,975**
Total comprehensive income attributable to equity holders of the Company	9,875	8,938	13,567	18,327	**21,891**

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December				
	2010 RMB'Million	2011 RMB'Million	2012 RMB'Million	2013 RMB'Million	**2014 RMB'Million**
Assets					
Non-current assets	10,456	21,301	38,747	53,549	**95,845**
Current assets	25,374	35,503	36,509	53,686	**75,321**
Total assets	35,830	56,804	75,256	107,235	**171,166**
Equity and liabilities					
Equity attributable to equity holders of the Company	21,757	28,463	41,298	57,945	**80,013**
Non-controlling interests	84	625	850	518	**2,111**
Total equity	21,841	29,088	42,148	58,463	**82,124**
Non-current liabilities	967	6,533	12,443	15,505	**39,007**
Current liabilities	13,022	21,183	20,665	33,267	**50,035**
Total liabilities	13,989	27,716	33,108	48,772	**89,042**
Total equity and liabilities	35,830	56,804	75,256	107,235	**171,166**

Chairman's Statement

Ma Huateng
Chairman

I am pleased to present our annual report for the year ended 31 December 2014 to the shareholders.

RESULTS

The Group's audited profit attributable to equity holders of the Company for the year ended 31 December 2014 was RMB23,810 million, an increase of 54% compared with the results for the previous year. Basic and diluted earnings per share for the year ended 31 December 2014 were RMB2.579 and RMB2.545 respectively.

BUSINESS REVIEW AND OUTLOOK

In 2014, the mobile Internet reshaped the Internet industry with rapid development of mobile game and entertainment activities, enhanced importance of mobile advertising, growing adoption of mobile payment and the emergence of O2O opportunities. The mobile game population grew as many smart phone users, including some who were previously not PC client game players, began playing casual or mid-core games. Mobile video and music became popular as users sought entertainment on-the-go. Mobile social advertising increased as advertisers incorporated social data for targeted advertising. Mobile payment adoption expanded significantly as a result of increased smart phone penetration, advanced mobile payment technologies and aggressive promotion efforts by leading Internet companies. The mobile Internet enabled an upsurge in O2O transactions across industry verticals such as restaurants, transportation and household services.

Market competition remained intense as major industry participants invested aggressively in areas including: (1) popular mobile applications, such as mobile utilities, mobile payment and O2O services; (2) digital content, such as online music and video copyrights; and (3) offline industries moving online, such as finance and healthcare.

Overall Financial Performance

Year Ended 31 December 2014

In 2014, revenues increased by 31% to RMB78,932 million. Excluding the eCommerce transactions business, revenues increased by 46% to RMB74,179 million.

— *VAS*. Revenues from our VAS business increased by 41% to RMB63,310 million. Our online game business achieved healthy growth in revenues, mainly driven by PC client games and smart phone games integrated with Mobile QQ and Weixin. Our social networks revenues grew significantly, driven by increased in-game item sales on mobile platforms. Subscription services also registered renewed revenue growth.

— *Online advertising*. Revenues from our online advertising business increased by 65% to RMB8,308 million, primarily driven by video advertising and performance-based social advertising on mobile. Video advertising benefited from underlying viewer growth. The growth in performance-based social advertising on mobile was mainly driven by Mobile Qzone and Weixin Official Accounts. Our strategic co-operation with JD.com also contributed to the growth of our online advertising business.

— *eCommerce transactions*. Revenues from our eCommerce transactions business decreased by 51% to RMB4,753 million. The decline mainly reflected a traffic shift to JD.com following our strategic transaction with JD.com in March 2014, and the repositioning of our Yixun business from principal to marketplace operations.

Profit attributable to equity holders of the Company increased by 54% to RMB23,810 million. Non-GAAP profit attributable to equity holders of the Company increased by 43% to RMB24,224 million.

Chairman's Statement

Fourth Quarter of 2014

In the fourth quarter of 2014, revenues increased by 24% year-on-year to RMB20,978 million. Excluding the eCommerce transactions business, revenues increased by 50% year-on-year to RMB20,532 million.

— *VAS*. Revenues from our VAS business increased by 44% year-on-year to RMB17,137 million. Our online game business achieved healthy growth in revenues, mainly driven by PC client games and smart phone games integrated with Mobile QQ and Weixin. Our gross revenues generated from smart phone games integrated with Mobile QQ and Weixin amounted to approximately RMB3.8 billion. Our social networks revenues grew significantly, reflecting increased in-game item sales on mobile platforms and revenue growth in subscription services.

— *Online advertising*. Revenues from our online advertising business increased by 75% year-on-year to RMB2,627 million. The increase primarily flowed from video advertising and performance-based social advertising on mobile.

— *eCommerce transactions*. Revenues from our eCommerce transactions business decreased by 87% year-on-year to RMB446 million. The decline mainly reflected the traffic shift to JD.com and the repositioning of our Yixun business discussed above.

Profit attributable to equity holders of the Company increased by 50% year-on-year to RMB5,860 million. Non-GAAP profit attributable to equity holders of the Company increased by 51% year-on-year to RMB6,723 million.

Strategic Highlights

In 2014, we focused on our "Connection" strategy, linking our users with content, services and hardware to enhance their lives online and offline. Leveraging our core communications and social platforms, Weixin and Mobile QQ, we made significant progress in fostering a healthy mobile ecosystem which provides our users with an expanding range of products and services, taking advantage of our strengths such as unified login, users' social graphs, multi-platform marketing capabilities, infrastructure support, payment solutions and insights into user needs.

During the year, we moved forward in monetising mobile Internet use, initially through smart phone games and performance-based social advertising. We invested heavily in content for businesses such as our literature service, music service, and video service, contributing to substantial traffic growth. Our portfolio of mobile utilities, including mobile security, browser and application store, achieved healthy market share gains. For example, YingYongBao became one of China's leading Android application stores. We significantly expanded the user bases of our mobile payment platforms and we explored Internet finance opportunities with the launch of our wealth management platform and the inception of our bank affiliate, WeBank.

To complement our internal initiatives, we entered into a strategic transaction with JD.com to reposition our eCommerce business, and we continued to enrich our ecosystem by making strategic investments in and partnering with industry leaders, including 58.com, Dianping, Dididache and Koudai Gouwu.

— From consumers' perspective, we believe these and other partnerships enable our users to benefit from an expanding range of high quality products and services.

— From partners' perspective, we believe our user activity is starting to contribute materially to our partners' long-term growth. For example, we believe we direct substantial volumes of traffic from our platforms to JD.com and 58.com.

— From our perspective, partnerships free up our internal resources to focus on the core strengths of our platforms, while enabling us to continue to benefit financially from the growth potential of the underlying industries via our significant equity stakes in partners.

In terms of balance sheet management, we established a USD5 billion global medium term note programme in April 2014 and subsequently issued various tranches of senior notes, with an aggregate principal amount of USD4.9 billion at the end of February 2015. We received a credit ratings upgrade from Moody's on our issuer and senior unsecured debt ratings from Baa1 to A3 in March 2014.

Divisional and Product Highlights

Operating Information

	As at 31 December 2014	As at 31 December 2013	Year-on-year change	As at 30 September 2014	Quarter-on-quarter change
		(in millions, unless specified)			
MAU of QQ	**815.3**	808.0	0.9%	819.8	-0.5%
Smart device MAU of QQ	**576.1**	434.8	32.5%	542.2	6.3%
PCU of QQ (for the quarter)	**217.4**	180.3	20.6%	216.5	0.4%
Combined MAU of Weixin and WeChat	**500.0**	355.0	40.8%	468.1	6.8%
MAU of Qzone	**654.1**	625.2	4.6%	628.9	4.0%
Smart device MAU of Qzone	**539.8**	416.2	29.7%	506.3	6.6%
Fee-based VAS registered subscriptions	**83.7**	88.6	-5.5%	88.7	-5.6%

Chairman's Statement

Key Platforms

In 2014, QQ and Qzone benefited from significant growth in China's mobile user base, and consolidated their leading positions in communications and social networking.

— For QQ, smart device MAU increased by 33% year-on-year to 576 million at the end of 2014, while overall PCU increased by 21% year-on-year to 217 million. During the year, we enhanced user engagement on Mobile QQ as we improved its community and sharing functions. We also cultivated an ecosystem for Mobile QQ users by integrating with O2O and other new services, including those provided by our strategic partners, and introducing Mobile QQ Wallet.

— For Qzone, smart device MAU increased by 30% year-on-year to 540 million at the end of 2014. User activity and stickiness improved during the year, benefiting from enhanced features and improved user experience.

Combined MAU of Weixin and WeChat reached 500 million at the end of 2014, representing year-on-year growth of 41%.

— For Weixin, we strengthened user interaction and engagement with new features and services, and increased the adoption of Weixin Official Accounts.

— For WeChat, we continued to promote user engagement in selected overseas markets, especially emerging Asian markets.

The aggregate number of user accounts that have integrated bank cards with Mobile QQ Wallet and Weixin Payment exceeded 100 million as we enriched payment scenarios and launched initiatives to build user awareness and habit, such as Red Packet gifting.

Our online media platforms extended their leadership in China. Tencent News leveraged enhanced content, improved user experience and plug-ins to Mobile QQ and Weixin to achieve significant user growth and became the leading mobile news platform in China. Tencent Video improved its market position with a strong uplift in user base and traffic, thanks to enriched content and improved user experience.

VAS

In social networks, our business benefited from significant growth in in-game item sales on our mobile platforms, and higher subscription revenues as we enhanced the mobile privileges and mobile user experience for QQ Membership, Super VIP and Qzone subscription service. We also added more premium content for our literature, music and video subscription services.

In online games, we extended our leadership in the China market from PC to mobile.

— For PC client games, revenue increased in 2014 as we benefited from growth in major titles and launch of new titles. LoL delivered a robust performance with significant growth in users and revenues.

— For mobile games, we achieved strong revenue growth during 2014, becoming the largest publisher in China and one of the largest globally. Through the year, we diversified our portfolio of smart phone games from casual to mid-core and self-developed to third-party, enriching the choices available to users.

Looking ahead, we aim to diversify and capitalise on our strong title pipeline for PC and mobile games to penetrate into new genres and solidify our market leadership.

Online Advertising

In 2014, our online advertising business benefited from revenue growth across the brand display and performance display categories. During the year, video advertising registered a robust revenue increase due to viewer traffic growth, including traffic arising from the Voice of China 3 program and FIFA World Cup content. We made significant progress in mobile advertising on Mobile Qzone and Weixin Official Accounts. Looking forward, we aim to allocate more inventory toward performance advertising, including inventory on Weixin Moments and YingYongBao. We continue to invest aggressively in video content to further build our traffic, including our recent exclusive partnerships with HBO and NBA.

eCommerce Transactions

Our eCommerce transaction business underwent a strategy transition subsequent to our strategic transaction with JD.com in March 2014. Shifting our traffic to JD.com led to a substantial reduction in our eCommerce revenues, costs, and losses. Looking forward, we believe the strategy transition enables us to benefit more efficiently from the growth of eCommerce in China via our significant equity stakes in best-in-class eCommerce companies such as JD.com, and via generating performance-based advertising revenues from eCommerce advertisers.

Chairman's Statement

Outlook and Strategies for 2015

During 2015, in addition to developing our ongoing businesses, we intend to cultivate an increasingly vibrant mobile ecosystem, bringing our own and our partners' products and services to China consumers. Key aspects of cultivating this ecosystem include:

— Working with existing and prospective strategic partners in various verticals to deliver better O2O and transactional services to users;

— Developing our digital content businesses in partnership with key content providers, such as online literature authors, HBO, NBA, Sony Music, Warner Music, and YG Entertainment;

— Growing our performance-based advertising business by adding more mobile advertising inventory, enhancing advertiser tools, and expanding our advertiser base, all while balancing user experience; and

— Promoting use of our payment services through enriched payment scenarios.

DIVIDEND

The Board has recommended the payment of a final dividend of HKD0.36 per share (2013: HKD1.20 per share before the effect of the Share Subdivision, or HKD0.24 per share after the effect of the Share Subdivision) for the year ended 31 December 2014, subject to the approval of the shareholders at the 2015 AGM. Such proposed dividend will be payable on 29 May 2015 to the shareholders whose names appear on the register of members of the Company on 20 May 2015.

APPRECIATION

On behalf of the Board, I would like to thank our shareholders and stakeholders for their full and continued confidence and support. I also wish to extend my appreciation to our committed staff at every level and management team for their contributions in delivering the remarkable success. Looking ahead, we will continue to build a prosperous Internet ecosystem to enhance our users' lives online and offline.

Ma Huateng
Chairman

Hong Kong, 18 March 2015

ADOPTION OF GROSS REVENUE RECOGNITION FOR SMART PHONE GAMES

Starting from the fourth quarter of 2014, we recognise revenues from smart phone games on a gross basis, primarily to reflect changes in our co-operation models that resulted in us becoming the principal, rather than agent, for certain licensed games we publish on an exclusive basis. Correspondingly, we recorded revenue sharing with third-party developers and channel costs in costs of revenues, instead of treating them as contra-revenue items. For the fourth quarter of 2014, the change increased our revenues from smart phone games integrated with Mobile QQ and Weixin by RMB907 million, and related cost of revenues by the same amount. The change did not impact the Group's profits. We believe the change brings us closer into line with general industry practice.

YEAR ENDED 31 DECEMBER 2014 COMPARED TO YEAR ENDED 31 DECEMBER 2013

The following table sets forth the comparative figures for the years ended 31 December 2014 and 2013:

	Year ended 31 December	
	2014	2013
	(RMB in millions)	
Revenues	**78,932**	60,437
Cost of revenues	**(30,873)**	(27,778)
Gross profit	**48,059**	32,659
Interest income	**1,676**	1,314
Other gains, net	**2,759**	904
Selling and marketing expenses	**(7,797)**	(5,695)
General and administrative expenses	**(14,155)**	(9,988)
Operating profit	**30,542**	19,194
Finance costs, net	**(1,182)**	(84)
Share of (losses)/profits of associates and joint ventures	**(347)**	171
Profit before income tax	**29,013**	19,281
Income tax expense	**(5,125)**	(3,718)
Profit for the year	**23,888**	15,563

	Year ended 31 December	
	2014	2013
	(RMB in millions)	
Attributable to:		
Equity holders of the Company	**23,810**	15,502
Non-controlling interests	**78**	61
	23,888	15,563
Non-GAAP profit attributable to equity holders of the Company[1]	**24,224**	16,975

(1) Since the first quarter of 2014, we have included gains/losses on disposals of investee companies and businesses in the non-GAAP adjustments. Comparative figures have been restated to conform to the new presentation.

Revenues. Revenues increased by 31% to RMB78,932 million for the year ended 31 December 2014 from the year ended 31 December 2013. Excluding the eCommerce transactions business, revenues increased by 46% to RMB74,179 million. The following table sets forth our revenues by line of business for the years ended 31 December 2014 and 2013:

	Year ended 31 December			
	2014		2013	
	Amount	**% of total revenues**	Amount	% of total revenues
	(RMB in millions, unless specified)			
VAS	**63,310**	**80%**	44,985	75%
Online advertising	**8,308**	**11%**	5,034	8%
eCommerce transactions	**4,753**	**6%**	9,796	16%
Others	**2,561**	**3%**	622	1%
Total revenues	**78,932**	**100%**	60,437	100%

— Revenues from our VAS business increased by 41% to RMB63,310 million for the year ended 31 December 2014 from the year ended 31 December 2013. Online games revenues increased by 40% to RMB44,756 million. The increase was mainly driven by revenue growth from PC client games in China and international markets, as well as a significant increase in revenues from smart phone games integrated with Mobile QQ and Weixin, which were launched during 2013. Social networks revenues increased by 43% to RMB18,554 million. The increase was primarily driven by in-game item sales within mobile platforms and, to a lesser extent, by subscription revenues, which registered renewed growth due to the enhancement of our mobile privileges and mobile user experience for QQ Membership, Super VIP and Qzone subscription service.

— Revenues from our online advertising business increased by 65% to RMB8,308 million for the year ended 31 December 2014 from the year ended 31 December 2013. The increase mainly reflected: (1) revenue growth from video advertising due to more viewers; and (2) higher contributions from performance-based social advertising, especially on our mobile services such as Mobile Qzone and Weixin Official Accounts. The positive impact of our strategic co-operation with JD.com also contributed to the growth.

— Revenues from our eCommerce transactions business decreased by 51% to RMB4,753 million for the year ended 31 December 2014 from the year ended 31 December 2013. The decline mainly reflected a traffic shift to JD.com following our strategic transaction with JD.com in March 2014, and the repositioning of our Yixun business from principal to marketplace operations, resulting in a significant decline in revenues from principal eCommerce transactions.

Cost of revenues. Cost of revenues increased by 11% to RMB30,873 million for the year ended 31 December 2014 from the year ended 31 December 2013. The increase mainly reflected greater sharing and content costs, staff costs, as well as bandwidth and server custody fees, partially offset by a decline in cost of merchandise sold due to decreased revenues from principal eCommerce transactions. As a percentage of revenues, cost of revenues decreased to 39% for the year ended 31 December 2014 from 46% for the year ended 31 December 2013. Excluding the eCommerce transactions business, cost of revenues increased by 43% to RMB26,426 million. The following table sets forth our cost of revenues by line of business for the years ended 31 December 2014 and 2013:

	Year ended 31 December			
	2014		2013	
	Amount	**% of segment revenues**	Amount	% of segment revenues
	(RMB in millions, unless specified)			
VAS	**20,619**	**33%**	15,384	34%
Online advertising	**4,660**	**56%**	2,777	55%
eCommerce transactions	**4,447**	**94%**	9,239	94%
Others	**1,147**	**45%**	378	61%
Total cost of revenues	**30,873**		27,778	

— Cost of revenues for our VAS business increased by 34% to RMB20,619 million for the year ended 31 December 2014 from the year ended 31 December 2013. The increase was mainly driven by greater sharing and content costs, staff costs, as well as bandwidth and server custody fees.

— Cost of revenues for our online advertising business increased by 68% to RMB4,660 million for the year ended 31 December 2014 from the year ended 31 December 2013. The increase primarily reflected greater investment in video content and the acceleration of video content costs amortisation since the fourth quarter of 2013. Commissions payable to advertising agencies and staff costs also increased.

Management Discussion and Analysis

— Cost of revenues for our eCommerce transactions business decreased by 52% to RMB4,447 million for the year ended 31 December 2014 from the year ended 31 December 2013. The decrease was mainly driven by a decline in cost of merchandise sold due to lower revenues from principal eCommerce transactions.

Other gains, net. Other gains, net increased to RMB2,759 million for the year ended 31 December 2014 from RMB904 million for the year ended 31 December 2013. The increase primarily reflected: (1) an increase in net disposal gains related to investee companies and businesses mainly arising from our strategic transaction with JD.com and the sale of our equity interests in ChinaVision; and (2) the recognition of deemed disposal gains related to investee companies mainly arising from the merger of Kakao Corporation with a listed company, Daum Communications, and the IPO of JD.com. The increase was partly offset by higher impairment provision charges for selected investee companies.

Selling and marketing expenses. Selling and marketing expenses increased by 37% to RMB7,797 million for the year ended 31 December 2014 from the year ended 31 December 2013. The increase was mainly due to significant subsidy programs for users and merchants of Weixin Payment, notably for booking taxi rides, as well as increased advertising spending on products and platforms such as online games, online media, and mobile utilities. As a percentage of revenues, selling and marketing expenses increased to 10% for the year ended 31 December 2014 from 9% for the year ended 31 December 2013.

General and administrative expenses. General and administrative expenses increased by 42% to RMB14,155 million for the year ended 31 December 2014 from the year ended 31 December 2013. The increase was primarily due to higher research and development expenses and staff costs. As a percentage of revenues, general and administrative expenses increased to 18% for the year ended 31 December 2014 from 17% for the year ended 31 December 2013.

Finance costs, net. Finance costs, net increased to RMB1,182 million for the year ended 31 December 2014 from RMB84 million for the year ended 31 December 2013. The increase mainly reflected the recognition of foreign exchange losses due to exchange rate movements in the year ended 31 December 2014, compared to foreign exchange gains in the previous year, as well as higher interest expense as a result of an increase in amount of notes payable.

Income tax expense. Income tax expense increased by 38% to RMB5,125 million for the year ended 31 December 2014 from the year ended 31 December 2013. The increase primarily reflected higher profit before tax and an increase in deferred tax liabilities in respect of withholding taxes.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 54% to RMB23,810 million for the year ended 31 December 2014 from the year ended 31 December 2013. Non-GAAP profit attributable to equity holders of the Company increased by 43% to RMB24,224 million for the year ended 31 December 2014 from the year ended 31 December 2013.

FOURTH QUARTER OF 2014 COMPARED TO FOURTH QUARTER OF 2013

The following table sets forth the comparative figures for the fourth quarter of 2014 and the fourth quarter of 2013:

	Unaudited	
	Three months ended	
	31 December 2014	31 December 2013
	(RMB in millions)	
Revenues	**20,978**	16,970
Cost of revenues	**(8,332)**	(8,198)
Gross profit	**12,646**	8,772
Interest income	**443**	377
Other gains, net	**343**	405
Selling and marketing expenses	**(2,063)**	(2,033)
General and administrative expenses	**(3,975)**	(2,770)
Operating profit	**7,394**	4,751
Finance (costs)/income, net	**(273)**	6
Share of losses of associates and joint ventures	**(275)**	(18)
Profit before income tax	**6,846**	4,739
Income tax expense	**(892)**	(808)
Profit for the period	**5,954**	3,931
Attributable to:		
Equity holders of the Company	**5,860**	3,911
Non-controlling interests	**94**	20
	5,954	3,931
Non-GAAP profit attributable to equity holders of the Company[1]	**6,723**	4,440

[1] Since the first quarter of 2014, we have included gains/losses on disposals of investee companies and businesses in the non-GAAP adjustments. Comparative figures have been restated to conform to the new presentation.

Revenues. Revenues increased by 24% to RMB20,978 million for the fourth quarter of 2014 from the fourth quarter of 2013. Excluding the eCommerce transactions business, revenues increased by 50% to RMB20,532 million. The following table sets forth our revenues by line of business for the fourth quarter of 2014 and the fourth quarter of 2013:

	Unaudited Three months ended			
	31 December 2014		31 December 2013	
	Amount	**% of total revenues**	Amount	% of total revenues
	(RMB in millions, unless specified)			
VAS	**17,137**	**82%**	11,932	70%
Online advertising	**2,627**	**12%**	1,497	9%
eCommerce transactions	**446**	**2%**	3,324	20%
Others	**768**	**4%**	217	1%
Total revenues	**20,978**	**100%**	16,970	100%

— Revenues from our VAS business increased by 44% to RMB17,137 million for the fourth quarter of 2014 from the fourth quarter of 2013. Online game revenues increased by 41% to RMB11,964 million. The increase was primarily driven by significant growth in revenues from smart phone games integrated with Mobile QQ and Weixin, mainly reflecting our expanded user base, our enriched game portfolio and, to a lesser extent, the impact of the aforementioned adoption of gross revenue recognition. Revenues from PC client games also increased. Social networks revenues grew by 50% to RMB5,173 million. The increase was mainly driven by higher in-game item sales within mobile platforms, as well as by subscription revenues from our QQ Membership, Super VIP, Qzone and digital content subscription services. If gross revenue recognition for smart phone games is adopted for the fourth quarter of 2013, revenues from our VAS business, online games, and social networks would have increased by 42%, 39% and 48% respectively for the fourth quarter of 2014.

— Revenues from our online advertising business increased by 75% to RMB2,627 million for the fourth quarter of 2014 from the fourth quarter of 2013. The increase primarily reflected revenue growth in video advertising as a result of more viewers and enhanced revenues from performance-based social advertising on mobile driven by Mobile Qzone and Weixin Official Accounts.

— Revenues from our eCommerce transactions business decreased by 87% to RMB446 million for the fourth quarter of 2014 from the fourth quarter of 2013. The decline mainly reflected a traffic shift to JD.com following our strategic transaction with JD.com in March 2014, and the repositioning of our Yixun business from principal to marketplace operations.

Cost of revenues. Cost of revenues increased by 2% to RMB8,332 million for the fourth quarter of 2014 from the fourth quarter of 2013. The increase mainly reflected greater sharing and content costs, staff costs, as well as channel costs, largely offset by a significant decline in cost of merchandise sold due to decreased revenues from principal eCommerce transactions. As a percentage of revenues, cost of revenues decreased to 40% for the fourth quarter of 2014 from 48% for the fourth quarter of 2013. Excluding the eCommerce transactions business, cost of revenues increased by 60% to RMB8,069 million. The following table sets forth our cost of revenues by line of business for the fourth quarter of 2014 and the fourth quarter of 2013:

	Unaudited			
	Three months ended			
	31 December 2014		31 December 2013	
	Amount	**% of segment revenues**	Amount	% of segment revenues
	(RMB in millions, unless specified)			
VAS	**6,168**	**36%**	3,886	33%
Online advertising	**1,577**	**60%**	1,011	68%
eCommerce transactions	**263**	**59%**	3,164	95%
Others	**324**	**42%**	137	63%
Total cost of revenues	**8,332**		8,198	

— Cost of revenues for our VAS business increased by 59% to RMB6,168 million for the fourth quarter of 2014 from the fourth quarter of 2013. The increase was primarily driven by greater sharing and content costs, channel costs, and staff costs. If gross revenue recognition for smart phone games is adopted for the fourth quarter of 2013, cost of revenues for our VAS business would have increased by 52%.

— Cost of revenues for our online advertising business increased by 56% to RMB1,577 million for the fourth quarter of 2014 from the fourth quarter of 2013. The increase mainly reflected greater commissions payable to advertising agencies and staff costs.

— Cost of revenues for our eCommerce transactions business decreased by 92% to RMB263 million for the fourth quarter of 2014 from the fourth quarter of 2013. The decrease was primarily driven by a decline in cost of merchandise sold due to lower revenues from principal eCommerce transactions.

Other gains, net. Other gains, net decreased by 15% to RMB343 million for the fourth quarter of 2014 from the fourth quarter of 2013. In the fourth quarter of 2014, we recognised a deemed disposal gain from the merger of Kakao Corporation with Daum Communications, and higher impairment provision charges for selected investee companies.

Selling and marketing expenses. Selling and marketing expenses increased by 1% to RMB2,063 million for the fourth quarter of 2014 from the fourth quarter of 2013. The increase mainly reflected higher advertising spending on products and platforms such as Weixin Payment and online games, partly offset by decreases in promotional expenses related to WeChat, and advertising and fulfillment expenses related to our eCommerce transactions business. As a percentage of revenues, selling and marketing expenses decreased to 10% for the fourth quarter of 2014 from 12% for the fourth quarter of 2013.

General and administrative expenses. General and administrative expenses increased by 44% to RMB3,975 million for the fourth quarter of 2014 from the fourth quarter of 2013. The increase primarily reflected higher research and development expenses and staff costs. As a percentage of revenues, general and administrative expenses increased to 19% for the fourth quarter of 2014 from 16% for the fourth quarter of 2013.

Finance (costs)/income, net. We recorded finance costs, net of RMB273 million for the fourth quarter of 2014, compared to finance income, net of RMB6 million for the fourth quarter of 2013. The change mainly reflected higher interest expense as a result of an increase in amount of notes payable and the recognition of foreign exchange losses due to exchange rate movements in the fourth quarter of 2014.

Income tax expense. Income tax expense increased by 10% to RMB892 million for the fourth quarter of 2014 from the fourth quarter of 2013. In the fourth quarter of 2014, deferred tax liabilities in respect of withholding taxes increased. In addition, reversals of income tax expense were recorded as a result of the qualification to enjoy lower CIT rates for certain subsidiaries in China.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 50% to RMB5,860 million for the fourth quarter of 2014 from the fourth quarter of 2013. Non-GAAP profit attributable to equity holders of the Company increased by 51% to RMB6,723 million for the fourth quarter of 2014 from the fourth quarter of 2013.

FOURTH QUARTER OF 2014 COMPARED TO THIRD QUARTER OF 2014

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

	Unaudited Three months ended	
	31 December 2014	30 September 2014
	(RMB in millions)	
Revenues	**20,978**	19,808
Cost of revenues	**(8,332)**	(7,167)
Gross profit	**12,646**	12,641
Interest income	**443**	452
Other gains, net	**343**	118
Selling and marketing expenses	**(2,063)**	(1,906)
General and administrative expenses	**(3,975)**	(3,790)
Operating profit	**7,394**	7,515
Finance costs, net	**(273)**	(317)
Share of losses of associates and joint ventures	**(275)**	(139)
Profit before income tax	**6,846**	7,059
Income tax expense	**(892)**	(1,383)
Profit for the period	**5,954**	5,676
Attributable to:		
Equity holders of the Company	**5,860**	5,657
Non-controlling interests	**94**	19
	5,954	5,676
Non-GAAP profit attributable to equity holders of the Company[1]	**6,723**	6,433

(1) Since the first quarter of 2014, we have included gains/losses on disposals of investee companies and businesses in the non-GAAP adjustments. Comparative figures have been restated to conform to the new presentation.

Revenues. Revenues increased by 6% to RMB20,978 million for the fourth quarter of 2014 from the third quarter of 2014. Excluding the eCommerce transactions business, revenues increased by 6% to RMB20,532 million.

— Revenues from our VAS business increased by 7% to RMB17,137 million for the fourth quarter of 2014 from the third quarter of 2014. Online game revenues increased by 6% to RMB11,964 million. The increase was primarily driven by smart phone games integrated with Mobile QQ and Weixin, reflecting the impact of the aforementioned adoption of gross revenue recognition, new titles and the resumption of expansion pack launches following the integration of guest access options into our titles. Revenues from PC client games were affected by slower seasonality in China. Social networks revenues increased by 10% to RMB5,173 million, reflecting growth in in-game item sales on our mobile platforms. If gross revenue recognition for smart phone games is adopted for the third quarter of 2014, revenues from our VAS business, online games, and social networks would have increased by 3%, 2% and 7% respectively for the fourth quarter of 2014.

— Revenues from our online advertising business increased by 8% to RMB2,627 million for the fourth quarter of 2014 from the third quarter of 2014. In the fourth quarter of 2014, performance-based social advertising on mobile registered revenue growth, driven by Mobile Qzone and Weixin Official Accounts. Revenues from video advertising declined sequentially, as we benefited from airing the Voice of China 3 program and FIFA World Cup content in the previous quarter.

— Revenues from our eCommerce transactions business decreased by 3% to RMB446 million for the fourth quarter of 2014 from the third quarter of 2014. The decline mainly reflected lower revenues from principal eCommerce transactions.

Cost of revenues. Cost of revenues increased by 16% to RMB8,332 million for the fourth quarter of 2014 from the third quarter of 2014. Excluding the eCommerce transactions business, cost of revenues increased by 18% to RMB8,069 million.

— Cost of revenues for our VAS business increased by 16% to RMB6,168 million for the fourth quarter of 2014 from the third quarter of 2014. The increase was primarily driven by greater sharing and content costs, channel costs, and bandwidth and server custody fees. If gross revenue recognition for smart phone games is adopted for the third quarter of 2014, cost of revenues for our VAS business would have increased by 5%.

— Cost of revenues for our online advertising business increased by 34% to RMB1,577 million for the fourth quarter of 2014 from the third quarter of 2014. The increase mainly reflected growth in sharing costs related to social advertising on Weixin Official Accounts, video content costs, and staff costs.

— Cost of revenues for our eCommerce transactions business decreased by 24% to RMB263 million for the fourth quarter of 2014 from the third quarter of 2014. The decrease was primarily driven by a decline in cost of merchandise sold due to lower revenues from principal eCommerce transactions.

Selling and marketing expenses. Selling and marketing expenses increased by 8% to RMB2,063 million for the fourth quarter of 2014 from the third quarter of 2014. The increase primarily reflected seasonal promotions of online games and greater advertising spending on other products and platforms such as Weixin Payment.

General and administrative expenses. General and administrative expenses increased by 5% to RMB3,975 million for the fourth quarter of 2014 from the third quarter of 2014. The increase primarily reflected higher research and development expenses.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 4% to RMB5,860 million for the fourth quarter of 2014 from the third quarter of 2014. Non-GAAP profit attributable to equity holders of the Company increased by 5% to RMB6,723 million for the fourth quarter of 2014 from the third quarter of 2014.

OTHER FINANCIAL INFORMATION

				Unaudited	
	Year ended			**Three months ended**	
	31 December		**31 December**	30 September	31 December
	2014	2013	**2014**	2014	2013
		(RMB in millions, unless specified)			
EBITDA (a)	**30,908**	20,566	**7,929**	8,174	5,184
Adjusted EBITDA (a)	**32,710**	21,734	**8,424**	8,720	5,467
Adjusted EBITDA margin (b)	**41%**	36%	**40%**	44%	32%
Interest expense	**866**	394	**264**	266	105
Net cash (c)	**22,758**	36,218	**22,758**	21,283	36,218
Capital expenditures (d)	**4,718**	5,799	**1,603**	1,060	1,679

Note:

(a) EBITDA consists of operating profit less interest income and other gains/losses, net, and plus depreciation of fixed assets and investment properties and amortisation of intangible assets. Adjusted EBITDA consists of EBITDA plus equity-settled share-based compensation expenses.

(b) Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by revenues.

(c) Net cash represents period end balance and is calculated as cash and cash equivalents, term deposits, minus borrowings and notes payable.

(d) Capital expenditures consist of additions (excluding business combinations) to fixed assets, construction in progress, land use rights and intangible assets (excluding game and other content licences).

