Tencent 腾讯

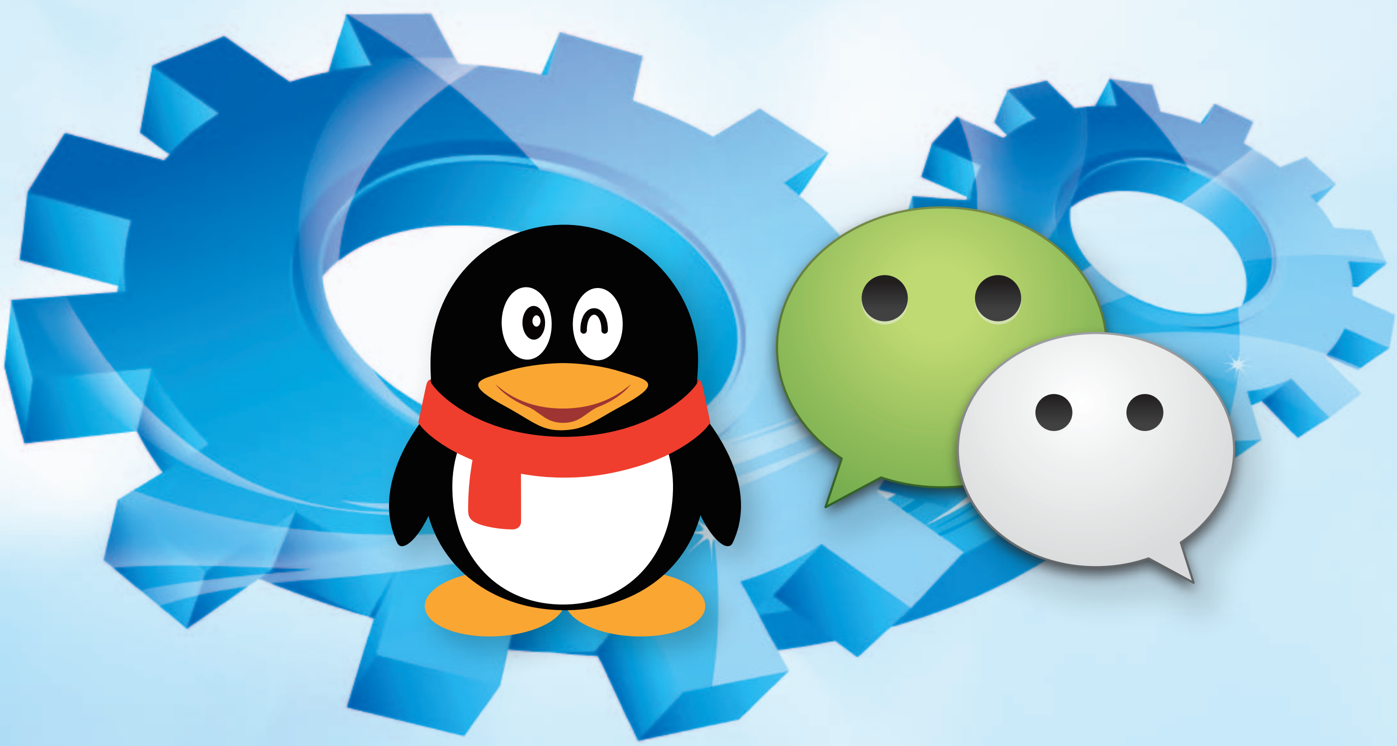
Tencent Holdings Limited

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)



2015 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				
	2011 RMB'Million	2012 RMB'Million	2013 RMB'Million	2014 RMB'Million	**2015 RMB'Million**
Revenues	28,496	43,894	60,437	78,932	**102,863**
Gross profit	18,568	25,687	32,659	48,059	**61,232**
Profit before income tax	12,099	15,051	19,281	29,013	**36,216**
Profit for the year	10,225	12,785	15,563	23,888	**29,108**
Profit attributable to equity holders of the Company	10,203	12,732	15,502	23,810	**28,806**
Total comprehensive income for the year	8,957	13,619	18,376	21,975	**44,723**
Total comprehensive income attributable to equity holders of the Company	8,938	13,567	18,327	21,891	**44,416**
Non-GAAP profit attributable to equity holders of the Company*	10,940	14,287	17,008	24,737	**32,410**

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December				
	2011 RMB'Million	2012 RMB'Million	2013 RMB'Million	2014 RMB'Million	**2015 RMB'Million**
Assets					
Non-current assets	21,301	38,747	53,549	95,845	**151,440**
Current assets	35,503	36,509	53,686	75,321	**155,378**
Total assets	56,804	75,256	107,235	171,166	**306,818**
Equity and liabilities					
Equity attributable to equity holders of the Company	28,463	41,298	57,945	80,013	**120,035**
Non-controlling interests	625	850	518	2,111	**2,065**
Total equity	29,088	42,148	58,463	82,124	**122,100**
Non-current liabilities	6,533	12,443	15,505	39,007	**60,312**
Current liabilities	21,183	20,665	33,267	50,035	**124,406**
Total liabilities	27,716	33,108	48,772	89,042	**184,718**
Total equity and liabilities	56,804	75,256	107,235	171,166	**306,818**

* Comparative figures have been restated retrospectively to conform with the presentation adopted in 2015, whereas, among others, we have extended definition of non-GAAP adjustments to cover that of our material associates. We adopted the new presentation in order to more clearly illustrate our non-GAAP financial measures, and to be more consistent with what we believe to be industry practice.

Chairman's Statement

Ma Huateng
Chairman

I am pleased to present our annual report for the year ended 31 December 2015 to the shareholders.

RESULTS

The Group's audited profit attributable to equity holders of the Company for the year ended 31 December 2015 was RMB28,806 million, an increase of 21% compared with the results for the previous year. Basic and diluted earnings per share for the year ended 31 December 2015 were RMB3.097 and RMB3.055 respectively.

The Group's non-GAAP profit attributable to equity holders of the Company for the year ended 31 December 2015 was RMB32,410 million, an increase of 31% compared with the results for the previous year. Non-GAAP basic and diluted EPS for the year ended 31 December 2015 were RMB3.485 and RMB3.437 respectively.

BUSINESS REVIEW AND OUTLOOK

1. Internet Industry Trends

In 2015, the Internet further penetrated everyday life, providing users with new value and additional convenience. Messaging and social networking continued to rank as the highest time spent and widest penetration activities on smart phones, and evolved into increasingly relevant content discovery media. Search queries moved primarily to mobile, and search remained an important content discovery tool, along with application stores. Online shopping became increasingly widespread, especially in lower-tier cities, and eCommerce transaction volumes sustained healthy growth rates. Online advertising activity shifted decisively from PC to mobile, with particular growth in areas such as performance advertising on social networks, pre-roll advertising in video services, and in-feed advertising in news services. Users proved increasingly willing to pay for digital content such as movies, TV series, and music. Mid/Hard-core smart phone games, including PC game franchises moving to smart phones, boosted game industry revenue.

China Internet companies in sectors such as ride-hailing, classified listings, group-buying, and online travel services competed with heightened intensity in 2015, leading to rapid user growth but reduced or negative profitability. Consequently, several leading companies in these sectors consolidated with competitors, creating a wave of merger and acquisition activities. Offline-to-Online transaction volumes increased, which, together with the emergence of person-to-person payment transactions, contributed to substantial growth in online payment volumes.

2. Company Strategic Highlights

In 2015, we conducted a series of initiatives to enhance our ongoing businesses in China:

— *Social platforms:* we sustained user growth of Mobile QQ year-on-year, particularly among young users, via promoting entertainment-driven and community-based activities, while expanding the user base of Weixin, via connecting a diversified product and service portfolio to a broad range of users. Our performance-based social advertising revenues more than doubled year-on-year.

— *Online games:* we reinforced our leadership in the smart phone game market via introducing new titles based on proven IP, adding new game genres, leveraging our PC client game operational expertise, and developing player communities.

— *Media & content:* we sustained traffic leadership in multiple online media categories, such as video, sports, music, news and literature, via partnering with premium content providers, such as the NBA, HBO, Paramount, Warner Music, and Sony Music, and investing in original content. We grew our digital content subscription services via leveraging our social platforms and optimizing our premium business models.

During the year, we further executed our "Connection" strategy, bringing our own and our partners' products and services to our consumers via cultivating an ecosystem around our core communication and social platforms. Key initiatives for our "Internet-Plus" ecosystem included:

— Enriching products and services available within our platforms. For example, we introduced personal micro-loan products and municipal services, such as visa applications, to Mobile QQ and Weixin.

— Promoting our online payment services through enriched payment scenarios, increasing MAU of our mobile payment services by over 7 times year-on-year.

— Growing our mobile utility services, including security, browser and application store, strengthening infrastructural supports to our mobile ecosystem.

— Investing in equity stakes in leading companies in related Internet verticals, such as Internet Plus Holdings, to provide best-in-class services to our users.

3. Company Divisional and Product Highlights

Operating Information

	As at 31 December 2015	As at 31 December 2014	Year-on-year change	As at 30 September 2015	Quarter-on-quarter change
			(in millions, unless specified)		
MAU of QQ	**853.1**	815.3	4.6%	859.7	-0.8%
Smart device MAU of QQ	**641.5**	576.1	11.4%	639.1	0.4%
PCU of QQ (for the quarter)	**241.1**	217.4	10.9%	239.1	0.8%
Combined MAU of Weixin and WeChat	**697.0**	500.0	39.4%	649.5	7.3%
MAU of Qzone	**640.1**	654.1	-2.1%	653.1	-2.0%
Smart device MAU of Qzone	**572.9**	539.8	6.1%	576.8	-0.7%
Fee-based VAS registered subscriptions	**94.6**	83.7	13.0%	88.5	6.9%

Key Platforms

— For QQ, smart device MAU increased by 11% year-on-year to 642 million at the end of 2015, while overall PCU increased by 11% year-on-year to 241 million. QQ Group user engagement benefited from a revenue-sharing scheme introduced to incentivize group creators. Our QQ Wallet payment service gained popularity with approximately 6 billion red envelopes exchanged via QQ Wallet within six days during the Lunar New Year holidays in early 2016.

— For Qzone, smart device MAU increased by 6% year-on-year to 573 million at the end of 2015. User activity benefited from enhanced features in areas such as sticker sharing and photo album editing.

— For Weixin and WeChat together, MAU reached 697 million at the end of 2015, representing year-on-year growth of 39%. Official Accounts became a leading platform connecting users to content creators, merchants and advertisers. Weixin Pay also became increasingly popular. The volume of red envelopes exchanged via Weixin Pay exceeded 32 billion within six days during the Lunar New Year holidays in early 2016, growing by 9 times year-on-year.

With increasing popularity of Weixin Pay, bank handling fees related to C2C payment transactions via Weixin Pay, mainly arising from money transfers, increased significantly, amounting to over RMB300 million (net of related revenue we received from users) for the month of January 2016. To manage these cost pressures, we introduced a new policy with effect from 1 March 2016. Under this new policy, we charge users Weixin Pay balance withdrawal fees if the accumulated amount of money a user withdraws from her Weixin Pay wallet to her bank account exceeds a certain amount. In parallel, we no longer charge users on Weixin Pay C2C money transfers. We will continue to promote Weixin Pay via encouraging users to consume products and services embedded in Weixin, as well as those provided by our online and offline partners.

Value-Added Services

In 2015, our social networks business achieved 30% year-on-year revenue growth as we improved our digital content subscription services, QQ Membership subscription services, and virtual item sales. Looking forward, we will continue to optimize our user experience and add premium content to our subscription services, such as video and music, and to our literature service.

In online games, we extended our market leadership in both PC client game and smart phone game markets.

— For PC client games, we achieved low double-digit year-on-year revenue growth thanks to increased contributions from key titles and new games launched in 2015.

— For smart phone games, we generated 53% year-on-year revenue growth on a gross-to-gross basis, with approximately RMB21.3 billion revenue in 2015. We achieved or retained leadership in multiple genres via utilizing proven IPs, extending popular PC game genres to smart phones, and developing player communities.

Looking forward, we aim to broaden smart phone game activity in China into new game genres, following the precedent of our category expansion in PC games.

Our cloud service business achieved over 100% year-on-year revenue growth as we promoted our services to key enterprise customers from a range of verticals such as eCommerce, O2O services, online games, online video and Internet finance. We will continue investing in enhancing our cloud services, supporting our private and public sector partners in fulfilling their "Internet-Plus" related initiatives.

Online Advertising

In 2015, our online advertising business achieved 110% year-on-year revenue growth, mainly reflecting an enlarged advertiser base and more traffic on our platforms. Over 65% of our total advertising revenues was generated on mobile platforms during the year.

Looking ahead, we will continue to invest in our brand advertising business, while aiming to grow our performance-based advertising business via:

— Enhancing advertiser tools, such as self-service advertising platforms and location-based targeted advertising services;

— Leveraging new advertising formats, such as auto-play video on Weixin Moments and eCoupons on Official Accounts; and

— Customizing advertising solutions for specific advertiser categories.

4. Company Financial Performance

Year Ended 31 December 2015

In 2015, revenues increased by 30% to RMB102.9 billion. Excluding the eCommerce business, revenues increased by 38% to RMB102.2 billion.

— *VAS.* Revenues from our VAS business increased by 27% to RMB80.7 billion. Our online game business achieved healthy growth in revenues, mainly driven by smart phone games, key PC titles and new PC client games launched in 2015. Our social networks revenues expanded, reflecting increased contributions from digital content subscription services, QQ Membership subscription services, and virtual item sales.

— *Online advertising*. Revenues from our online advertising business increased by 110% to RMB17.5 billion. Performance-based advertising revenues grew by 172% to RMB8.7 billion, mainly driven by revenue growth from Mobile Qzone, the full year impact of advertising revenues from Weixin Official Accounts, as well as contributions from newly launched advertising services on Weixin Moments. Brand display advertising revenues grew by 72% to RMB8.8 billion, mainly driven by increased traffic and advertising on mobile media platforms such as Tencent Video and Tencent News.

Profit attributable to equity holders of the Company increased by 21% to RMB28.8 billion. Non-GAAP profit attributable to equity holders of the Company increased by 31% to RMB32.4 billion.

Fourth Quarter of 2015

In the fourth quarter of 2015, revenues increased by 45% year-on-year to RMB30,441 million. Excluding the eCommerce transactions business, revenues increased by 47% year-on-year to RMB30,242 million.

— *VAS*. Revenues from our VAS business increased by 35% year-on-year to RMB23,068 million. Our online game business achieved healthy growth in revenues, primarily driven by our expanded smart phone game portfolio, our major PC titles and new PC client games launched in 2015. Our social networks revenues grew by 37% to RMB7,097 million, reflecting revenue growth from digital content subscription services, QQ Membership subscription services, and item sales within our social networking platforms.

— *Online advertising*. Revenues from our online advertising business increased by 118% year-on-year to RMB5,733 million. Performance-based advertising revenues grew by 157% to RMB2,916 million, mainly reflecting revenue growth from Mobile Qzone, Weixin Official Accounts, and newly launched advertising services on Weixin Moments. Brand display advertising revenues grew by 89% to RMB2,817 million, reflecting higher contributions from our mobile media platforms such as Tencent Video and Tencent News.

Profit attributable to equity holders of the Company increased by 22% year-on-year to RMB7,164 million. Non-GAAP profit attributable to equity holders of the Company increased by 28% year-on-year to RMB8,953 million.

5. Company Outlook and Strategies for 2016

During 2016, we intend to develop our ongoing businesses and further cultivate our mobile ecosystem via initiatives including:

— Investing in and innovating around our core communications and social platforms, especially in areas such as group messaging and video-format content;

— Developing new and emerging smart phone game genres, via leveraging our PC game experiences, smart phone game player communities, and relationships with leading game developers;

— Expanding our advertising business, via enhancing our advertising technologies, such as data-mining and look-alike user targeting, enlarging our long-tail advertiser base, and adding more mobile advertising inventory;

— Growing our digital content businesses, including online video, music and literature, via providing exclusive content to our users and leveraging our users' social relationships; and

— Enriching our payment services and financial products platform.

Chairman's Statement

DIVIDEND

The Board has recommended the payment of a final dividend of HKD0.47 per share (2014: HKD0.36 per share) for the year ended 31 December 2015, subject to the approval of the shareholders at the 2016 AGM. Such proposed dividend will be payable on 2 June 2016 to the shareholders whose names appear on the register of members of the Company on 25 May 2016.