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

	Year ended		Unaudited Three months ended		
	31 December		31 December	30 September	31 December
	2014	2013	**2014**	2014	2013
	(RMB in millions, unless specified)				
Operating profit	**30,542**	19,194	**7,394**	7,515	4,751
Adjustments:					
Interest income	**(1,676)**	(1,314)	**(443)**	(452)	(377)
Other (gains)/losses, net	**(2,759)**	(904)	**(343)**	(118)	(405)
Depreciation of fixed assets and investment properties	**2,993**	2,484	**766**	760	680
Amortisation of intangible assets	**1,808**	1,106	**555**	469	535
EBITDA	**30,908**	20,566	**7,929**	8,174	5,184
Equity-settled share-based compensation	**1,802**	1,168	**495**	546	283
Adjusted EBITDA	**32,710**	21,734	**8,424**	8,720	5,467

Non-GAAP Financial Measures

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

The Company's management believes that the non-GAAP financial measures provide investors with useful supplementary information to assess the performance of the Group's core operations by excluding certain non-cash items and certain impact of M&A transactions. The following tables set forth the reconciliations of the Group's non-GAAP financial measures for the years ended 31 December 2014 and 2013, the fourth quarters of 2014 and 2013, and the third quarter of 2014 to the nearest measures prepared in accordance with IFRS:

	Year ended 31 December 2014							
		Adjustments						
	As reported	Equity-settled share-based compensation	Cash-settled share-based compensation (a)	(Gains)/losses on deemed disposals/ disposals (b)	Amortisation of intangible assets (c)	Impairment provision (d)	Special dividend income (e)	Non-GAAP[1]
	(RMB in millions, unless specified)							
Operating profit	**30,542**	**1,802**	**695**	**(5,111)**	**59**	**2,510**	**–**	**30,497**
Profit for the year	**23,888**	**1,802**	**695**	**(5,038)**	**563**	**2,510**	**–**	**24,420**
Profit attributable to equity holders	**23,810**	**1,770**	**637**	**(5,054)**	**555**	**2,506**	**–**	**24,224**
EPS[2] (RMB per share)								
– basic	**2.579**							**2.624**
– diluted	**2.545**							**2.589**
Operating margin	**39%**							**39%**
Net margin	**30%**							**31%**

	Year ended 31 December 2013							
		Adjustments						
	As reported	Equity-settled share-based compensation	Cash-settled share-based compensation (a)	(Gains)/losses on deemed disposals/ disposals (b)	Amortisation of intangible assets (c)	Impairment provision (d)	Special dividend income (e)	Non-GAAP[1]
	(RMB in millions, unless specified)							
Operating profit	19,194	1,168	618	(272)	139	87	(438)	20,496
Profit for the year	15,563	1,168	618	(88)	240	87	(438)	17,150
Profit attributable to equity holders	15,502	1,155	547	(88)	210	87	(438)	16,975
EPS[2] (RMB per share)								
– basic	1.693							1.854
– diluted	1.660							1.817
Operating margin	32%							34%
Net margin	26%							28%

	Unaudited three months ended 31 December 2014							
		Adjustments						
	As reported	Equity-settled share-based compensation	Cash-settled share-based compensation (a)	(Gains)/losses on deemed disposals/ disposals (b)	Amortisation of intangible assets (c)	Impairment provision (d)	Special dividend income (e)	Non-GAAP[1]
	(RMB in millions, unless specified)							
Operating profit	**7,394**	**495**	**149**	**(1,153)**	**13**	**1,170**	**–**	**8,068**
Profit for the period	**5,954**	**495**	**149**	**(1,155)**	**228**	**1,170**	**–**	**6,841**
Profit attributable to equity holders	**5,860**	**488**	**136**	**(1,158)**	**227**	**1,170**	**–**	**6,723**
EPS[2] (RMB per share)								
– basic	**0.632**							**0.725**
– diluted	**0.625**							**0.717**
Operating margin	**35%**							**38%**
Net margin	**28%**							**33%**

	Unaudited three months ended 30 September 2014							
		Adjustments						
	As reported	Equity-settled share-based compensation	Cash-settled share-based compensation (a)	(Gains)/losses on deemed disposals/ disposals (b)	Amortisation of intangible assets (c)	Impairment provision (d)	Special dividend income (e)	Non-GAAP[1]
	(RMB in millions, unless specified)							
Operating profit	7,515	546	152	(159)	15	195	–	8,264
Profit for the period	5,676	546	152	(162)	76	195	–	6,483
Profit attributable to equity holders	5,657	536	137	(162)	74	191	–	6,433
EPS[2] (RMB per share)								
– basic	0.612							0.696
– diluted	0.605							0.688
Operating margin	38%							42%
Net margin	29%							33%

	Unaudited three months ended 31 December 2013							
		Adjustments						
	As reported	Equity-settled share-based compensation	Cash-settled share-based compensation (a)	(Gains)/losses on deemed disposals/ disposals (b)	Amortisation of intangible assets (c)	Impairment provision (d)	Special dividend income (e)	Non-GAAP[1]
	(RMB in millions, unless specified)							
Operating profit	4,751	283	180	(242)	24	87	–	5,083
Profit for the period	3,931	283	180	(58)	66	87	–	4,489
Profit attributable to equity holders	3,911	278	160	(58)	62	87	–	4,440
EPS[2] (RMB per share)								
– basic	0.425							0.483
– diluted	0.418							0.475
Operating margin	28%							30%
Net margin	23%							26%

(1) Since the first quarter of 2014, we have included gains/losses on disposals of investee companies and businesses in the non-GAAP adjustments. Comparative figures have been restated to conform to the new presentation.

(2) Since the second quarter of 2014, EPS has been stated after taking into account the effect of the Share Subdivision. Comparative figures have been restated on the assumption that the Share Subdivision had been effective in prior periods.

Note:

(a) Including put options granted to employees of investee companies on their shares and shares to be issued under investee companies' share-based incentive plans which can be acquired by the Group, and other incentives

(b) (Gains)/losses, net on deemed disposals of investee companies and disposals of investee companies and businesses

(c) Amortisation of intangible assets resulting from acquisitions, net of related deferred tax

(d) Impairment provision for associates, available-for-sale financial assets, and intangible assets arising from acquisitions

(e) Special dividend income from Mail.ru

Liquidity and Financial Resources

Our net cash positions as at 31 December 2014 and 30 September 2014 are as follows:

	Audited 31 December 2014	Unaudited 30 September 2014
	(RMB in millions)	
Cash and cash equivalents	**42,713**	33,454
Term deposits	**15,629**	22,126
	58,342	55,580
Borrowings	**(8,722)**	(8,247)
Notes payable	**(26,862)**	(26,050)
Net cash	**22,758**	21,283

As at 31 December 2014, the Group had net cash of RMB22,758 million. The sequential increase in net cash was primarily driven by free cash flow generated during the fourth quarter of 2014, partially offset by payments for investments in investee companies. Fair value of our stakes in listed investee companies (both associates and available-for-sale financial assets) totalled RMB60 billion as at 31 December 2014.

As at 31 December 2014, RMB7,796 million of our financial resources were held in deposits denominated in non-RMB currencies.

For the fourth quarter of 2014, the Group had free cash flow of RMB9,181 million. This was a result of net cash generated from operating activities of RMB10,679 million, offset by payments for capital expenditure of RMB1,498 million.

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in Note 10 to the consolidated financial statements.

The analysis of the Group's revenues and contribution to results by business segments and the Group's revenues by geographical area of operations are set out in Note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 81 of this annual report.

The directors have recommended the payment of a final dividend of HKD0.36 per share for the year ended 31 December 2014. The dividend is expected to be payable on 29 May 2015 to the shareholders whose names appear on the register of members of the Company on 20 May 2015. The total dividend for the year under review is HKD0.36 per share.

RESERVES

The Company may pay dividends out of share premium, retained earnings and any other reserves in respect of prior profits provided that immediately following the payment of such dividends the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

As at 31 December 2014, the Company had distributable reserves amounting to RMB7,651 million (2013: RMB4,270 million).

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on pages 82 to 83 and Note 19 to the consolidated financial statements respectively.

FIXED ASSETS

Details of the movements in fixed assets of the Group during the year are set out in Note 6 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in Note 19 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2014 are set out in Note 10 to the consolidated financial statements.

BORROWINGS

Particulars of the Group's borrowings and notes payable are set out in Note 25 and Note 26 to the consolidated financial statements respectively.

DONATION

The donation made by the Group in the year was RMB300 million to the Tencent Charity Funds.

FINANCIAL SUMMARY

A summary of the condensed consolidated results and financial positions of the Group is set out on page 3 of this annual report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2014, the Company repurchased 153,000 shares, which were adjusted to 765,000 shares after the Share Subdivision, on the Stock Exchange for an aggregate consideration of approximately HKD76.7 million before expenses. The repurchased shares were subsequently cancelled. The repurchase was effected by the Board for the enhancement of shareholder value in the long term. Details of the shares repurchased are as follows:

	Before Share Subdivision			After Share Subdivision			
		Purchase consideration per share			Purchase consideration per share		
Month of purchase in 2014	**No. of shares purchased**	**Highest price paid HKD**	**Lowest price paid HKD**	**No. of shares purchased**	**Highest price paid HKD**	**Lowest price paid HKD**	**Aggregate consideration paid HKD**
April	153,000	503.5	499.0	765,000	100.7	99.8	76,736,584

Save as disclosed above and in Note 19 to the consolidated financial statements, 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 2014.

SHARE OPTION SCHEMES

The Company has adopted four share option schemes, namely, the Pre-IPO Option Scheme, the Post-IPO Option Scheme I, the Post-IPO Option Scheme II and the Post-IPO Option Scheme III. No further options will be granted under the Pre-IPO Option Scheme and the Post-IPO Option Scheme I.

As at 31 December 2014, there were a total of 10,000,000 (after the effect of the Share Subdivision) outstanding share options granted to the directors of the Company, details of which are as follows:

		Number of shares issuable under the options								
		Before the effective date of the Share Subdivision				After the effective date of the Share Subdivision				
Name of director	**Date of grant**	**As at 1 January 2014**	**Granted during the year**	**Exercised during the year**	**Outstanding balance subject to adjustment for Share Subdivision**	**Granted during the year**	**Exercised during the year**	**As at 31 December 2014** (Note 1)	**Exercise price HKD** (Note 1)	**Exercise period**
Lau Chi Ping Martin	5 July 2007	2,000,000	–	–	2,000,000	–	10,000,000 (Note 5)	–	6.61	5 July 2010 to 4 July 2014 (Note 2)
	24 March 2010	1,000,000	–	–	1,000,000	–	–	5,000,000	31.70	24 March 2015 to 23 March 2020 (Note 3)
	25 March 2014 (Note 6)	–	1,000,000	–	1,000,000	–	–	5,000,000	114.52	25 March 2015 to 24 March 2021 (Note 4)
	Total:	3,000,000	1,000,000	–	4,000,000	–	10,000,000	10,000,000		

Note:

1. Upon the Share Subdivision became effective on 15 May 2014, pro-rata adjustments have been made to the exercise prices and the number of outstanding share options accordingly.

2. For options granted with exercisable date determined based on the grant date of options, the first 20% of the total options can be exercised 3 years after the grant date, and 20% each of the total options will become exercisable in each subsequent year, except the last 20% of the total options which will become exercisable in the eleventh month after the fourth 20% of the total options become exercisable.

3. For options granted with exercisable date determined based on the grant date of options, the first 25% of the total options can be exercised 5 years after the grant date, and 25% each of the total options will become exercisable in each subsequent year.

4. For options granted with exercisable date determined based on the grant date of options, the first 20% of the total options can be exercised 1 year after the grant date, and 20% each of the total options will become exercisable in each subsequent year.

5. The weighted average closing price immediately before the dates on which the options were exercised by the director was as follows:

Name of director	**Weighted average closing price HKD**
Lau Chi Ping Martin	113.6

6. The closing price immediately before the date on which the options were granted on 25 March 2014 was HKD587, which was adjusted to HKD117.4 after the Share Subdivision.

7. No options were cancelled or lapsed during the year.

Details of share options granted to all employees of the Company during the year are as follows:

Date of grant	No. of options granted	No. of options cancelled	Exercise price HKD	Closing price immediately before the date of grant HKD	Exercise period
25 March 2014 (Note 1)	2,562,500	–	114.52	111.70	25 March 2015 to 24 March 2021 (Note 2)
25 March 2014 (Note 1)	8,975,000	–	114.52	111.70	25 March 2015 to 24 March 2021 (Note 3)
Total:	11,537,500				
22 May 2014	62,500	–	112.30	112.30	22 May 2015 to 21 May 2021 (Note 2)
10 July 2014	2,070,550	188,750	124.30	122.20	10 July 2015 to 9 July 2021 (Note 4)
12 December 2014	80,650	–	116.40	113.70	12 December 2016 to 11 December 2021 (Note 5)
Grand total:	13,751,200	188,750			

Note:

1. Upon the Share Subdivision became effective on 15 May 2014, pro-rata adjustments have been made to the number of options, the exercise prices and the closing prices accordingly.

2. For options granted with exercisable date determined based on the grant date of options, the first 33.33% (one-third) of the total options can be exercised 1 year after the grant date, and 33.33% each of the total options will become exercisable in each subsequent year.

3. For options granted with exercisable date determined based on the grant date of options, the first 20% of the total options can be exercised 1 year after the grant date, and 20% each of the total options will become exercisable in each subsequent year.

4. For options granted with exercisable date determined based on the grant date of options, the first 25% of the total options can be exercised 1 year after the grant date, and 25% each of the total options will become exercisable in each subsequent year.

5. For options granted with exercisable date determined based on the grant date of options, the first 25% of the total options can be exercised 2 years after the grant date, and 25% each of the total options will become exercisable in each subsequent year.

SUMMARY OF THE SHARE OPTION SCHEMES

	Details	Pre-IPO Option Scheme	Post-IPO Option Scheme I	Post-IPO Option Scheme II	Post-IPO Option Scheme III
1.	Purposes	To recognise the contribution that certain individuals have made to the Group, to attract the best available personnel and to promote the success of the Group's business			
2.	Qualifying participants	Any eligible employee, including executive directors of the Company	Any employee, consultant or director of any company within the Group	Any employee (whether full time or part time), executive or officer, director (including executive, non-executive and independent non-executive directors) of any member of the Group or any invested entity, which is any entity in which the Group holds an equity interest, and any consultant, adviser or agent of any member of the Board, who have contributed or will contribute to the growth and development of the Group or any invested entity	Any senior executive or senior officer, director (including executive, non-executive and independent non-executive directors) of any member of the Group or any invested entity and any consultant, adviser or agent of any member of the Board, who have contributed or will contribute to the growth and development of the Group or any invested entity

	Details	Pre-IPO Option Scheme	Post-IPO Option Scheme I	Post-IPO Option Scheme II	Post-IPO Option Scheme III
3.	Maximum number of shares	As at 7 June 2004, options to subscribe for an aggregate of 72,386,370 shares were outstanding. No further option could be granted under the Pre-IPO Option Scheme.	As at 16 May 2007, options to subscribe for an aggregate of 60,413,683 shares were outstanding. No further option could be granted under the Post-IPO Option Scheme I.	The maximum number of shares in respect of which options may be granted under the Post-IPO Option Scheme II shall be 88,903,654 shares (which were adjusted to 444,518,270 shares after the Share Subdivision), 5% of the relevant class of securities of the Company in issue as at 16 May 2007. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Option Scheme II and any other share option schemes, including the Pre-IPO Option Scheme, the Post-IPO Option Scheme I and the Post-IPO Option Scheme III, must not in aggregate exceed 30% of the issued share capital of the Company from time to time (Note).	The maximum number of shares in respect of which options may be granted under the Post-IPO Option Scheme III shall be 36,018,666 shares (which were adjusted to 180,093,330 shares after the Share Subdivision), 2% of the relevant class of securities of the Company in issue as at 13 May 2009. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Option Scheme III and any other share option schemes, including the Pre-IPO Option Scheme, the Post-IPO Option Scheme I and the Post-IPO Option Scheme II, must not in aggregate exceed 30% of the issued share capital of the Company from time to time (Note).

	Details	Pre-IPO Option Scheme	Post-IPO Option Scheme I	Post-IPO Option Scheme II	Post-IPO Option Scheme III
4.	Maximum entitlement of each participant	The number of ordinary shares in respect of which options may be granted is not permitted to exceed 10% of the number of ordinary shares issued and issuable under the scheme.	1% of the issued share capital of the Company from time to time within any 12-month period up to the date of the latest grant	1% of the issued share capital of the Company from time to time within any 12-month period up to the date of the latest grant	1% of the issued share capital of the Company from time to time within any 12-month period up to the date of the latest grant
5.	Option period	All the options are exercisable in installments from the commencement of the relevant vesting period until 31 December 2011, but on the condition that the Company has been listed in a sizeable securities market. The Board may at their discretion determine the specific vesting and exercise periods.	The option period is determined by the Board provided that the period during which the option may be exercised shall not be less than one year from the date of grant of the options.	The option period is determined by the Board provided that it is not later than the last day of the 7-year period after the date of grant of option. There is no minimum period for which an option must be held before it can be exercised.	The option period is determined by the Board provided that it is not later than the last day of the 10-year period after the date of grant of option. There is no minimum period for which an option must be held before it can be exercised.

	Details	Pre-IPO Option Scheme	Post-IPO Option Scheme I	Post-IPO Option Scheme II	Post-IPO Option Scheme III
6.	Acceptance of offer	Options granted must be accepted within 15 days of the date of grant, upon payment of RMB1 per grant.	Options granted must be accepted within 28 days of the date of grant, upon payment of HKD1 per grant.	Options granted must be accepted within 28 days of the date of grant, upon payment of HKD1 per grant.	Options granted must be accepted within 28 days of the date of grant, upon payment of HKD1 per grant.
7.	Subscription price	Price shall be determined by the Board.	The exercise price must be at least the higher of: (i) the closing price of the securities as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the securities as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.	The exercise price must be at least the higher of: (i) the closing price of the securities as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the securities as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.	The exercise price must be at least the higher of: (i) the closing price of the securities as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the securities as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

	Details	Pre-IPO Option Scheme	Post-IPO Option Scheme I	Post-IPO Option Scheme II	Post-IPO Option Scheme III
8.	Remaining life of the scheme	It expired on 31 December 2011.	It expired on 23 March 2014.	It shall be valid and effective for a period of ten years commencing on 16 May 2007.	It shall be valid and effective for a period of ten years commencing on 13 May 2009.

Note:

The total number of shares available for issue under the Post-IPO Option Scheme II and the Post-IPO Option Scheme III is 417,485,460 (after the effect of the Share Subdivision), which is approximately 4.45% of the issued share capital of the Company as at the date of the annual report.

MOVEMENTS IN THE SHARE OPTIONS

Details of the movements in the share options during the year are set out in Note 21 to the consolidated financial statements.

VALUATION OF SHARE OPTIONS

Details of the valuation of share options during the year are set out in Note 21 to the consolidated financial statements.

SHARE AWARD SCHEMES

The Company adopted the following two Share Award Schemes with major terms and details set out below:

		2007 Share Award Scheme	2013 Share Award Scheme
1.	Purpose	To recognise the contributions and to attract, motivate and retain eligible participants (including any director) of the Group	
2.	Duration and Termination	It shall be valid and effective for a period of 15 years from the Adoption Date I.	It shall be valid and effective unless and until being terminated on the earlier of: (i) the 15th anniversary date of the Adoption Date II; and (ii) such date of early termination as determined by the Board provided that such termination does not affect any subsisting rights of any Selected Participant.
3.	Maximum number of shares that can be awarded	2% of the issued share capital of the Company as at the Adoption Date I (i.e. 35,755,232 shares, which were adjusted to 178,776,160 shares after the Share Subdivision)	3% of the issued share capital of the Company as at the Adoption Date II (i.e. 55,787,452 shares, which were adjusted to 278,937,260 shares after the Share Subdivision)
4.	Maximum entitlement of each participant	1% of the issued share capital of the Company as at the Adoption Date I (i.e. 17,877,616 shares, which were adjusted to 89,388,080 shares after the Share Subdivision)	1% of the issued share capital of the Company as at the Adoption Date II (i.e. 18,595,817 shares, which were adjusted to 92,979,085 shares after the Share Subdivision)
5.	Operation	The Board shall select the Eligible Person(s) and determine the number of shares to be awarded. The Board shall, in respect of each Selected Participant, cause to be paid the relevant amount from the Company's resources into the Account I or to the Trustee to be held on trust for the relevant Selected Participant for the purchase and/or subscription of the Awarded Shares as soon as practicable after the Reference Date.	The Board may, from time to time, at its absolute discretion select any Eligible Person to be a Selected Participant and grant to such Selected Participant Awarded Shares. The Board may at any time at its discretion, in respect of each Selected Participant, cause to be paid the relevant amount from the Company's resources or any Subsidiary's resources into the Account II for the purchase and/or subscription of Awarded Shares as soon as practicable after the Grant Date.

	2007 Share Award Scheme	2013 Share Award Scheme
6. Restrictions	No award shall be made by the Board and no instructions to acquire shares and allot new shares shall be given by the Board or the Trustee under the 2007 Share Award Scheme where any director is in possession of unpublished price-sensitive information in relation to the Group or where dealings by directors are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time.	No award may be made by the Board to any Selected Participant: (i) where the Company has information that must be disclosed under Rule 13.09 of the Listing Rules or where the Company reasonably believes there is inside information which must be disclosed under part XIVA of the SFO, until such inside information has been published on the websites of the Stock Exchange and the Company; (ii) after any inside information in relation to the securities of the Company has occurred or has become the subject of a decision, until such inside information has been published; (iii) within the period commencing 60 days (in the case of yearly results), or 30 days (in the case of results for half-year, quarterly or other interim period) immediately preceding the earlier of (1) the date of a meeting of the Board (as such date is first notified to the Stock Exchange) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and (2) the deadline for the Company to publish its quarterly, interim or annual results announcement for any such period, and ending on the date of such announcement; or (iv) in any other circumstances where dealings by Selected Participant (including directors) are prohibited under the Listing Rules, SFO or any other applicable law or regulation or where the requisite approval from any applicable regulatory authorities has not been granted.

		2007 Share Award Scheme	2013 Share Award Scheme
7.	Vesting and Lapse	Awarded Shares and the related income derived therefrom are subject to a vesting scale to be determined by the Board at the date of grant of the award. Vesting of the shares will be conditional on the Selected Participant satisfying all vesting conditions specified by the Board at the time of making the award until and on each of the relevant vesting dates and his/her execution of the relevant documents to effect the transfer from the Trustee.	The vesting of the Awarded Shares is subject to the Selected Participant remaining at all times after the Grant Date and on the date of vesting, an Eligible Person, subject to the rules of the 2013 Share Award Scheme. Subject to the satisfaction of all vesting conditions as prescribed in the 2013 Share Award Scheme, the Selected Participants will be entitled to receive the Awarded Shares.
8.	Voting Rights	The Trustee shall not exercise the voting rights in respect of any shares held by it pursuant to the Trustee Deed I (including but not limited to the Awarded Shares and any bonus shares and scrip shares derived therefrom).	The Trustee does not exercise any voting rights in respect of any shares held pursuant to the Trustee Deed II or as nominee.

The Company shall comply with the relevant Listing Rules when granting the Awarded Shares. If awards are made to the directors or substantial shareholders of the Group, such awards shall constitute connected transaction under Chapter 14A of the Listing Rules and the Company shall comply with the relevant requirements under the Listing Rules.

During the year, a total of 7,293,515 and 25,226,552 Awarded Shares (after the effect of the Share Subdivision) were granted under the 2007 Share Award Scheme and 2013 Share Award Scheme respectively and out of which, 125,000 Awarded Shares (after the effect of the Share Subdivision) were granted to the independent non-executive directors of the Company under the 2007 Share Award Scheme. Details of the movements in the Share Award Schemes during the year are set out in Note 21 to the consolidated financial statements.

As at 31 December 2014, there were a total of 195,000 (after the effect of the Share Subdivision) outstanding Awarded Shares granted to the directors of the Company, details of which are as follows:

		Number of Awarded Shares					
		Before the effective date of the Share Subdivision					
Name of director	Date of grant	As at 1 January 2014	Granted during the year	Vested during the year	Outstanding balance subject to adjustment for Share Subdivision	As at 31 December 2014 (Notes 1 and 2)	Vesting period
Iain Ferguson Bruce	17 March 2011	12,000	–	4,000	8,000	40,000	17 March 2012 to 17 March 2016
	24 March 2014	–	10,000	–	10,000	50,000	24 March 2015 to 24 March 2019
	Total:	12,000	10,000	4,000	18,000	90,000	
Ian Charles Stone	17 March 2011	9,000	–	3,000	6,000	30,000	17 March 2012 to 17 March 2016
	24 March 2014	–	10,000	–	10,000	50,000	24 March 2015 to 24 March 2019
	Total:	9,000	10,000	3,000	16,000	80,000	
Li Dong Sheng	24 March 2014	–	5,000	–	5,000	25,000	24 March 2015 to 24 March 2019
	Grand Total:	21,000	25,000	7,000	39,000	195,000	

Note:

1. Upon the Share Subdivision became effective on 15 May 2014, pro-rata adjustments have been made to the number of outstanding Awarded Shares granted to directors of the Company accordingly.
2. No Awarded Shares were granted or vested after the effective date of the Share Subdivision during the year.

Directors' Report

DIRECTORS AND SENIOR MANAGEMENT

The directors and senior management of the Company during the year and up to the date of this report were:

Executive Directors

Ma Huateng *(Chairman)*
Lau Chi Ping Martin

Non-Executive Directors

Jacobus Petrus (Koos) Bekker
Charles St Leger Searle

Independent Non-Executive Directors

Li Dong Sheng
Iain Ferguson Bruce
Ian Charles Stone

Mr Zhang Zhidong has resigned as an executive director of the Company with effect from 20 March 2014.

In accordance with Article 87 of the Articles of Association, Mr Li Dong Sheng and Mr Iain Ferguson Bruce will retire at the 2015 AGM and, being eligible, will offer themselves for re-election.

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Board considers them independent.

BIOGRAPHICAL DETAILS OF DIRECTORS

Ma Huateng, age 43, is an executive director, Chairman of the Board and Chief Executive Officer of the Company. Mr Ma has overall responsibilities for strategic planning and positioning and management of the Group. Mr Ma is one of the core founders and has been employed by the Group since 1999. Prior to his current employment, Mr Ma was in charge of research and development for Internet paging system development at China Motion Telecom Development Limited, a supplier of telecommunications services and products in China. Mr Ma is a deputy to the 5th Shenzhen Municipal People's Congress and the 12th National People's Congress. Mr Ma has a Bachelor of Science degree specialising in Computer and its Application obtained in 1993 from Shenzhen University and more than 21 years of experience in the telecommunications and Internet industries. He is a director of Advance Data Services Limited, which holds shares of the Company and also a substantial shareholder of the Company.

Lau Chi Ping Martin, age 41, is an executive director and President of the Company. Mr Lau joined the Company in 2005 as the Chief Strategy and Investment Officer and was responsible for corporate strategies, investments, merger and acquisitions and investor relations. In 2006, Mr Lau was promoted as President of the Company to manage the day-to-day operation of the Company. In 2007, he was appointed as an executive director of the Company. Prior to joining the Company, Mr Lau was an executive director at Goldman Sachs (Asia) L.L.C.'s investment banking division and the Chief Operating Officer of its Telecom, Media and Technology Group. Prior to that, he worked at Mckinsey & Company, Inc. as a management consultant. Mr Lau received a Bachelor of Science degree in Electrical Engineering from the University of Michigan, a Master of Science degree in Electrical Engineering from Stanford University and an MBA degree from Kellogg Graduate School of Management, Northwestern University. On 28 July 2011, Mr Lau was appointed as a non-executive director of Kingsoft Corporation Limited, an Internet based software developer, distributor and software service provider listed in Hong Kong. On 10 March 2014, Mr Lau was appointed as a director of JD.com, Inc., an online direct sales company in China, which has been listed on NASDAQ since May 2014. On 31 March 2014, Mr Lau was appointed as a director of Leju Holdings Limited, an online-to-offline real estate services provider in China, which has been listed on New York Stock Exchange since April 2014.

Jacobus Petrus (Koos) Bekker, age 62, has been a non-executive director since November 2012. Mr Bekker is one of the founding members of M-Net/ MultiChoice South Africa pay-television business in 1985. He was also a founder of the cellular telephony business MTN. From 1997 to March 2014, Mr Bekker was the managing director and Chief Executive Officer of Naspers Limited, a company listed on the Johannesburg Stock Exchange and the controlling shareholder of the Company. He is at present the chairman designate. He served on the local organising committee for the 2010 FIFA World Cup. Mr Bekker obtained a Bachelor of Arts degree in law and an honours degree in languages at the University of Stellenbosch in 1974 and 1975 respectively. He also obtained a Bachelor of Laws degree from University of the Witwatersrand in 1978 and an MBA degree from Columbia University in 1984. Mr Bekker was awarded an honorary doctorate degree in commerce from the University of Stellenbosch.

Charles St Leger Searle, age 51, has been a non-executive director since June 2001. Mr Searle is currently Chief Executive Officer of Naspers Internet Listed Assets. Prior to joining the Naspers group companies, he held various corporate finance positions at Cable & Wireless plc and Hong Kong Telecom. Prior to joining Cable & Wireless plc, he was a senior corporate finance manager at Deloitte & Touche in London and Sydney. Currently, Mr Searle serves on the boards of directors of a number of companies that are subsidiaries of or associated companies with Naspers Limited, the controlling shareholder of the Company, and he is a director of Mail.ru Group Limited that is listed on London Stock Exchange. Mr Searle graduated from the University of Cape Town in 1987 with a Bachelor of Commerce degree and is a member of the Institute of Chartered Accountants in Australia (1992). Mr Searle has more than 21 years of experience in the telecommunications and Internet industries.

Li Dong Sheng, age 57, has been an independent non-executive director since April 2004. Mr Li is the Chairman and Chief Executive Officer of TCL Corporation, the Chairman of the Hong Kong listed TCL Multimedia Technology Holdings Limited and the Chairman of the Hong Kong listed TCL Communication Technology Holdings Limited, all of which produce consumer electronic products. Mr Li is a non-executive director of Fantasia Holdings Group Co., Limited, a leading property developer and property related service provider in China that is listed on the Stock Exchange. Mr Li is also an independent director of Legrand, the global specialist in electrical and digital building infrastructures, shares of which are listed on New York Stock Exchange Euronext. Mr Li graduated from South China University of Technology in 1982 with a Bachelor degree in radio technology and has more than 20 years of experience in the information technology field.

Iain Ferguson Bruce, age 74, has been an independent non-executive director since April 2004. Mr Bruce joined KPMG in Hong Kong in 1964 and was elected to its partnership in 1971. He was the Senior Partner of KPMG from 1991 until his retirement in 1996 and served as Chairman of KPMG Asia Pacific from 1993 to 1997. Since 1964, Mr Bruce has been a member of the Institute of Chartered Accountants of Scotland, and is a fellow of the Hong Kong Institute of Certified Public Accountants, with over 50 years of international experience in accounting and consulting. He is also a fellow of The Hong Kong Institute of Directors and a fellow of the Hong Kong Securities and Investment Institute (formerly known as Hong Kong Securities Institute). Mr Bruce is the Chairman of KCS Limited, and is an independent non-executive director of Citibank (Hong Kong) Limited and MSIG Insurance (Hong Kong) Limited. Mr Bruce is currently an independent non-executive director of Goodbaby International Holdings Limited, a manufacturer of durable juvenile products, Louis XIII Holdings Limited (formerly known as Paul Y. Engineering Group Limited), a construction, engineering services and hotel development company, Sands China Ltd., an operator of integrated resorts and casinos, and Wing On Company International Limited, a department store operating and real property investment company; all of these companies are publicly listed on the Stock Exchange. Mr Bruce is also an independent non-executive director of Noble Group Limited, a commodity trading company that is publicly listed on The Singapore Exchange Securities Trading Limited and of Yingli Green Energy Holding Company Limited, a China-based vertically integrated photovoltaic product manufacturer that is listed on the New York Stock Exchange. Mr Bruce was an independent non-executive director of China Medical Technologies, Inc., a China-based medical device company that was listed on NASDAQ, up to 3 July 2012, and Vitasoy International Holdings Limited, a beverage manufacturing company that is publicly listed on the Stock Exchange, up to 4 September 2014.

Ian Charles Stone, age 64, has been an independent non-executive director since April 2004. Mr Stone is an independent advisor on Technology, Media and Telecoms after retiring from PCCW in Hong Kong in 2011. Prior to this, he held senior roles in PCCW, SmarTone, First Pacific, Hong Kong Telecom and CSL, as Chief Executive or at Director level, primarily in Hong Kong, and also in London and Manila. His career in the last 20 years has been primarily in leading mobile telecoms businesses, and new wireless and Internet technology. Since 2011, Mr Stone has provided telecoms advisory services to telecom companies and investors in Hong Kong, China, South East Asia and the Middle East. Mr Stone has more than 44 years of experience in the telecom and mobile industries. Mr Stone is a fellow member of The Hong Kong Institute of Directors.

BIOGRAPHICAL DETAILS OF SENIOR MANAGEMENT

Xu Chenye, age 43, Chief Information Officer, oversees the strategic planning and development for the website properties and communities, customer relations and public relations of the Company. Mr Xu is one of the core founders and has been employed by the Group since 1999. Prior to that, Mr Xu had experiences in software system design, network administration as well as marketing and sales management in his previous position at Shenzhen Data Telecommunications Bureau. Mr Xu received a Bachelor of Science degree in Computer Science from Shenzhen University in 1993 and a Master of Science degree in Computer Science from Nanjing University in 1996.

Ren Yuxin, age 39, Chief Operating Officer and President of Interactive Entertainment Group and Mobile Internet Group, joined the Company in 2000 and had served as General Manager for the Value-Added Services Development Division and General Manager for Interactive Entertainment Business Division. Since September 2005, Mr Ren has been responsible for the research and development, operations, marketing and sales of gaming products for the Interactive Entertainment Business. Since May 2012, Mr Ren has been appointed as Chief Operating Officer and is now in charge of the Interactive Entertainment Group, Mobile Internet Group and Social Network Group. Prior to joining the Company, Mr Ren has worked in Huawei Technologies Co., Ltd. Mr Ren received a Bachelor of Science degree in Computer Science and Engineering from the University of Electronic Science and Technology of China in 1998 and an EMBA degree from China Europe International Business School (CEIBS) in 2008.

James Gordon Mitchell, age 41, Chief Strategy Officer and Senior Executive Vice President, joined the Company in August 2011. He is responsible for various functions, including the Company's strategic planning, strategic implementation, and investor relationships. Prior to joining the Company, Mr Mitchell had worked in investment banking for 16 years. Most recently, Mr Mitchell was a managing director at Goldman Sachs in New York, leading the bank's Communications, Media and Entertainment research team, which analysed Internet, entertainment and media companies globally. Mr Mitchell received a degree from Oxford University and holds a Chartered Financial Analyst Certification.

Lau Seng Yee, age 48, Senior Executive Vice President and President of Online Media Group, joined the Company in 2006 and is responsible for overseeing the Company's online media business, and the development of the Company's online advertising business model, as well as the branding strategies for the Company. Mr Lau is a seasoned professional in the media industry with more than 20 years of solid experience working, with a rare 20 years of on-ground China market experience. In 2007, Mr Lau sat in the advisory board for ad:tech, the globally renowned organisation for Online Marketing. Mr Lau held the post of Vice President of China Advertising Association since 2007. Mr Lau was appointed as the Adjunct Professor of School of Journalism and Communication by Xiamen University in 2010 and also by Fudan University in 2014. Prior to joining the Company, Mr Lau was the Managing Partner of Publicis China and Chief Executive Officer for BBDO China. Before that, he also held senior management positions at Dentsu Young & Rubicam in Shanghai, and McCann-Erickson in Beijing and Hong Kong. Mr Lau received an EMBA degree from Rutgers State University of New Jersey, USA. He also completed the Advanced Marketing Management program, and the Advanced Management Program (AMP) in Harvard Business School. In 2011, Mr Lau was honoured by New York based AdAge publication as one of "The World's 21 Most Influential People in Marketing and Media Industry, 2009-2010". In 2015, he is named as Global Media Person of the year award by Cannes Lions International Festival of Creativity.

Tong Tao Sang, age 41, Senior Executive Vice President and President of Social Network Group, joined the Company in 2005. Mr Tong started as a technical architect, and led the product development of social network platform of the Company, Qzone. Since May 2012, Mr Tong has been responsible for the QQ and Qzone messaging and social networking platforms, VIP subscriptions, performance based advertising, open platform API and cloud services. Prior to joining the Company, Mr Tong worked for Sendmail, Inc. on managing the product development of operator-scale messaging systems. Mr Tong also worked for Oracle on the development and testing of Oracle Server and Oracle Applications. Mr Tong received a Bachelor of Science degree in Computer Engineering from University of Michigan, Ann Arbor in 1994 and a Master of Science degree in Electrical Engineering from Stanford University in 1997.

Zhang Xiaolong, age 45, Senior Executive Vice President and President of Weixin Group, joined the Company in March 2005 and served as the General Manager for the Guangzhou R&D Division and led the QQ Mail team to be the top mail service provider in China. Later he was promoted to Corporate Vice President and since September 2012, Mr Zhang has been appointed as Senior Vice President in charge of the product and team management of Weixin/WeChat and QQ Mail. He is also responsible for the management and review of major innovation projects. In May 2014, Mr Zhang was promoted to Senior Executive Vice President, in charge of the Weixin Group. Prior to joining the Company, Mr Zhang developed Foxmail independently in 1997 as the first generation of Internet software developer in China. He joined Boda China as Corporate Vice President in 2000, responsible for corporate mail developing. Mr Zhang received his Master's degree in Telecommunications from Huazhong University of Science and Technology in 1994.

Lu Shan, age 40, Senior Executive Vice President and President of Technology and Engineering Group, joined the Company in 2000 and had served as General Manager for IM Product Divisions, Vice President for Platform Research and Development System and Senior Vice President for Operations Platform System. Since March 2008, Mr Lu has been in charge of management of the Operations Platform System of the Company. Since May 2012, Mr Lu has been in charge of management of Technical Engineering Group. Prior to joining the Company, he worked for Shenzhen Liming Network Systems Limited. Mr Lu received a Bachelor of Science degree in Computer Science and Technology from University of Science and Technology of China (USTC) in 1998.

Wu Xiaoguang, age 39, Senior Executive Vice President, joined the Company in 1999, he led the development and product planning for the Group's core product, the QQ IM client software and has served as Project Manager for the research and development team of QQ, General Manager for IM product, General Manager for Internet Business Division and Senior Executive Vice President of Internet Services Division. During the year from 2012 to 2014, Mr Wu also served as Chief Executive Officer of Tencent E-Commerce Holdings Limited, responsible for the development and management of e-Commerce business. Mr Wu has extensive experience in product research and development, product planning, product operation and marketing of Internet business. He received a Bachelor of Science degree in Weather Dynamics from Nanjing University in 1996 and an EMBA degree from China Europe International Business School (CEIBS) in 2008.

David A M Wallerstein, age 40, Chief eXploration Officer and Senior Executive Vice President, joined the Company in 2001. He drives the Company's active participation in new and emerging technologies, business areas, and ideas from his base in Palo Alto, California. Mr Wallerstein has worked on building Tencent's international footprint and entrance into new business areas since 2001. Prior to joining the Company, Mr Wallerstein worked with Naspers in China, responsible for investments and strategy. Prior to that, Mr Wallerstein worked as a management consultant in China. Mr Wallerstein received a Master's degree from UC Berkeley and a Bachelor's degree from the University of Washington.

Ma Xiaoyi, age 41, Senior Vice President, joined the Company in 2007 and has been responsible for international publishing of Tencent Games, establishing and maintaining long-term business partnerships and cooperation for the Company since November 2008. Prior to joining the Company, Mr Ma served as a General Manager of Games Division of OPTIC Communication Co., Ltd. Prior to that, Mr Ma worked as a General Manager in Shanghai EasyService Technology Development Ltd. Mr Ma graduated from Shanghai Jiaotong University, and received an EMBA degree from Fudan University in 2008.

John Shek Hon Lo, age 46, Chief Financial Officer and Senior Vice President, joined the Company in 2004 and served as the Company's Financial Controller from 2004 to 2008. Mr Lo was appointed as the Company's Vice President and Deputy Chief Financial Officer in 2008 and was appointed as Chief Financial Officer in May 2012. Prior to joining the Company, Mr Lo worked in PricewaterhouseCoopers as Senior Manager (audit services). He is a Fellow of the CPA Australia, a Fellow of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Chartered Institute of Management Accountants. Mr Lo received a Bachelor of Business in Accounting from Curtin University of Technology and an EMBA degree from Kellogg Graduate School of Management, Northwestern University and HKUST.

Guo Kaitian, age 42, Senior Vice President, joined the Company in 2002 and has been responsible for overseeing the Company's functional divisions of administration, legal affairs, government relations, charity fund, procurement as well as the functional management of the branches in Beijing, Shanghai and Chengdu. Mr Guo received a Bachelor of Law degree from Zhongnan University of Economics and Law in 1996.

Xi Dan, age 39, Senior Vice President, joined the Company in 2002 and has been responsible for overseeing the Company's talent development and functional management since May 2008. Prior to joining the Company, Mr Xi was responsible for HR management in ZTE Corporation and has more than 19 years of experience in IT and Internet industries. Mr Xi received a Bachelor of Science degree in Applied Computer Science from Shenzhen University in 1996 and an MBA degree from Tsinghua University in 2005.

DIRECTORS' SERVICE CONTRACTS

Mr Ma Huateng has entered into a service contract with the Company for a term of less than 3 years from 25 March 2013 to 31 December 2015. The term of the service contract can be extended by agreement between the Company and Mr Ma. The Company may terminate the service contract by three months' written notice at any time, subject to paying his salary for the shorter of six months and a portion of his annual bonus for the year in which termination occurred pro rata to the portion of the year before the termination becomes effective.

Mr Zhang Zhidong has entered into a service contract with the Company for a term of less than 3 years from 25 March 2013. Mr Zhang has resigned as an executive director of the Company with effect from 20 March 2014.

Mr Lau Chi Ping Martin has entered into a service contract with the Company for a term of 3 years ending 31 December 2015. Mr Lau is entitled to an annual bonus based on the performance of the Company in an amount to be determined by the Remuneration Committee. Mr Lau is entitled to participate in all employee benefit plans, programs and arrangements of the Company.

Save as disclosed above, none of the directors who are proposed for re-election at the 2015 AGM has a service contract with the Company which is not determinable by the Company within 1 year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2014, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or are deemed to have taken, under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

(A) Long position in the shares and underlying shares of the Company

Name of director	Nature of interests	Number of shares/ underlying shares held (Note 1)	Percentage of issued share capital
Ma Huateng	Corporate (Note 2)	924,353,200	9.86%
Lau Chi Ping Martin	Personal*	47,768,000 (Note 3)	0.51%
Li Dong Sheng	Personal*	25,000 (Note 4)	0.0003%
Iain Ferguson Bruce	Personal*	460,000 (Note 5)	0.005%
Ian Charles Stone	Personal*	125,000	0.005%
	Family+	300,000	
		425,000 (Note 6)	

Note:

1. Upon the Share Subdivision became effective on 15 May 2014, pro-rata adjustments have been made to the number of shares and underlying shares of the Company accordingly.

2. These shares are held by Advance Data Services Limited, a British Virgin Islands company wholly-owned by Ma Huateng.

3. The interest comprises 37,768,000 shares and 10,000,000 underlying shares in respect of the share options granted pursuant to the Post-IPO Option Scheme II and the Post-IPO Option Scheme III. Details of the share options granted to this director are set out above under "Share Option Schemes".

4. The interest comprises 25,000 underlying shares in respect of the awarded shares granted pursuant to the 2007 Share Award Scheme. Details of the awarded shares granted to this director are set out above under "Share Award Schemes".

5. The interest comprises 370,000 shares and 90,000 underlying shares in respect of the awarded shares granted pursuant to the 2007 Share Award Scheme. Details of the awarded shares granted to this director are set out above under "Share Award Schemes".

6. The interest comprises 345,000 shares and 80,000 underlying shares in respect of the awarded shares granted pursuant to the 2007 Share Award Scheme. Details of the awarded shares granted to this director are set out above under "Share Award Schemes".

* Interests of beneficial owner

\+ Interests of spouse or child under 18 as beneficial owner

(B) Long position in the shares of associated corporations of the Company

Name of director	Name of associated corporation	Nature of interest	Number of shares and class of shares held	Percentage of issued share capital
Ma Huateng	Tencent Computer	Personal	RMB35,285,705 (registered capital)	54.29%
	Shiji Kaixuan	Personal	RMB5,971,427 (registered capital)	54.29%

Save as disclosed above, none of the directors or chief executive of the Company and their associates, had interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations as at 31 December 2014.

CONNECTED TRANSACTIONS

Reference is made to the waiver granted by the Stock Exchange regarding the compliance with the applicable disclosure, reporting and shareholders' approval requirements under Chapter 14A of the Listing Rules when the Company was listed in June 2004. The Company's independent non-executive directors had reviewed the Structure Contracts (as defined in the section "Our History and Structure – Structure Contracts" of the IPO prospectus of the Company) and confirmed that the transactions carried out during the financial year had been entered into in accordance with the relevant provisions of the Structure Contracts and, had been operated so as to transfer by the date of this annual report Tencent Computer's and Shiji Kaixuan's Surplus Cash (as defined in the section "Our History and Structure – Structure Contracts" of the IPO prospectus of the Company) as at 31 December 2014 to Tencent Technology, Cyber Tianjin (formerly known as Shidai Zhaoyang Technology (Shenzhen) Company Limited in the IPO prospectus of the Company), Tencent Beijing, Cyber Shenzhen, Tencent Chengdu, Tencent Information Technology (Chongqing),Tencent Information Technology (Shanghai),Tencent Shanghai and Tencent Wuhan. The Company's independent non-executive directors had also confirmed that no dividends or other distributions had been made by Tencent Computer, Shiji Kaixuan or the New OPCOs to the holders of their equity interests and any new Structure Contracts entered into, renewed and/or cloned during the relevant financial period the terms of which are fair and reasonable so far as the Group was concerned and in the interests of the Company's shareholders as a whole. To this extent, similar Structure Contracts were entered into relating to the New OPCOs.

The Auditor had carried out procedures on the transactions pursuant to the Structure Contracts and had provided a letter to the Board confirming that such transactions had been approved by the Board and had been entered into, in all material respects, in accordance with the relevant Structure Contracts and had been operated so as to transfer the Surplus Cash of Tencent Computer, Shiji Kaixuan and the New OPCOs as at 31 December 2014 to the WFOEs and that no dividends or other distributions had been made by Tencent Computer or Shiji Kaixuan or the New OPCOs to the holders of their equity interests.

Transactions carried out during the year ended 31 December 2014, which have been eliminated in the consolidated financial statements of the Group, are set out as follows:

1. Pursuant to the TCS CFC, the parties shall co-operate in the provision of communications services. Tencent Technology and its affiliates shall allow Tencent Computer to use its and its affiliates' assets and to provide services to Tencent Computer. Tencent Computer shall transfer all of its Surplus Cash to Tencent Technology and its affiliates as consideration. The parties also established the TCS Co-operation Committee according to this agreement. During the year, revenue sharing amounting to approximately RMB24,409,000,000, RMB2,408,000,000, RMB7,699,000,000, RMB1,265,000,000, RMB2,692,000,000, RMB766,000,000, and RMB265,000,000 were paid or payable by Tencent Computer to Tencent Technology, Cyber Tianjin, Tencent Beijing, Tencent Chengdu, Tencent Shanghai, Tencent Wuhan, and Tencent Information Technology (Chongqing), respectively. In addition, during the year, Internet data center service fee amounting to approximately RMB369,000,000 and RMB75,000,000 was paid or payable by Tencent Computer to Cyber Tianjin and Tencent Information Technology (Shanghai).

2. Pursuant to the SKT CFC, the parties shall co-operate in the provision of communications services. Cyber Tianjin and its affiliates shall allow Shiji Kaixuan to use its and its affiliates' assets and to provide services to Shiji Kaixuan. Shiji Kaixuan shall transfer all of its Surplus Cash to Cyber Tianjin and its affiliates as consideration. The parties also established the SKT Co-operation Committee according to this agreement. During the year, no services was transacted under such arrangements, save as disclosed elsewhere in this section.

3. Pursuant to the amended and restated intellectual property transfer agreement dated 28 February 2004 entered into between Tencent Technology and Tencent Computer, Tencent Computer shall assign to Tencent Technology its principal present and future intellectual property rights, free from encumbrances (except for licences granted in the ordinary course of Tencent Computer's business) in consideration of Tencent Technology's undertaking to provide certain technology and information services to Tencent Computer. During the year, no intellectual property transfer was transacted under such arrangements, save as disclosed elsewhere in this section.

4. Pursuant to the intellectual property transfer agreement dated 28 February 2004 entered into between Cyber Tianjin and Shiji Kaixuan, Shiji Kaixuan shall assign to Cyber Tianjin its principal present and future intellectual property rights, free from encumbrance (except for licences granted in the ordinary course of Shiji Kaixuan's business) in consideration of Cyber Tianjin's undertaking to provide certain technology and information services to Shiji Kaixuan. During the year, no intellectual property transfer was transacted under such arrangements, save as disclosed elsewhere in this section.

5. Pursuant to the domain name licence agreement dated 28 February 2004 entered into between Tencent Technology, as licensor, and Tencent Computer, as licensee, Tencent Technology shall grant to Tencent Computer a non-exclusive license to use specified domain names against payment of annual royalties determined by the TCS Co-operation Committee within a range of percentages of Tencent Computer's annual revenues. During the year, no domain name license was transacted under such arrangements, save as disclosed elsewhere in this section.

6. Pursuant to the domain name licence agreement dated 28 February 2004 entered into between Tencent Technology, as licensor, and Shiji Kaixuan, as licensee, Tencent Technology shall grant Shiji Kaixuan a non-exclusive licence to use specified domain names against payment of annual royalties determined as a percentage of Shiji Kaixuan's annual revenues (which may be adjusted pursuant to the agreement or the SKT CFC). During the year, no domain name licence was transacted under such arrangements, save as disclosed elsewhere in this section.

7. Pursuant to the trademark licence agreement dated 28 February 2004 entered into between Tencent Technology, as licensor, and Tencent Computer, as licensee, Tencent Technology shall grant to Tencent Computer a non-exclusive licence to use specified trademarks against payment of annual royalties determined as a percentage of Tencent Computer's annual revenues (which may be adjusted pursuant to the agreement or the TCS CFC). During the year, no trademark licence was transacted under such arrangements, save as disclosed elsewhere in this section.

8. Pursuant to the trademark licence agreement dated 28 February 2004 entered into between Tencent Technology, as licensor, and Shiji Kaixuan, as licensee, Tencent Technology shall grant Shiji Kaixuan a non-exclusive licence to use specified trademarks against payment of annual royalties determined as a percentage of Shiji Kaixuan's annual revenues (which may be adjusted pursuant to the agreement or the SKT CFC). During the year, no trademark licence was transacted under such arrangements, save as disclosed elsewhere in this section.

9. Pursuant to the information consultancy services agreement dated 28 February 2004 entered into between Tencent Technology, as consultant, and Tencent Computer, Tencent Technology shall provide specified information consultancy services to Tencent Computer against payment of an annual consultancy service fee determined by the TCS Co-operation Committee within a range of percentages of Tencent Computer's annual revenues. During the year, no consultancy service was transacted under such arrangements, save as disclosed elsewhere in this section.

10. Pursuant to the technical consultancy services agreement dated 28 February 2004 entered into between Tencent Technology, as consultant, and Shiji Kaixuan, Tencent Technology shall provide specified technical consultancy services to Shiji Kaixuan against payment of an annual consultancy service fee determined by the SKT Cooperation Committee within a range of percentages of Shiji Kaixuan's annual revenues. During the year, no consultancy service was transacted under such arrangements, save as disclosed elsewhere in this section.

11. Pursuant to the co-operation framework agreement entered into between each of the New OPCOs and one of the WFOEs, the parties shall cooperate in the provision of communications services. For each agreement, the WFOEs shall allow the New OPCOs to use its and its affiliates' assets and provide services to the New OPCOs. The New OPCOs shall transfer all of its Surplus Cash to the WFOEs and its affiliates as consideration. Co-operation committees have also been established according to these agreements. During the year, revenue sharing amounting to approximately RMB97,000,000, RMB25,000,000, RMB504,000,000, RMB99,958, and RMB1,000,000 was paid or payable by Wang Dian to Tencent Technology, Cyber Tianjin, Tencent Beijing, Tencent Chengdu and Tencent Wuhan, respectively. Revenue sharing amounting to approximately RMB31,000,000, RMB38,000,000, RMB48,000,000, RMB172,000,000, and RMB2,000,000 was paid or payable by Beijing BIZCOM to Tencent Technology, Cyber Tianjin, Tencent Beijing, Tencent Chengdu and Tencent Wuhan respectively. Revenue sharing amounting to approximately RMB1,000,000, RMB3, RMB5,000,000 and RMB17,000,000 was paid or payable by Beijing Starsinhand to Tencent Technology, Cyber Tianjin, Tencent Beijing and Tencent Chengdu respectively. Revenue sharing amounting to approximately RMB52,143 was paid or payable by Guangzhou Yunxun to Tencent Technology.

Save as the related parties transaction disclosed in Note 45 to the Consolidated Financial Statements, no related parties transactions disclosed in the Consolidated Financial Statements constitutes a discloseable connected transaction as defined under the Listing Rules. The Company has complied with the disclosure requirements set out in Chapter 14A of the Listing Rules.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, the following persons, other than the directors or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company:

Long/ short position in the shares of the Company

Name of shareholder	Long/ short position	Nature of interest/ capacity	Number of shares/ underlying shares held	Percentage of issued share capital
MIH TC	Long position	Corporate (Note 2)	3,151,201,900 (Note 1)	33.63%
Advance Data Services Limited	Long position	Corporate (Note 3)	924,353,200 (Note 1)	9.86%
JPMorgan Chase & Co.	Long position	Beneficial owner	191,923,463	
		Investment manager	95,009,185	
		Trustee (other than a bare trustee)	24,090	
		Custodian corporation/ approved lending agent	300,211,641	
		Total (Note 4(i)):	587,168,379	6.27%
	Short position	Beneficial owner (Note 4(ii))	83,683,675	0.89%

Note:

1. Upon the Share Subdivision became effective on 15 May 2014, pro-rata adjustments have been made to the number of shares of the Company accordingly.

2. MIH TC is controlled by Naspers Limited through its wholly-owned intermediary companies, MIH (Mauritius) Limited, MIH Ming He Holdings Limited and MIH Holdings Proprietary Limited. As such, Naspers Limited, MIH (Mauritius) Limited, MIH Ming He Holdings Limited and MIH Holdings Proprietary Limited are deemed to be interested in the same block of 3,151,201,900 shares under Part XV of the SFO.

3. As Advance Data Services Limited is wholly-owned by Ma Huateng, Mr Ma has interest in these shares as disclosed under the section of "Directors' Interests in Securities".

4. (i) Such long position includes derivative interests in 25,267,191 underlying shares of the Company of which 9,070,580 underlying shares are derived from listed and physically settled derivatives, 245,300 underlying shares are derived from listed and cash settled derivatives, 8,843,251 underlying shares are derived from unlisted and physically settled derivatives and 7,108,060 underlying shares are derived from unlisted and cash settled derivatives. It also includes 300,211,641 shares in lending pool.

   (ii) Such short position includes derivative interests in 32,999,844 underlying shares of the Company of which 9,074,980 underlying shares are derived from listed and physically settled derivatives, 11,595,550 underlying shares are derived from listed and cash settled derivatives, 3,609,150 underlying shares are derived from unlisted and physically settled derivatives and 8,720,164 underlying shares are derived from unlisted and cash settled derivatives.

Save as disclosed above, the Company had not been notified of any other persons (other than a director or chief executive of the Company) who, as at 31 December 2014, had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2014, the five largest customers of the Group accounted for approximately 4.74% of the Group's total revenues while the largest customer of the Group accounted for approximately 1.59% of the Group's total revenues. In addition, for the year ended 31 December 2014, the five largest suppliers of the Group accounted for approximately 34.01% of the Group's total purchases while the largest supplier of the Group accounted for approximately 13.71% of the Group's total purchases.

None of the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued capital) had an interest in any of the major customers or suppliers noted above.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's audited financial statements for the year ended 31 December 2014. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Save as disclosed in the 2013 annual report and the 2014 interim report of the Company, none of the directors of the Company is aware of any information which would reasonably indicate that the Company has not, for any part of the year ended 31 December 2014, complied with the CG Code.

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

ADOPTION OF CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. The directors of the Company have complied with such code of conduct throughout the accounting year covered by this annual report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2014, the Group had 27,690 employees (2013: 27,492). The number of employees employed by the Group varies from time to time depending on needs and the 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 programmes, discretionary bonuses, share awards and share options may be awarded to employees according to the assessment of individual performance.

The total remuneration cost incurred by the Group for the year ended 31 December 2014 was RMB15,451 million (2013: RMB10,364 million).

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors, the directors confirm that the Company has maintained during the year the amount of public float as required under the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

(A) Entitlement to Attend and Vote at the 2015 AGM

The register of members will be closed from Monday, 11 May 2015 to Wednesday, 13 May 2015, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the 2015 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, 8 May 2015.

(B) Entitlement to the Proposed Final Dividend

The register of members will be closed from Tuesday, 19 May 2015 to Wednesday, 20 May 2015, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Monday, 18 May 2015.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment at the 2015 AGM.

On behalf of the Board

Ma Huateng
Chairman

Hong Kong, 18 March 2015

Maintaining the highest standards of corporate governance and ethical business practices are core values of the Group. The Board views effective corporate governance practices as a priority of the Group, with the aim of providing our investors a thorough understanding of the Group's management and how the management oversees and manages different businesses of the Group. Our belief is that investors will recognise significant long-term value when the Group's businesses are conducted in an open and responsible manner. Ethical business practices go hand in hand with strong corporate governance, and we believe that running our businesses in an ethical manner will create trust with the public and ultimately create shareholder value for the Group.

CORPORATE GOVERNANCE PRACTICES

The Board is of the view that throughout the year ended 31 December 2014, the Company complied with the applicable code provisions set out in the CG Code, except for the deviation from code provisions A.2.1 regarding the segregation of the role of the chairman and chief executive and A.4.2 regarding the retirement and re-election of directors.

The Board continues to monitor and review the Company's corporate governance practices and makes necessary changes at an appropriate time.

BOARD OF DIRECTORS

Responsibilities

The Board's fundamental responsibility is to exercise its best judgment and to act in the best interests of the Company and its shareholders. The Board oversees management's efforts to promote the Company's success while operating in an effective and responsible manner. The Board also formulates the Company's overall business strategies and monitors management's execution of such strategies.

By discharging its responsibilities, the Board has defined the business and governance issues for which it needs to be responsible, and these matters reserved for the Board have been separately defined, and are reviewed periodically, to ensure that the Company maintains the proper level of corporate governance and to ensure they are up to date. In this regard, the Board:

- determines the Group's mission, provides its strategic direction and is responsible for the approval of strategic plans
- approves the annual business plan and budget proposed by management
- retains full and effective control over the Group and monitors management with regard to the implementation of the approved annual budget and business plan
- appoints the Chief Executive Officer, who reports to the Board, and ensures that succession is planned
- approves the Company's financial statements, quarterly, interim and annual reports
- determines the Group's communication policy

- determines director selection, orientation and evaluation
- ensures that the Group has appropriate risk management, internal control, internal audit and regulatory compliance procedures in place and that it communicates adequately with shareholders and stakeholders
- establishes Board sub-committees with clear terms of reference and responsibilities as appropriate
- defines levels of delegation in respect of specific matters, with required authority to Board sub-committees and management
- monitors non-financial aspects pertaining to the business of the Group
- considers and, if appropriate, declares the payment of dividends to shareholders
- regularly evaluates its own performance and effectiveness

The Board delegates the responsibility of day-to-day business and operations to the Company's senior management team, which includes its chief officers, the president and executive vice-presidents. The senior management team meets once every two weeks or as frequent as necessary to formulate policies and make recommendations to the Board. The senior management team administers, enforces, interprets and supervises compliance with the internal rules and operational procedures of the Company as well as its subsidiaries and conducts regular reviews, recommends and advises on appropriate amendments to such rules and procedures. The senior management team reports to the Board on a regular basis and communicates with the Board whenever required.

To better serve the long term interests of our stakeholders, the Board dedicates certain matters which require particular time, attention and expertise to be devoted to its committees. The Board has determined that these matters are better dealt with by the committees as they require independent oversight and specialists input. As such, the Board has established five committees to assist the Board: Audit Committee, Corporate Governance Committee, Investment Committee, Nomination Committee and Remuneration Committee. Each of the committees has terms of reference which clearly specifies its powers and authorities. All committees report back to the Board and make recommendations to the Board if necessary.

The Company's governance structure of these committees can be summarised as follows:

Audit Committee

- handles the relationship with the Company's external auditor
- reviews the Company's financial information
- exercises oversight of the Company's financial reporting system and internal control procedures

Corporate Governance Committee

- reviews the Company's corporate governance matters and makes recommendations to the Board
- reviews and monitors the training and continuous professional development of the directors of the Company and senior management team
- reviews and monitors the Company's policies and practices on the compliance with legal and regulatory requirements
- develops, reviews and monitors the code of conduct and compliance manual (if any) applicable to employees and directors
- reviews the shareholders communication policy and makes recommendations to the Board where appropriate to enhance effective communications between the Company and its shareholders
- reviews the Company's compliance with the CG Code and disclosure in the Corporate Governance Report

Investment Committee

- identifies, considers and makes recommendations on mergers, acquisitions and disposals
- ensures compliance of the Listing Rules and any other relevant laws and regulations of any mergers, acquisitions and disposals

Nomination Committee

- reviews and monitors the structure, size, composition and diversity of the Board in light of the Company's strategy
- identifies individuals and makes recommendations to the Board to be new Board members, by taking into account of the individual's experience, knowledge, skills, qualifications and characters, as well as the Listing Rules requirements
- reviews and makes recommendations to the Board on individuals nominated to be directors by shareholders
- assesses the independence of independent non-executive directors
- reviews and monitors the implementation of the board diversity policy of the Company

Remuneration Committee

- reviews and approves proposals about the policy and structure of remuneration of directors and senior management team
- ensures these remuneration proposals are aligned to corporate goals and objectives
- ensures that no director or any of his associates is involved in deciding his own remuneration

The work of the committees during the year 2014 is set out on pages 65 to 67.

All directors have full and timely access to all relevant information as well as advice and services of the Company's general counsel and the company secretary, with a view to ensuring the Board procedures and all applicable rules and regulations are followed. All directors may also obtain independent professional advice at the Company's expenses for carrying out their functions.

We believe ongoing education and training, as well as participation in director education programs, is important for maintaining a current and effective Board. In order to ensure the directors are aware of their responsibilities as directors of the Company, and for the Company to take advantage of their rich mix of knowledge and experience, it is our practice that new directors have to undergo an orientation programme and the existing directors have to attend a comprehensive, formal and tailored training on their duties and responsibilities as directors under statute, common law, the Listing Rules, legal and other regulatory requirements provided by external professional advisers. Directors would also regularly meet with senior management team to understand the Group's business, governance policies and regulatory environment. New directors would also receive a directors' handbook on their responsibilities under the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company. Trainings have been and will continue to be provided by external advisers on a regular basis in relation to any updates of laws and regulations (including the Listing Rules) which relate to the director's responsibilities. During the year ended 31 December 2014, the Company arranged a briefing on topics relating to corporate governance, legal and regulatory environment and business trends which are relevant to the Group's business on 13 August 2014. Below summarises each of the directors participation in continuous professional development during the year ended 31 December 2014:

Name of Director	**Participated in continuous professional development**[1]
Executive directors	
Ma Huateng	√
Lau Chi Ping Martin	√
Zhang Zhidong*	N/A
Non-executive directors	
Jacobus Petrus (Koos) Bekker	√
Charles St Leger Searle	√
Independent non-executive directors	
Li Dong Sheng	√
Iain Ferguson Bruce	√
Ian Charles Stone	√

* Mr Zhang Zhidong has resigned as an executive director of the Company with effect from 20 March 2014.

1 Attended training/seminar/conference arranged by the Company or other external parties or read relevant material

Maintaining a high level of corporate governance and integrity cannot depend solely on the Board's efforts, each of the Group's employees is also required to contribute to such cause. The Company thus distributes a code of conduct policy which emphasises on honesty and respect is distributed to all employees and forms part of their service contracts.

In addition, the Board has adopted various practices to bring the Group to a high level of corporate governance and in compliance with the CG Code.

To stay abreast of the high level of corporate governance and maintain transparency of our corporate governance practices, we have continued to adopt and foster the following corporate governance practices:

- review of the shareholders communication policy on a regular basis
- trainings have been and will continue to be provided to directors on a timely basis, including briefing the directors on any updates to the Listing Rules and the laws
- company secretary attends trainings in compliance with the Listing Rules requirements
- informal updates and structured monthly updates on the Company's performance, position and prospects are provided to the directors

Chairman and Chief Executive Officer

Mr Ma Huateng serves as the Chairman and Chief Executive Officer of the Company. This is at variance with code provision A.2.1 of the CG Code, which provides that the roles of Chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and chief executive should be clearly established and set out in writing.

In view of the ever-changing business environment in which our Group operates, the Chairman and Chief Executive Officer must be proficient in IT knowledge and be sensitive to fast and rapid market changes, including changes in users' preferences, in order to promote the different businesses of the Group. The Board thus considers that a segregation of the role of the Chairman and Chief Executive Officer may create unnecessary costs for the daily operation of the Group.

Besides, all major decisions have been made in consultation with members of the Board and appropriate committees, as well as the senior management team. Chief officers and senior executives are invited to attend Board meetings from time to time to make presentations and answer Board's enquiries. In addition, directors are encouraged to participate actively in all Board and committee meetings of which they are members, and the Chairman ensures that all issues raised are properly briefed at the Board meetings, and together with the senior management, provide adequate, accurate, clear, complete and reliable information to members of the Board in a timely manner. Further, the Chairman ensures that adequate time is available for discussion for all items at the Board meetings. During the year ended 31 December 2014, the Chairman held a meeting with the non-executive directors (including the independent non-executive directors) without the presence of the executive directors, presenting diversified perspectives for the Chairman to consider.

The Board is therefore of the view that there are adequate balance of power and safeguards in place. Nevertheless, the Board will continue to regularly monitor and review the Company's current structure and to make necessary changes at an appropriate time.

Composition

As at the date of this annual report, the Board comprised a total of seven directors, with two executive directors, two non-executive directors and three independent non-executive directors. During the year ended 31 December 2014 and up to the date of this annual report, there is no change to the composition of the Board except that Mr Zhang Zhidong has resigned as an executive director of the Company with effect from 20 March 2014.

A list of directors and their respective biographies are set out on pages 40 to 43 of this annual report.

In order for the Group to take advantage of the skills, experiences and diversity of perspective and in order for the directors to ensure that they give sufficient time and attention to the Group's affairs, we request each of the directors to disclose to the Company quarterly the number and the nature of offices held in public companies or organisations and other significant commitments. The Board's composition is in compliance with the requirement under Rule 3.10A of the Listing Rules that the number of independent non-executive directors must represent at least one-third of the Board. The Board believes that the balance between the executive directors and non-executive directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of the shareholders and the Group.

The Board values the importance of independent judgment and advice provided by non-executive directors to safeguard the interests of the shareholders. The non-executive directors contribute diversified qualifications and experience to the Group by expressing their views in an independent, constructive and informed manner, and actively participate in Board and committee meetings and to bring independent judgment and advice on issues relating to the Group's strategies, policies, performance, accountability, resources, key appointments, standards of conduct, conflicts of interests and management process, with the shareholders' interests being the utmost important factor. The non-executive directors also exercise their independent judgment and utilise their expertise to scrutinise the Company's performance in achieving agreed corporate goals and objections, and monitor performance reporting.

Further, in compliance with Rule 3.10 of the Listing Rules, one of our independent non-executive directors has the appropriate professional qualifications or accounting or related financial management expertise, who provides valuable advice from time to time to the Board. The Company has also received from each independent non-executive director a confirmation annually of his independence and the Nomination Committee has conducted an annual review and considers that all independent non-executive directors are independent, taking into account of the independence guidelines set out in Rule 3.13 of the Listing Rules in the context of the length of service of each independent non-executive director.

As part of our corporate governance practice to provide transparency to the investor community and in compliance with the Listing Rules and the CG Code, independent non-executive directors are identified as such in all corporate communications containing the names of the directors. In addition, an updated list of directors identifying the independent non-executive directors and the roles and functions of the directors is maintained on the Company Website and the Stock Exchange's website.

Appointments, Re-election and Removal

The Board is the core of the Group's success, and with the right membership of the Board, we can benefit from the right set of skills, experience and diversity of perspective to take the Company forward. Therefore, it is essential for the Company to maintain the established formal, considered and transparent procedure for the appointment of new directors to the Board. It is our corporate governance practice and in accordance with the Articles of Association that all directors (except for the Chairman) should be subject to re-election at regular intervals and the resignation and removal of any director should be explained with reasons. In the 2014 annual general meeting, Mr Lau Chi Ping Martin and Mr Charles St Leger Searle were retired and re-elected.