APPRECIATION

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

Ma Huateng
Chairman

Hong Kong, 17 March 2016

YEAR ENDED 31 DECEMBER 2015 COMPARED TO YEAR ENDED 31 DECEMBER 2014

	Year ended 31 December	
	2015	2014
	(RMB in millions)	
Revenues	**102,863**	78,932
Cost of revenues	**(41,631)**	(30,873)
Gross profit	**61,232**	48,059
Interest income	**2,327**	1,676
Other gains, net	**1,886**	2,759
Selling and marketing expenses	**(7,993)**	(7,797)
General and administrative expenses	**(16,825)**	(14,155)
Operating profit	**40,627**	30,542
Finance costs, net	**(1,618)**	(1,182)
Share of losses of associates and joint ventures	**(2,793)**	(347)
Profit before income tax	**36,216**	29,013
Income tax expense	**(7,108)**	(5,125)
Profit for the year	**29,108**	23,888
Attributable to:		
Equity holders of the Company	**28,806**	23,810
Non-controlling interests	**302**	78
	29,108	23,888
Non-GAAP profit attributable to equity holders of the Company*	**32,410**	24,737

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

Revenues. Revenues increased by 30% to RMB102.9 billion for the year ended 31 December 2015 on a year-on-year basis. Excluding the eCommerce business, revenues increased by 38% to RMB102.2 billion. The following table sets forth our revenues by line of business for the years ended 31 December 2015 and 2014:

	Year ended 31 December			
	2015		2014	
	Amount	**% of total revenues**	Amount	% of total revenues
	(RMB in millions, unless specified)			
VAS[1]	**80,669**	**78%**	63,310	80%
Online advertising	**17,468**	**17%**	8,308	11%
Others[2]	**4,726**	**5%**	7,314	9%
Total revenues	**102,863**	**100%**	78,932	100%

Note:

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

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

— Revenues from our VAS business increased by 27% to RMB80,669 million for the year ended 31 December 2015 on a year-on-year basis. Online games revenues increased by 26% to RMB56,587 million. The increase primarily reflected growth in revenues from smart phone games, mainly driven by our diversified game portfolio and, to a lesser extent, the impact of the aforementioned adoption of gross revenue recognition. Revenues from PC client games also contributed to the increase, primarily driven by our key titles and new games launched in 2015. Social networks revenues grew by 30% to RMB24,082 million. The increase mainly reflected higher subscription revenues from digital content subscription services and QQ Membership, as well as revenue growth from virtual item sales. If gross revenue recognition for smart phone games had been adopted for the year ended 31 December 2014, revenues from our VAS business would have increased by 24%, of which online games revenues would have increased by 23% and social networks revenues would have increased by 27% for the year ended 31 December 2015.

— Revenues from our online advertising business increased by 110% to RMB17,468 million for the year ended 31 December 2015 on a year-on-year basis. Performance-based advertising revenues grew by 172% to RMB8,693 million, mainly driven by revenue growth from Mobile Qzone, the full year impact of advertising revenues from Weixin Official Accounts, as well as contributions from newly launched advertising services on Weixin Moments. Brand display advertising revenues increased by 72% to RMB8,775 million, primarily driven by higher revenues from our mobile media platforms such as Tencent Video and Tencent News, which benefited from more traffic.

Cost of revenues. Cost of revenues increased by 35% to RMB41,631 million for the year ended 31 December 2015 on a year-on-year basis. The increase primarily reflected greater sharing and content costs, channel costs, as well as bank handling fees on C2C money transfers, 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 increased to 40% for the year ended 31 December 2015 from 39% for the year ended 31 December 2014. The following table sets forth our cost of revenues by line of business for the years ended 31 December 2015 and 2014:

	Year ended 31 December			
	2015		2014	
	Amount	**% of segment revenues**	Amount	% of segment revenues
	(RMB in millions, unless specified)			
VAS	**28,422**	**35%**	20,619	33%
Online advertising	**8,941**	**51%**	4,660	56%
Others*	**4,268**	**90%**	5,594	76%
Total cost of revenues	**41,631**		30,873	

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

— Cost of revenues for our VAS business increased by 38% to RMB28,422 million for the year ended 31 December 2015 on a year-on-year basis. The increase mainly reflected: (1) greater sharing and content costs (especially for licensed smart phone games) and channel costs; (2) the impact of the aforementioned adoption of gross revenue recognition; and (3) higher bandwidth and server custody fees. If gross revenue recognition for smart phone games had been adopted for the year ended 31 December of 2014, cost of revenues for our VAS business would have increased by 27%.

— Cost of revenues for our online advertising business increased by 92% to RMB8,941 million for the year ended 31 December 2015 on a year-on-year basis. The increase primarily reflected greater traffic acquisition costs, investment in video content, as well as commissions payable to advertising agencies.

— Cost of revenues for our other businesses decreased by 24% to RMB4,268 million for the year ended 31 December 2015 on a year-on-year basis. The decrease was mainly driven by a decline in cost of merchandise sold due to lower revenues from principal eCommerce transactions, partly offset by greater bank handling fees on C2C money transfers.

Other gains, net. Other gains, net decreased by 32% to RMB1,886 million for the year ended 31 December 2015 on a year-on-year basis. The decrease mainly reflected a decline in net disposal/deemed disposal gains arising from certain investee companies, partly offset by fair value gains on options we own in an investee company, which we recognised in the fourth quarter of 2015.

Selling and marketing expenses. Selling and marketing expenses increased by 3% to RMB7,993 million for the year ended 31 December 2015 on a year-on-year basis. The increase mainly reflected greater staff costs, partly offset by lower fulfillment expenses due to a decrease in revenues from principal eCommerce transactions. Promotion and advertising expenses were broadly stable, primarily reflecting higher marketing spending on products and platforms such as online games, online literature and mobile utilities, largely offset by reduced subsidies to Weixin Pay users for ride-hailing and decreased marketing expenses for WeChat. As a percentage of revenues, selling and marketing expenses decreased to 8% for the year ended 31 December 2015 from 10% for the year ended 31 December 2014.

General and administrative expenses. General and administrative expenses increased by 19% to RMB16,825 million for the year ended 31 December 2015 on a year-on-year basis. The increase was primarily driven by greater research and development expenses as well as staff costs. As a percentage of revenues, general and administrative expenses decreased to 16% for the year ended 31 December 2015 from 18% for the year ended 31 December 2014.

Finance costs, net. Finance costs, net increased by 37% to RMB1,618 million for the year ended 31 December 2015 on a year-on-year basis. The increase mainly reflected greater interest expense due to higher amount of indebtedness.

Income tax expense. Income tax expense increased by 39% to RMB7,108 million for the year ended 31 December 2015 on a year-on-year basis. The increase primarily reflected higher profit before income tax, partially offset by a decrease in withholding taxes.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 21% to RMB28,806 million for the year ended 31 December 2015 on a year-on-year basis. Non-GAAP profit attributable to equity holders of the Company increased by 31% to RMB32,410 million for the year ended 31 December 2015 on a year-on-year basis.

FOURTH QUARTER OF 2015 COMPARED TO FOURTH QUARTER OF 2014

	Unaudited Three months ended	
	31 December 2015	31 December 2014
	(RMB in millions)	
Revenues	**30,441**	20,978
Cost of revenues	**(12,661)**	(8,332)
Gross profit	**17,780**	12,646
Interest income	**649**	443
Other gains, net	**249**	343
Selling and marketing expenses	**(3,024)**	(2,063)
General and administrative expenses	**(4,766)**	(3,975)
Operating profit	**10,888**	7,394
Finance costs, net	**(363)**	(273)
Share of losses of associates and joint ventures	**(1,329)**	(275)
Profit before income tax	**9,196**	6,846
Income tax expense	**(1,998)**	(892)
Profit for the period	**7,198**	5,954
Attributable to:		
Equity holders of the Company	**7,164**	5,860
Non-controlling interests	**34**	94
	7,198	5,954
Non-GAAP profit attributable to equity holders of the Company*	**8,953**	6,981

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

Revenues. Revenues increased by 45% to RMB30,441 million for the fourth quarter of 2015 on a year-on-year basis. Excluding the eCommerce business, revenues increased by 47% to RMB30,242 million. The following table sets forth our revenues by line of business for the fourth quarter of 2015 and the fourth quarter of 2014:

	Unaudited Three months ended			
	31 December 2015		31 December 2014	
	Amount	**% of total revenues**	Amount	% of total revenues
	(RMB in millions, unless specified)			
VAS	**23,068**	**76%**	17,137	82%
Online advertising	**5,733**	**19%**	2,627	12%
Others*	**1,640**	**5%**	1,214	6%
Total revenues	**30,441**	**100%**	20,978	100%

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

— Revenues from our VAS business increased by 35% year-on-year to RMB23,068 million for the fourth quarter of 2015. Online games revenues grew by 33% to RMB15,971 million. The increase was primarily driven by revenue growth from smart phone games, mainly due to our expanded game portfolio, as well as higher revenues from PC client games, primarily due to our key titles and new games launched in 2015. Social networks revenues increased by 37% to RMB7,097 million. The increase was mainly driven by growth in subscription revenues from digital content subscription services and QQ Membership, as well as higher revenues from virtual item sales.

— Revenues from our online advertising business increased by 118% year-on-year to RMB5,733 million for the fourth quarter of 2015. Performance-based advertising revenues increased by 157% to RMB2,916 million, mainly reflecting revenue growth from Mobile Qzone and Weixin Official Accounts, as well as contributions from newly launched advertising services on Weixin Moments. Brand display advertising revenues grew by 89% to RMB2,817 million, primarily reflecting higher contributions from our mobile media platforms such as Tencent Video and Tencent News.

Cost of revenues. Cost of revenues increased by 52% year-on-year to RMB12,661 million for the fourth quarter of 2015. The increase mainly reflected greater sharing and content costs, channel costs, and bank handling fees on C2C money transfers. As a percentage of revenues, cost of revenues increased to 42% for the fourth quarter of 2015 from 40% for the fourth quarter of 2014. The following table sets forth our cost of revenues by line of business for the fourth quarter of 2015 and the fourth quarter of 2014:

	Unaudited			
	Three months ended			
	31 December 2015		31 December 2014	
	Amount	**% of segment revenues**	Amount	% of segment revenues
	(RMB in millions, unless specified)			
VAS	**8,383**	**36%**	6,168	36%
Online advertising	**2,794**	**49%**	1,577	60%
Others*	**1,484**	**90%**	587	48%
Total cost of revenues	**12,661**		8,332	

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

— Cost of revenues for our VAS business increased by 36% to RMB8,383 million for the fourth quarter of 2015 on a year-on-year basis. The increase was mainly driven by higher sharing and content costs (especially for licensed smart phone games) and channel costs, as well as bandwidth and server custody fees.

— Cost of revenues for our online advertising business increased by 77% to RMB2,794 million for the fourth quarter of 2015 on a year-on-year basis. The increase was primarily driven by higher investment in video content, commissions payable to advertising agencies, as well as traffic acquisition costs.

— Cost of revenues for our other businesses increased by 153% to RMB1,484 million for the fourth quarter of 2015 on a year-on-year basis. The increase was mainly driven by greater bank handling fees on C2C money transfers.

Other gains, net. Other gains, net decreased by 27% to RMB249 million for the fourth quarter of 2015 on a year-on-year basis. During the fourth quarter of 2015, net disposal/deemed disposal gains arising from certain investee companies decreased. Partly offsetting this decrease, fair value gains on options we own in an investee company were recognised in the fourth quarter of 2015 and impairment provision charges for certain investee companies decreased.

Selling and marketing expenses. Selling and marketing expenses increased by 47% to RMB3,024 million for the fourth quarter of 2015 on a year-on-year basis. The increase mainly reflected greater marketing spending on products and platforms such as online games, online literature, mobile utilities and online media, as well as higher staff costs. As a percentage of revenues, selling and marketing expenses were 10% for the fourth quarter of 2015, broadly stable compared to the fourth quarter of 2014.

General and administrative expenses. General and administrative expenses increased by 20% to RMB4,766 million for the fourth quarter of 2015 on a year-on-year basis. The increase was primarily driven by greater research and development expenses as well as staff costs. As a percentage of revenues, general and administrative expenses decreased to 16% for the fourth quarter of 2015 from 19% for the fourth quarter of 2014.

Finance costs, net. Finance costs, net increased by 33% to RMB363 million for the fourth quarter of 2015 on a year-on-year basis. The increase mainly reflected higher interest expense driven by higher amount of indebtedness.

Share of losses of associates and joint ventures. Share of losses of associates and joint ventures increased to RMB1,329 million for the fourth quarter of 2015. The year-on-year increase was mainly attributable to share of losses arising from impairment provisions recognised by a listed associate engaging in the eCommerce business in the fourth quarter of 2015.

Income tax expense. Income tax expense increased by 124% to RMB1,998 million for the fourth quarter of 2015 on a year-on-year basis. The increase primarily reflected greater profit before income tax and higher applicable CIT rate for certain subsidiaries in China.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 22% to RMB7,164 million for the fourth quarter of 2015 on a year-on-year basis. Non-GAAP profit attributable to equity holders of the Company increased by 28% to RMB8,953 million for the fourth quarter of 2015 on a year-on-year basis.

FOURTH QUARTER OF 2015 COMPARED TO THIRD QUARTER OF 2015

	Unaudited Three months ended	
	31 December 2015	30 September 2015
	(RMB in millions)	
Revenues	**30,441**	26,594
Cost of revenues	**(12,661)**	(11,014)
Gross profit	**17,780**	15,580
Interest income	**649**	559
Other gains, net	**249**	614
Selling and marketing expenses	**(3,024)**	(2,042)
General and administrative expenses	**(4,766)**	(4,380)
Operating profit	**10,888**	10,331
Finance costs, net	**(363)**	(481)
Share of losses of associates and joint ventures	**(1,329)**	(702)
Profit before income tax	**9,196**	9,148
Income tax expense	**(1,998)**	(1,564)
Profit for the period	**7,198**	7,584
Attributable to:		
Equity holders of the Company	**7,164**	7,445
Non-controlling interests	**34**	139
	7,198	7,584
Non-GAAP profit attributable to equity holders of the Company	**8,953**	8,280

Revenues. Revenues increased by 14% to RMB30,441 million for the fourth quarter of 2015 on a quarter-on-quarter basis.

— Revenues from our VAS business increased by 12% to RMB23,068 million for the fourth quarter of 2015 on a quarter-on-quarter basis. Online game revenues increased by 11% to RMB15,971 million. The increase was primarily driven by new smart phone games such as The Legend of MIR 2 and Honor of Kings launched in the third quarter of 2015, as well as Six Dragons Hegemony 3D launched in the fourth quarter of 2015. PC client games also registered revenue growth. Social networks revenues increased by 14% to RMB7,097 million. The increase was mainly driven by revenue growth from virtual item sales, as well as from subscription services due to enhanced digital content and mobile privileges.

— Revenues from our online advertising business increased by 16% to RMB5,733 million for the fourth quarter of 2015 on a quarter-on-quarter basis. Performance-based advertising revenues increased by 22% to RMB2,916 million quarter-on-quarter, primarily driven by higher revenues from social advertising on mobile devices. Brand display advertising revenues increased by 10% to RMB2,817 million quarter-on-quarter, as revenue growth from Tencent News more than offset a slight revenue decline from Tencent Video.

Cost of revenues. Cost of revenues increased by 15% to RMB12,661 million for the fourth quarter of 2015 on a quarter-on-quarter basis. The increase primarily reflected greater sharing and content costs, channel costs, and bank handling fees on C2C money transfers. As a percentage of revenues, cost of revenues increased to 42% for the fourth quarter of 2015 from 41% for the third quarter of 2015.

— Cost of revenues for our VAS business increased by 14% to RMB8,383 million for the fourth quarter of 2015 on a quarter-on-quarter basis. The increase primarily reflected greater sharing and content costs (especially for licensed smart phone games) and channel costs.

— Cost of revenues for our online advertising business increased by 11% to RMB2,794 million for the fourth quarter of 2015 on a quarter-on-quarter basis. The increase mainly reflected greater investments in video content and traffic acquisition costs.

— Cost of revenues for our other businesses increased by 32% to RMB1,484 million for the fourth quarter of 2015 on a quarter-on-quarter basis. The increase was primarily driven by greater bank handling fees on C2C money transfers.