Code provision A.4.2 of the CG Code provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Since the Chairman, in accordance with the Articles of Association, whilst holding such office is not subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year, code provision A.4.2 of the CG Code is deviated. The Chairman is one of the founders of the Group and he plays a key role in the growth and development of the Group. At present, the Chairman's continuing presence in the Board is vital to assure sustainable development of the Group. Given the importance of the Chairman's role in the development of the Group, the Board considers that the relevant provision in the Articles of Association has no material impact on the operation of the Group as a whole.

Board Activity

The Board meets four times during the year as a minimum and, during the year of 2014, it met nine times. The attendance of each director at Board, committee meetings and annual general meeting, whether in person or by means of electronic communication, is detailed in the table below:

	Attendance/ No. of Board, Committee Meetings and Annual General Meeting					
Name of Director	**Board**	**Audit Committee**	**Corporate Governance Committee**	**Nomination Committee**	**Remuneration Committee**	**Annual General Meeting**
Executive directors						
Ma Huateng	9/9			1/1		1/1
Lau Chi Ping Martin	9/9					1/1
Zhang Zhidong*	3/3					N/A
Non-executive directors						
Jacobus Petrus (Koos) Bekker	9/9				4/4	1/1
Charles St Leger Searle	9/9	5/7	1/2	1/1		1/1
Independent non-executive directors						
Li Dong Sheng	3/9			1/1	2/4	0/1
Iain Ferguson Bruce	6/9	7/7	2/2	1/1		1/1
Ian Charles Stone	9/9	7/7	2/2	1/1	4/4	1/1

* Mr Zhang Zhidong has resigned as an executive director of the Company with effect from 20 March 2014.

At the Board meetings, the Board discussed on a wide range of matters, including the Group's overall strategies, financial and operational performances, approved the annual, interim and quarterly results of the Group, the appointments of director, business prospects, regulatory compliance and corporate governance, and other significant matters. The company secretary, in consultation with the Chairman and the senior management team, prepares the agendas for each meeting and all directors are given the opportunity to include matters for discussion in the agenda. The company secretary also ensures that all applicable rules and regulations in relation to the Board meetings are followed. The company secretary sends notice of the Board meeting to each of the director at least fourteen days in advance of each regular Board meeting. The company secretary also sends the agendas, board papers and relevant information relating to the Group to each of the directors at least three days in advance of each regular Board meeting and committee meetings, and to keep the directors updated on the Group's financial performance and latest developments. If any director raises any queries, steps will be taken to respond to such queries as promptly and fully as possible. If there is potential or actual conflicts of interests involving a substantial shareholder or a director, such director would declare his interest and will abstain from voting on such matters. The directors may approach the Company's senior management team when necessary. The directors may also retain independent professional advisers at the Company's expense if necessary.

The company secretary ensures that there is a good and timely flow of information to the Board. The company secretary is responsible for taking minutes of all Board and committee meetings and to ensure that sufficient details of the matters considered and decisions reached have been recorded. The directors receive the draft minutes for comments shortly after each meeting and final minutes with the relevant board papers and related materials are available for review and inspection by the directors at any time.

THE COMMITTEES

As described above, the Board has established five committees which have delegated responsibilities and report back to the Board: Audit Committee, Corporate Governance Committee, Investment Committee, Nomination Committee and Remuneration Committee. The roles and functions of these committees are set out in their respective terms of reference. All relevant terms of reference (except for the Investment Committee) are available on the Company Website and the Stock Exchange's website.

Audit Committee

The Audit Committee comprises only non-executive directors. Its members are Mr Iain Ferguson Bruce, Mr Ian Charles Stone (both are independent non-executive directors) and Mr Charles St Leger Searle. Mr Iain Ferguson Bruce chairs the Audit Committee and together with Mr Charles St Leger Searle, have appropriate professional qualifications and experiences in financial matters.

The Audit Committee meets not less than twice a year; in 2014 the Audit Committee met seven times. Individual attendance of each Audit Committee member is set out on page 64. In addition to the members of the Audit Committee, meetings were attended by the Chief Financial Officer, the Head of Internal Audit and the Head of Internal Control and the external auditor at the invitation of the Audit Committee.

The Audit Committee's main work during the year 2014 included reviewing:

- the 2013 annual report, including the Corporate Governance Report, Directors' Report and the financial statements, as well as the related results announcement
- the 2014 interim report and interim results announcement
- the 2014 first and third quarters results announcements
- compliance with the CG Code, the Listing Rules and relevant laws
- in relation to the external auditor, their plans, reports and management letter, fees, involvement in non-audit services, and their terms of engagement
- the plans (including those for 2014), resources and work of the Company's internal auditors
- the adequacy of resources, qualification and training of the Group's finance department
- the effectiveness of the Company's financial reporting system, the system of internal controls in operation, risk management system and associated procedures within the Group

PricewaterhouseCoopers ("PwC") is the Group's external auditor. The Audit Committee annually reviews the relationship the Company has with PwC. Having also reviewed the effectiveness of the external audit process as well as the independence and objectivity of PwC, the Audit Committee is satisfied about this relationship. As such, the Audit Committee has recommended their re-appointment at the 2015 AGM.

Corporate Governance Committee

The Corporate Governance Committee comprises only non-executive directors. Its members are Mr Charles St Leger Searle, Mr Iain Ferguson Bruce and Mr Ian Charles Stone (both are independent non-executive directors). The Corporate Governance Committee is chaired by Mr Charles St Leger Searle.

The Corporate Governance Committee met twice in 2014. Individual attendance of each Corporate Governance Committee member is set out on page 64.

During 2014, the Corporate Governance Committee discussed on the arrangements made for directors to attend training sessions as well as reviewed the Company's corporate governance matters and the insider dealing policy, the disclosure of inside information policy and the shareholders communication policy.

Investment Committee

The Investment Committee comprises a majority of executive directors. Its members are Mr Lau Chi Ping Martin, Mr Ma Huateng, Mr Zhang Zhidong* and Mr Charles St Leger Searle. The Investment Committee is chaired by Mr Lau Chi Ping Martin.

The Investment Committee met three times in 2014, during which the Investment Committee had discussed and approved various acquisitions and disposals by the Group and had considered and passed resolutions on its decisions on the Group's acquisitions and disposals.

* Mr Zhang Zhidong has resigned as an executive director of the Company and ceased to be a member of the Investment Committee with effect from 20 March 2014.

Nomination Committee

The Nomination Committee comprises a majority of independent non-executive directors. Its members are Mr Ma Huateng, Mr Li Dong Sheng, Mr Iain Ferguson Bruce, Mr Ian Charles Stone and Mr Charles St Leger Searle. The Nomination Committee is chaired by Mr Ma Huateng.

The Nomination Committee met once in 2014. Individual attendance of each Nomination Committee member is set out on page 64.

During 2014, the Nomination Committee reviewed board composition and director succession, and the board diversity policy. The Nomination Committee has also assessed the independence of the independent non-executive directors and considers all of them being independent, taking into account of the independence guidelines set out in Rule 3.13 of the Listing Rules in the context of the length of service of each independent non-executive director. The Company recognises the benefits of having a diverse Board, and views diversity at Board level as a business imperative that will help the Company achieve its strategic objectives and maintain a competitive advantage. As such, the Board has set measurable objectives for the implementation of the board diversity policy to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and in order for the Board to be effective. The Nomination Committee is satisfied that the board diversity policy is successfully implemented with reference to the measurable objectives. The Nomination Committee will continue to monitor the implementation of the board diversity policy and will review the board diversity policy periodically to ensure its continued effectiveness.

Remuneration Committee

The Remuneration Committee comprises only non-executive directors. Its members are Mr Ian Charles Stone, Mr Li Dong Sheng (both are independent non-executive directors) and Mr Jacobus Petrus (Koos) Bekker. Mr Ian Charles Stone chairs the Remuneration Committee.

The Remuneration Committee met four times in 2014. Individual attendance of each Remuneration Committee member is set out on page 64.

The Remuneration Committee has the delegated responsibility to determine the remuneration packages of each member of the senior management team and make recommendations to the Board on the remuneration packages of each director.

During 2014, the Remuneration Committee:

- reviewed and recommended to the Board in respect of the remuneration policies and structure of the Company by benchmarking peer companies with similar scale to ensure that the Company's remuneration packages is competitive to recruit the best talents in the industry and to retain key staffs
- assessed performance and, reviewed and approved amendments to the remuneration packages for the executive directors and members of the senior management team
- reviewed and approved compensation awards granted to senior management team, to recognise their valuable contributions to the Company and to provide incentives for future performances

In conducting its work in relation to the remuneration of directors and senior management team, the Remuneration Committee ensured that no individual and his associates were involved in determining his own remuneration. It also ensured that remuneration awards were determined by reference to the performance of the individual and the Company and were aligned to the market practice and conditions, the Company's goals and strategy. They are designed to attract, retain and motivate high performing individuals, and reflect the specifics of individual roles.

In respect of non-executive directors, the Remuneration Committee has reviewed fees payable taking into account the particular nature of their duties, relevant guidance available and the requirements of the Listing Rules.

ACCOUNTS, RISKS AND INTERNAL CONTROL

As part of the Board's responsibility, the Board ensures that a balanced and clear assessment of the Group's performance and prospects are presented. The directors acknowledge that it is their responsibility to prepare the accounts that give a true and fair view of the Group's financial position on a going-concern basis and other announcements and financial disclosures. To assist the Board in discharging its responsibilities, the senior management team provides updates to the Board from time to time, including the Group's business and financial position in sufficient detail, to give the directors a balanced, understandable and informed assessment of the performance, position and prospects of the Group. The senior management team also provides all necessary and relevant information to the Board, giving the directors sufficient explanation and information they need to discharge their responsibilities. The Company auditor's statement in respect of their reporting responsibilities is set out in the Auditor's Report.

The Board also has the responsibility to oversee the risks undertaken by the Group, and to actively consider, analyse and formulate strategies to control the risks the Group is exposed to, and determines the level of risk the Company wishes to and is able to take. The senior management team monitors these risks and develops effective systems and mechanisms to mitigate risks to an acceptable level as determined by the Board. The senior management team reports to the Board periodically and whenever necessary on the risks the Group faces and the actions taken to mitigate them.

An adequate and effective internal control system is key to mitigate risk and to safeguard shareholders' interests and the Group's assets against any unauthorised use or disposition. The internal control system should also, among others, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication and to ensure that the Group is in compliance with relevant legislation and regulations.

The Board is responsible for overseeing sound risk management and internal control systems on an ongoing basis. The Board has established and maintained a set of procedures to provide effective risk management and internal control systems, which include:

- establishing a distinct organisation structure with defined lines of authority and control responsibilities. Relevant group, division or department heads actively participate in the preparation of strategic plans for achieving annual operational and financial targets. These plans serve as the foundation for the preparation of the Group's annual budget by which resources are allocated in accordance with identified and prioritised business opportunities. The Board approves the annual operating plan and budget on an annual basis
- if there are any variances against the annual budget, these variances will be analysed and appropriate actions will be taken if necessary to rectify or mitigate these deficiencies noted
- IA performs independent review of the operational areas and presents its findings and prospective audit plan to the Audit Committee on a quarterly basis
- IC facilitates the senior management team to ensure controls in operational processes are efficient and effective, and regularly communicates with the Audit Committee

The IA and IC provide valuable support to the Company's internal control system. The IA reviews different business and functional operations and activities of the Group with a special focus on high risk areas. The IA also conducts ad hoc reviews in areas of concern identified by the senior management team. If the IA identifies any deficiencies, the relevant group, division or department heads will be notified on such deficiencies and will be rectified, following up with the implementation of audit recommendations. If the IA considers that the deficiency is a significant internal control weakness, such matter will be brought to the attention of the Audit Committee and the Board if necessary. The IC facilitates the establishment of the risk management and internal control systems with the Company's management and monitors the implementation of effective risk management practices based on the COSO Framework.

In additional to providing advice on setting up and implementing policies and processes to promote effective internal control, IC also promotes risk management and internal controls awareness to management and employees across the Group.

The overall risk management and internal control status will be reported to the Audit Committee.

The Audit Committee reviews the internal control system annually on behalf of the Board. The Board is satisfied that the Company's accounting and financial reporting function is adequately resourced with staff of appropriate qualifications and experience, and they receive appropriate and sufficient training and development. Based on the report from the Audit Committee, the Board is satisfied that the Company's internal audit function is adequately resourced to manage the Group's risks and safeguard the Group's assets, and that the external audit process has been effective. The Board, with the recommendation of the Audit Committee, is satisfied that the Group has complied with the provisions regarding internal controls as required under the CG Code and is not aware of any significant issues that would have an adverse impact on the effectiveness and adequacy of the internal control system.

SHAREHOLDERS

The Company strives to provide ready, equal, regular and timely disclosure of information that is material to the investor community. Therefore, the Company works to maintain effective and on-going communication with shareholders so that they, along with prospective investors, can exercise their rights in an informed manner based on a good understanding of the Group's operations, business and financial information. The Company also encourages shareholders' active participation in annual general meetings and other general meetings or other proper means. As such, the Company sends notice to shareholders for annual general meetings at least 20 clear business days before the meeting and at least 10 clear business days for all other general meetings. In addition, the Company has developed and maintains the shareholders communication policy which is available on the Company Website.

The Company's general meetings provide a transparent and open platform for the Company's shareholders to communicate with the Board. The Chairman, other members of the Board and relevant members of the senior management team, under usual circumstances, attend to answer questions raised and discuss matters in relation to the Company in an open manner. Save as Mr Li Dong Sheng, all directors attended the 2014 annual general meeting, with a view to understand the views of the Company's shareholders. The company secretary provided the minutes of 2014 annual general meeting to all directors to have a thorough understanding of the Company's shareholders views. The Company's external auditor will also attend the annual general meeting to answer questions relating to the conduct of the audit, the auditor's report and auditor independence. The Company's shareholders may also propose candidates for election as a director of the Company according to the procedures set out in the Company Website.

Pursuant to the Articles of Association, any one or more shareholder(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

In order to ensure that shareholders' interests and rights are adequately protected, separate resolutions will be proposed for each substantially separate issue at the general meetings, and all resolutions will be voted by poll pursuant to the Articles of Association and the Listing Rules. To ensure the shareholders are familiar with the detailed procedures for conducting a poll, detailed procedures for conducting a poll are explained at the commencement of the general meetings, and all questions from shareholder on the voting procedures can be answered before the poll voting started. An external scrutineer will be appointed to monitor and count the votes cast by poll. Poll results will be posted on the Company Website and the Stock Exchange's website after each general meeting.

Apart from participating in the Company's general meetings, the Company's shareholders are provided with contact details of the Company, such as telephone number, email address and postal address which are also available on the Company Website, in order to enable them to make any query that they may have. Shareholders may send their enquiries to the Board directly through these means. Shareholders may also contact the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, if they have any enquiries about their shareholdings and entitlements to dividends.

DISCLOSURES OF OTHER INFORMATION

The Company is required to disclose certain information pursuant to the Listing Rules and the CG Code. We set out these information below which has not been covered above.

The Amended and Restated Memorandum of Association and Articles of Association

Upon the shareholders' approval by way of special resolution at the 2014 annual general meeting, the Company has adopted the Amended and Restated Memorandum of Association and Articles of Association for the purpose of, among others, conforming with the latest amendments to the Listing Rules and giving effect to the Share Subdivision.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code. The Company has also adopted a securities trading code for employees for securities transactions by employees who are likely to be in possession of inside information relating to the Company, the terms of which are no less exact than those of the Model Code. The Company has made specific enquiries with the directors and the directors have confirmed they have complied with the Model Code throughout 2014.

Appointment Terms of Non-Executive Directors

Each non-executive director, whether independent or not, is appointed for a term of one year and is subject to retirement by rotation at least once every three years. A director appointed to fill a casual vacancy or as an addition to the Board will be subject to re-election by shareholders at the first general meeting after his appointment.

Directors and Officers Liability Insurance

The Company has arranged appropriate directors and officers liability insurance in respect of legal action against the directors.

External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" on pages 72 and 73. During the year ended 31 December 2014, the remuneration paid/payable to the Company's external auditor, PwC, was RMB23 million and RMB30 million for audit services and non-audit services respectively. The non-audit services conducted by the external auditor include providing professional service on internal control, mergers and acquisitions, tax issues and other relevant services.

Independent Auditor's Report

羅兵咸永道

To the shareholders of Tencent Holdings Limited

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Tencent Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 74 to 197, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 March 2015

Consolidated Statement of Financial Position

As at 31 December 2014

	Note	As at 31 December 2014 RMB'Million	2013 RMB'Million
ASSETS			
Non-current assets			
Fixed assets	6	**7,918**	8,693
Construction in progress	7	**3,830**	2,041
Investment properties		**268**	–
Land use rights	8	**751**	871
Intangible assets	9	**9,304**	4,103
Investments in associates	11(a)	**51,131**	10,867
Investments in redeemable preference shares of associates	11(b)	**2,941**	1,119
Investments in joint ventures		**63**	9
Deferred income tax assets	28	**322**	431
Available-for-sale financial assets	13	**13,277**	12,515
Prepayments, deposits and other assets	16	**1,209**	1,480
Term deposits	17	**4,831**	11,420
		95,845	53,549
Current assets			
Inventories	14	**244**	1,384
Accounts receivable	15	**4,588**	2,955
Prepayments, deposits and other assets	16	**7,804**	5,365
Term deposits	17	**10,798**	19,623
Restricted cash	23	**9,174**	4,131
Cash and cash equivalents	18	**42,713**	20,228
		75,321	53,686
Total assets		**171,166**	107,235

Consolidated Statement of Financial Position

As at 31 December 2014

	Note	As at 31 December 2014 RMB'Million	2013 RMB'Million
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	19	**–**	–
Share premium	19	**5,131**	2,846
Shares held for share award schemes	19	**(1,309)**	(871)
Other reserves	20	**2,129**	3,746
Retained earnings		**74,062**	52,224
		80,013	57,945
Non-controlling interests		**2,111**	518
Total equity		**82,124**	58,463
LIABILITIES			
Non-current liabilities			
Borrowings	25	**5,507**	3,323
Notes payable	26	**25,028**	9,141
Long-term payables	24	**2,052**	1,600
Deferred income tax liabilities	28	**2,942**	1,441
Deferred revenue	27	**3,478**	–
		39,007	15,505

Consolidated Statement of Financial Position

As at 31 December 2014

		As at 31 December	
		2014	2013
	Note	**RMB'Million**	RMB'Million
Current liabilities			
Accounts payable	22	**8,683**	6,680
Other payables and accruals	23	**19,123**	10,246
Borrowings	25	**3,215**	2,589
Notes payable	26	**1,834**	–
Current income tax liabilities		**461**	1,318
Other tax liabilities	37(b)	**566**	593
Deferred revenue	27	**16,153**	11,841
		50,035	33,267
Total liabilities		**89,042**	48,772
Total equity and liabilities		**171,166**	107,235
Net current assets		**25,286**	20,419
Total assets less current liabilities		**121,131**	73,968

The notes on pages 86 to 197 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 74 to 197 were approved by the Board of Directors on 18 March 2015 and were signed on its behalf:

Ma Huateng
Director

Lau Chi Ping Martin
Director

Statement of Financial Position – The Company

As at 31 December 2014

	Note	As at 31 December 2014 RMB'Million	2013 RMB'Million
ASSETS			
Non-current assets			
Intangible assets		**36**	21
Investments in subsidiaries	10(a)	**29,540**	10,684
Contribution to Share Scheme Trust	10(d)	**21**	2
		29,597	10,707
Current assets			
Amounts due from subsidiaries	10(c)	**9,272**	4,934
Prepayments, deposits and other receivables		**388**	114
Cash and cash equivalents	18	**168**	346
		9,828	5,394
Total assets		**39,425**	16,101
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	19	**–**	–
Share premium	19	**5,131**	2,846
Shares held for share award schemes	19	**(1,309)**	(871)
Other reserves		**(377)**	–
Retained earnings		**4,206**	2,295
Total equity		**7,651**	4,270

Statement of Financial Position – The Company

As at 31 December 2014

	Note	As at 31 December 2014 RMB'Million	2013 RMB'Million
LIABILITIES			
Non-current liabilities			
Notes payable	26	**25,028**	9,141
Current liabilities			
Amounts due to subsidiaries	10(c)	**4,742**	2,632
Other payables and accruals		**170**	58
Notes payable	26	**1,834**	–
		6,746	2,690
Total liabilities		**31,774**	11,831
Total equity and liabilities		**39,425**	16,101
Net current assets		**3,082**	2,704
Total assets less current liabilities		**32,679**	13,411

The notes on pages 86 to 197 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 74 to 197 were approved by the Board of Directors on 18 March 2015 and were signed on its behalf:

Ma Huateng
Director

Lau Chi Ping Martin
Director

Consolidated Income Statement

For the year ended 31 December 2014

	Note	Year ended 31 December 2014 RMB'Million	2013 RMB'Million
Revenues			
Value-added services		**63,310**	44,985
Online advertising		**8,308**	5,034
eCommerce transactions		**4,753**	9,796
Others		**2,561**	622
	5	**78,932**	60,437
Cost of revenues	29, 32	**(30,873)**	(27,778)
Gross profit		**48,059**	32,659
Interest income	30	**1,676**	1,314
Other gains, net	31	**2,759**	904
Selling and marketing expenses	32	**(7,797)**	(5,695)
General and administrative expenses	32	**(14,155)**	(9,988)
Operating profit		**30,542**	19,194
Finance costs, net	36	**(1,182)**	(84)
Share of (losses)/profits of associates and joint ventures		**(347)**	171
Profit before income tax		**29,013**	19,281
Income tax expense	37(a)	**(5,125)**	(3,718)
Profit for the year		**23,888**	15,563
Attributable to:			
Equity holders of the Company		**23,810**	15,502
Non-controlling interests		**78**	61
		23,888	15,563

Consolidated Income Statement

For the year ended 31 December 2014

	Note	Year ended 31 December 2014 RMB'Million	2013 RMB'Million Restated
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)			
– basic	39(a)	**2.579**	1.693
– diluted	39(b)	**2.545**	1.660
Dividend per share			
Final dividend proposed	40	**HKD0.36**	HKD0.24

The notes on pages 86 to 197 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Year ended 31 December	
	2014	2013
	RMB'Million	RMB'Million
Profit for the year	**23,888**	15,563
Other comprehensive income, net of tax:		
Items that may be subsequently reclassified to profit or loss		
Share of other comprehensive income of associates	**81**	48
Net (losses)/gains from changes in fair value of available-for-sale financial assets	**(1,705)**	2,825
Currency translation differences	**(289)**	(60)
	(1,913)	2,813
Total comprehensive income for the year	**21,975**	18,376
Attributable to:		
Equity holders of the Company	**21,891**	18,327
Non-controlling interests	**84**	49
	21,975	18,376

The notes on pages 86 to 197 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to equity holders of the Company							
	Share capital RMB'Million	Share premium RMB'Million	Shares held for share award schemes RMB'Million	Other reserves RMB'Million	Retained earnings RMB'Million	Total RMB'Million	Non-controlling interests RMB'Million	Total equity RMB'Million
Balance at 1 January 2014	–	2,846	(871)	3,746	52,224	57,945	518	58,463
Comprehensive income								
Profit for the year	–	–	–	–	23,810	23,810	78	23,888
Other comprehensive income:								
– share of other comprehensive income of associates	–	–	–	81	–	81	–	81
– net losses from changes in fair value of available-for-sale financial assets	–	–	–	(1,705)	–	(1,705)	–	(1,705)
– currency translation differences	–	–	–	(295)	–	(295)	6	(289)
Total comprehensive income for the year	–	–	–	(1,919)	23,810	21,891	84	21,975
Transactions with owners								
Capital injection	–	–	–	–	–	–	44	44
Employee share option schemes:								
– value of employee services	–	160	–	125	–	285	25	310
– proceeds from shares issued	–	299	–	–	–	299	–	299
Employee share award schemes:								
– value of employee services	–	1,350	–	135	–	1,485	7	1,492
– shares purchased for share award schemes	–	–	(529)	–	–	(529)	–	(529)
– vesting of awarded shares	–	(91)	91	–	–	–	–	–
Profit appropriations to statutory reserves	–	–	–	211	(211)	–	–	–
Repurchase and cancellation of shares	–	(61)	–	–	–	(61)	–	(61)
Dividends (Note 40)	–	–	–	–	(1,761)	(1,761)	(158)	(1,919)
Total contributions by and distributions to owners recognised directly in equity for the year	–	1,657	(438)	471	(1,972)	(282)	(82)	(364)
Non-controlling interests arising from business combinations (Note 41)	–	–	–	–	–	–	1,705	1,705
Equity interests in non-wholly owned subsidiaries diluted in relation to business combinations	–	–	–	468	–	468	–	468
Disposal of equity interests in non-wholly owned subsidiaries	–	–	–	230	–	230	4	234
Acquisition of additional equity interests in non-wholly owned subsidiaries	–	628	–	(1,224)	–	(596)	(118)	(714)
Put option granted to owners of the non-controlling interests lapsed	–	–	–	357	–	357	–	357
Total transactions with owners recognised directly in equity for the year	–	2,285	(438)	302	(1,972)	177	1,509	1,686
Balance at 31 December 2014	–	5,131	(1,309)	2,129	74,062	80,013	2,111	82,124

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

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

The notes on pages 86 to 197 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	Year ended 31 December 2014 RMB'Million	2013 RMB'Million
Cash flows from operating activities			
Cash generated from operations	42(a)	**37,414**	27,492
Income tax paid		**(4,703)**	(3,118)
Net cash flows generated from operating activities		**32,711**	24,374
Cash flows from investing activities			
(Payments for)/proceeds from business combinations, net of cash acquired		**(1,911)**	4
Proceeds from disposal of subsidiaries		**187**	203
Purchase of fixed assets, construction in progress and investment properties		**(4,296)**	(4,788)
Proceeds from disposals of fixed assets	42(a)	**40**	17
Payments for acquisition of investments in associates		**(31,929)**	(4,155)
Payments for acquisition of investments in redeemable preference shares of associates		**(2,524)**	(301)
Payments for acquisition of investments in joint ventures		**(2)**	(9)
Proceeds from disposal of investments in associates		**1,027**	155
Proceeds from disposal of investments in redeemable preference shares of associates		**193**	–
Purchase/prepayment of intangible assets		**(2,320)**	(1,200)
Proceeds from disposals of intangible assets		**48**	–
Purchase/prepayment of land use rights		**(23)**	(93)
Proceeds from disposals of land use rights		**127**	–
Purchase of available-for-sale financial assets		**(4,622)**	(3,651)
Proceeds from disposal of available-for-sale financial assets		**352**	–
Proceeds from settlement of/(payments for) loan to associates		**63**	(20)
Payments for loan to joint ventures		**–**	(38)
Receipt from maturity of term deposits with initial terms of over three months		**27,872**	15,950
Placement of term deposits with initial terms over three months		**(12,428)**	(22,295)
Interest received		**1,468**	536
Dividends received		**290**	551
Net cash flows used in investing activities		**(28,388)**	(19,134)

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Year ended 31 December	
	2014	2013
	RMB'Million	RMB'Million
Cash flows from financing activities		
Proceeds from short-term borrowings	**2,549**	2,320
Repayment of short-term borrowings	**(2,372)**	(986)
Proceeds from long-term borrowings	**4,293**	2,846
Repayment of long-term borrowings	**(1,693)**	(1,328)
Net proceeds from issuance of notes payable	**17,842**	1,847
Proceeds from issuance of ordinary shares	**299**	308
Payments for repurchase of shares	**(61)**	(1,325)
Payments for purchase of shares for share award schemes	**(529)**	(278)
Proceeds from capital injection from non-controlling interests	**44**	5
Dividends paid to the Company's shareholders	**(1,761)**	(1,468)
Dividends paid to non-controlling interests	**(158)**	(73)
Payment for acquisition of non-controlling interests in non-wholly owned subsidiaries	**(103)**	(160)
Net cash flows generated from financing activities	**18,350**	1,708
Net increase in cash and cash equivalents	**22,673**	6,948
Cash and cash equivalents at beginning of the year	**20,228**	13,383
Exchange losses on cash and cash equivalents	**(188)**	(103)
Cash and cash equivalents at end of the year	**42,713**	20,228

The notes on pages 86 to 197 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Tencent Holdings Limited (the "Company") was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The shares of the Company have been listed on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 16 June 2004.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "Group") are principally engaged in the provision of Internet and mobile value-added services ("VAS"), online advertising services and eCommerce transactions services to users in the People's Republic of China (the "PRC").

The operations of the Group were initially conducted through Shenzhen Tencent Computer Systems Company Limited ("Tencent Computer"), a limited liability company established in the PRC by certain shareholders of the Company on 11 November 1998. Tencent Computer is legally owned by the core founders of the Company who are PRC citizens (the "Registered Shareholders").

The PRC regulations restrict foreign ownership of companies that provide value-added telecommunications services, which include activities and services operated by Tencent Computer. In order to enable certain foreign companies to make investments into the business of the Group, the Company established a subsidiary, Tencent Technology (Shenzhen) Company Limited ("Tencent Technology"), which is a wholly foreign owned enterprise incorporated in the PRC, on 24 February 2000. The foreign investors of the Company then subscribed to additional equity interest in the Company.

Under a series of contractual arrangements (collectively, "Structure Contracts") entered into among the Company, Tencent Technology, Tencent Computer and the Registered Shareholders, the Company is able to effectively control, recognise and receive substantially all the economic benefit of the business and operations of Tencent Computer. In summary, the Structure Contracts provide the Company through Tencent Technology with, among other things:

- the right to receive the cash received by Tencent Computer from its operations which is surplus to its requirements, having regard to its forecast working capital needs, capital expenditure, and other short-term anticipated expenditure through various commercial arrangements;
- the right to ensure that Tencent Technology owns the valuable assets of the business through the assignment to Tencent Technology of the principal present and future intellectual property rights of Tencent Computer without making any payment; and
- the right to control the management and financial and operating policies of Tencent Computer.

1 GENERAL INFORMATION (Cont'd)

As a result, Tencent Computer is accounted for as a controlled structured entity (see also Note 2.2(a) and Note 10) and the formation of the Group in 2000 was accounted for as a business combination between entities under common control under a method similar to the uniting of interests method for recording all assets and liabilities at predecessor carrying amounts. This approach was adopted because in management's belief it best reflected the substance of the formation.

Similar Structure Contracts were also executed for other PRC operating companies established by the Group similar to Tencent Computer subsequent to 2000. All these PRC operating companies are treated as controlled structured entities of the Company and their financial statements have also been consolidated by the Company.

The consolidated financial statements for the year ended 31 December 2014 of the Group have been approved for issue by the board of directors of the Company (the "Board") on 18 March 2015.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("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 financial assets and financial liabilities (including derivative financial instruments) at fair value through profit and loss.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.1 Basis of preparation (Cont'd)

Changes in accounting policy and disclosures

(a) Amendments to standards and interpretation adopted by the Group

The following amendments to standards and interpretation have been adopted by the Group for the first time for the financial year beginning on 1 January 2014. The adoption of these amendments to standards and interpretation does not have any significant impact on the consolidated financial statements of the Group.

- Amendments to IFRS 10, 12 and IAS 27, 'Consolidation for investment entities'. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made IFRS 12 to introduce disclosures that an investment entity needs to make.
- Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms.
- IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.
- Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not relevant to the Group.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.1 Basis of preparation (Cont'd)

Changes in accounting policy and disclosures (Cont'd)

(b) New standards and amendments to standards not yet adopted

A number of new standards and amendments to standards are not effective for the financial year beginning 1 January 2014, and have not been early adopted by the Group in preparing the consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- Amendment to IFRS 11, 'Joint arrangements' regarding acquisition of an interest in a joint operation. This amendment provides new guidance on how to account for the acquisition of an interest in a joint venture operation that constitutes a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control. The amendment is effective for accounting periods beginning on or after 1 January 2016. Early adoption is permitted.

- Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associate or joint venture. These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The amendments are effective for accounting periods beginning on or after 1 January 2016. Early adoption is permitted.

- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.1 Basis of preparation (Cont'd)

Changes in accounting policy and disclosures (Cont'd)

(b) New standards and amendments to standards not yet adopted (Cont'd)

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

The Group is in the process of assessing the impact of the above new standards and amendments to standards on the Group's results and financial position. There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

(c) New Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.2 Subsidiaries

(a) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.2 Subsidiaries (Cont'd)

(a) Consolidation (Cont'd)

(i) Business combinations (Cont'd)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value at the date when control or significant influence is lost, with the change in carrying amount recognised in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, a joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income in respect of that entity are reclassified to the consolidated income statement.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.2 Subsidiaries (Cont'd)

(b) Separate financial statements

In the Company's statement of financial position, the investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable. In addition, the contribution to the Company's Share Scheme Trust (as defined in Note 10(d)), a controlled structured entity, is stated at cost in "Contribution to Share Scheme Trust" first, and then will be transferred to the "Shares held for share award schemes" under equity when the contribution is used for the acquisition for the shares of the Company.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividends exceed the total comprehensive income of the subsidiaries in the period the dividends are declared or if the carrying amount of the investments in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of loss in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.3 Associates (Cont'd)

The Group determines at each reporting date whether there is any objective evidence that investments in associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in "Other gains/(losses), net" in the consolidated income statement.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

2.4 Joint arrangements

Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group determines at each reporting date whether there is any objective evidence that investments in joint ventures are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint ventures and its carrying value and recognises the amount in "Other gains/(losses), net" in the consolidated income statement.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.5 Investment in associates/joint ventures achieved in stages

The cost of associates/joint ventures acquired in stages, except for the change from an associate to a joint venture; is measured as the sum of the fair value of the interest previously held plus the fair value of any additional consideration transferred as of the date when it becomes associate/joint venture. A gain or loss on re-measurement of the previously held interest is taken to the consolidated income statement. Any other comprehensive income recognised in prior periods in relation to the previously held interest is also taken to the consolidated income statement. Any acquisition-related costs are expensed in the period in which the costs are incurred.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments and making strategic decisions. The chief operating decision-makers mainly include the executive directors.

2.7 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

Prior to 2014, the Company adopted Renminbi ("RMB") as its functional currency. However, as a result of the Group's continuous acquisitions and financing activities undertaken in recent years, the investing and financing activities of the Company and certain of its overseas subsidiaries have increasingly placed reliance on United States Dollars ("USD") instead of RMB. As such, the Company and certain of its overseas subsidiaries changed their functional currency from RMB to USD effective from 1 June 2014. The directors of the Company consider USD would be more appropriate to act as the functional currency in reflecting the underlying transactions that are relevant to the Company and certain of its overseas subsidiaries. Such change has not resulted in any material effect on the Group's financial statements.