Selling and marketing expenses. Selling and marketing expenses increased by 48% to RMB3,024 million for the fourth quarter of 2015 on a quarter-on-quarter basis. The increase primarily reflected seasonal marketing and promotion activities for our online games, mobile utilities, and online media products.

General and administrative expenses. General and administrative expenses increased by 9% to RMB4,766 million for the fourth quarter of 2015 on a quarter-on-quarter basis. Staff costs as well as research and development expenses increased.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company decreased by 4% to RMB7,164 million for the fourth quarter of 2015 on a quarter-on-quarter basis. Non-GAAP profit attributable to equity holders of the Company increased by 8% to RMB8,953 million for the fourth quarter of 2015 on a quarter-on-quarter basis.

OTHER FINANCIAL INFORMATION

	Year ended		Unaudited Three months ended		
	31 December		**31 December**	30 September	31 December
	2015	2014	**2015**	2015	2014
	(RMB in millions, unless specified)				
EBITDA (a)	**43,049**	30,908	**12,040**	10,806	7,929
Adjusted EBITDA (a)	**45,805**	32,710	**12,831**	11,569	8,424
Adjusted EBITDA margin (b)	**45%**	41%	**42%**	44%	40%
Interest expense	**1,510**	866	**409**	373	264
Net cash (c)	**19,114**	22,758	**19,114**	21,239	22,758
Capital expenditures (d)	**7,709**	4,718	**1,883**	1,653	1,603

Note:

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

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

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

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

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

	Year ended		Unaudited Three months ended		
	31 December		**31 December**	30 September	31 December
	2015	2014	**2015**	2015	2014
	(RMB in millions, unless specified)				
Operating profit	**40,627**	30,542	**10,888**	10,331	7,394
Adjustments:					
Interest income	**(2,327)**	(1,676)	**(649)**	(559)	(443)
Other (gains)/losses, net	**(1,886)**	(2,759)	**(249)**	(614)	(343)
Depreciation of fixed assets and investment properties	**3,159**	2,993	**826**	781	766
Amortisation of intangible assets	**3,476**	1,808	**1,224**	867	555
EBITDA	**43,049**	30,908	**12,040**	10,806	7,929
Equity-settled share-based compensation	**2,756**	1,802	**791**	763	495
Adjusted EBITDA	**45,805**	32,710	**12,831**	11,569	8,424

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. In addition, non-GAAP adjustments include relevant non-GAAP adjustments for the Group's material associates based on available published financials of the relevant material associates, or estimates made by the Company's management based on available information, certain expectations, assumptions and premises.

The following tables set forth the reconciliations of the Company's non-GAAP financial measures for the years ended 31 December 2015 and 2014, the fourth quarters of 2015 and 2014, and the third quarter of 2015 to the nearest measures prepared in accordance with IFRS:

	Year ended 31 December 2015						
		Adjustments					
	As reported	Equity-settled share-based compensation	Cash-settled share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provision (d)	Non-GAAP*
	(RMB in millions, unless specified)						
Operating profit	**40,627**	**2,756**	**85**	**(4,275)**	**198**	**2,373**	**41,764**
Profit for the year	**29,108**	**3,304**	**85**	**(4,016)**	**1,186**	**3,185**	**32,852**
Profit attributable to equity holders	**28,806**	**3,221**	**81**	**(4,016)**	**1,149**	**3,169**	**32,410**
EPS (RMB per share)							
– basic	**3.097**						**3.485**
– diluted	**3.055**						**3.437**
Operating margin	**39%**						**41%**
Net margin	**28%**						**32%**

	Year ended 31 December 2014						
		Adjustments					
	As reported	Equity-settled share-based compensation	Cash-settled share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provision (d)	Non-GAAP*
	(RMB in millions, unless specified)						
Operating profit	30,542	1,802	695	(5,197)	59	2,510	30,411
Profit for the year	23,888	2,184	695	(5,163)	776	2,553	24,933
Profit attributable to equity holders	23,810	2,152	637	(5,179)	768	2,549	24,737
EPS (RMB per share)							
– basic	2.579						2.680
– diluted	2.545						2.644
Operating margin	39%						39%
Net margin	30%						32%

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

	Unaudited three months ended 30 September 2015						
		Adjustments					
	As reported	Equity-settled share-based compensation	Cash-settled share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provision (d)	Non-GAAP
	(RMB in millions, unless specified)						
Operating profit	10,331	763	17	(1,020)	46	379	10,516
Profit for the period	7,584	981	18	(783)	275	375	8,450
Profit attributable to equity holders	7,445	959	17	(783)	267	375	8,280
EPS (RMB per share)							
– basic	0.800						0.890
– diluted	0.792						0.881
Operating margin	39%						40%
Net margin	29%						32%

	Unaudited three months ended 31 December 2014						
		Adjustments					
	As reported	Equity-settled share-based compensation	Cash-settled share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provision (d)	Non-GAAP*
	(RMB in millions, unless specified)						
Operating profit	7,394	495	149	(1,153)	13	1,170	8,068
Profit for the period	5,954	637	149	(1,154)	300	1,213	7,099
Profit attributable to equity holders	5,860	630	136	(1,157)	299	1,213	6,981
EPS (RMB per share)							
– basic	0.632						0.752
– diluted	0.625						0.744
Operating margin	35%						38%
Net margin	28%						34%

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

Note:

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

(b) Net (gains)/losses on deemed disposals, disposals of investee companies and businesses, and fair value changes on options we own in investee companies

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

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

Liquidity and Financial Resources

Our net cash positions as at 31 December 2015 and 30 September 2015 are as follows:

	Audited 31 December 2015	Unaudited 30 September 2015
	(RMB in millions)	
Cash and cash equivalents	**43,438**	46,714
Term deposits	**41,005**	28,650
	84,443	75,364
Borrowings	**(24,351)**	(13,995)
Notes payable	**(40,978)**	(40,130)
Net cash	**19,114**	21,239

As at 31 December 2015, the Group had net cash of RMB19,114 million, representing a 10% decline quarter-on-quarter mainly due to payments for investments in investee companies and licensed content, partially offset by free cash flow generated during the quarter. Fair value of our stakes in listed investee companies (both associates and available-for-sale financial assets) totalled RMB97,525 million as at 31 December 2015.

As at 31 December 2015, RMB11,617 million of our financial resources (cash and cash equivalents and term deposits) were denominated in non-RMB currencies.

For the fourth quarter of 2015, the Group had free cash flow of RMB16,169 million. This was a result of net cash generated from operating activities of RMB18,191 million, offset by payments for capital expenditure of RMB2,022 million.

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in Note 43 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 87 of this annual report.

The directors have recommended the payment of a final dividend of HKD0.47 per share for the year ended 31 December 2015. The dividend is expected to be payable on 2 June 2016 to the shareholders whose names appear on the register of members of the Company on 25 May 2016. The total dividend for the year under review is HKD0.47 per share.

RESERVES

The Company may pay dividends out of share premium, retained earnings and any other reserves 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 2015, the Company had distributable reserves amounting to RMB10,374 million (2014: RMB7,651 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 88 to 89, Note 18, Note 19 and Note 42 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.

Directors' Report

BUSINESS REVIEW AND DIVIDEND

Details of the business review of the Group and the proposed dividend for the year ended 31 December 2015 are set out under the "Chairman's Statement".

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in Note 18 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2015 are set out in Note 43 to the consolidated financial statements.

BORROWINGS

Particulars of the Group's borrowings and notes payable are set out in Note 24 and Note 25 to the consolidated financial statements respectively.

DONATION

The donation made by the Group in the year was RMB470 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

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 2015.

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 2015, 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 share options					
Name of director	**Date of grant**	**As at 1 January 2015**	**Granted during the year**	**Exercised during the year**	**As at 31 December 2015**	**Exercise price HKD**	**Exercise period**
Lau Chi Ping Martin	24 March 2010	5,000,000	–	–	5,000,000	31.70	24 March 2015 to 23 March 2020 (Note 1)
	25 March 2014	5,000,000	–	–	5,000,000	114.52	25 March 2015 to 24 March 2021 (Note 2)
	Total:	10,000,000	–	–	10,000,000		

Note:

1. 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.
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 1 year after the grant date, and 20% each of the total options will become exercisable in each subsequent year.
3. No options were granted, exercised, cancelled or lapsed during the year.