The Company and the Group's presentation currency is RMB.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.7 Foreign currency translation (Cont'd)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale financial assets are analysed between translation differences resulting from changes in the amortised cost of the securities, and other changes in the carrying amount of the securities. Translation differences related to changes in the amortised cost and interest income are recognised in the consolidated income statement, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.

(c) Group companies

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency of RMB are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses for each consolidated income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) All resulting currency translation differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.7 Foreign currency translation (Cont'd)

(c) Group companies (Cont'd)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.8 Fixed assets

All fixed assets are stated at historical costs less accumulated depreciation and accumulated impairment charge. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 - 50 years
Computer equipment	3 - 5 years
Furniture and office equipment	5 years
Motor vehicles	5 years
Leasehold improvements	the shorter of their useful lives and the lease terms

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction, which is stated at actual construction cost less any impairment loss. Construction in progress is transferred to fixed assets when completed and ready for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.13).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in "Other gains/(losses), net" in the consolidated income statement.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.9 Investment properties

Investment properties are held for long-term rental yields and are not occupied by the Group. Investment properties are carried at historical costs less accumulated depreciation and accumulated impairment charges. Historical costs include expenditures that are directly attributable to the acquisition of the items.

Depreciation is calculated on the straight-line method to allocate their costs to their residual values over their estimated useful lives of 50 years.

Investment properties' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Investment properties' carrying amounts are written down immediately to their recoverable amounts if their carrying amounts are greater than their estimated recoverable amounts.

2.10 Land use rights

Land use rights are up-front payments to acquire long-term interest in land. These payments are stated at cost and charged to the consolidated income statement on a straight-line basis over the remaining period of the lease or capitalised in construction in progress upon completion of construction.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.11 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures, and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interests in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Licensed online contents

The licensed online contents mainly include video and music contents. They are initially recognised and measured at cost. Licensed online contents are amortised using an accelerated method or straight-line method reflect the estimated consumption patterns.

(c) Other intangible assets

Other intangible assets mainly include licenses, computer software and technology and non-compete agreements. They are initially recognised and measured at cost or estimated fair value of intangible assets acquired through business combinations.

Other intangible assets are amortised over their estimated useful lives (generally two to seven years) using the straight-line method reflects the pattern in which the intangible asset's future economic benefits are expected to be consumed.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.12 Shares held for share award schemes

The consideration paid by the Share Scheme Trust (see Note 10(d)) for purchasing the Company's shares from the market, including any directly attributable incremental cost, is presented as "Shares held for share award schemes" and the amount is deducted from total equity.

When the Share Scheme Trust transfers the Company's shares to the awardees upon vesting, the related costs of the awarded shares vested are credited to "Shares held for share award schemes", with a corresponding adjustment made to "Share premium".

2.13 Impairment of non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.14 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired, management's intentions and whether the assets are quoted in an active market. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. The Group's loans and receivables comprise "Accounts receivable", "Deposits and other receivables", "Loans to associates", "Term deposits", "Restricted cash" and "Cash and cash equivalents" in the statement of financial position.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other category. They are included in non-current assets unless management intends to dispose of the investment within 12 months after the end of the reporting period.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.14 Financial assets (Cont'd)

(b) Recognition and measurement

Regular way purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale financial assets are recognised in other comprehensive income.

When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the consolidated income statement as gains and losses from investment securities.

Dividends on available-for-sale financial assets equity instruments are recognised in the consolidated income statement when the Group's right to receive payments is established.

2.15 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.16 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the impairment loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.16 Impairment of financial assets (Cont'd)

(b) Assets classified as available-for-sale financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement – is removed from equity and recognised in the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated income statement, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement - is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.17 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The derivative instruments, which do not qualify for hedge accounting, are accounted for at fair value through profit or loss. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the consolidated income statement in "Other gains/(losses), net".

2.18 Inventories

Inventories, mainly consisting of merchandise for sale, are primarily accounted for using the weighted average method and are stated at the lower of cost and net realisable value.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.19 Accounts receivable

Accounts receivable are amounts due from customers or agents for merchandise sold or services performed in the ordinary course of business. If collection of accounts receivable is expected in one year or less, they are classified as current assets. Otherwise, they are presented as non-current assets.

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.20 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, money market funds and other short-term highly liquid investments with initial maturities of three months or less.

2.21 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or share options are shown in equity as a deduction from the proceeds.

Where any group company purchases the Company's equity share capital (treasury share), the considerations paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs) is included in equity attributable to the Company's equity holders.

2.22 Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.23 Put option liabilities

Put option is the financial instrument granted by the Group that the counterparty may have the right to request the Group to purchase its own equity instruments for cash or other financial assets when certain conditions are met. If the Group does not have the unconditional right to avoid delivering cash or another financial assets under the put option, it has to recognise a financial liability at the present value of the estimated future cash outflows under the put option. The financial liability is initially recognised at fair value. Subsequently, if the Group revises its estimates of payments, the Group will adjust the carrying amount of the financial liability to reflect actual and revised estimated cash outflows. The Group will recalculate the carrying amount by computing the present value of revised estimated future cash outflows at the financial instrument's original effective interest rate and the adjustments will be recognised as income or expenses in the consolidated income statement. If the put option expires without delivery, the carrying amount of the liability is reclassified as equity.

The put option liabilities are current liabilities unless the put option can only be exercised 12 months after the end of the reporting period.

2.24 Borrowings and notes payable

Borrowings and notes payable issued by the Group are recognised initially at fair value, net of transaction costs incurred. They are subsequently carried at amortised cost. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over their period using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Notes payable are classified as non-current liabilities unless the Group has an unconditional obligation to settle the liability within 12 months after the end of the reporting period.

2.25 Compound financial instruments

Compound financial instruments of the Group comprise convertible note of a subsidiary assumed in business combination that can be converted to share capital of a subsidiary at the option of the holder, and the number of shares to be issued may vary.

The Group designated the compound financial instruments as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognised as finance costs in the consolidated income statement. Subsequent to initial recognition, the compound financial instruments are carried at fair value with changes in fair value recognised in the consolidated income statement.

The compound financial instruments are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.26 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction neither accounting nor taxable profit or loss is affected. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.27 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group contributes on a monthly basis to various defined contribution benefit plans organised by the relevant governmental authorities. The Group's liability in respect of these plans is limited to the contributions payable in each period. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separated from those of the Group.

(c) Share-based compensation benefits

The Group operates a number of share-based compensation plans (including share option schemes and share award schemes), under which the Group receives services from employees as consideration for equity instruments (including share options and awarded shares) of the Group. The fair value of the employee services received in exchange for the grant of equity instruments of the Group is recognised as an expense over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied, and credited to share premium under equity.

For grant of share options, the total amount to be expensed is determined by reference to the fair value of the options granted by using an option-pricing model - Black-Scholes valuation model (the "BS Model"), which includes the impact of market performance conditions (such as the Company's share price) but excludes the impact of service condition and non-market performance conditions. For grant of award shares, the total amount to be expensed is determined by reference to the market price of the Company's shares at the grant date. The Group also adopts valuation technique to assess the fair value of other equity instruments of the Group granted under the share-based compensation plans as appropriate.

Non-market performance and services conditions are included in assumptions about the number of options that are expected to become vested.

From the perspective of the Company, the Company grants its equity instruments to employees of its subsidiaries to exchange for their services related to the subsidiaries. Accordingly, the share-based compensation expenses, which are recognised in the consolidated financial statement, are treated as part of the "Investments in subsidiaries" in the Company's statement of financial position.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.27 Employee benefits (Cont'd)

(c) Share-based compensation benefits (Cont'd)

At each reporting period end, the Group and the Company revise their estimates of the number of options and awarded shares that are expected to ultimately vest. They recognise the impact of the revision of original estimates, if any, in the consolidated income statement of the Group and in the "Investments in subsidiaries" of the Company, with a corresponding adjustment made to equity over the remaining vesting period.

When the options are exercised, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2.28 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for further operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.29 Revenue recognition

The Group principally derives revenues from provision of VAS, online advertising services and eCommerce transactions services in the PRC.

(a) VAS

Revenues from VAS are derived principally from the provision of online games, community value-added services and applications across various Internet and mobile platforms.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.29 Revenue recognition (Cont'd)

(a) VAS (Cont'd)

The VAS can be paid by way of prepaid cards and tokens (represented a specific amount of payment unit) sold by the Group through channels such as sales agents appointed by the Group, telecommunication operators, broadband service providers, Internet cafes and banks. The end users can register the prepaid cards and tokens to their user accounts in the Group's platforms and then access the Group's online products or relevant services. Receipts from the sales of prepaid cards and tokens are deferred and recorded as "Deferred revenue" in the statement of financial position (see Note 27). The amounts are then recognised as revenue based on the actual utilisation of the payment unit: (i) when the payment unit is used to purchase services, the revenue is recognised when the related services are rendered; (ii) when the payment unit is used to purchase virtual products/items in the Group's Internet platforms, the revenue is recognised over the estimated lifespan of the respective virtual products/items or over the expected user relationship.

Certain VAS service are directly delivered to the Group's customers through the platforms of various subsidiaries of telecommunication operators in the PRC, namely China Mobile Communications Corporation ("China Mobile"), China United Network Communications Group Company Limited ("China Unicom") and China Telecommunications Corporation ("China Telecom"), and through other third party platforms. These operators and third party platforms collect the relevant service fees (the "Internet and Mobile Service Fees") on behalf of the Group and they are entitled to certain percentages commission fee (defined as "Channel costs"). The Channel costs are withheld and deducted from the gross Internet and Mobile Service Fees collected by these operators and platforms from the users, with the net amounts remitted to the Group. The Group recognises the Internet and Mobile Service Fees as revenue on a gross basis and treats the Channel costs as cost of revenues.

Determining whether revenue of the Group should be reported gross or net is based on a continuing assessment of various factors, the primary factors being whether the Group is acting as the principal in offering services to the customer or whether the Group is acting as an agent in the transaction. The Group has determined that it is acting as the principal in offering services as the Group (i) is the primary obligor in the arrangement; (ii) has latitude in establishing the selling price; (iii) has discretion in suppliers selection; and (iv) has involvement in the determination of product specifications. Therefore, the Group adopted different revenue recognition method based on specific responsibilities in different VAS.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.29 Revenue recognition (Cont'd)

(a) VAS (Cont'd)

The Group also opens its Internet platforms to third-party game/application developers through co-operation agreements entered into with them. The games/applications designed, developed and hosted by these developers are made available to the users on the Group's Internet and mobile platforms. Under the terms of these co-operation agreements, the Group pays the developers a pre-determined percentage of the fees paid by and collected from end users for the virtual products/items utilised in the games/applications. The Group recognises the related revenue on a gross or net basis according to the terms of the relevant co-operation agreements defining the obligation of the Group, i.e. whether the Group is acting as the principal in offering services to the end users or is acting an agent in the arrangements. The Group defers the related revenue, for both gross and net basis, over an the estimated lifespan of the respective virtual products/items or over the expected user relationship periods as there is an implicit obligation of the Group to maintain and allow access of the users of the games/applications operated by the developers through its platforms.

Revenues derived from these arrangements are presented as revenue from VAS in the consolidated income statement.

(b) Online advertising

Online advertising revenues are mainly derived from display advertisements to instant messaging users, and on portals, social networks, video and other platforms operated by the Group. It also includes income derived from performance based advertisements in which the revenue is linked to actual performance measurement. Commissions payable to advertising agencies are recognised as a component of the cost of revenues.

For brand display advertising, advertising contracts with terms within one year are entered into with the advertisers and their advertising agencies and the related revenues are recognised ratably over the period in which the advertisements are displayed.

For performance based advertising, the Group introduces Internet users to its advertisers mainly through its performance based pay-for-click systems and it charges advertisers on a per click basis when the users click on the displayed links. Revenue for performance based advertising is primarily recognised on a per click basis when the users click on the displayed links.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.29 Revenue recognition (Cont'd)

(c) eCommerce transactions

Revenues derived from eCommerce transactions business of the Group primarily arise from sales of merchandise through the Group's Internet platforms. The Group recognises revenues from merchandise sales and related costs on a gross basis when it acts as a principal. Following the guidance under IAS 18 'Revenue', whether the Group acts as a principal is based on a number of criteria, including whether it is a primary obligor, whether it is subject to inventory risk, whether it has latitude in establishing prices, whether it has latitude in selecting suppliers, in a transaction. When the Group is not a principal and is instead acting as an agent, revenues are recognised on a net basis which is based on a pre-determined percentage of the sales.

For merchandise sold under the eCommerce transactions business, the customers place their orders online with a commitment made at a fixed selling price. Payment for the purchased merchandise is made either before delivery or upon delivery. When the Group is acting as a principal, revenues, net of discounts and return allowances and value-added tax, are recognised when the merchandise is physically delivered to the respective customers. Return allowances, which reduce the gross amount of revenues, are estimated based on historical experience.

2.30 Interest income

Interest income is recognised on a time proportion basis, taking into account of the principal outstanding and the effective interest rate over the period to maturity, when it is determined that such income will accrue to the Group.

2.31 Dividend income

Dividend income is recognised when the right to receive payment is established.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.32 Government grants/subsidies

Grants/subsidies from government are recognised at their fair value where there is a reasonable assurance that the grants/subsidies will be received and the Group will comply with all attached conditions.

Under these circumstances, the grants/subsidies are recognised as income or matched with the associated costs which the grants/subsidies are intended to compensate.

2.33 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.34 Dividends distribution

Dividends distribution to the Company's shareholders is recognised as a liability in the Group and Company's financial statements in the period in which the dividend is approved by the Company's shareholders or board of directors.

2.35 Research and development expenses

Research expenditure is recognised as an expense as incurred.

Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalised as intangible assets when recognition criteria are fulfilled and tests for impairment are performed annually. Other development expenditures that do not meet those criteria are recognised as expenses as incurred. Development costs previously recognised as expenses are not recognised as assets in subsequent periods. Capitalised development costs are amortised from the point at which the assets are ready for use on a straight-line basis over their estimated useful lives, not exceeding five years.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise the potential adverse effects on the financial performance of the Group. Risk management is carried out by the senior management of the Group.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB, HKD, EUR, KRW and USD. Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the group entities' functional currency. The functional currency of the Company and majority of its overseas subsidiaries are USD whereas functional currency of the subsidiaries operate in the PRC are RMB.

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimise these exposures through natural hedges, wherever possible and may enter into forward foreign exchange contracts, when necessary.

(All amounts in RMB millions unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.1 Financial risk factors (Cont'd)

(a) Market risk (Cont'd)

(i) Foreign exchange risk (Cont'd)

As at 31 December 2014, the Group and the Company's major monetary assets and liabilities which are exposed to foreign exchange risk, are listed below:

Group	EUR	HKD	KRW	RMB	USD
As at 31 December 2014					
Monetary assets					
Current assets	**1,474**	**578**	**1,228**	**3,075**	**1,049**
Monetary liabilities					
Non-current liabilities	**–**	**(2,528)**	**–**	**–**	**–**
Current liabilities	**–**	**(4)**	**–**	**(302)**	**(1,319)**
	1,474	**(1,954)**	**1,228**	**2,773**	**(270)**
As at 31 December 2013 (Note (1))					
Monetary assets					
Current assets	1,351	556	916	–	4,099
Monetary liabilities					
Non-current liabilities	–	–	–	–	(12,784)
Current liabilities	–	–	–	–	(4,260)
	1,351	556	916	–	(12,945)

(All amounts in RMB millions unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.1 Financial risk factors (Cont'd)

(a) Market risk (Cont'd)

(i) Foreign exchange risk (Cont'd)

Company	HKD	USD
As at 31 December 2014 (Note (4))		
Monetary assets		
Current assets	**510**	**–**
Monetary liabilities		
Non-current liabilities	**(2,528)**	**–**
Current liabilities	**(4)**	**–**
	(2,022)	**–**
As at 31 December 2013 (Note (1))		
Monetary assets		
Current assets	2,752	2,182
Monetary liabilities		
Non-current liabilities	–	(9,141)
	2,752	(6,959)

During the year ended 31 December 2014, the Group reported exchange losses of approximately RMB316 million (2013: exchange gains of approximately RMB310 million) as a result of RMB depreciation. The gains/losses were recorded in "Finance costs, net" in the consolidated income statement.

Note:

(1) The data as at 31 December 2013 was presented as before the effect of the change in functional currency of the Company and certain group entities.

(2) At 31 December 2013, if EUR, HKD, KRW and USD had strengthened/weakened by 5% against RMB with all other variables held constant, the profit before income tax for the year would have been approximately RMB506 million lower/higher, mainly as a result of net foreign exchange losses/gains on translation of net monetary liabilities denominated in EUR, HKD, KRW and USD.

(3) At 31 December 2014, management considers that any reasonable changes in foreign exchange rates of the above currencies against the two major functional currencies would not result in a significant change in the Group's results. Accordingly, no sensitivity analysis is presented for foreign exchange risk.

(4) Given the exchange rate peg between HKD and USD, it is not foreseen that the Company will be exposed to significant exchange rate risk for the transactions conducted in HKD or USD.

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.1 Financial risk factors (Cont'd)

(a) Market risk (Cont'd)

(ii) Price risk

The Group is exposed to price risk because of investments held by the Group, classified as available-for-sale financial assets. To manage its price risk arising from the investments, the Group diversifies its portfolio. The investments made by the Group are either for the purpose of improving investment yield and maintaining high liquidity level simultaneously, or for strategic purpose. Each investment is managed by senior management on a case by case basis.

The sensitivity analysis is determined based on the exposure to equity price risks of available-for-sale financial assets at the end of the reporting period. If equity prices of the respective instruments held by the Group had been 5% (2013: 5%) higher/lower as at 31 December 2014, the other comprehensive income would have been approximately RMB642 million (2013: RMB603 million) higher/lower.

(iii) Interest rate risk

The Group's income and operating cash flows are substantially independent from changes in market interest rates and the Group has no significant interest-bearing assets except for receivables from investees and investees' shareholders, term deposits with initial terms of over three months and cash and cash equivalents, details of which have been disclosed in Notes 16, 17 and 18.

The Group's exposure to changes in interest rates is also attributable to its borrowings and notes payable, details of which have been disclosed in Notes 25 and 26. Borrowings and notes payable carry at floating rates expose the Group to cash flow interest-rate risk whereas those carry at fixed rates expose the Group to fair value interest-rate risk.

The Group's borrowings were carried at floating rates and expose the Group to cash flow interest-rate risk whereas the notes payable, which representing the larger portion of the Group's debts, were all carried at fixed rates which do not expose the Group to cash flow interest-rate risk.

The Group regularly monitors its interest rate risk to ensure there are no undue exposures to significant interest rate movements and regular reporting is provided to the management for the Group's debt and interest rates exposure.

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.1 Financial risk factors (Cont'd)

(a) Market risk (Cont'd)

(iii) Interest rate risk (Cont'd)

Other financial assets and liabilities do not expose the Group to any material interest rate risk.

For the year ended 31 December 2014, if the average interest rate on variable interest-bearing borrowings had been 5% (2013: 5%) higher/lower, the Group's profit before income tax for the year would have been approximately RMB8 million (2013: RMB3 million) lower/higher.

The Company had no variable interest-bearing liabilities.

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and deposits (including restricted cash) placed with banks and financial institutions, other investments, as well as accounts and other receivables.

The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage this risk, deposits are mainly placed with state-owned financial institutions in the PRC and reputable international financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions.

For accounts receivable, a large portion of Internet and Mobile Service Fees is derived from the co-operative arrangements with China Mobile, China Unicom, China Telecom and other third party platform providers. If the strategic relationship with these telecommunications operators and third party platform providers are terminated or scaled-back; or if these telecommunications operators and third party platform providers alter the co-operative arrangements; or if they experience financial difficulties in paying us, the Group's VAS might be adversely affected in terms of recoverability of the related receivable balances.

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.1 Financial risk factors (Cont'd)

(b) Credit risk (Cont'd)

To manage this risk, the Group maintains frequent communication with these telecommunication operators and third party platform providers to ensure the co-operation is effective. In view of the history of co-operation with these telecommunication operators and third party platform providers and the sound collection history of receivables due from them, management believes that the credit risk inherent in the Group's outstanding accounts receivable balances from these counterparties is low (see Note 15 for details).

For accounts receivable due from advertising customers, which are mainly advertising agencies, the credit quality of each customer is assessed, which takes into account its financial position, past experience and other factors. Normally, prepayments representing a certain percentage of the total service fees for each advertising service are required.

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents and marketable securities. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyses the Group's and the Company's financial liabilities by relevant maturity groupings based on the remaining period since the end of the reporting period to the contractual maturity date.

(All amounts in RMB millions unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.1 Financial risk factors (Cont'd)

(c) Liquidity risk (Cont'd)

Group	Less than 1 year RMB'Million	Between 1 and 2 years RMB'Million	Between 2 and 5 years RMB'Million	Over 5 years RMB'Million	Total RMB'Million
At 31 December 2014					
Notes payable	**2,716**	**4,517**	**20,452**	**1,604**	**29,289**
Long-term payables	**–**	**1,372**	**505**	**287**	**2,164**
Borrowings	**3,362**	**702**	**5,008**	**–**	**9,072**
Accounts payable, other payables and accruals (excluding prepayments received from customers and certain users, staff costs and welfare accruals)	**21,563**	**–**	**–**	**–**	**21,563**
Total	**27,641**	**6,591**	**25,965**	**1,891**	**62,088**
At 31 December 2013					
Notes payable	327	2,156	7,794	–	10,277
Long-term payables	–	1,197	308	206	1,711
Borrowings	2,689	2,217	1,171	–	6,077
Accounts payable, other payables and accruals (excluding prepayments received from customers and certain users, staff costs and welfare accruals)	13,651	–	–	–	13,651
Total	16,667	5,570	9,273	206	31,716

(All amounts in RMB millions unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.1 Financial risk factors (Cont'd)

(c) Liquidity risk (Cont'd)

Company	Less than 1 year RMB'Million	Between 1 and 2 years RMB'Million	Between 2 and 5 years RMB'Million	Over 5 years RMB'Million	Total RMB'Million
At 31 December 2014					
Notes payable	**2,716**	**4,517**	**20,452**	**1,604**	**29,289**
Amounts due to subsidiaries	**4,742**	**–**	**–**	**–**	**4,742**
Other payables and accruals	**170**	**–**	**–**	**–**	**170**
Total	**7,628**	**4,517**	**20,452**	**1,604**	**34,201**
At 31 December 2013					
Notes payable	327	2,156	7,794	–	10,277
Amounts due to subsidiaries	2,632	–	–	–	2,632
Other payables and accruals	58	–	–	–	58
Total	3,017	2,156	7,794	–	12,967

3.2 Capital risk management

The Group's objectives on managing capital are to safeguard the Group's ability to continue as a going concern and support the sustainable growth of the Group in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

Capital referred to the equity and external debts (including borrowings and notes payable). In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, repurchase the Company's shares or raise/repay debts.

(All amounts in RMB millions unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.2 Capital risk management (Cont'd)

The Group monitors capital by regularly reviewing debts to adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA") (note) ratio, being the measure of the Group's ability to pay off all debts that reflecting financial health and liquidity position. The debts/adjusted EBITDA ratio is calculated by dividing the debts by adjusted EBITDA is as follows:

	As at 31 December	
	2014	2013
	RMB'Million	RMB'Million
Borrowings	**8,722**	5,912
Notes payable	**26,862**	9,141
Total debts	**35,584**	15,053
Adjusted EBITDA	**32,710**	21,734
Debts/Adjusted EBITDA Ratio	**1.09**	0.69

The increase in debts to EBITDA is mainly a result of certain senior notes issued by the Group during the year, details of which have been disclosed in Note 26.

Note:

Adjusted EBITDA represents operating profit less interest income and other gains/losses, net, and plus depreciation of fixed assets and investment properties and amortisation of intangible assets and equity-settled share-based compensation expenses

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2014 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

(All amounts in RMB millions unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.3 Fair value estimation (Cont'd)

As at 31 December 2014	**Level 1 RMB'Million**	**Level 2 RMB'Million**	**Level 3 RMB'Million**	**Total RMB'Million**
Assets				
Available-for-sale financial assets				
– Equity securities (Note 13)	**3,631**	**3,370**	**6,276**	**13,277**

As at 31 December 2013	Level 1 RMB'Million	Level 2 RMB'Million	Level 3 RMB'Million	Total RMB'Million
Assets				
Available-for-sale financial assets				
– Equity securities	6,245	3,495	2,775	12,515

The fair value of financial instruments traded in active markets is determined based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required for evaluating the fair value of a financial instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Dealer quotes for similar instruments;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of the reporting period, with the resulting value discounted back to present value; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

(All amounts in RMB millions unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.3 Fair value estimation (Cont'd)

There were no transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

The following table presents the changes in level 3 instruments for the year ended 31 December 2014:

	Available-for-sale financial assets	
	2014	2013
	RMB'Million	RMB'Million
Opening balance	**2,775**	1,550
Additions	**2,753**	1,251
Gains from changes in fair value	**1,257**	–
Impairment provision	**(369)**	(26)
Transfer to investments in associates	**(71)**	–
Currency translation differences	**(69)**	–
Closing balance	**6,276**	2,775

During the year ended 31 December 2014, total losses for the level 3 instruments held at the end of the reporting period were RMB369 million (2013: RMB26 million) under "Other gains/(losses), net".

Valuation processes of the Group (Level 3)

The Group has a team that manages the valuation logistics of level 3 instruments for financial reporting purposes. The team manages the valuation logistics at least once every quarter, in line with the Group's quarterly reporting dates. On an annual basis, the team would also manage the valuation logistics, and use valuation techniques to determine the fair value of the Group's level 3 instruments by themselves.

The valuation of the level 3 instruments mainly included private funds and unlisted companies. As these investments are not traded in an active market, their fair value have been determined using discounted cash flow valuation techniques if applicable. Major assumptions used in the valuation include historical financial results, assumptions about future growth rates and estimate of weighted average cost of capital (WACC), etc.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) Recognition of share-based compensation expenses

As mentioned in Note 2.27(c), the Group has granted share options to its employees. The directors have used the BS Model to determine the total fair value of the options granted, which is to be expensed over the vesting period. Significant judgement on parameters, such as risk free rate, dividend yield and expected volatility, is required to be made by the directors in applying the BS Model (Note 21).

The fair value of options granted for the year ended 31 December 2014 determined using the BS Model was approximately HKD508 million (equivalent to approximately RMB403 million). There was no share option granted to employees in 2013.

In addition, the Group granted awarded shares to its employees at an aggregate fair value of HKD3,907 million (equivalent to approximately RMB3,094 million) in 2014 (2013: HKD1,615 million (equivalent to approximately RMB1,287 million)).

The Group has to estimate the expected yearly percentage of grantees of share options/awarded shares who will stay within the Group at the end of the vesting periods ("Expected Retention Rate of Grantees") in order to determine the amount of share-based compensation expenses charged into the consolidated income statement. As at 31 December 2014, the Expected Retention Rate of Grantees was assessed to be 85% (2013: 91%).

If the Expected Retention Rate of Grantees had been increased/decreased by 5% (2013: 5%), the amount of share-based compensation expenses would be increased/decreased by RMB73 million (2013: RMB78 million).

(b) The estimates of the lifespan of virtual products/items provided in the Group's Internet and mobile platforms

As mentioned in Note 2.29(a), the end users purchase certain virtual products/items provided in the Group's Internet and mobile platforms and the relevant revenue is recognised based on the lifespan of the virtual products/items or the expected user relationship periods. The Group uses the available information, including the historical user pattern and behavior and the stipulated period of validity of the relevant virtual products/items, to estimate the lifespan of these products/items. The Group has adopted a policy of assessing the estimated lives of the permanent life virtual products/items on a timely basis.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Cont'd)

(b) The estimates of the lifespan of virtual products/items provided in the Group's Internet and mobile platforms (Cont'd)

The Group will continue to monitor the average lifespan of the virtual products/items (provided and to be provided), which may differ from the historical period, and any change in the estimates may result in the revenue being recognised on a different basis than in prior periods.

(c) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact current income tax and deferred income tax liabilities in the period in which such determination is made.

Were the actual final outcome (on the judgement areas) to differ by 5% from management's estimates, the Group would need to:

- Increase the income tax liabilities by RMB23 million (2013: RMB66 million) and the deferred tax liabilities by RMB147 million (2013: RMB72 million), if unfavourable; or
- Decrease the income tax liabilities by RMB23 million (2013: RMB66 million) and the deferred tax liabilities by RMB147 million (2013: RMB72 million), if favourable.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Cont'd)

(d) Estimation of put option liabilities

The Group granted some put options to the non-controlling interest owners that they have the right to request the Group to repurchase their equity interests in certain non-wholly owned subsidiaries when certain conditions are met. The repurchase prices were determined by making reference to the revenue or profit to be generated by those subsidiaries in future periods. The Group will initially recognise a financial liability at the present value of the estimated future cash outflows under the put option arrangement, and at the end of each subsequent period, the Group will revisit their estimations. If the Group revises its estimates of payments, the Group will adjust the carrying amount of the financial liability to reflect actual and revised estimated cash outflows and the adjustments will be recognised as income or expenses in the consolidated income statement.

(e) Recoverability of non-financial assets

The Group tests annually whether goodwill has suffered any impairment. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Judgement is required to determine key assumptions adopted in the valuation models for impairment review purpose. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to take additional impairment charge to the consolidated income statement.

5 SEGMENT INFORMATION

The chief operating decision-makers mainly include executive directors of the Company. They review the Group's internal reporting in order to assess performance and allocate resources, and determine the operating segments based on these reports.

The Group has following reportable segments for the years ended 31 December 2014 and 2013:

– VAS;

– Online advertising;

– eCommerce transactions; and

– Others.

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

The chief operating decision-makers assess the performance of the operating segments mainly based on segment revenue and gross profit/(losses) of each operating segment. The selling and marketing expenses and general and administrative expenses are common costs incurred for the operating segments as a whole and therefore they are not included in the measure of the segments' performance which is used by the chief operating decision-makers as a basis for the purpose of resource allocation and assessment of segment performance. Interest income, other gains/(losses), net, finance costs, net and income tax expense are also not allocated to individual operating segment.

There were no material inter-segment sales during the years ended 31 December 2014 and 2013. 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.

Other information, together with the segment information, provided to the chief operating decision-makers, is measured in a manner consistent with that applied in these financial statements. There were no segment assets and segment liabilities information provided to the chief operating decision-makers.

(All amounts in RMB millions unless otherwise stated)

5 SEGMENT INFORMATION (Cont'd)

The segment information provided to the chief operating decision-makers for the reportable segments for the years ended 31 December 2014 and 2013 is as follows:

Year ended 31 December 2014

	VAS RMB'Million	Online advertising RMB'Million	eCommerce transactions RMB'Million	Others RMB'Million	Total RMB'Million
Segment revenues	**63,310**	**8,308**	**4,753**	**2,561**	**78,932**
Gross profit	**42,691**	**3,648**	**306**	**1,414**	**48,059**
Depreciation	**1,919**	**158**	**15**	**23**	**2,115**
Amortisation	**232**	**1,374**	**–**	**–**	**1,606**
Share of (losses)/profits of associates and joint ventures	**(26)**	**(166)**	**(336)**	**181**	**(347)**

Year ended 31 December 2013

	VAS RMB'Million	Online advertising RMB'Million	eCommerce transactions RMB'Million	Others RMB'Million	Total RMB'Million
Segment revenues	44,985	5,034	9,796	622	60,437
Gross profit	29,601	2,257	557	244	32,659
Depreciation	1,656	138	16	19	1,829
Amortisation	336	514	–	–	850
Share of profits/(losses) of associates and joint ventures	128	(27)	(53)	123	171

The reconciliation of gross profit to profit before income tax is shown in the consolidated income statement.

(All amounts in RMB millions unless otherwise stated)

5 SEGMENT INFORMATION (Cont'd)

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in Mainland China. For the year ended 31 December 2014, the geographical information on the total revenues is as follows:

	2014 RMB'Million	2013 RMB'Million
Revenues		
– Mainland China	**72,462**	55,978
– Others	**6,470**	4,459
	78,932	60,437

The Group also conducts operations in United States, Europe and other regions, and holds financial instruments as investments which are traded in other territories. The geographical information on the total assets is as follows:

	As at 31 December	
	2014 **RMB'Million**	2013 RMB'Million
Operating assets		
– Mainland China	**72,101**	68,807
– Others	**13,913**	3,269
Investments		
– Mainland China	**43,106**	10,726
– Hong Kong	**17,804**	10,535
– United States	**6,066**	4,185
– Europe	**3,327**	6,235
– Korea	**6,442**	1,729
– Others	**8,407**	1,749
	171,166	107,235

As at 31 December 2014, the total non-current assets other than financial instruments and deferred tax assets located in Mainland China and other areas were RMB57,205 million (2013: RMB20,848 million) and RMB16,758 million (2013: RMB7,032 million), respectively.

All the revenues derived from any single external customer were less than 10% of the Group's total revenues for the year ended 31 December 2014.

Turnover consists of revenues generated by the Group, which were RMB78,932 million (2013: RMB60,437 million) for the year ended 31 December 2014.