Details of movements of share options granted to employees of the Group (apart from directors of the Company) during the year ended 31 December 2015 are as follows:

Date of grant	As at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 December 2015	Exercise price HKD	Exercise period
29 Jan 2008	1,098,050	–	1,098,050	–	–	9.30	29 Jan 2009 to 28 Jan 2015 (Note 1)
29 Jan 2008	362,800	–	362,800	–	–	9.30	17 May 2009 to 28 Jan 2015 (Note 2)
29 Jan 2008	70,000	–	70,000	–	–	9.30	29 Jan 2010 to 28 Jan 2015 (Note 3)
18 Feb 2008	131,350	–	131,350	–	–	9.99	18 Feb 2009 to 17 Feb 2015 (Note 1)
25 Mar 2008	277,050	–	277,050	–	–	8.53	25 Mar 2009 to 24 Mar 2015 (Note 1)
11 Apr 2008	54,650	–	54,650	–	–	9.54	11 Apr 2009 to 10 Apr 2015 (Note 1)
11 Apr 2008	20,390	–	20,390	–	–	9.54	11 Apr 2011 to 10 Apr 2015 (Note 4)
03 Jul 2008	2,540,030	–	2,540,030	–	–	12.12	3 Jul 2009 to 2 Jul 2015 (Note 1)
03 Jul 2008	200,300	–	200,300	–	–	12.12	3 Jul 2010 to 2 Jul 2015 (Note 3)
03 Jul 2008	57,930	–	57,930	–	–	12.12	3 Jul 2011 to 2 Jul 2015 (Note 4)
10 Oct 2008	72,500	–	72,500	–	–	9.78	10 Oct 2009 to 9 Oct 2015 (Note 1)
10 Oct 2008	85,000	–	85,000	–	–	9.78	10 Oct 2010 to 9 Oct 2015 (Note 3)
01 Dec 2008	128,900	–	128,900	–	–	8.70	1 Dec 2009 to 30 Nov 2015 (Note 1)
17 Feb 2009	1,330,000	–	1,330,000	–	–	9.60	17 Feb 2010 to 16 Feb 2016 (Note 1)
10 Jul 2009	202,300	–	20,000	–	182,300	18.06	10 Jul 2010 to 9 Jul 2016 (Note 1)

Date of grant	As at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 December 2015	Exercise price HKD	Exercise period
10 Jul 2009	1,835,900	–	1,145,950	25,000	664,950	18.06	10 Jul 2011 to 9 Jul 2016 (Note 3)
10 Jul 2009	2,903,750	–	900,000	–	2,003,750	18.06	10 Jul 2012 to 9 Jul 2016 (Note 4)
24 Nov 2009	1,250,000	–	–	–	1,250,000	29.32	24 Nov 2012 to 23 Nov 2016 (Note 4)
24 Mar 2010	125,000	–	100,000	–	25,000	31.70	24 Mar 2012 to 23 Mar 2017 (Note 3)
24 Mar 2010	500,000	–	133,333	–	366,667	31.70	24 Mar 2014 to 23 Mar 2017 (Note 5)
05 Jul 2010	281,250	–	144,000	–	137,250	26.08	5 Jul 2011 to 4 Jul 2017 (Note 1)
05 Jul 2010	3,092,375	–	1,196,250	95,625	1,800,500	26.08	5 Jul 2012 to 4 Jul 2017 (Note 3)
05 Jul 2010	2,610,100	–	652,600	400,000	1,557,500	26.08	5 Jul 2013 to 4 Jul 2017 (Note 4)
13 Aug 2010	25,000	–	12,500	–	12,500	30.14	13 Aug 2012 to 12 Aug 2017 (Note 3)
24 Mar 2011	1,043,750	–	167,500	–	876,250	38.88	24 Mar 2014 to 23 Mar 2018 (Note 4)
24 Mar 2011	250,000	–	–	–	250,000	38.88	24 Mar 2015 to 23 Mar 2018 (Note 5)
15 Aug 2011	202,625	–	61,325	12,500	128,800	37.80	15 Aug 2012 to 14 Aug 2018 (Note 1)
15 Aug 2011	1,181,050	–	255,500	97,550	828,000	37.80	15 Aug 2013 to 14 Aug 2018 (Note 3)
15 Aug 2011	125,000	–	25,000	–	100,000	37.80	15 Aug 2014 to 14 Aug 2018 (Note 4)
13 Sep 2012	812,500	–	50,000	–	762,500	49.76	13 Sep 2013 to 12 Sep 2019 (Note 1)

Date of grant	As at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 December 2015	Exercise price HKD	Exercise period
25 Mar 2014	2,562,500	–	–	–	2,562,500	114.52	25 Mar 2015 to 24 Mar 2021 (Note 6)
25 Mar 2014	3,975,000	–	125,000	–	3,850,000	114.52	25 Mar 2015 to 24 Mar 2021 (Note 1)
22 May 2014	62,500	–	–	–	62,500	112.30	22 May 2015 to 21 May 2021 (Note 6)
10 July 2014	1,881,800	–	70,524	86,463	1,724,813	124.30	10 Jul 2015 to 9 Jul 2021 (Note 7)
12 Dec 2014	80,650	–	–	–	80,650	116.40	12 Dec 2016 to 11 Dec 2021 (Note 8)
02 Apr 2015	–	525,000	–	–	525,000	149.80	2 April 2016 to 1 April 2022 (Notes 7 and 9)
10 Jul 2015	–	945,875	–	–	945,875	148.90	10 Jul 2016 to 9 Jul 2022 (Notes 7 and 10)
Total:	31,432,000	1,470,875	11,488,432	717,138	20,697,305		

Note:

1. 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.

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 on or after 17 May 2009, and 20% 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 2 years 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 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.

5. 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 4 years after the grant date, and 33.33% each of the total options will become exercisable in each subsequent year.

6. 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.

7. 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.

8. 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.

9. The closing price immediately before the date on which the options were granted on 2 April 2015 was HKD148.00.

10. The closing price immediately before the date on which the options were granted on 10 Jul 2015 was HKD146.00.

11. The weighted average closing price immediately before the date on which the options were exercised was HKD142.55.

Details of movements of share options granted to employees under the equity plans adopted by Riot Games, Inc. ("Riot"), a subsidiary of the Group, during the year ended 31 December 2015 are as follows:

Date of grant	As at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	As at 15 December 2015 (Note)	Exercise price USD
25 Sep 2008	4,851	–	4,851	–	–	0.082
23 Oct 2008	11,460	–	11,460	–	–	0.082
15 Jan 2009	145,721	–	120,627	–	25,094	0.082
13 Apr 2009	10,000	–	5,000	–	5,000	0.085
24 Sep 2009	241,605	–	10,420	–	231,185	0.100
30 Oct 2009	185,209	–	–	–	185,209	0.100
03 Dec 2009	15,789	–	2,122	–	13,667	0.100
27 Jan 2010	200,697	–	28,388	–	172,309	0.100
26 Feb 2010	100,000	–	–	–	100,000	0.100
24 Jun 2010	393,834	–	77,000	–	316,834	0.984
22 Jul 2010	238,234	–	8,368	–	229,866	0.984
17 Feb 2011	1,862,225	–	406,354	–	1,455,871	3.720
09 Mar 2011	27,500	–	–	–	27,500	3.720
29 Jun 2011	1,155,927	–	21,188	15,020	1,119,719	3.720
24 Oct 2011	792,469	–	15,146	618	776,705	4.066
01 Nov 2011	26,331	–	19,630	6,701	–	4.066
12 Jan 2012	645,939	–	3,800	30,975	611,164	4.351
17 Apr 2012	330,129	–	3,129	10,499	316,501	4.351

Date of grant	As at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	As at 15 December 2015 (Note)	Exercise price USD
01 May 2012	91,113	–	11,832	4,672	74,609	4.351
01 Jun 2012	2,180,334	–	53,509	31,825	2,095,000	4.351
11 Jun 2012	95,843	–	12,148	13,953	69,742	4.351
28 Sep 2012	653,802	–	20,237	60,236	573,329	4.893
18 Dec 2012	2,015,419	–	50,013	65,320	1,900,086	4.893
05 Mar 2013	444,081	–	17,354	14,208	412,519	8.157
15 May 2013	881,525	–	16,536	33,003	831,986	8.157
18 Jun 2013	3,957,775	–	15,683	27,567	3,914,525	8.157
24 Apr 2014	3,630,667	–	20,489	388,645	3,221,533	25.060
19 Jun 2014	718,650	–	1,750	50,073	666,827	25.060
21 Aug 2014	447,800	–	–	47,289	400,511	25.850
04 Dec 2014	797,020	–	1,562	83,229	712,229	25.850
11 Mar 2015	–	1,641,172	2,187	98,129	1,540,856	28.380
27 Apr 2015	–	66,068	–	–	66,068	28.380
26 May 2015	–	225,668	–	17,881	207,787	28.380
14 Sep 2015	–	632,970	–	28,395	604,575	36.780
30 Oct 2015	–	265,013	–	2,762	262,251	36.780
Total:	22,301,949	2,830,891	960,783	1,031,000	23,141,057	

Note:

Following the completion of the acquisition of the entire equity interests in Riot by a wholly-owned subsidiary of the Group on 15 December 2015, all outstanding share options under Riot's equity plans were cancelled.

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 444,518,270 shares (after the effect of 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 180,093,330 shares (after the effect of 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 240,921,255 and 175,093,330 respectively (after the effect of the Share Subdivision), which is approximately 2.56% and 1.86% respectively 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 20 to the consolidated financial statements.

VALUATION OF SHARE OPTIONS

Details of the valuation of share options during the year are set out in Note 20 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. 178,776,160 shares (after the effect of the Share Subdivision))	3% of the issued share capital of the Company as at the Adoption Date II (i.e. 278,937,260 shares (after the effect of 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. 89,388,080 shares (after the effect of the Share Subdivision))	1% of the issued share capital of the Company as at the Adoption Date II (i.e. 92,979,085 shares (after the effect of 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 74,308,983 Awarded Shares were granted under the 2013 Share Award Scheme and out of which, 75,000 Awarded Shares were granted to the independent non-executive directors of the Company. Details of the movements in the Share Award Schemes during the year are set out in Note 20 to the consolidated financial statements.

During the year, a total of 33,245,162 shares were issued to option holders who exercised their share options granted under the Post-IPO Option Scheme II and the Post-IPO Option Scheme III, and pursuant to the Share Award Schemes.

As at 31 December 2015, there were a total of 210,000 (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				
Name of director	Date of grant	As at 1 January 2015	Granted during the year	Vested during the year	As at 31 December 2015	Vesting period
Iain Ferguson Bruce	17 March 2011	40,000	–	20,000	20,000	17 March 2012 to 17 March 2016
	24 March 2014	50,000	–	10,000	40,000	24 March 2015 to 24 March 2019
	2 April 2015	–	30,000	–	30,000	2 April 2016 to 2 April 2019
	Total:	90,000	30,000	30,000	90,000	
Ian Charles Stone	17 March 2011	30,000	–	15,000	15,000	17 March 2012 to 17 March 2016
	24 March 2014	50,000	–	10,000	40,000	24 March 2015 to 24 March 2019
	2 April 2015	–	30,000	–	30,000	2 April 2016 to 2 April 2019
	Total:	80,000	30,000	25,000	85,000	
Li Dong Sheng	24 March 2014	25,000	–	5,000	20,000	24 March 2015 to 24 March 2019
	2 April 2015	–	15,000	–	15,000	2 April 2016 to 2 April 2019
	Total:	25,000	15,000	5,000	35,000	
	Grand Total:	195,000	75,000	60,000	210,000	

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

In accordance with Article 87 of the Articles of Association, Mr Jacobus Petrus (Koos) Bekker and Mr Ian Charles Stone will retire at the 2016 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 44, 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 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 22 years of experience in the telecommunications and Internet industries. He is a director of Advance Data Services Limited, which has an interest in the 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. Mr Ma also serves as a director of certain subsidiaries of the Company.

Lau Chi Ping Martin, age 42, 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. Mr Lau also serves as a director/corporate representative of certain subsidiaries of the Company.

Jacobus Petrus (Koos) Bekker, age 63, has been a non-executive director since November 2012. Koos led the founding team of the M-Net/MultiChoice pay-television business in 1985. He was also a founder director of MTN in cellular telephony. Koos headed the MIH group in its international and Internet expansions until 1997, when he became chief executive of Naspers. He serves on the boards of other companies within the group and associates, as well as on public bodies. In April 2015, he succeeded Mr Vosloo as non-executive chair. Academic qualifications include BA Hons and honorary doctorate in commerce (Stellenbosch University), LLB (University of the Witwatersrand) and MBA (Columbia University, New York).

Charles St Leger Searle, age 52, has been a non-executive director since June 2001. Mr Searle is currently the Chief Executive Officer of Naspers Internet Listed Assets. He serves on the board of a number of companies associated with the Naspers Group, including Mail.ru Group Limited that is listed on the London Stock Exchange. Prior to joining the Naspers Group, he held positions at Cable & Wireless plc and at Deloitte & Touche in London and Sydney. Mr Searle is a graduate of the University of Cape Town and a member of the Institute of Chartered Accountants in Australia. Mr Searle has more than 22 years of international experience in the telecommunications and Internet industries. Mr Searle also serves as a director of certain subsidiaries of the Company.

Li Dong Sheng, age 58, 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 21 years of experience in the information technology field.

Iain Ferguson Bruce, age 75, 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 51 years of international experience in accounting and consulting. He is also a fellow of The Hong Kong Institute of Directors and the Hong Kong Securities and Investment Institute (formerly known as Hong Kong Securities Institute). Mr Bruce 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, 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 Vitasoy International Holdings Limited, a beverage manufacturing company, up to 4 September 2014, and of Sands China Ltd., an operator of integrated resorts and casinos, up to 11 March 2016, both of these companies are publicly listed on the Stock Exchange.

Ian Charles Stone, age 65, has been an independent non-executive director since April 2004. Mr Stone is currently an independent advisor on Technology, Media and Telecoms after retiring from PCCW in Hong Kong in 2011. His career in the last 26 years has been primarily in leading mobile telecoms businesses, and new wireless and Internet technology, during which time 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. 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 45 years of experience in the telecom and mobile industries. Mr Stone is a fellow member of The Hong Kong Institute of Directors. Mr Stone also serves as an independent non-executive director of a subsidiary of the Company.

BIOGRAPHICAL DETAILS OF SENIOR MANAGEMENT

Xu Chenye, age 44, 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. Mr Xu currently serves as a director or officer of certain subsidiaries of the Company.

Ren Yuxin, age 40, 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. Mr Ren currently serves as a director or officer of certain subsidiaries of the Company.

James Gordon Mitchell, age 42, 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 and implementation, investor relationships, and mergers, acquisitions and investment activity. 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. Mr Mitchell currently serves as a director of certain subsidiaries of the Company.

Lau Seng Yee, age 49, 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. Mr Lau is a seasoned professional in the media industry with a rare 21 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, as well as a few management positions in other multinations. 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. Mr Lau currently sits as a board member in the Asia Pacific Advisory Board of Harvard Business School.

Tong Tao Sang, age 42, 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 the social network platform, Qzone. Since May 2012, Mr Tong has been responsible for the QQ and Qzone messaging and social networking platforms, the VIP subscriptions business, the social and performance advertising and the 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. Mr Tong currently serves as a director of certain subsidiaries of the Company.

Zhang Xiaolong, age 46, 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 41, 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. Mr Lu currently serves as a director or officer of certain subsidiaries of the Company.

David A M Wallerstein, age 41, Chief eXploration Officer and Senior Executive Vice President, joined the Company in 2001 and 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. Mr Wallerstein currently serves as a director of certain subsidiaries of the Company.

Ma Xiaoyi, age 42, 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. Mr Ma currently serves as a director of certain subsidiaries of the Company.

John Shek Hon Lo, age 47, 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. Mr Lo currently serves as a director of certain subsidiaries of the Company.

Guo Kaitian, age 43, 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. Mr Guo currently serves as a director of a subsidiary of the Company.

Xi Dan, age 40, 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 20 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. Mr Xi currently serves as a director of certain subsidiaries of the Company.