(All amounts in RMB millions unless otherwise stated)

6 FIXED ASSETS

	Buildings RMB'Million	Computer equipment RMB'Million	Furniture and office equipment RMB'Million	Motor vehicles RMB'Million	Leasehold improvements RMB'Million	Total RMB'Million
At 1 January 2014						
Cost	2,800	10,494	541	47	873	14,755
Accumulated depreciation	(397)	(5,036)	(208)	(18)	(360)	(6,019)
Currency translation differences	–	(43)	1	–	(1)	(43)
Net book amount	2,403	5,415	334	29	512	8,693
Year ended 31 December 2014						
Opening net book amount	2,403	5,415	334	29	512	8,693
Business combinations	–	1	23	1	4	29
Other additions	49	2,299	115	7	146	2,616
Disposals	–	(66)	(11)	(16)	(41)	(134)
Depreciation	(128)	(2,537)	(125)	(9)	(190)	(2,989)
Transfer to Investment properties	(272)	–	–	–	–	(272)
Currency translation differences	–	(20)	3	–	(8)	(25)
Closing net book amount	2,052	5,092	339	12	423	7,918
At 31 December 2014						
Cost	2,574	12,261	673	25	961	16,494
Accumulated depreciation	(522)	(7,106)	(338)	(13)	(529)	(8,508)
Currency translation differences	–	(63)	4	–	(9)	(68)
Net book amount	2,052	5,092	339	12	423	7,918

(All amounts in RMB millions unless otherwise stated)

6 FIXED ASSETS (Cont'd)

	Buildings RMB'Million	Computer equipment RMB'Million	Furniture and office equipment RMB'Million	Motor vehicles RMB'Million	Leasehold improvements RMB'Million	Total RMB'Million
At 1 January 2013						
Cost	2,358	8,227	414	32	586	11,617
Accumulated depreciation	(281)	(3,578)	(131)	(12)	(212)	(4,214)
Currency translation differences	–	(1)	1	–	–	–
Net book amount	2,077	4,648	284	20	374	7,403
Year ended 31 December 2013						
Opening net book amount	2,077	4,648	284	20	374	7,403
Business combinations	–	10	2	–	3	15
Other additions	442	3,095	140	16	286	3,979
Disposals	–	(168)	(6)	(1)	(2)	(177)
Depreciation	(116)	(2,128)	(86)	(6)	(148)	(2,484)
Currency translation differences	–	(42)	–	–	(1)	(43)
Closing net book amount	2,403	5,415	334	29	512	8,693
At 31 December 2013						
Cost	2,800	10,494	541	47	873	14,755
Accumulated depreciation	(397)	(5,036)	(208)	(18)	(360)	(6,019)
Currency translation differences	–	(43)	1	–	(1)	(43)
Net book amount	2,403	5,415	334	29	512	8,693

For the year ended 31 December 2014, depreciation of RMB2,115 million (2013: RMB1,829 million), RMB102 million (2013: RMB42 million) and RMB772 million (2013: RMB613 million) were charged to cost of revenues, selling and marketing expenses and general and administrative expenses, respectively.

(All amounts in RMB millions unless otherwise stated)

7 CONSTRUCTION IN PROGRESS

	2014	2013
	RMB'Million	RMB'Million
Opening net book amount	**2,041**	534
Additions	**1,894**	1,815
Transfer to fixed assets	**(100)**	(308)
Disposals	**(5)**	–
Closing net book amount	**3,830**	2,041

8 LAND USE RIGHTS

	2014	2013
	RMB'Million	RMB'Million
Opening net book amount	**871**	794
Additions	**27**	93
Disposals	**(130)**	–
Amortisation	**(17)**	(16)
Closing net book amount	**751**	871

The land use rights are all related to land in the PRC with remaining lease period of 41 to 50 years. For the year ended 31 December 2014, RMB17 million (2013: RMB16 million) of the amortisation was charged in general and administrative expenses.

(All amounts in RMB millions unless otherwise stated)

9 INTANGIBLE ASSETS

	Goodwill RMB'Million	Computer software and technology RMB'Million	Licences RMB'Million	Licensed online contents RMB'Million	Others RMB'Million	Total RMB'Million
At 1 January 2014						
Cost	2,698	1,125	1,386	1,441	420	7,070
Accumulated amortisation	–	(648)	(919)	(950)	(292)	(2,809)
Currency translation differences	(146)	(7)	(3)	–	(2)	(158)
Net book amount	2,552	470	464	491	126	4,103
Year ended 31 December 2014						
Opening net book amount	2,552	470	464	491	126	4,103
Business combinations	3,929	869	–	–	325	5,123
Other additions	–	261	346	1,492	20	2,119
Disposal	(68)	(56)	(22)	–	(3)	(149)
Amortisation	–	(200)	(222)	(1,374)	(12)	(1,808)
Impairment provision	(64)	(13)	–	–	–	(77)
Currency translation differences	7	(14)	–	–	–	(7)
Closing net book amount	6,356	1,317	566	609	456	9,304
At 31 December 2014						
Cost	6,558	2,200	1,711	2,933	761	14,163
Accumulated amortisation and impairment	(63)	(862)	(1,142)	(2,324)	(303)	(4,694)
Currency translation differences	(139)	(21)	(3)	–	(2)	(165)
Net book amount	6,356	1,317	566	609	456	9,304

(All amounts in RMB millions unless otherwise stated)

9 INTANGIBLE ASSETS (Cont'd)

	Goodwill RMB'Million	Computer software and technology RMB'Million	Licences RMB'Million	Licensed online contents RMB'Million	Others RMB'Million	Total RMB'Million
At 1 January 2013						
Cost	3,013	915	1,510	797	403	6,638
Accumulated amortisation	–	(436)	(887)	(265)	(243)	(1,831)
Currency translation differences	(84)	1	(3)	–	(2)	(88)
Net book amount	2,929	480	620	532	158	4,719
Year ended 31 December 2013						
Opening net book amount	2,929	480	620	532	158	4,719
Business combinations	87	2	–	–	–	89
Other additions	–	224	151	644	17	1,036
Disposal	(402)	(9)	(154)	–	–	(565)
Amortisation	–	(219)	(153)	(685)	(49)	(1,106)
Currency translation differences	(62)	(8)	–	–	–	(70)
Closing net book amount	2,552	470	464	491	126	4,103
At 31 December 2013						
Cost	2,698	1,125	1,386	1,441	420	7,070
Accumulated amortisation	–	(648)	(919)	(950)	(292)	(2,809)
Currency translation differences	(146)	(7)	(3)	–	(2)	(158)
Net book amount	2,552	470	464	491	126	4,103

Amortisation of RMB202 million (2013: RMB256 million) and RMB1,606 million (2013: RMB850 million) were charged in general and administrative expenses and cost of revenues respectively for the year ended 31 December 2014.

(All amounts in RMB millions unless otherwise stated)

9 INTANGIBLE ASSETS (Cont'd)

Impairment tests for goodwill

Goodwill is allocated to the Group's CGUs identified according to operating segments. Most of the goodwill is related to the operating segment of VAS.

The recoverable amount of a CGU is the higher of its value-in-use and fair value less costs to sell. The management calculates fair value less costs to sell based on ratios of EV (enterprise value)/EBITDA (earnings before interest, tax, depreciation and amortisation) of several public comparable companies multiplied by the EBITDA of the related CGU and discounted for the lack of marketability.

Except for those goodwill arising from subsidiaries acquired during the year, the key assumptions used for the calculations of fair value less costs to sell, for purpose of the impairment tests on material balances of goodwill, in 2014 and 2013 are as follows:

	2014	2013
EV/EBITDA	**4.8-9.9x**	4.1-6.3x
Discount for the lack of marketability	**20-30%**	20-30%

The public comparable companies are considered with factors such as industry similarity, company size, profitability and financial risk.

Based on the assessment made by management, the carrying amount of goodwill and other identify intangible assets recognised for the investment in a subsidiary had been reduced to their expected recoverable amount by recognising an impairment loss amounting to RMB77 million and related tax impact. The loss and related tax impact had been included in "Other gains, net" and "Income tax expense" in the consolidated income statement for the year ended 31 December 2014.

(All amounts in RMB millions unless otherwise stated)

10 INVESTMENTS IN SUBSIDIARIES, AMOUNT DUE FROM/(TO) SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITIES

(a) Investments in subsidiaries

The amount represents investments in equity interests in subsidiaries of the Company. Details are as follows:

	As at 31 December	
	2014	2013
	RMB'Million	RMB'Million
Investments in subsidiaries:		
– Investments in equity interests – at cost, unlisted	**67**	–
– Deemed investments arising from share-based compensation (Note (i))	**5,158**	3,648
– Advance to subsidiaries (Note (ii))	**24,315**	7,036
	29,540	10,684

The following is a list of principal subsidiaries of the Company as at 31 December 2014:

Name	Place and date of establishment and nature of legal entity	Particulars of issued/ paid-in capital	Proportion of equity interest held by the Group (%)	Proportion of equity interest held by non-controlling interests (%)	Principal activities
Tencent Computer	Established on 11 November 1998 in the PRC, private limited liability company	RMB65,000,000	100% (Note (iii))	–	Provision of Internet and mobile and telecommunications value-added services, Internet advertisement services and eCommerce transactions business
Tencent Technology	Established on 24 February 2000 in the PRC, wholly foreign owned enterprise	USD2,000,000	100%	–	Development of computer software and provision of information technology services
Shiji Kaixuan	Established on 13 January 2004 in the PRC, private limited liability company	RMB11,000,000	100% (Note (iii))	–	Provision of Internet advertisement service
Tencent Cyber (Tianjin) Company Limited ("Cyber Tianjin")	Established on 8 February 2004 in the PRC, wholly foreign owned enterprise	USD90,000,000	100%	–	Development of computer software and provision of information technology services

(All amounts in RMB millions unless otherwise stated)

10 INVESTMENTS IN SUBSIDIARIES, AMOUNT DUE FROM/(TO) SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITIES (Cont'd)

(a) Investments in subsidiaries (Cont'd)

Name	Place and date of establishment and nature of legal entity	Particulars of issued/ paid-in capital	Proportion of equity interest held by the Group (%)	Proportion of equity interest held by non-controlling interests (%)	Principal activities
Tencent Asset Management Limited	Established on 7 July 2004 in BVI, limited liability company	USD100	100%	–	Asset management
Tencent Technology (Beijing) Company Limited ("Tencent Beijing")	Established on 30 March 2005 in the PRC, wholly foreign owned enterprise	USD1,000,000	100%	–	Development and sale of computer software and provision of information technology services
Nanjing Wang Dian Technology Company Limited ("Wang Dian")	Established on 5 January 2000 in the PRC, limited liability company	RMB10,290,000	100% (Note (iii))	–	Provision of mobile and telecommunications value-added services
Beijing BIZCOM Technology Company Limited ("Beijing BIZCOM")	Established on 11 June 2002 in the PRC, limited liability company	RMB16,500,000	100% (Note (iii))	–	Provision of mobile and telecommunications value-added services
Beijing Starsinhand Technology Company Limited ("Beijing Starsinhand")	Established on 13 July 2005 in the PRC, limited liability company	RMB10,000,000	100% (Note (iii))	–	Provision of mobile and telecommunications value-added services
Tencent Cyber (Shenzhen) Company Limited ("Cyber Shenzhen")	Established on 17 January 2007 in the PRC, wholly foreign owned enterprise	USD30,000,000	100%	–	Development of computer software
Tencent Technology (Shanghai) Company Limited ("Tencent Shanghai")	Established on 23 July 2008 in the PRC, wholly foreign owned enterprise	USD5,000,000	100%	–	Development of computer software and provision of Internet information services
Tencent Technology (Chengdu) Company Limited ("Tencent Chengdu")	Established on 10 July 2008 in the PRC, wholly foreign owned enterprise	USD90,000,000	100%	–	Development of computer software and provision of information technology services
Tencent Technology (Wuhan) Company Limited ("Tencent Wuhan")	Established on 18 November 2011 in the PRC, wholly foreign owned enterprise	USD30,000,000	100%	–	Development of computer software and provision of Internet information services

(All amounts in RMB millions unless otherwise stated)

10 INVESTMENTS IN SUBSIDIARIES, AMOUNT DUE FROM/(TO) SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITIES (Cont'd)

(a) Investments in subsidiaries (Cont'd)

Name	Place and date of establishment and nature of legal entity	Particulars of issued/ paid-in capital	Proportion of equity interest held by the Group (%)	Proportion of equity interest held by non-controlling interests (%)	Principal activities
Tencent Cloud Computing (Beijing) Company Limited	Established on 21 October 2010 in the PRC, limited liability company	RMB120,000,000	100%	–	Provision of information system integration services
China Reading Limited	Established on 22 April 2013 in Cayman Islands, limited liability company	USD66,683	66.44%	33.56%	Provision of online literature services
Riot Games, Inc. ("Riot Games")	Established in September 2006 in the United States, limited liability company	USD43,068,238	92.58%	7.42%	Development and operation of online games

All subsidiaries' undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from its proportion of ordinary shares held. The parent company further does not have any shareholdings in the preference shares of subsidiary's undertakings included in the Group.

Note:

(i) The amount represents share-based compensation expenses arising from grants of share options and awarded shares of the Company to employees of subsidiaries in exchange for their services provided to the subsidiaries, which were deemed to be investment made by the Company into these subsidiaries.

(ii) All these balances are unsecured and interest-free and their repayments are neither planned nor likely to occur in the foreseeable future.

(iii) As described in Note 1, the Company does not have legal ownership in equity of these subsidiaries. Nevertheless, under certain contractual agreements entered into with the registered owners of these subsidiaries, the Company and its other legally owned subsidiaries control these companies by way of controlling the voting rights, governing their financial and operating policies, appointing or removing the majority of the members of their controlling authorities, and casting the majority of votes at meetings of such authorities. In addition, such contractual agreements also transfer the risks and rewards of these companies to the Company and/or its other legally owned subsidiaries. As a result, they are presented as controlled structured entities of the Company.

(iv) The directors of the Company considered that the non-controlling interests of any non-wholly owned subsidiaries are not significant to the Group, therefore, no summarised financial information of the relevant subsidiaries is presented separately.

(All amounts in RMB millions unless otherwise stated)

10 INVESTMENTS IN SUBSIDIARIES, AMOUNT DUE FROM/(TO) SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITIES (Cont'd)

(b) Significant restrictions

Cash and cash equivalents, term deposits and restricted cash of the Group, amounting to RMB49,707 million are held in Mainland China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on payment of dividends, share repurchase and offshore investments, etc.

(c) Amounts due from/(to) subsidiaries

The amounts due from/(to) subsidiaries as at 31 December 2014 represented current account balances maintained by the Company with certain subsidiaries. All balances are unsecured and interest-free and the balances are repayable on demand. As at 31 December 2014, the amounts due from subsidiaries were neither past due nor impaired.

(d) Consolidation of structured entities

As mentioned in Note 10(a) (iii) above, the Company has consolidated the operating entities within the Group without any legal interests. In addition, due to the implementation of the share award schemes of the Group mentioned in Note 21(b), the Company has also set up a structured entity ("Share Scheme Trust"), and its particulars are as follows:

Structured entity	Principal activities
Share Scheme Trust	Administering and holding the Company's shares acquired for share award schemes which are set up for the benefits of eligible persons of the Schemes

As the Company has the power to govern the financial and operating policies of the Share Scheme Trust and can derive benefits from the contributions of the eligible persons who are awarded with the shares by the schemes, the directors of the Company consider that it is appropriate to consolidate the Share Scheme Trust.

For the year ended 31 December 2014, the Company contributed approximately RMB529 million (2013: RMB278 million) to the Share Scheme Trust for financing its acquisition of the Company's shares.

(All amounts in RMB millions unless otherwise stated)

11 INTERESTS IN ASSOCIATES

	As at 31 December	
	2014	2013
	RMB'Million	RMB'Million
Investments in associates (Note (a))		
– Listed shares	**32,064**	1,426
– Unlisted shares	**19,067**	9,441
	51,131	10,867
Investments in redeemable preference shares of associates (Note (b))	**2,941**	1,119
	54,072	11,986

Note:

(a) Investments in associates

	2014	2013
	RMB'Million	RMB'Million
At beginning of the year	**10,867**	6,310
Additions (i), (ii), (iii), (iv), (v), (vi), (vii), (viii) and (ix)	**40,628**	4,534
Deemed disposal gains	**2,402**	–
Share of (losses)/profits of associates	**(346)**	213
Share of other comprehensive income of associates	**81**	48
Disposal of associates	**(278)**	(152)
Impairment provision (xi)	**(1,638)**	(44)
Dividends from associates	**(148)**	(42)
Currency translation differences	**(437)**	–
At end of the year	**51,131**	10,867

11 INTERESTS IN ASSOCIATES (Cont'd)

Note: (Cont'd)

(a) Investments in associates (Cont'd)

(i) In March 2014, the Group entered into a series of agreements (including a share subscription agreement, a call option agreement and certain equity transfer and asset transfer agreements) with JD.com, Inc. ("JD.com") ("JD.com Pre-IPO Subscription"), a company operating online direct sales and marketplace businesses principally in the PRC, to purchase 351,678,637 ordinary shares of JD.com, representing approximately 15.0% of the outstanding JD.com ordinary shares immediately after the completion of the JD.com Pre-IPO Subscription, at an aggregate consideration of cash, certain eCommerce related businesses (Note 31(b)(i)) and assets of the Group, and 9.9% equity interests of Shanghai Icson E-Commerce Development Company Limited ("Yixun" which is a non-wholly owned subsidiary of the Group), with a call option granted to acquire the remaining equity interests held by the Group in Yixun at the higher of RMB800 million and the then fair value of the interests.

In addition, the Group also entered into a strategic co-operation agreement ("SCA") with JD.com that the Group would offer level 1 access points at Weixin and Mobile QQ, and other key platform support to JD.com. The fair market value of the support to be provided to JD.com under the SCA is accounted for as deferred revenue of the Group and the amount is recognised over the duration of the SCA.

On 22 May 2014, the American depository shares of JD.com began to be listed on NASDAQ (the "JD.com IPO"), and the Group further subscribed 5.0% of JD.com's equity capital, on a fully-diluted basis, in a concurrent private placing at a cash consideration of approximately USD1,325 million (equivalent to approximately RMB8,161 million).

On 2 December 2014, the Group further acquired 0.45% of JD.com's equity capital on a fully-diluted basis at a cash consideration of approximately USD150 million (equivalent to approximately RMB920 million). As of 31 December 2014, the Group's equity interests of JD.com were approximately 17.88% on a fully-diluted basis.

The total consideration paid for the investment in JD.com is approximately RMB17,879 million. As at 31 December 2014, the fair value of the Group's interest in JD.com, which was listed on NASDAQ, was approximately RMB35,317 million, and the carrying amount of the Group's interest was approximately RMB18,154 million.

(ii) In March 2014, the Group entered into an agreement with E-House (China) Holdings Limited ("E-House") to acquire from E-House approximately 15.0% of equity interests of Leju Holdings Limited ("Leju"), on a fully-diluted basis, at a cash consideration of USD180 million (equivalent to approximately RMB1,102 million). On 22 April 2014, the shares of Leju began to be listed on the New York Stock Exchange and the Group subscribed additional shares of Leju at a cash consideration of USD20 million (equivalent to approximately RMB125 million) in a concurrent private placing. As a result, the Group's equity interests of Leju were approximately 15.0%, on a fully-diluted basis.

The total consideration of the investment in Leju is approximately RMB1,227 million.

11 INTERESTS IN ASSOCIATES (Cont'd)

Note: (Cont'd)

(a) Investments in associates (Cont'd)

(iii) In April 2014, the Group entered into an agreement to subscribe approximately 11.28% of the total issued share capital of NavInfo Co., Ltd. ("NavInfo") at a total consideration of RMB1,173 million. NavInfo provides digital maps, telematics and dynamic traffic information services as well as geography-related business intelligence solutions in the PRC.

(iv) In June 2014, the Group entered into an agreement with 58.com Inc. ("58.com") to subscribe 19.9% of its total equity capital, on a fully-diluted basis, at a consideration of approximately USD736 million (equivalent to approximately RMB4,541 million). In September 2014, the Group further subscribed 4.1% of its total equity capital, on a fully-diluted basis, at a total consideration of USD140 million (equivalent to approximately RMB863 million). As a result, the Group's equity interests in 58.com were approximately 24.0%, on a fully-diluted basis. 58.com operates an online classified listings platform focusing on local services in the PRC.

The total consideration of the investment made in 58.com is approximately RMB5,404 million.

(v) In January 2014, the Group entered into an agreement to subscribe approximately 680 million newly issued ordinary shares of China South City Holdings Limited ("CSC"), represents approximately 9.9% of the then issued share capital of CSC, at a cash consideration of HKD1,497 million (equivalent to approximately RMB1,177 million). In addition, the Group had a call option to subscribe further approximately 245 million new shares of CSC within 2 years after its initial investment made in CSC. During the year ended 31 December 2014, the Group exercised the call option at a total consideration of HKD823 million (equivalent to approximately RMB654 million). As a result, the Group held approximately 925 million shares in aggregate in CSC, which represents approximately 11.55% of issued share capital of CSC. CSC is a developer and operator of large scale integrated logistics and trade centers in the PRC.

The total consideration of the investment made in CSC is approximately RMB1,831 million.

(vi) In March 2014, the Group entered into a series of agreements, and upon the completion in August 2014, the Group started to own, in aggregate, approximately 28.0% of the total outstanding shares of Netmarble Games Corporation (formerly known as CJ Games Corporation) ("Netmarble Games"). Netmarble Games is an online and mobile games developer and publisher in the Republic of Korea.

The total consideration of the investment in Netmarble Games is approximately KRW533,000 million (equivalent to approximately RMB3,231 million).

(All amounts in RMB millions unless otherwise stated)

11 INTERESTS IN ASSOCIATES (Cont'd)

Note: (Cont'd)

(a) Investments in associates (Cont'd)

(vii) The Group, together with a number of independent third parties, established a privately owned commercial bank, named as Shenzhen WeBank Limited ("WeBank") in Qianhai Region of Shenzhen. The Group own 30.0% of total issued share capital of WeBank, and the total cost of its investment in WeBank is RMB900 million.

(viii) In November 2014, the Group entered into an agreement to acquire approximately 23.0% of the total issued share capital of CITIC Capital Holdings Limited ("CITIC Capital") at a total consideration of HKD2,040 million (equivalent to approximately RMB1,616 million). CITIC Capital is an investment management and advisory company.

(ix) In addition to the above, the Group also acquired some other associates, and made additional investments into existing associates, for an aggregate consideration of RMB7,367 million during the year ended 31 December 2014. These investee companies are principally engaged in online-to-offline ("O2O") daily life information business, mobile games business and other Internet-related businesses.

(x) The associates of the Group have been accounted for using equity method based on the financial information of the associates prepared under the accounting policies consistent with the Group.

(xi) During the year ended 31 December 2014, the Group made an aggregate impairment provision of RMB1,638 million (2013: RMB44 million) against the carrying amounts of its investments in certain associates of which RMB1,170 million was provided for an associate, based on the result of impairment assessment performed on the carrying amounts of these investments with reference to their business performance and their underlying recoverable amount.

Particulars of the material associate of the Group, as determined by the directors, are set out below:

Name of entity	Place of incorporation	Interest held indirectly	Principal activities/place of operation
JD.com	Cayman Islands	17.88% (on a fully-diluted basis)	Online direct sales and online market place businesses/the PRC

(All amounts in RMB millions unless otherwise stated)

11 INTERESTS IN ASSOCIATES (Cont'd)

Note: (Cont'd)

(a) Investments in associates (Cont'd)

Set out below are the summarised financial information of JD.com extracted from its financial statements prepared under generally accepted accounting principles in the United States.

	As at 31 December	
	2014	2013
	RMB'Million	RMB'Million
Summarised consolidated balance sheet		
Current assets	**49,942**	22,480
Non-current assets	**16,551**	3,530
Current liabilities	**28,995**	16,770
Non-current liabilities	**–**	–
Mezzanine equity	**–**	7,173
Shareholders' equity	**37,498**	2,067

	Year ended 31 December	
	2014	2013
	RMB'Million	RMB'Million
Summarised consolidated statements of operations and comprehensive loss		
Net Revenues	**115,002**	69,340
Loss from operations	**(5,802)**	(579)
Loss before tax	**(4,977)**	(50)
Net loss	**(4,996)**	(50)
Other comprehensive loss	**(108)**	(115)
Total comprehensive loss	**(5,104)**	(165)

There are no contingent liabilities relating to the Group's interest in the associates.

(All amounts in RMB millions unless otherwise stated)

11 INTERESTS IN ASSOCIATES (Cont'd)

Note: (Cont'd)

(a) Investments in associates (Cont'd)

The Group's share of the results, the revenues, the aggregated assets (including goodwill) and liabilities of its associates, as well as the fair value of the associates which are listed companies, are shown in aggregate as follows:

	Assets RMB'Million	Liabilities RMB'Million	Revenues RMB'Million	Profits/(losses) from continuing operation RMB'Miilion	Other comprehensive income RMB'Miilion	Total comprehensive income RMB'Miilion	Fair value of listed companies as at 31 December RMB'Million
2014							
Listed companies	**41,829**	**10,197**	**19,805**	**184**	**41**	**225**	**56,552**
Non-listed companies	**22,959**	**3,460**	**4,439**	**(530)**	**40**	**(490)**	
	64,788	**13,657**	**24,244**	**(346)**	**81**	**(265)**	
2013							
Listed companies	1,105	322	431	63	(1)	62	3,514
Non-listed companies	10,774	690	1,905	150	49	199	
	11,879	1,012	2,336	213	48	261	

Management has assessed the level of influence that the Group has on certain associates, with a total carrying amount of RMB29,311 million (2013: 3,072 million) as at 31 December 2014, and determined that it has significant influence even though the shareholding is below 20% because of the board representation or other arrangements. Consequently, these investments have been classified as associates.

(b) Investments in redeemable preference shares of associates

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

In August 2014, the Group subscribed for minority interest in a company providing mobile Internet platform services, at a total consideration of USD145 million (equivalent to approximately RMB893 million).

During the year ended 31 December 2014, the Group made an impairment provision of approximately RMB321 million (2013: RMB17 million) for the investments in redeemable preference shares of certain associates based on the impairment assessment made with reference to the business performance and recoverable amount of these investments.

11 INTERESTS IN ASSOCIATES (Cont'd)

Note: (Cont'd)

(c) Transactions with associates

The Group also provided/purchased online traffic and other Internet value-added services to/from certain of its associates. Revenues/costs recorded by the Group from such transactions were summarised as below:

(i) Transactions with JD.com

On March 10, 2014, the Group entered into a strategic co-operation agreement and formed a strategic partnership with JD.com, an associate of the Group. As part of the strategic partnership, the Group agreed to offer JD.com level 1 access points in the mobile applications Weixin and Mobile QQ and provide Internet traffic and other support from other key platforms to JD.com. The strategic partnership represents a deferred revenue arrangement, and the fair value of this arrangement, at the inception date, was recorded as "deferred revenue" in the consolidated statement of financial position, and has subsequently credited to the consolidated income statement over a period of five years. During the year ended 31 December 2014, the Group had recognised revenue in respect of the above arrangement.

(ii) Transactions with other associates

During the years ended 31 December 2014 and 2013, the Group entered into co-operation agreements with certain associates, pursuant to which the associates operate their games/applications on the Group's Internet platforms, which are available to the users of the Group. The Group pays the associates a pre-determined percentage of the fees paid by and collected from end users for the virtual products/items utilised in their games/applications. In 2014 and 2013, the revenue recorded by the Group from the above cooperation with associates was not material.

As at 31 December 2014 and 2013, the Group was entitled to certain call options and conversion options associated with its interests in associates. The directors of the Company considered that the fair values of such options were insignificant and accordingly, the Group did not separately recognise these options in the consolidated financial statements.

There are no contingent liabilities relating to the Group's interest in the associates.

(All amounts in RMB millions unless otherwise stated)

12 FINANCIAL INSTRUMENTS BY CATEGORY

Group

	Loans and receivables RMB'Million	Available-for-sale financial assets RMB'Million	Total RMB'Million
Assets			
At 31 December 2014			
Investments in redeemable preference shares of associates (Note 11)	**2,941**	**–**	**2,941**
Available-for-sale financial assets (Note 13)	**–**	**13,277**	**13,277**
Accounts receivable (Note 15)	**4,588**	**–**	**4,588**
Deposits and other receivables	**4,691**	**–**	**4,691**
Term deposits (Note 17)	**15,629**	**–**	**15,629**
Restricted cash	**9,174**	**–**	**9,174**
Cash and cash equivalents (Note 18)	**42,713**	**–**	**42,713**
Total	**79,736**	**13,277**	**93,013**
At 31 December 2013			
Investments in redeemable preference shares of associates and others	1,119	–	1,119
Available-for-sale financial assets	–	12,515	12,515
Accounts receivable	2,955	–	2,955
Deposits and other receivables	3,064	–	3,064
Term deposits	31,043	–	31,043
Restricted cash	4,131	–	4,131
Cash and cash equivalents	20,228	–	20,228
Total	62,540	12,515	75,055

(All amounts in RMB millions unless otherwise stated)

12 FINANCIAL INSTRUMENTS BY CATEGORY (Cont'd)

Group (Cont'd)

	Financial liabilities at amortised cost RMB'Million	Financial liabilities at fair value through profit or loss RMB'Million	Total RMB'Million
Liabilities			
At 31 December 2014			
Notes payable (Note 26)	**26,862**	**–**	**26,862**
Long-term payables (Note 24)	**1,121**	**931**	**2,052**
Accounts payable (Note 22)	**8,683**	**–**	**8,683**
Other payables and accruals (excluding prepayments received from customers, staff costs and welfare accruals)	**12,801**	**79**	**12,880**
Borrowings (Note 25)	**8,722**	**–**	**8,722**
Total	**58,189**	**1,010**	**59,199**
At 31 December 2013			
Notes payable	9,141	–	9,141
Long-term payables	1,397	203	1,600
Accounts payable	6,680	–	6,680
Other payables and accruals (excluding prepayments received from customers, staff costs and welfare accruals)	6,668	303	6,971
Borrowings	5,912	–	5,912
Total	29,798	506	30,304

(All amounts in RMB millions unless otherwise stated)

12 FINANCIAL INSTRUMENTS BY CATEGORY (Cont'd)

Company

	Loans and receivables RMB'Million
Assets	
At 31 December 2014	
Amounts due from subsidiaries (Note 10(c))	**9,272**
Deposits and other receivables	**387**
Cash and cash equivalents (Note 18)	**168**
Total	**9,827**
At 31 December 2013	
Amounts due from subsidiaries	4,934
Deposits and other receivables	111
Cash and cash equivalents	346
Total	5,391

	Financial liabilities at amortised cost RMB'Million
Liabilities	
At 31 December 2014	
Notes payable (Note 26)	**26,862**
Amounts due to subsidiaries (Note 10(c))	**4,742**
Other payables and accruals	**170**
Total	**31,774**
At 31 December 2013	
Notes payable	9,141
Amounts due to subsidiaries	2,632
Other payables and accruals	58
Total	11,831

(All amounts in RMB millions unless otherwise stated)

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets include the following:

	As at 31 December	
	2014	2013
	RMB'Million	RMB'Million
Equity interests listed in Hong Kong	**277**	15
Equity interests listed outside Hong Kong	**3,354**	6,230
Market value of listed securities	**3,631**	6,245
Unlisted equity interests	**9,646**	6,270
	13,277	12,515
Listed equity interests include (Note (a)):		
7.76% (2013: 7.76%) equity interest in Mail.ru Group Limited	**1,619**	4,413
4.84% (2013: 4.60%) equity interest in Huayi Bros. Media Group	**1,502**	1,547
7.00% (2013: Nil) equity interest in China Lotsynergy Holdings Limited	**272**	–
3.98% (2013: 3.98%) equity interest in Hangzhou Shunwang Technology Co., Ltd.	**233**	270
Others	**5**	15
	3,631	6,245

Movement in the unlisted interests is analysed as follows:

	As at 31 December	
	2014	2013
	RMB'Million	RMB'Million
At beginning of the year	**6,270**	1,550
Additions (Note (b))	**2,753**	3,890
Transfer to investments in associates	**(71)**	–
Changes in fair value	**1,146**	856
Impairment provision (Note (c))	**(369)**	(26)
Currency translation differences	**(83)**	–
At end of the year	**9,646**	6,270

(All amounts in RMB millions unless otherwise stated)

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS (Cont'd)

(a) The losses from changes in fair value recognised for the listed interests during the year ended 31 December 2014 were RMB2,866 million (2013: gains from changes in fair value were RMB2,162 million).

(b) The Group acquired certain unlisted interests or made additional investments in existing unlisted interests for an aggregate consideration of RMB2,753 million during the year ended 31 December 2014. They are principally engaged in the provision of O2O and other Internet-related businesses.

(c) During the year ended 31 December 2014, the Group made an impairment provision of RMB369 million (2013: RMB26 million) against the carrying amount of its investments in certain unlisted available-for-sale financial assets, with reference to their business performance and their assessed recoverable amount.

Available-for-sale financial assets are denominated in the following currencies:

	As at 31 December	
	2014	2013
	RMB'Million	RMB'Million
HKD	**278**	15
RMB	**2,935**	2,832
USD	**10,064**	9,668
Total	**13,277**	12,515

As at 31 December 2014, there were certain call or conversion options embedded in available-for-sale financial assets invested by the Group. The directors of the Company considered that the fair values of such options were insignificant and accordingly, the Group did not separately recognise these options in the consolidated financial statements.

14 INVENTORIES

The inventories are mainly merchandise purchased for the Group's eCommerce transactions business and offline publication business.

The cost of inventories is recognised as expense and included in "cost of merchandise sold" amounted to RMB4,334 million for the year ended 31 December 2014 (2013: RMB8,991 million).

(All amounts in RMB millions unless otherwise stated)

15 ACCOUNTS RECEIVABLE

Accounts receivable and their ageing analysis are as follows:

	As at 31 December	
	2014	2013
	RMB'Million	RMB'Million
0 - 30 days	**2,032**	1,537
31 - 60 days	**1,464**	827
61 - 90 days	**667**	369
Over 90 days	**425**	222
	4,588	2,955

Accounts receivable were mainly denominated in RMB.

The carrying amounts of accounts receivable of the Group's major agents/customers are as follows:

	As at 31 December	
	2014	2013
	RMB'Million	RMB'Million
Telecommunications operators	**1,116**	1,031
Third party platform providers	**1,066**	258
Online advertising customers	**1,528**	1,296
Others	**878**	370
	4,588	2,955

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

As at 31 December 2014, insignificant amounts of accounts receivable were past due. No impairment provision was considered necessary after management had performed assessment on their credit quality with reference to historical counterparty default rates.

The directors of the Company considered that the carrying amounts of the receivable balances approximated to their fair value as at 31 December 2014.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014
(All amounts in RMB millions unless otherwise stated)

16 PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	As at 31 December	
	2014	2013
	RMB'Million	RMB'Million
Included in non-current assets:		
Prepayment for licensed contents	**656**	840
Running royalty fees for online games	**–**	37
Others	**553**	603
	1,209	1,480
Included in current assets:		
Running royalty fees for online games	**1,596**	1,454
Interest receivables	**1,339**	1,131
Prepaid expenses	**2,028**	1,031
Refundable value-added tax	**303**	220
Rental deposits and other deposits	**461**	138
Others (Note)	**2,077**	1,391
	7,804	5,365
	9,013	6,845

Note:

As at 31 December 2014, there was loans to investees and investees' shareholders of RMB688 million (2013: RMB93 million), which are required to be repaid within one year and bear interest rates of 0.3% to 8.0% per annum or interest-free, included in others.

The directors of the Company considered that the carrying amounts of deposits and other assets approximated their respective fair values as at 31 December 2014. Deposits and other assets were neither past due nor impaired. Their recoverability was assessed with reference to the credit status of the recipients.

(All amounts in RMB millions unless otherwise stated)

17 TERM DEPOSITS

The effective interest rate for the term deposits of the Group with initial terms of over three months for the year ended 31 December 2014 was 4.30% (2013: 3.97%).

An analysis of the Group's term deposits denominated in RMB, USD and other currencies with initial terms of over three months as at 31 December 2014 are listed as below:

	As at 31 December	
	2014	2013
	RMB'Million	RMB'Million
Included in non-current assets:		
RMB term deposits	**4,831**	11,420
Included in current assets:		
RMB term deposits	**10,777**	19,024
USD term deposits	**–**	597
Others	**21**	2
	10,798	19,623
	15,629	31,043

Term deposits with initial terms of over three months were neither past due nor impaired. The directors of the Company considered that the carrying amount of the term deposits with initial terms of over three months approximated their fair value as at 31 December 2014.

(All amounts in RMB millions unless otherwise stated)

18 CASH AND CASH EQUIVALENTS

	Group		Company	
	As at 31 December		As at 31 December	
	2014	2013	**2014**	2013
	RMB'Million	RMB'Million	**RMB'Million**	RMB'Million
Bank balances and cash	**15,235**	11,093	**168**	346
Term deposits and highly liquid investments with initial terms within three months	**27,478**	9,135	**–**	–
	42,713	20,228	**168**	346
Maximum exposure to credit risk	**42,712**	20,227	**168**	346

The effective interest rate of the term deposits of the Group with initial terms within three months for the year ended 31 December 2014 was 3.55% (2013: 2.39%).

Approximately RMB24,343 million (2013: RMB10,303 million) and RMB10,593 million (2013: RMB3,978 million) of the total balance of the Group's cash and cash equivalents was denominated in RMB and placed with banks in Mainland China and Hong Kong, respectively. The Company had no material cash balance denominated in RMB.

19 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR SHARE AWARD SCHEMES

The par value of the ordinary shares of the Company was initially at HKD0.0001 per share. With effect from 15 May 2014, each of the then existing issued and unissued shares of the Company was subdivided into five subdivided shares of HKD0.00002 each (each defined as "Subdivided Share"), after an ordinary resolution was passed at the annual general meeting of the Company held on 14 May 2014 and with an approval obtained from the Stock Exchange (the "Share Subdivision"). Upon the Share Subdivision became effective, the authorised capital of the Company became HKD1,000,000, divided into 50,000,000,000 Subdivided Shares of HKD0.00002 each. The other rights and terms of the shares remain unchanged as at 31 December 2014 (2013: 10,000,000,000 shares at HKD0.0001 per share, which are the numbers before the effect of the Share Subdivision).

As at 31 December 2014, the total number of issued ordinary shares of the Company was 9,370,678,830 shares after the effect of the Share Subdivision (2013: 1,862,110,840 shares before the effect of the Share Subdivision), which included 88,686,054 shares after the effect of the Share Subdivision (2013: 19,501,655 shares before the effect of the Share Subdivision) held under the Share Award Schemes (Note 21(b)). They were all fully paid up.

(All amounts in RMB millions unless otherwise stated)

19 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR SHARE AWARD SCHEMES (Cont'd)

	Number of ordinary shares	Share capital RMB'Million	Share premium RMB'Million	Shares held for share award schemes RMB'Million	Total RMB'Million
At 1 January 2014 (Note (a))	1,862,110,840	–	2,846	(871)	1,975
Employee share option schemes:					
– value of employee services	–	–	160	–	160
– shares issued and proceeds received before the Share Subdivision (Note (a), (d))	3,715,616	–	114	–	114
– shares issued and proceeds received after the Share Subdivision (Note (b), (d))	22,790,915	–	185	–	185
Employee share award schemes:					
– value of employee services	–	–	1,350	–	1,350
– shares purchased for share award schemes (Note (e))	–	–	–	(529)	(529)
– shares allotted for share award schemes after the Share Subdivision (Note (b), (f))	19,520,635	–	–	–	–
– shares vested from share award schemes and transferred to the grantees (Note (g))	–	–	(91)	91	–
Repurchase and cancellation of shares before the Share Subdivision (Note (a))	(153,000)	–	(61)	–	(61)
Acquisition of additional equity interests in non-wholly owned subsidiaries	–	–	628	–	628
Effect of Share Subdivision (Note (c))	7,462,693,824	–	–	–	–
At 31 December 2014 (Note (b))	9,370,678,830	–	5,131	(1,309)	3,822

(All amounts in RMB millions unless otherwise stated)

19 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR SHARE AWARD SCHEMES (Cont'd)

	Number of ordinary shares	Share capital RMB'Million	Share premium RMB'Million	Shares held for share award schemes RMB'Million	Total RMB'Million
At 1 January 2013 (Note (a))	1,853,333,230	–	2,880	(667)	2,213
Employee share option schemes:					
– value of employee services	–	–	58	–	58
– number of shares issued and proceeds received (Note (a))	11,361,870	–	308	–	308
Employee share award schemes:					
– value of employee services	–	–	999	–	999
– shares purchased for share award schemes	–	–	–	(278)	(278)
– shares allotted for share award schemes (Note (a))	4,058,740	–	–	–	–
– shares vested from share award schemes and transferred to the grantees	–	–	(74)	74	–
Repurchase and cancellation of shares (Note (a))	(6,643,000)	–	(1,325)	–	(1,325)
At 31 December 2013	1,862,110,840	–	2,846	(871)	1,975

19 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR SHARE AWARD SCHEMES (Cont'd)

Note:

(a) The numbers of shares were presented as before the effect of the Share Subdivision.

(b) The numbers of shares were presented as after the effect of the Share Subdivision.

(c) It represented the effects of adjustments made to the number of shares as a result of the Share Subdivision.

(d) During the year ended 31 December 2014, 41,368,995 Post-IPO options after the effect of the Share Subdivision (2013: 11,361,870 Post-IPO options before the effect of the Share Subdivision) with exercise prices ranging from HKD0.733 to HKD49.76 after the effect of the Share Subdivision (2013: HKD3.665 to HKD194.40 before the effect of the Share Subdivision) were exercised.

(e) During the year ended 31 December 2014, the Share Scheme Trust acquired and withheld 5,435,277 ordinary shares after the effect of the Share Subdivision (2013: 999,306 shares before the effect of the Share Subdivision) of the Company for a total consideration of HKD668 million (equivalent to approximately RMB529 million) after the effect of the Share Subdivision (2013: HKD348 million (equivalent to approximately RMB278 million) before the effect of the Share Subdivision), which had been deducted from shareholders' equity.

(f) During the year ended 31 December 2014, the Company allotted 19,520,635 ordinary shares after the effect of the Share Subdivision (2013: 4,058,740 shares before the effect of the Share Subdivision) to the Share Scheme Trust for the purpose of granting awarded shares to the participants under the share award schemes.

(g) During the year ended 31 December 2014, the Share Scheme Trust transferred 33,778,133 ordinary shares of the Company after the effect of the Share Subdivision (2013: 4,906,063 ordinary shares before the effect of the Share Subdivision) to the share awardees upon vesting of the awarded shares.

(h) As at 31 December 2014, included in "Shares held for share award schemes", 6,650,532 ordinary shares after the effect of the Share Subdivision (2013: 1,435,659 ordinary shares before the effect of the Share Subdivision) held by the Share Scheme Trust had not yet been granted to the participants.

(All amounts in RMB millions unless otherwise stated)

20 OTHER RESERVES

	Capital reserve (Note (a)) RMB'Million	Available-for-sale financial assets RMB'Million	Investments in associates RMB'Million	Currency translation differences RMB'Million	Statutory surplus reserve fund (Note (b)) RMB'Million	Reserve fund (Note (b)) RMB'Million	Share-based compensation reserve (Note (c)) RMB'Million	Total RMB'Million
Balance at 1 January 2014	**(1,442)**	**4,236**	**48**	**(68)**	**650**	**12**	**310**	**3,746**
Value of employee services:								
– Employee share option schemes	–	–	–	–	–	–	125	125
– Employee share award schemes	–	–	–	–	–	–	135	135
Acquisition of additional equity interests in non-wholly owned subsidiaries (note (d))	(1,224)	–	–	–	–	–	–	(1,224)
Equity interests in non-wholly owned subsidiaries diluted in relation to business combinations (note (d))	468	–	–	–	–	–	–	468
Disposal of equity interests in non-wholly owned subsidiaries (note (d))	230	–	–	–	–	–	–	230
Put option granted to owners of the non-controlling interests lapsed	357	–	–	–	–	–	–	357
Profit appropriations to statutory reserves	–	–	–	–	207	4	–	211
Net losses from changes in fair value of available-for-sale financial assets	–	(1,705)	–	–	–	–	–	(1,705)
Share of other comprehensive income of associates	–	–	81	–	–	–	–	81
Currency translation differences	–	–	–	(295)	–	–	–	(295)
Balance at 31 December 2014	**(1,611)**	**2,531**	**129**	**(363)**	**857**	**16**	**570**	**2,129**

(All amounts in RMB millions unless otherwise stated)

20 OTHER RESERVES (Cont'd)

	Capital reserve RMB'Million	Available-for-sale financial assets RMB'Million	Investments in associates RMB'Million	Currency translation differences RMB'Million	Statutory surplus reserve fund RMB'Million	Reserve fund RMB'Million	Share-based compensation reserve RMB'Million	Total RMB'Million
Balance at 1 January 2013	(1,370)	1,411	–	(20)	571	12	212	816
Value of employee services:								
– Employee share option schemes	–	–	–	–	–	–	62	62
– Employee share award schemes	–	–	–	–	–	–	36	36
Acquisition of additional equity interests in non-wholly owned subsidiaries	(72)	–	–	–	–	–	–	(72)
Profit appropriations to statutory reserves	–	–	–	–	79	–	–	79
Net gains from changes in fair value of available-for-sale financial assets	–	2,825	–	–	–	–	–	2,825
Share of other comprehensive income of associates	–	–	48	–	–	–	–	48
Currency translation differences	–	–	–	(48)	–	–	–	(48)
Balance at 31 December 2013	(1,442)	4,236	48	(68)	650	12	310	3,746

20 OTHER RESERVES (Cont'd)

Note:

(a) The capital reserve mainly arises from transactions undertaken with non-controlling interests.

(b) In accordance with the Companies Laws of the PRC and the stipulated provisions of the articles of association of subsidiaries with limited liabilities in the PRC, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective Statutory Surplus Reserve Funds and the Discretionary Reserve Funds before distributions are made to the owners. The percentage of appropriation to Statutory Surplus Reserve Fund is 10%. The amount to be transferred to the Discretionary Reserve Fund is determined by the equity owners of these companies. When the balance of the Statutory Surplus Reserve Fund reaches 50% of the registered capital, such transfer needs not to be made. Both the Statutory Surplus Reserve Fund and Discretionary Reserves Fund can be capitalised as capital of an enterprise, provided that the remaining Statutory Surplus Reserve Fund shall not be less than 25% of the registered capital.

In addition, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions of the articles of association of wholly owned foreign subsidiaries in the PRC, appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by these companies to their respective Reserve Funds. The percentage of net profit to be appropriated to the Reserve Fund is not less than 10% of the net profit. When the balance of the Reserve Fund reaches 50% of the registered capital, such transfer needs not be made.

With approvals obtained from their respective boards of directors of these companies, the Reserve Fund can be used to offset accumulated deficit or to increase capital.

(c) This share-based compensation reserve arises from share option schemes and restricted share award schemes adopted by non-wholly owned subsidiaries (Note 21(d)).

(d) During the year ended 31 December 2014, the Group acquired additional equity interests and disposed certain equity interests in certain non-wholly owned subsidiaries of the Group, including as part of the business combination (Note 41), at aggregate considerations of RMB1,342 million and RMB702 million, respectively. The excess of considerations and the carrying amounts of non-controlling interests of the acquisitions and disposals of RMB1,224 million and RMB698 million, respectively was recognised directly in equity.

(All amounts in RMB millions unless otherwise stated)

21 SHARE-BASED PAYMENTS

(a) Share option schemes

The Company has adopted four share option schemes, namely, the Pre-IPO Option Scheme, the Post-IPO Option Scheme I, the Post-IPO Option Scheme II and Post-IPO Option Scheme III, under which the directors may, at their discretion, grant options to any qualifying participants to subscribe for shares in the Company, subject to the terms and conditions stipulated therein.

The Pre-IPO Option Scheme expired on 31 December 2011. Post-IPO Option Scheme I was terminated upon the adoption of the Post-IPO Option Scheme II.

In respect of Post-IPO Option Scheme II and Post-IPO Option Scheme III, the exercise price must be at least the higher of: (1) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (2) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (3) the nominal value of the Company's shares. In addition, the option vesting period is determined by the Board provided that it is not later than the last day of a 7-year or 10-year period after the date of grant of option.

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

(i) Movements in share options

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

	Post-IPO Option Scheme I		Post-IPO Option Scheme II		Post-IPO Option Scheme III		Total
	Average exercise price	No. of options	Average exercise price	No. of options	Average exercise price	No. of options	No. of options
At 1 January 2014 (Note (1))	HKD11.25	819,266	HKD75.69	12,648,005	HKD158.50	1,000,000	14,467,271
Granted before the Share Subdivision (Note (1))	–	–	HKD572.60	2,307,500	–	–	2,307,500
Granted after the Share Subdivision (Note (2))	–	–	HKD123.67	2,213,700	–	–	2,213,700
Exercised before the Share Subdivision (Note (1))	HKD11.25	(819,224)	HKD46.54	(2,896,392)	–	–	(3,715,616)
Exercised after the Share Subdivision (Note (2))	–	–	HKD10.18	(22,790,915)	–	–	(22,790,915)
Lapsed before the Share Subdivision (Note (1))	HKD14.53	(42)	HKD116.38	(600,000)	–	–	(600,042)
Lapsed after the Share Subdivision (Note (2))	–	–	HKD90.82	(286,350)	–	–	(286,350)
Effect of Share Subdivision (Note (3))		–		45,836,452		4,000,000	49,836,452
At 31 December 2014 (Note (2))	–	–	HKD57.36	36,432,000	HKD31.70	5,000,000	41,432,000
Exercisable as at 31 December 2014 (Note (2))	–	–	HKD18.07	12,527,595	–	–	12,527,595

(All amounts in RMB millions unless otherwise stated)

21 SHARE-BASED PAYMENTS (Cont'd)

(a) Share option schemes (Cont'd)

(i) Movements in share options (Cont'd)

	Post-IPO Option Scheme I		Post-IPO Option Scheme II		Post-IPO Option Scheme III		Total
	Average exercise price	No. of options	Average exercise price	No. of options	Average exercise price	No. of options	No. of options
At 1 January 2013 (Note (1))	HKD11.13	4,596,489	HKD65.50	20,633,097	HKD158.50	1,000,000	26,229,586
Exercised (Note (1))	HKD11.10	(3,777,146)	HKD45.33	(7,584,724)	–	–	(11,361,870)
Lapsed (Note (1))	HKD5.51	(77)	HKD125.67	(400,368)	–	–	(400,445)
At 31 December 2013 (Note (1))	HKD11.25	819,266	HKD75.69	12,648,005	HKD158.50	1,000,000	14,467,271
Exercisable as at 31 December 2013 (Note (1))	HKD11.25	819,266	HKD53.99	7,896,272	–	–	8,715,538

Note:

(1) The numbers of shares and average exercise price were presented as before the effect of the Share Subdivision.

(2) The numbers of shares and average exercise price were presented as after the effect of the Share Subdivision.

(3) It represented the effects of adjustments made to the numbers of shares as a result of the Share Subdivision.

During the year ended 31 December 2014, 1,000,000 share options (before the effect of the Share Subdivision) were granted to an executive director of the Company (2013: no share option was granted to any director of the Company).

As a result of the options exercised during the year ended 31 December 2014, 41,368,995 ordinary shares after the effect of the Share Subdivision (2013: 11,361,870 ordinary shares before the effect of the Share Subdivision) were issued by the Company (Note 19). The weighted average price of the shares at the time these options were exercised was HKD109.88 per share (equivalent to approximately RMB87.00 per share) after the effect of the Share Subdivision (2013: HKD348.05 per share (equivalent to approximately RMB276.79 per share) before the effect of the Share Subdivision).

(All amounts in RMB millions unless otherwise stated)

21 SHARE-BASED PAYMENTS (Cont'd)

(a) Share option schemes (Cont'd)

(ii) Outstanding share options

Details of the expiry dates, exercise prices and the respective numbers of share options which remained outstanding as at 31 December 2014 and 31 December 2013 are as follows:

			Number of share options	
Expiry Date	**Range of exercise price before the Share Subdivision**	**Range of exercise price after the Share Subdivision**	**31 December 2014 (after the Share Subdivision)**	31 December 2013 (before the Share Subdivision)
10 years commencing from				
the adoption date of 24 March 2004	HKD3.665-HKD8.35	HKD0.733-HKD1.67	–	492,741
(Post-IPO Option Scheme I)	HKD11.55-HKD25.26	HKD2.31-HKD5.052	–	326,525
			–	819,266
7 years commencing from	HKD31.75-HKD43.50	HKD6.35-HKD8.70	**405,950**	4,846,040
the date of grant of options	HKD45.50-HKD90.30	HKD9.10-HKD18.06	**10,964,950**	4,586,510
(Post-IPO Option Scheme II)	HKD128.40-HKD572.60	HKD25.68-HKD124.30	**25,061,100**	3,215,455
			36,432,000	12,648,005
10 years commencing from				
the date of grant of options				
(Post-IPO Option Scheme III)	HKD158.50	HKD31.70	**5,000,000**	1,000,000
			41,432,000	14,467,271

The outstanding share options as of 31 December 2014 were divided into two to five tranches on an equal basis as at their grant date. The first tranche can be exercised after a specified period ranging from one to five years from the grant date, and then the remaining tranches will become exercisable in each subsequent year.

(All amounts in RMB millions unless otherwise stated)

21 SHARE-BASED PAYMENTS (Cont'd)

(a) Share option schemes (Cont'd)

(iii) Fair value of options

The directors of the Company have used the BS Model to determine the fair value of the options granted, which is to be expensed over the vesting period. The weighted average fair value of options granted during the year ended 31 December 2014 was HKD36.97 per share (equivalent to approximately RMB29.28 per share) after the effect of the Share Subdivision (2013: no option was granted).

Other than the exercise price mentioned above, significant judgment on parameters, such as risk free rate, dividend yield and expected volatility, is required to be made by the directors in applying the BS Model, which is summarised as below.

	2014
Weighted average share price at the grant date (Note (1))	**HKD113.30**
Risk free rate	**1.56%-1.91%**
Dividend yield	**0.34%**
Expected volatility (Note (2))	**42.00%-44.50%**

Note:

(1) The weighted average share price at the grant date was presented as after the effect of the Share Subdivision.

(2) The expected volatility, measured as the standard deviation of expected share price returns, is determined based on the average daily trading price volatility of the shares of the Company.

(b) Share award schemes

The Company has adopted two share award schemes (the "Share Award Schemes"), both of which are managed by an independent trustee appointed by the Group (the "Trustee") as of 31 December 2014. The vesting period of the awarded share is determined by the Board.

(All amounts in RMB millions unless otherwise stated)

21 SHARE-BASED PAYMENTS (Cont'd)

(b) Share award schemes (Cont'd)

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

Movements in the number of shares held for the Share Award Schemes and awarded shares for the years ended 31 December 2014 and 2013 are as follows:

	Number of shares held for the Share Award Schemes	Number of awarded shares	Total
At 1 January 2014 (Note (i))	**1,435,659**	**18,065,996**	**19,501,655**
Purchased and withheld before the Share Subdivision (Note (i), 19)	**31,583**	**–**	**31,583**
Purchased and withheld after the Share Subdivision (Note (ii), 19)	**5,277,362**	**–**	**5,277,362**
Allotted after the Share Subdivision (Note (ii))	**19,520,635**	**–**	**19,520,635**
Granted before the Share Subdivision (Note (i))	**(1,183,445)**	**1,183,445**	**–**
Granted after the Share Subdivision (Note (ii))	**(26,602,842)**	**26,602,842**	**–**
Lapsed before the Share Subdivision (Note (i))	**461,220**	**(461,220)**	**–**
Lapsed after the Share Subdivision (Note (ii))	**4,730,292**	**(4,730,292)**	**–**
Vested and transferred before the Share Subdivision (Note (i))	**–**	**(226,797)**	**(226,797)**
Vested and transferred after the Share Subdivision (Note (ii))	**–**	**(32,644,148)**	**(32,644,148)**
Effect of Share Subdivision (Note (iii))	**2,980,068**	**74,245,696**	**77,225,764**
At 31 December 2014 (Note (ii))	**6,650,532**	**82,035,522**	**88,686,054**
Vested but not transferred as at 31 December 2014 (Note (ii))			**28,160**

(All amounts in RMB millions unless otherwise stated)

21 SHARE-BASED PAYMENTS (Cont'd)

(b) Share award schemes (Cont'd)

	Number of shares held for the Share Award Schemes	Number of awarded shares	Total
At 1 January 2013 (Note (i))	405,230	18,944,442	19,349,672
Purchased and withheld (Note (i))	999,306	–	999,306
Allotted (Note (i))	4,058,740	–	4,058,740
Granted (Note (i))	(5,188,175)	5,188,175	–
Lapsed (Note (i))	1,160,558	(1,160,558)	–
Vested and transferred (Note (i))	–	(4,906,063)	(4,906,063)
At 31 December 2013 (Note (i))	1,435,659	18,065,996	19,501,655
Vested but not transferred as at 31 December 2013 (Note (i))			–

Note:

(i) The numbers of shares were presented as before the effect of the Share Subdivision.

(ii) The numbers of shares were presented as after the effect of the Share Subdivision.

(iii) It represented the effects of adjustments made to the numbers of shares as a result of the Share Subdivision.

During the year ended 31 December 2014, 25,000 awarded shares (before the effect of the Share Subdivision) were granted to three independent non-executive directors of the Company (2013: no awarded share was granted to any director of the Company).

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date. The expected dividends during the vesting period have been taken into account when assessing the fair value of these awarded shares.

The weighted average fair value of awarded shares granted during the year ended 31 December 2014 was HKD120.15 per share (equivalent to approximately RMB95.15 per share) after the effect of the Share Subdivision (2013: HKD311.24 per share (equivalent to approximately RMB248.05 per share) before the effect of the Share Subdivision).

The outstanding awarded shares as of 31 December 2014 were divided into two to five tranches on an equal basis as at their grant date. The first tranche can be exercised immediately or after a specified period ranging from three months to four years from the grant date, and the remaining tranches will become exercisable in each subsequent year.

21 SHARE-BASED PAYMENTS (Cont'd)

(c) Employee incentive scheme

In 2011, for aligning the interests of key employees with the Group, the Group established an employees' investment plan in the form of a limited liability partnership (the "EIS") pursuant to a shareholders' resolution passed at the 2011 annual general meeting of the Company held on 11 May 2011. The Board may, at its absolute discretion, select any employee of the Group, excluding any director of the Company, to participate in the EIS by subscribing for the partnership interest at cash consideration. The participating employees are entitled to all the economic benefits generated by the EIS (if any) after a specified vesting period under the EIS, ranging from up to 4 to 7 years. In 2014, another EIS with similar arrangement was approved by the Board and was established accordingly.

Two wholly-owned subsidiaries of the Company act as general partner of these two EISs administrate respectively and in essence, control them. These two EISs are therefore consolidated by the Company. The related expenses incurred for the year ended 31 December 2014 and 2013 were considered to be insignificant to the Group by the directors of the Company.

(d) Share options and restricted share award schemes adopted by non-wholly owned subsidiaries

Certain non-wholly owned subsidiaries of the Group operate their own share-based compensation plans (share option and/or restricted share award schemes). Their exercise prices of the share options, as well as the vesting periods of the share options and awarded shares are determined by the board of directors of these subsidiaries at their sole discretion. Similar to the share option/award schemes adopted by the Company, the share options or restricted shares of the subsidiaries so granted are normally vested by several tranches. Participants of some non-wholly owned subsidiaries have the right to request the Group to repurchase their vested equity interests of the respective non-wholly owned subsidiaries ("Repurchase Transaction"). For certain participants, the Group have discretion to settle the Repurchase Transaction by using either equity instruments of the Group or by cash. For the Repurchase Transaction which the Group have settlement options, there are certain portions that the directors of the Company are currently of the view, that they would be settled by equity instruments of the Group. As a result, they are accounted for using the equity-settled share-based payment method. The remaining portion is accounted for as cash-settled share-based payments.

(e) Expected retention rate of grantees

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of vesting periods of the options and awarded shares (the "Expected Retention Rate") in order to determine the amount of share-based compensation expenses charged to the consolidated income statement. As at 31 December 2014, the Expected Retention Rate for the grantees from the Group's wholly-owned subsidiaries was assessed to be 85% (2013: 91%).

(All amounts in RMB millions unless otherwise stated)

22 ACCOUNTS PAYABLE

Accounts payable and their ageing analysis are as follows:

	As at 31 December	
	2014	2013
	RMB'Million	RMB' Million
0 - 30 days	**5,775**	4,063
31 - 60 days	**936**	1,147
61 - 90 days	**618**	366
Over 90 days	**1,354**	1,104
	8,683	6,680

23 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2014	2013
	RMB'Million	RMB'Million
Prepayments received from customers and certain users (Note)	**8,949**	4,045
Staff costs and welfare accruals	**6,019**	3,085
Selling and marketing expense accruals	**1,409**	1,440
General and administrative expenses accruals	**407**	713
Bank charges	**351**	82
Interests payable	**208**	8
Others	**1,780**	873
	19,123	10,246

Note:

Prepayments received from certain users were recorded as restricted cash of the Group.

(All amounts in RMB millions unless otherwise stated)

24 LONG-TERM PAYABLES

	As at 31 December	
	2014	2013
	RMB'Million	RMB'Million
Present value of liabilities in relation to the put options granted to non-controlling shareholders of subsidiaries	**1,080**	1,297
Purchase consideration payables for business combinations	**93**	99
Convertible bonds assumed in business combination	**489**	–
Running royalty fee for online games	**–**	37
Others	**390**	167
	2,052	1,600

25 BORROWINGS

	As at 31 December	
	2014	2013
	RMB'Million	RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD bank borrowings		
– Unsecured (Note (a))	**5,507**	3,323
Included in current liabilities:		
RMB bank borrowings		
– Unsecured	**125**	150
USD bank borrowings		
– Unsecured (Note (b))	**1,836**	2,134
Current portion of long-term USD bank borrowings		
– Unsecured (Note (a))	**1,254**	305
	3,215	2,589
	8,722	5,912

(All amounts in RMB millions unless otherwise stated)

25 BORROWINGS (Cont'd)

Note:

(a) The aggregate principal amount of long-term USD bank borrowings was USD1,105 million (2013: USD595 million). Applicable interest rates are at LIBOR plus 1.35% to 1.75% (2013: 1.05% to 1.97%) per annum.

The unsecured long-term bank borrowings were repayable as follows:

	As at 31 December	
	2014	2013
	RMB'Million	RMB'Million
Within 1 year	**1,254**	305
Between 1 and 2 years	**612**	2,164
Between 2 and 5 years	**4,895**	1,159
	6,761	3,628

(b) The aggregate principal amount of short-term USD bank borrowings was USD300 million (2013: USD350 million). Applicable interest rates are at LIBOR plus 0.85% to 1.00% (2013: 1.20% to 1.25%) per annum.

The carrying amounts of borrowings approximated their fair values as at 31 December 2014.

(All amounts in RMB millions unless otherwise stated)

26 NOTES PAYABLE

				As at 31 December	
	Maturity	Interest rate per annum	Principal amount	**2014 RMB'Million**	2013 RMB'Million
2011 Notes (Note (a))	2016	4.625%	USD600 million	**3,651**	3,638
2012 Notes (Note (b))	2018	3.375%	USD600 million	**3,649**	3,668
2013 Notes (Note (c))	2015	1.860%	USD300 million	**1,834**	1,835
2014 Notes I (Note (d)(i))	2017	2.000%	USD500 million	**3,042**	–
2014 Notes II (Note (d)(i))	2019	3.375%	USD2,000 million	**12,169**	–
2014 Notes III (Note (d)(ii))	2020	3.200%	HKD2,000 million	**1,574**	–
2014 Notes IV (Note (d)(iii))	2020	2.900%	HKD1,200 million	**943**	–
				26,862	9,141
Included in:					
Non-current liabilities				**25,028**	9,141
Current liabilities				**1,834**	–
				26,862	9,141

Note:

(a) On 12 December 2011, the Company issued long-term notes (the "2011 Notes") and the 2011 Notes are listed on Singapore Exchange Securities Trading Limited.

(b) On 5 September 2012, the Company issued another long-term notes (the "2012 Notes") and the 2012 Notes are listed on the Stock Exchange.

(c) On 10 September 2013, the Company issued another long-term notes (the "2013 Notes") and the 2013 Notes are non-publicly issued.

26 NOTES PAYABLE (Cont'd)

Note: (Cont'd)

(d) On 10 April 2014, the Company established a Global Medium Term Note Programme (the "Programme") under which it may issue medium term notes, in series of aggregate principal amount of up to USD5,000 million (or its equivalent in other currencies) to professional investors. These notes will be issued in series with different issue dates and terms and may be denominated in any currency subject to compliance with all relevant laws, regulations and directives. The Programme is listed on the Stock Exchange. The Company utilises the Programme as a platform to enhance its flexibility and efficiency for future funding or capital management from a medium to long term prospective.

(i) On 29 April 2014, the Company issued two tranches of senior notes under the Programme with an aggregate principal amount of USD2,500 million, comprising USD500 million senior notes due 2017 (the "2014 Notes I") and USD2,000 million senior notes due 2019 (the "2014 Notes II"). The net proceeds from the issuance of the 2014 Notes I and the 2014 Notes II amounted to approximately USD2,488 million (equivalent to approximately RMB15,306 million), after deduction of underwriting fees, discounts and commissions but not other expenses payable in connection with the issuance. Both of the 2014 Notes I and 2014 Notes II are listed on the Stock Exchange.

(ii) On 16 May 2014, the Company issued the third tranche of senior notes under the Programme (the "2014 Notes III"). The net proceeds from the issuance of the 2014 Notes III amounted to approximately HKD1,998 million (equivalent to approximately RMB1,588 million), after deduction of underwriting fees, discounts and commissions but not other expenses payable in connection with the issuance. The 2014 Notes III are listed on the Stock Exchange.

(iii) On 21 October 2014, the Company issued another tranche of senior notes under the Programme (the "2014 Notes IV"). The net proceeds from the issuance of the 2014 Notes IV amounted to approximately HKD1,196 million (equivalent to approximately RMB948 million) after deduction of underwriting fees, discounts and commissions but not other expenses payable in connection with the issuance.

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

As at 31 December 2014, the fair value of the notes payable amounted to RMB27,528 million (2013: RMB9,476 million). The respective fair values are assessed based on the active market price of these notes on the reporting date or by making reference to similar instruments traded in the observable market.

27 DEFERRED REVENUE

Deferred revenue mainly represents service fees prepaid by customers for certain VAS in the form of pre-paid tokens or cards, virtual items and subscription, for which the related services had not been rendered as at 31 December 2014. It also includes customer loyalty incentives offered by the Group to its customers which were valued at their respective fair values at the inception date. As at 31 December 2014, deferred revenue also included fair value of internet traffic and other support to be offered to JD.com in the future periods measured at inception date, as mentioned in Note 11(c).

(All amounts in RMB millions unless otherwise stated)

28 DEFERRED INCOME TAXES

Deferred income taxes are calculated in full on temporary differences under the liability method using the tax rates which are expected to apply at the time of reversal of the temporary differences.

There was no offsetting of deferred income tax assets and liabilities in 2014 and 2013.

	As at 31 December	
	2014	2013
	RMB'Million	RMB'Million
Deferred income tax assets:		
– to be recovered after more than 12 months	**206**	348
– to be recovered within 12 months	**116**	83
	322	431
Deferred income tax liabilities:		
– to be recovered after more than 12 months	**(2,058)**	(824)
– to be recovered within 12 months	**(884)**	(617)
	(2,942)	(1,441)

The movements of the deferred income tax assets/liabilities account were as follows:

	2014	2013
	RMB'Million	RMB'Million
At beginning of the year	**(1,010)**	(1,143)
Charge to consolidated income statement relating to origination and reversal of temporary differences (Note 37)	**(1,956)**	(111)
Withholding tax paid relating to remittance of dividends	**575**	412
Credit to/(charge to) other comprehensive income	**15**	(193)
Disposal of a subsidiary	**11**	23
Business combinations	**(256)**	–
Currency translation differences	**1**	2
At end of the year	**(2,620)**	(1,010)

(All amounts in RMB millions unless otherwise stated)

28 DEFERRED INCOME TAXES (Cont'd)

The movements of deferred income tax assets were as follows:

	Deferred income tax assets arising from intra-group software and technology sales RMB'Million (Note)	Deferred income tax assets arising from change in fair value of available-for-sale financial assets RMB'Million	Deferred income tax assets arising from tax losses RMB'Million	Others RMB'Million	Total RMB'Million
At 1 January 2014	**171**	**–**	**213**	**47**	**431**
Business combinations	**–**	**–**	**–**	**24**	**24**
Charge to consolidated income statement relating to reversal of temporary differences	**(101)**	**–**	**(3)**	**(30)**	**(134)**
Currency translation differences	**2**	**–**	**(1)**	**–**	**1**
At 31 December 2014	**72**	**–**	**209**	**41**	**322**
At 1 January 2013	162	7	–	–	169
Credit to consolidated income statement relating to reversal of temporary differences	9	–	213	47	269
Charge to other comprehensive income	–	(7)	–	–	(7)
At 31 December 2013	171	–	213	47	431

Note:

The deferred income tax assets recognised are mainly related to the temporary differences arising from certain intra-group software and technology transfer transactions. The credit to consolidated income statement represents tax impacts of originating temporary differences arising from these software and technology transfer, while the charge to consolidated income statement represents tax impacts of the reversal of the temporary differences as a result of the amortisation of the costs of these software and technology.

The Group only recognises deferred income tax assets for cumulative tax losses if it is probable that future taxable amounts will be available to utilise those tax losses. Management will continue to assess the recognition of deferred income tax assets in future reporting periods. As at 31 December 2014, the Group did not recognise deferred income tax assets of RMB866 million (2013: RMB443 million) in respect of cumulative tax losses amounting to RMB3,525 million (2013: RMB2,057 million). These tax losses will expire from 2015 to 2019.

(All amounts in RMB millions unless otherwise stated)

28 DEFERRED INCOME TAXES (Cont'd)

The movements of deferred income tax liabilities were as follows:

	Intangible assets acquired in business combinations at fair value RMB'Million	Withholding tax on the earnings anticipated to be remitted by PRC subsidiaries RMB'Million (Note)	Deferred income tax liabilities arising from change in fair value of available-for-sale financial assets RMB'Million	Others RMB'Million	Total RMB'Million
At 1 January 2014	**(69)**	**(1,128)**	**(187)**	**(57)**	**(1,441)**
Business combinations	**(280)**	**–**	**–**	**–**	**(280)**
Charge to consolidated income statement	**(22)**	**(1,480)**	**–**	**(320)**	**(1,822)**
Disposal of a subsidiary	**11**	**–**	**–**	**–**	**11**
Withholding tax paid in related to the remittance of dividends	**–**	**575**	**–**	**–**	**575**
Credit to other comprehensive income	**–**	**–**	**15**	**–**	**15**
At 31 December 2014	**(360)**	**(2,033)**	**(172)**	**(377)**	**(2,942)**
At 1 January 2013	(118)	(1,193)	(1)	–	(1,312)
Credit/(charge) to consolidated income statement	24	(347)	–	(57)	(380)
Disposal of a subsidiary	23	–	–	–	23
Withholding tax paid in related to the remittance of dividends	–	412	–	–	412
Charge to other comprehensive income	–	–	(186)	–	(186)
Currency translation differences	2	–	–	–	2
At 31 December 2013	(69)	(1,128)	(187)	(57)	(1,441)

(All amounts in RMB millions unless otherwise stated)

28 DEFERRED INCOME TAXES (Cont'd)

Note:

According to applicable PRC tax regulations, withholding tax will be levied on the dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 (Note 37 (a)(vi)).

As at 31 December 2014, the Group recognised the relevant deferred income tax liabilities of RMB2,033 million (2013: RMB1,128 million) on earnings anticipated to be remitted by certain PRC subsidiaries in the foreseeable future. No withholding tax had been provided for the earnings of approximately RMB10,607 million (2013: RMB15,818 million) expected to be retained by the PRC subsidiaries and not to be remitted to a foreign investor in the foreseeable future based on management's estimation of overseas funding requirements.

29 COST OF REVENUES

Cost of revenues mainly comprises the channel costs (Note 2.29(a)), bandwidth and server custody fees, staff costs, sharing and content subscription costs incurred and cost of merchandise sold in deriving the revenues.

30 INTEREST INCOME

Interest income mainly represents interest income from bank deposits, including current term deposits, restricted cash and non-current term deposits.

31 OTHER GAINS, NET

	2014	2013
	RMB'Million	RMB'Million
Impairment provision for investees (Note (a))	**(2,437)**	(87)
Dividend income	**144**	509
Gains on disposals/deemed disposals of investees and businesses (Note (b))	**5,111**	267
Subsidies and tax rebates	**392**	368
Donation to Tencent Charity Funds	**(300)**	(124)
Others	**(151)**	(29)
	2,759	904

(All amounts in RMB millions unless otherwise stated)

31 OTHER GAINS, NET (Cont'd)

Note:

(a) The impairment provision for investees recognised in "Other gains, net" included impairment provision for investment in associates and redeemable preference shares of associates of RMB1,959 million (2013: RMB61 million) and impairment provision for available-for-sale financial assets of RMB478 million (2013: RMB26 million).

(b) The disposal gains recognised in "Other gains, net" are mainly for:

(i) The disposal of certain eCommerce related business ("Transferred Business") of the Group, which forms a part of the consideration made for the investment in JD.com (Note 11(a)(i)) amounted to RMB1,942 million, being the difference between the consideration for the Transferred Business and the net asset value of the Transferred Business upon completion of the disposal of the Transferred Business.

(ii) In May 2014, Kakao Corporation, an associate of the Group, entered into an agreement to merge with Daum Communications Corporation ("Daum Communications"), where Daum Communications is the surviving corporation. Daum Communications is listed on the Korea Securities Dealers Automated Quotation (KOSDAQ) market of the Korea Exchange and runs a portal website in Korea named www.daum.net. The merger transaction was completed in October 2014. As a result of the transaction, the Group's interest in the merged entity is diluted and a gain amounting to RMB1,176 million was recognised in the consolidated income statement.

(iii) The Group also recognised net disposals/deemed disposals gains on associates and other investee companies of RMB1,720 million and RMB273 million, respectively, for the year ended 31 December 2014.

32 EXPENSES BY NATURE

	2014 **RMB'Million**	2013 RMB'Million
Employee benefits expenses (Note (a) and Note 33)	**15,451**	10,364
Content costs and agency fees	**10,963**	7,977
Cost of merchandise sold	**4,334**	8,991
Bandwidth and server custody fees	**4,255**	3,037
Channel costs	**2,031**	1,716
Promotion and advertising expenses	**5,833**	3,894
Depreciation of fixed assets (Note (a) and Note 6)	**2,989**	2,484
Amortisation of intangible assets (Note (b) and Note 9)	**1,808**	1,106
Operating lease rentals in respect of office buildings	**997**	867
Travelling and entertainment expenses	**480**	422
Auditor's remuneration	**23**	18

(All amounts in RMB millions unless otherwise stated)

32 EXPENSES BY NATURE (Cont'd)

Note:

(a) Research and development expenses for the year ended 31 December 2014 were RMB7,581 million (2013: RMB5,095 million) which included employee benefits expenses of RMB6,022 million (2013: RMB4,000 million) and depreciation of fixed assets of RMB639 million (2013: RMB533 million). No development expenses had been capitalised for the years ended 31 December 2014 and 2013.

(b) Included the amortisation charge for intangible assets in respect of licenses and licensed online contents.

33 EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2014	2013
	RMB'Million	RMB'Million
Wages, salaries and bonuses	**11,223**	6,955
Welfare, medical and other expenses (Note)	**862**	848
Share-based compensation expenses	**2,497**	1,786
Contributions to pension plans (Note)	**820**	740
Training expenses	**49**	35
	15,451	10,364

Note:

All local employees of the subsidiaries in the PRC participate in employee social security plans established in the PRC, which cover pension, medical and other welfare benefits. The plans are organised and administered by the governmental authorities. Except for the contributions made to these social security plans, the Group has no other material commitments owing to the employees. According to the relevant regulations, the portion of premium and welfare benefit contributions that should be borne by the companies within the Group as required by the above social security plans are principally determined based on percentages of the basic salaries of employees, subject to certain ceilings imposed. These contributions are paid to the respective labour and social welfare authorities and are expensed as incurred. The applicable percentages used to provide for insurance premium and welfare benefit funds for the years ended 31 December 2014 and 2013 are listed below:

	Percentage
Pension insurance	10 - 22%
Medical insurance	6 - 12%
Unemployment insurance	0 - 2%
Housing fund	10 - 12%

34 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments paid/payable to directors and the chief executive officer ("CEO") of the Company for the years ended 31 December 2014 and 2013 are as follows:

	2014	2013
	RMB'000	RMB'000
Fees – directors	2,797	2,513
Salaries, bonuses, allowances and benefits in kind	58,731	51,235
Contributions to pension plans	131	142
Share-based compensation expenses charged to consolidated income statement	59,398	16,242
	121,057	70,132
Number of directors		
– With emoluments	6	6
– Without emoluments	2	2
Number of directors	8	8

34 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Cont'd)

(a) Directors' emoluments (Cont'd)

The emolument of every director and the CEO for the year ended 31 December 2014 is set out below:

Name of director	Fees RMB'000	Salaries, bonuses, allowances and benefits in kind RMB'000	Contributions to pension plans RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Ma Huateng (CEO)	–	27,473	75	–	27,548
Zhang Zhidong (Note)	–	16,062	56	–	16,118
Lau Chi Ping Martin	1,101	15,196	–	55,264	71,561
Iain Ferguson Bruce	710	–	–	1,781	2,491
Ian Charles Stone	552	–	–	1,675	2,227
LI Dong Sheng	434	–	–	678	1,112
Jacobus Petrus (Koos) Bekker	–	–	–	–	–
Charles St Leger Searle	–	–	–	–	–
	2,797	58,731	131	59,398	121,057

34 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Cont'd)

(a) Directors' emoluments (Cont'd)

The emolument of every director and the CEO for the year ended 31 December 2013 is set out below:

Name of director	Fees	Salaries, bonuses, allowances and benefits in kind	Contributions to pension plans	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Ma Huateng (CEO)	–	23,071	71	–	23,142
Zhang Zhidong	–	15,918	71	–	15,989
Lau Chi Ping Martin	1,097	12,246	–	15,300	28,643
Iain Ferguson Bruce	629	–	–	538	1,167
Ian Charles Stone	433	–	–	404	837
Li Dong Sheng	354	–	–	–	354
Jacobus Petrus (Koos) Bekker	–	–	–	–	–
Charles St Leger Searle	–	–	–	–	–
	2,513	51,235	142	16,242	70,132

Note:

Mr Zhang Zhidong has resigned as an executive director of the Company with effect from 20 March 2014.

During the years ended 31 December 2014, 1,000,000 share options (before the effect of the Share Subdivision) were granted to an executive director of the Company, Mr Lau Chi Ping Martin, and 25,000 awarded shares (before the effect of the Share Subdivision) were granted to three independent non-executive directors of the Company (2013: Nil).

No director received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office. No director waived or has agreed to waive any emoluments during the years ended 31 December 2014 and 2013.

34 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Cont'd)

(b) Senior management's emoluments

Senior management includes directors, CEO, president and other senior executives. The aggregate compensation paid/payable to senior management for employee services excluding the directors and the CEO whose details have been reflected in Note 34(a) is as follows:

	2014	2013
	RMB'000	RMB'000
Salaries, bonuses, allowances and benefits in kind	**136,359**	109,378
Contributions to pension plans	**697**	786
Share-based compensation expenses charged to consolidated income statement	**220,186**	148,721
	357,242	258,885

The emoluments of the senior management fell within the following bands:

	Number of individuals	
	2014	2013
Emolument bands		
HKD800,000 - HKD15,000,000	**2**	8
HKD15,000,001 - HKD30,000,000	**5**	3
HKD30,000,001 - HKD45,000,000	**3**	3
HKD75,000,001 - HKD105,000,000	**1**	1
HKD105,000,001 - HKD135,000,000	**1**	–

35 FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group include one director during the year 2014 (2013: Nil). The emoluments paid/payable to the remaining four (2013: five) individuals during the year were as follows:

	2014	2013
	RMB'000	RMB'000
Salaries, bonuses, allowances and benefits in kind	**195,896**	176,100
Contributions to pension plans	**471**	669
Share-based compensation expenses charged to consolidated income statement	**362,860**	375,153
	559,227	551,922

The emoluments of the above four individuals (2013: five) fell within the following bands:

	Number of individuals	
	2014	2013
Emolument bands		
HKD54,000,001 - HKD54,500,000	**–**	1*
HKD81,000,001 - HKD81,500,000	**1**	–
HKD82,000,001 - HKD82,500,000	**–**	1
HKD87,500,001 - HKD88,000,000	**–**	1*
HKD129,000,001 - HKD129,500,000	**1**	–
HKD238,500,001 - HKD239,000,000	**–**	1*
HKD239,000,001 - HKD239,500,000	**–**	1*
HKD249,000,001 - HKD249,500,000	**2***	–

* Employees of a foreign subsidiary of the Group. The respective emolument amounts are mainly comprise of charges related to the vesting of share-based compensation and the re-measurement appreciation of cash-settled share-based award grants.

(All amounts in RMB millions unless otherwise stated)

36 FINANCE COSTS, NET

	2014	2013
	RMB'Million	RMB'Million
Exchange (losses)/gains	**(316)**	310
Interest and related expenses	**(866)**	(394)
	(1,182)	(84)

Interest expenses mainly arose from the borrowings and notes payable mentioned in Notes 25 and 26, respectively. No interest and related expenses was capitalised for the year ended 31 December 2014 (2013: Nil).

37 TAX EXPENSE

(a) Income tax expense

(i) Cayman Islands and British Virgin Islands Corporate Income Tax

The Group was not subject to any taxation in the Cayman Islands and the British Virgin Islands for the years ended 31 December 2014 and 2013.

(ii) 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 years ended 31 December 2014 and 2013.

(iii) PRC Corporate Income Tax

Corporate income tax ("CIT") provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC for the year ended 31 December 2014 and 2013, calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances.

Pursuant to the PRC Corporate Income Tax Law promulgated by the Tenth National People's Congress on 16 March 2007 (the "CIT Law"), the CIT rate is 25% for domestic and foreign enterprises in 2014.

In 2014, 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 2014 to 2016 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 for 2013 and 2014 were further reduced to the preferential rate of 10%.

37 TAX EXPENSE (Cont'd)

(a) Income tax expense (Cont'd)

(iii) PRC Corporate Income Tax (Cont'd)

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

(iv) United States Corporate Income Tax

United States CIT provision was provided for the years ended 31 December 2014 and 2013 for the entities within the Group which were incorporated in the United States with estimated assessable profits, at applicable tax rate of 36%.

(v) Corporate Income Tax in other countries

CIT provision has been provided for the years ended 31 December 2014 and 2013 for the entities within the Group which were incorporated in Europe, East Asia and South America to the extent that there were estimated assessable profits under these jurisdictions, at applicable tax rates ranging from 12.5 % to 35%.

(vi) PRC withholding tax

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

(All amounts in RMB millions unless otherwise stated)

37 TAX EXPENSE (Cont'd)

(a) Income tax expense (Cont'd)

The income tax expense of the Group for the years ended 31 December 2014 and 2013 are analysed as follows:

	2014 RMB'Million	2013 RMB'Million
Current tax	**3,169**	3,607
Deferred income tax (Note 28)	**1,956**	111
	5,125	3,718

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 years ended 31 December 2014 and 2013, being the tax rate of the major subsidiaries of the Group before enjoying preferential tax treatments. The difference is analysed as follows:

	2014 RMB'Million	2013 RMB'Million
Profit before income tax	**29,013**	19,281
Share of losses/(profits) of associates and joint ventures	**347**	(171)
	29,360	19,110
Tax calculated at a tax rate of 25%	**7,340**	4,777
Effects of different tax rates applicable to different subsidiaries of the Group	**(4,038)**	(1,657)
Effects of tax holiday on assessable profits of subsidiaries	**(828)**	(317)
Income not subject to tax	**–**	(125)
Expenses not deductible for tax purposes	**698**	358
Withholding tax on earnings expected to be remitted by PRC subsidiaries (Note 28)	**1,480**	347
Unrecognised deferred income tax assets	**470**	315
Others	**3**	20
Income tax expense	**5,125**	3,718

37 TAX EXPENSE (Cont'd)

(b) Value-added tax, business tax and related taxes

The operations of the Group are also subject to the following taxes in the PRC:

Category	Tax rate	Basis of levy
Value-added tax ("VAT")	6-17%	Sales value of goods sold and services fee income, offsetting by VAT on purchases
	3%	Sales value of goods sold and services fee income
Business tax ("BT")	3-5%	Services fee income
City construction tax	7%	Net VAT and BT payable amount
Construction fee for cultural undertakings	3%	Advertising income
Educational surcharge	5%	Net VAT and BT payable amount

38 PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The profit attributable to the equity holders of the Company for the year ended 31 December 2014 is dealt with in the financial statements of the Company to the extent of RMB3,672 million (2013: RMB1,307 million).

39 EARNINGS PER SHARE

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ("EPS") for the year ended 31 December 2014 has been retroactively adjusted for the Share Subdivision.

(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.

	2014	2013
Profit attributable to equity holders of the Company (RMB'Million)	**23,810**	15,502
Weighted average number of ordinary shares in issue (Note) (million shares)	**9,231**	9,158
Basic EPS (Note) (RMB per share)	**2.579**	1.693

Note:

Weighted average number of ordinary shares in issue and basic EPS were stated after taking into account the effect of the Share Subdivision (mentioned in Note 19). Comparative figures have also been restated on the assumption that the Share Subdivision had been effective in prior year.

39 EARNINGS PER SHARE (Cont'd)

(b) Diluted

The share options and awarded shares granted by the Company have potential dilutive effect on the EPS. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options and awarded shares granted by the Company (collectively forming the denominator for computing the diluted EPS), taking into account the effect of the Share Subdivision. 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 2014, these share options and restricted shares had either anti-dilutive effect or insignificant dilutive effect to the Group.

	2014	2013
Profit attributable to equity holders of the Company (RMB'Million)	**23,810**	15,502
Weighted average number of ordinary shares in issue (Note) (million shares)	**9,231**	9,158
Adjustments for share options (Note) (million shares)	**36**	83
Adjustments for awarded shares (Note) (million shares)	**90**	100
Weighted average number of ordinary shares for the calculation of diluted EPS (Note) (million shares)	**9,357**	9,341
Diluted EPS (Note) (RMB per share)	**2.545**	1.660

Note:

Weighted average number of ordinary shares in issue, adjustments for share options and awarded shares, weighted average number of ordinary shares for the calculation of diluted EPS and diluted EPS were stated after taking into account the effect of the Share Subdivision. Comparative figures have been restated on the assumption that the Share Subdivision had been effective in prior year.

40 DIVIDENDS

The dividends amounted to RMB1,761 million (2013: RMB1,468 million) was paid as at 31 December 2014.

A final dividend in respect of the year ended 31 December 2014 of HKD0.36 per share (2013: HKD1.20 per share before the effect of the Share Subdivision, or HKD0.24 per share after the effect of the Share Subdivision) was proposed pursuant to a resolution passed by the Board on 18 March 2015 and subject to the approval of the shareholders at the annual general meeting to be held on 13 May 2015. This proposed dividend is not reflected as dividend payable in the consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2015.

41 BUSINESS COMBINATIONS

(a) Acquisition of online literature business

During the year ended 31 December 2014, the Group completed a series of acquisitions to expand its scale of operation and market presence in the online literature business.

In December 2014, the Group directly and indirectly through a non-wholly owned subsidiary, China Reading Limited, acquired entire equity interest in several related entities engaging in the online literature business in the PRC ("Acquired Business"), from certain independent third parties ("Acquisition").

The goodwill of RMB3,748 million arising from the Acquisition is attributable to the acquired customer base and economies of scale expected to be derived from combining the operations of the Group and the Acquired Business. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for the Acquired Business, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

(All amounts in RMB millions unless otherwise stated)

41 BUSINESS COMBINATIONS (Cont'd)

(a) Acquisition of online literature business (Cont'd)

	RMB'Million
Consideration:	
– Cash consideration	2,556
– Certain equity interests of a non-wholly owned subsidiary	429
	2,985
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	666
Other current assets	426
Intangible assets (mainly include trademarks, licences, copyrights and contractual customer relationship)	1,119
Fixed assets	28
Other non-current assets	106
Accounts payable	(219)
Convertible bonds	(489)
Other liabilities	(599)
Non-controlling interests	(53)
Deferred income tax liabilities	(241)
Total identifiable net assets	744
Non-controlling interests	(1,507)
Goodwill	3,748
	2,985

41 BUSINESS COMBINATIONS (Cont'd)

(a) Acquisition of online literature business (Cont'd)

Acquisition-related costs were not significant and have been charged to general and administrative expenses in the consolidated income statement for the year ended 31 December 2014.

The fair value of the acquired identifiable intangible assets of RMB915 million (including trademarks, licences and contractual customer relationship) is provisional, pending the completion of valuations assessed on these assets.

The revenue and the results contributed by the Acquired Business to the Group for the period since the date of acquisition were insignificant to the Group. The Group's revenue and results for the period would not be materially different if the Acquisition had occurred on 1 January 2014.

(b) Other acquisitions

During the year ended 31 December 2014, the Group also acquired and obtained control of certain entities that engaging in software development of cyber security, online games and online literature.

The aggregate considerations paid for these acquisitions were RMB231 million, fair value of net assets acquired, non-controlling interests and goodwill recognised were RMB195 million, RMB145 million and RMB181 million, respectively.

The revenues and results contributed by these acquired entities for the period since respective acquisition dates were insignificant to the Group.

For the year ended 31 December 2014
(All amounts in RMB millions unless otherwise stated)

42 CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of net profit to cash inflow from operating activities:

	2014 RMB'Million	2013 RMB'Million
Profit for the year	**23,888**	15,563
Adjustments for:		
Income tax expense	**5,125**	3,718
Gains on disposals/deemed disposals of investees and businesses	**(5,111)**	(267)
Loss on liquidation of an investee	**12**	–
Gain on the exercise of call option	**(85)**	–
Dividend income	**(144)**	(509)
Depreciation of fixed assets and investment properties	**2,993**	2,484
Amortisation of intangible assets	**1,808**	1,106
Amortisation of land use rights	**17**	16
Losses on disposals of fixed assets and construction in progress	**37**	6
Losses on disposals of land used right	**19**	–
Losses on disposals of intangible assets	**1**	–
Interest income	**(1,676)**	(1,314)
Equity-settled share-based compensation expenses	**1,802**	1,168
Share of losses/(profits) of associates and joint ventures	**347**	(171)
Impairment provision for available-for-sale financial assets, associates and joint ventures	**2,437**	87
Impairment of intangible assets	**73**	–
Exchange losses/(gains)	**316**	(310)
Changes in working capital:		
Accounts receivable	**(1,418)**	(606)
Inventories	**1,300**	(815)
Prepayments, deposits and other receivables	**(1,752)**	(940)
Accounts payable	**1,788**	2,036
Other payables and accruals	**8,018**	4,071
Other tax liabilities	**(25)**	52
Restricted cash	**(5,043)**	(1,611)
Deferred revenue	**2,687**	3,728
Cash generated from operating activities	**37,414**	27,492

(All amounts in RMB millions unless otherwise stated)

42 CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(a) Reconciliation of net profit to cash inflow from operating activities: (Cont'd)

In the Consolidated Statement of Cash Flows, proceeds from disposals of fixed assets and construction in progress comprise:

	2014 RMB'Million	2013 RMB'Million
Net book amount	139	177
Transferred Business treated as consideration of the JD.com acquisition (2013: Search businesses related assets treated as consideration of the Sogou acquisition)	(35)	(154)
Losses on disposals of fixed assets and construction in progress	(37)	(6)
Receivables	(27)	–
Proceeds from disposals of fixed assets and construction in progress	40	17

(b) Major non-cash transactions

Other than Transferred Business treated as consideration of the JD.com acquisition described in Note 11(a)(i) and the Acquisition described in Note 41, there were no material non-cash transactions for the year ended 31 December 2014.

43 CONTINGENCIES

The Group had no material contingent liabilities outstanding as at 31 December 2014.

(All amounts in RMB millions unless otherwise stated)

44 COMMITMENTS

(a) Capital commitments

Capital commitments as at 31 December 2014 are analysed as follows:

	As at 31 December	
	2014	2013
	RMB'Million	RMB'Million
Contracted:		
Construction/purchase of building and purchase of land use rights	**2,496**	2,166
Purchase of other fixed assets	**494**	403
Capital investment in investees	**912**	854
	3,902	3,423
Authorised but not contracted:		
Construction/purchase of building and purchase of land use rights	**3,242**	851
	7,144	4,274

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings are as follows:

	As at 31 December	
	2014	2013
	RMB'Million	RMB'Million
Contracted:		
Not later than one year	**746**	760
Later than one year and not later than five years	**1,347**	2,013
Later than five years	**1,200**	1,455
	3,293	4,228

(All amounts in RMB millions unless otherwise stated)

44 COMMITMENTS (Cont'd)

(c) Other commitments

The future aggregate minimum payments under non-cancellable bandwidth and server custody leases and online game licensing agreements are as follows:

	As at 31 December	
	2014	2013
	RMB'Million	RMB'Million
Contracted:		
Not later than one year	**1,778**	1,397
Later than one year and not later than five years	**1,571**	1,299
	3,349	2,696

45 RELATED PARTIES TRANSACTIONS

Except as disclosed in Note 11 (transactions with associates), Note 21 (Share options and share award schemes), Note 34 (Directors' and senior management's emoluments) and Note 35 (Five highest paid individuals) to the consolidated financial statements, the Group had no other material transactions with related parties for the year ended 31 December 2014, and no other material related parties' balances as at 31 December 2014.

46 SUBSEQUENT EVENTS

Completion of USD2,000 million Issue of Notes under the Programme

On 5 February 2015, the Company issued two tranches of senior notes under the Programme with an aggregate principal amount of USD2 billion, comprising USD1.1 billion senior notes due 2020 (the "2015 Notes I") and USD900 million notes due 2025 (the "2015 Notes II"). The 2015 Notes I bear an interest at 2.875% per annum and the 2015 Notes II bear an interest at 3.800% per annum. The net proceeds from the issue of these two tranches of senior notes amounted to approximately USD1.987 billion (equivalent to approximately RMB12.194 billion) after deduction of underwriting fees, discounts and commissions but not other expenses payable in connection with the issuance. Both of the 2015 Notes I and 2015 Notes II are listed on the Stock Exchange.

Definition

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

Term	Definition
"2007 Share Award Scheme"	the share award scheme adopted by the Company on Adoption Date I, as amended
"2013 Share Award Scheme"	the share award scheme adopted by the Company on Adoption Date II
"2015 AGM"	the annual general meeting of the Company to be held on 13 May 2015 or any adjournment thereof
"58.com"	58.com Inc., a company incorporated under the laws of the Cayman Islands whose American depositary shares are listed on the New York Stock Exchange
"Account I"	the bank account opened in the name of the Company to be operated solely for the purposes of operating the 2007 Share Award Scheme and the funds thereof to be held on trust by the Company for the Selected Participants
"Account II"	the bank account opened in the name of the trust pursuant to Trust Deed II, managed by the Trustee, and operated solely for the purposes of operating the 2013 Share Award Scheme, which is held on trust for the benefit of Selected Participants and can be funded by the Company or any of its subsidiaries
"Adoption Date I"	13 December 2007, being the date on which the Company adopted the 2007 Share Award Scheme
"Adoption Date II"	13 November 2013, being the date on which the Company adopted the 2013 Share Award Scheme
"Articles of Association"	the articles of association of the Company
"Audit Committee"	the audit committee of the Company
"Auditor"	PricewaterhouseCoopers, the auditor of the Company
"Awarded Shares"	the shares of the Company awarded under the Share Award Schemes
"Beijing BIZCOM"	Beijing BIZCOM Technology Company Limited
"Beijing Starsinhand"	Beijing Starsinhand Technology Company Limited
"Board"	the board of directors of the Company

Term	Definition
"CG Code"	the corporate governance code provisions set out in Appendix 14 to the Listing Rules
"ChinaVision"	ChinaVision Media Group Limited (currently known as Alibaba Pictures Group Limited), a limited liability company incorporated under the laws of Bermuda and the shares of which are listed on the Stock Exchange
"CIT"	corporate income tax
"Company"	Tencent Holdings Limited, a limited liability company organised and existing under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange
"Company Website"	the website of the Company at www.tencent.com
"Corporate Governance Committee"	the corporate governance committee of the Company
"COSO Framework"	the Internal Control Integrated Framework issued by the Committee of Sponsoring Organisations
"Cyber Shenzhen"	Tencent Cyber (Shenzhen) Company Limited
"Cyber Tianjin"	Tencent Cyber (Tianjin) Company Limited
"Daum Communications"	Daum Communications Corporation (currently known as Daum Kakao Corporation), a company incorporated under the laws of Korea and the shares of which are listed on the Korea Securities Dealers Automated Quotation (KOSDAQ) market of the Korea Exchange
"Dianping"	Dianping Holdings Ltd., a limited liability company incorporated under the laws of the Cayman Islands
"Dididache"	Xiaoju Science and Technology Limited, a limited liability company incorporated under the laws of the Cayman Islands
"EBITDA"	earnings before interest, tax, depreciation and amortisation
"Eligible Person"	a person who is eligible to participate in the respective Share Award Schemes
"EPS"	earnings per share
"GAAP"	Generally Accepted Accounting Principles

Definition

Term	Definition
“Grant Date”	in relation to any Awarded Share, the date on which the Awarded Share is, was or is to be granted
“Group”	the Company and its subsidiaries
“Guangzhou Yunxun”	Guangzhou Yunxun Technology Company Limited
“HBO”	Home Box Office, Inc.
“HKD”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region, the PRC
“IA”	internal audit department of the Company
“IC”	internal control department of the Company
“IFRIC”	International Financial Reporting Interpretations Committee
“IFRS”	International Financial Reporting Standards
“IM”	Instant messaging
“Investment Committee”	the investment committee of the Company
“IPO”	initial public offering
“JD.com”	JD.com, Inc., a limited liability company incorporated under the laws of the Cayman Islands whose American depositary shares are listed on NASDAQ
“Korea”	the Republic of Korea
“Koudai Gouwu”	Koudai Corporation, a limited liability company incorporated under the laws of the Cayman Islands
“KRW”	Korean Won, the lawful currency of Korea
“Leju”	Leju Holdings Limited, a limited liability company incorporated under the laws of the Cayman Islands whose American depositary shares are listed on the New York Stock Exchange
“LIBOR”	London InterBank Offered Rate

Term	Definition
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"LoL"	League of Legends
"M&A"	mergers and acquisitions
"Mail.ru"	Mail.ru Group Limited, a limited liability company incorporated under the laws of the British Virgin Islands whose global depositary receipts are traded on the London Stock Exchange
"MAU"	monthly active user accounts
"Moody's"	Moody's Investors Service, Inc.
"NASDAQ"	NASDAQ Global Select Market
"MIH TC"	MIH TC Holdings Limited
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"NBA"	the National Basketball Association
"New OPCOs"	Beijing Emark Information and Technology Co. Ltd., Wang Dian, Beijing BIZCOM, Beijing Starsinhand, Shenzhen Shiji Tian You Technology Company Limited, Guangzhou Yunxun, Shenzhen Dadi Tongtu Information Technology Company Limited, Shenzhen Shiji Huixiang Technology Company Limited, Shenzhen Wangshijie Technology Company Limited, Shenzhen Xinghuo Chuangxin Technology Company Limited, Shenzhen Xingguang Tongchuang Technology Company Limited, Shenzhen Tencent E-Commerce Information Technology Company Limited, Shenzhen Litong Industry Investment Fund Company Limited, Shenzhen Tencent Industry Investment Fund Company Limited and Shenzhen Shiji Kaihua Investment Fund Company Limited
"Nomination Committee"	the nomination committee of the Company
"O2O"	online to offline

Definition

Term	Definition
"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
"Reference Date"	in respect to a Selected Participant, the date of final approval by the Board of the total number of shares of the Company to be awarded to the relevant Selected Participant on a single occasion pursuant to the 2007 Share Award Scheme
"Remuneration Committee"	the remuneration committee of the Company
"RMB"	the lawful currency of the PRC
"Selected Participant(s)"	any Eligible Persons selected by the Board to participate in the respective Share Award Schemes
"SFO"	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share Award Schemes"	the share award scheme adopted by the Company on 13 December 2007, as amended, and the share award scheme adopted by the Company on 13 November 2013
"Share Subdivision"	with effect from 15 May 2014, each existing issued and unissued share of HKD0.0001 each in the share capital of the Company was subdivided into five subdivided shares of HKD0.00002 each, after passing of an ordinary resolution at the annual general meeting of the Company held on 14 May 2014 and the Stock Exchange granting the listing of, and permission to deal in, the subdivided shares

Term	Definition
"Shiji Kaixuan"	Shenzhen Shiji Kaixuan Technology Company Limited
"SKT CFC"	the co-operation framework contract dated 28 February 2004 entered into between Cyber Tianjin and Shiji Kaixuan
"Sogou"	Sogou Inc., a limited liability company incorporated under the laws of the Cayman Islands
"Sony Music"	Sony Music Entertainment
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TCS CFC"	the co-operation framework contract dated 28 February 2004 entered into between Tencent Technology and Tencent Computer
"TCS Co-operation Committee"	the co-operation committee established under the TCS CFC
"Tencent Beijing"	Tencent Technology (Beijing) Company Limited
"Tencent Charity Funds"	charity funds established by the Group
"Tencent Chengdu"	Tencent Technology (Chengdu) Company Limited
"Tencent Computer"	Shenzhen Tencent Computer Systems Company Limited
"Tencent Shanghai"	Tencent Technology (Shanghai) Company Limited
"Tencent Technology"	Tencent Technology (Shenzhen) Company Limited
"Tencent Wuhan"	Tencent Technology (Wuhan) Company Limited
"Trust Deed II"	a trust deed entered into between the Company and the Trustee (as restated, supplemented and amended from time to time) in respect of the appointment of the Trustee for the administration of the 2013 Share Award Scheme
"Trustee"	an independent trustee appointed by the Company for managing the Share Award Schemes

Definition

Term	Definition
"United States"	the United States of America
"USD"	the lawful currency of the United States
"VAS"	value-added services
"Voice of China 3"	the third season of The Voice of China (中國好聲音), a Chinese reality talent show
"Wang Dian"	Nanjing Wang Dian Technology Company Limited
"Warner Music"	Warner Music Group Corp., a limited liability company incorporated under the laws of the State of Delaware, United States
"WeBank"	Shenzhen WeBank Limited
"WFOEs"	Tencent Technology, Cyber Tianjin, Tencent Beijing, Cyber Shenzhen, Tencent Chengdu, Tencent Shanghai, Tencent Wuhan, G-I Growth (Shenzhen) Technology Limited, Tencent Cyber (Shenzhen-Shantou Special Cooperation Zone) Company Limited, Tencent E-Commerce Technology (Shenzhen) Limited, Tencent Information Technology (Chonging) Company Limited and Tencent Information Technology (Shanghai) Company Limited
"YG Entertainment"	Y.G. Entertainment Inc., an entertainment company incorporated under the laws of Korea
"Yixun"	Shanghai Icson E-Commerce Development Company Limited (上海易迅電子商務發展有限公司), a company incorporated under the laws of the PRC, a subsidiary of the Group

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