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 has been extended for another 3 years by way of a supplemental agreement. The term of the service contract can be further 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 Lau Chi Ping Martin has entered into a service contract with the Company for a term of 3 years ended 31 December 2015. The term of the service contract has been extended for another 3 years by way of a supplemental agreement. 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 2016 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 transactions or arrangements or 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 or an entity connected with 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.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the directors of the Company is currently in force and was in force throughout the financial year. The Company has taken out and maintained directors and officers liability insurance which provides appropriate cover for, among others, directors of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, neither the Company nor any of its subsidiaries was a party to any arrangements to enable directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during the year or at the end of the year.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2015, 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 interest	Number of shares/underlying shares held	Percentage of issued share capital
Ma Huateng	Corporate (Note 1)	855,446,400	9.10%
Lau Chi Ping Martin	Personal*	43,268,000 (Note 2)	0.46%
Li Dong Sheng	Personal*	40,000 (Note 3)	0.0004%
Iain Ferguson Bruce	Personal*	470,000 (Note 4)	0.005%
Ian Charles Stone	Personal*	145,000	0.005%
	Family+	300,000	
		445,000 (Note 5)	

Note:

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

(2) The interest comprises 33,268,000 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".

(3) The interest comprises 5,000 shares and 35,000 underlying shares in respect of the awarded shares granted pursuant to the 2007 Share Award Scheme and the 2013 Share Award Scheme. Details of the awarded shares granted to this director are set out above under "Share Award Schemes".

(4) The interest comprises 380,000 shares and 90,000 underlying shares in respect of the awarded shares granted pursuant to the 2007 Share Award Scheme and the 2013 Share Award Scheme. Details of the awarded shares granted to this director are set out above under "Share Award Schemes".

(5) The interest comprises 360,000 shares and 85,000 underlying shares in respect of the awarded shares granted pursuant to the 2007 Share Award Scheme and the 2013 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 2015.

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 reasons for using Structure Contracts

Current PRC laws and regulations limit foreign investment in businesses providing value-added telecommunications services in China. As foreign-invested enterprises, the WOFEs do not have licenses to provide Internet content or information services and other telecommunications value-added services. Accordingly, the value-added telecommunications business of the Group has been conducted through Tencent Computer, Shiji Kaixuan and the new operating companies (the "New OPCOs") (collectively, the "OPCOs") by itself or through their subsidiaries under the Structure Contracts (as defined in the section "Our History and Structure – Structure Contracts" of the IPO prospectus of the Company). As a result of the Structure Contracts, the Group is able to recognise and receive the economic benefit of the business and operations of the OPCOs. The Structure Contracts are also designed to provide the Company with effective control over and (to the extent permitted by PRC law) the right to acquire the equity interests in and/or assets of the OPCOs.

For a summary of the major terms of the Structure Contracts, please refer to the sections headed "Our History and Structure" and "Structure Contracts" in the IPO prospectus. During the year ended 31 December 2015, there was no material change in the Structure Contracts and/or the circumstances under which they were adopted, and none of the Structure Contracts has been unwound as none of the restrictions that led to the adoption of Structure Contracts has been removed.

Requirements related to Structure Contracts (other than relevant foreign ownership restrictions) as at 31 December 2015

Requirements related to Structure Contracts (other than relevant foreign ownership restrictions) include the Notice on Further Strengthening the Administration of Pre-examination and Approval of Online Games and the Examination and Approval of Imported Online Games (關於貫徹落實國務院《"三定"規定》和中央編辦有關解釋，進一步加強網絡遊戲前置審批和進口網絡遊戲審批管理的通知) (the "**Circular 13**") jointly issued by PRC General Administration of Press and Publication, the National Copyright Administration and the National Office of Combating Pornography and Illegal Publications in September 2009 provides that foreign investors are not permitted to invest in online game-operating businesses in the PRC via wholly owned, equity joint venture or co-operative joint venture investments and further expressly prohibits foreign investors from gaining control over or participating in domestic online game operators through indirect ways such as establishing other joint venture companies or entering into contractual or technical arrangements with the Chinese license holders.

However, Circular 13 does not provide any interpretation of the term "foreign investors" or make a distinction between foreign online game companies and companies under a corporate structure similar to the Group. Thus, it is unclear whether the State General Administration of Press, Publication, Radio, Film and Television will deem the Group's structure and operations to be in violation of these provisions.

In the view of the Company's PRC legal advisers, the arrangement of the Structure Contracts does not violate applicable existing PRC laws and regulations as the Company indirectly operates the value-added telecommunication service business, online and mobile games, online advertising and other Internet and wireless portals in the PRC through affiliated OPCOs that hold the necessary licenses for the existing lines of businesses.

However, the Company's PRC legal advisers also advised that there are substantial uncertainties regarding the interpretation and application of the currently applicable PRC laws, rules and regulations. Accordingly, the PRC regulatory authorities and PRC courts may in the future take a view that is contrary to the position of the Company's PRC legal advisers concerning the Structure Contracts.

Particulars of the OPCOs

Set out below is the registered owners and business activities of the OPCOs which had entered into continuing connected transactions with the Group under the Structure Contracts during the year ended 31 December 2015:

Name of the operating companies	Registered owners as at 31 December 2015	Business activities
Tencent Computer	54.29% by Ma Huateng 22.85% by Zhang Zhidong 11.43% by Xu Chenye 11.43% by Chen Yidan	Provision of Internet and mobile and telecommunications value-added services, Internet advertisement services and eCommerce transactions business
Shiji Kaixuan	54.29% by Ma Huateng 22.85% by Zhang Zhidong 11.43% by Xu Chenye 11.43% by Chen Yidan	Provision of Internet advertisement services
Wang Dian	Shiji Kaixuan (Note 1)	Provision of mobile and telecommunications value-added services
Beijing BIZCOM	Tencent Computer (Note 2)	Provision of mobile and telecommunications value-added services
Beijing Starsinhand	50% by Chen Guangyu 50% by Tang Yibin	Provision of mobile and telecommunications value-added services
Guangzhou Yunxun	50% by Liu Yashan 50% by Xie Pingzhang	Provision of mobile and telecommunications value-added services

The above OPCOs are significant to the Group as they hold relevant licenses to provide Internet information services and other value-added telecommunications services. The aggregate gross revenue and net asset value of the above OPCOs that are subject to the Structure Contracts amounted to approximately RMB76 billion for the year ended 31 December 2015 and approximately RMB16 billion as at 31 December 2015 respectively.

Note:

1. This OPCO was previously owned by PRC nationals. Pursuant to a restructuring during the year ended 31 December 2015, as at 31 December 2015, the entire equity interests in this OPCO was transferred to Shiji Kaixuan.

2. This OPCO was previously owned by PRC nationals. Pursuant to a restructuring during the year ended 31 December 2015, as at 31 December 2015, the entire equity interests in this OPCO was transferred to Tencent Computer.

Review of the transactions carried out under the Structure Contracts during the financial year

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 2015 to Tencent Technology, Cyber Tianjin (formerly known as Shidai Zhaoyang Technology (Shenzhen) Company Limited in the IPO prospectus of the Company), Tencent Beijing, Tencent Information Shenzhen, Tencent Chengdu, Tencent Information Chongqing, Tencent Information Shanghai, Tencent Shanghai, Tencent Wuhan and Hainan Network. The Company's independent non-executive directors had also confirmed that no dividends or other distributions had been made by the OPCOs to the holders of their equity interests and the terms of any new Structure Contracts entered into, renewed and/or cloned during the relevant financial period 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 the OPCOs as at 31 December 2015 to the WFOEs and that no dividends or other distributions had been made by the OPCOs to the holders of their equity interests.

Transactions carried out during the year ended 31 December 2015, 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 RMB29,783,000,000, RMB2,365,000,000, RMB10,659,000,000, RMB1,291,000,000, RMB4,772,000,000, RMB1,169,000,000, RMB625,000,000, RMB530,000,000, RMB1,773,000,000 and RMB245,000,000 were paid or payable by Tencent Computer to Tencent Technology, Cyber Tianjin, Tencent Beijing, Tencent Chengdu, Tencent Shanghai, Tencent Wuhan, Tencent Information Chongqing, Hainan Network, Tencent Information Shenzhen and Tencent Information Shanghai respectively. In addition, during the year, Internet data center service fee amounting to approximately RMB410,000,000 was paid or payable by Tencent Computer to Cyber Tianjin, and research and development service fee amounting to RMB32,000,000 and RMB53,000,000 were paid or payable to Tencent Chengdu and Tencent Shanghai, respectively.

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 to 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 to 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 RMB93,000,000, RMB17,000,000, RMB503,000,000, RMB975, and RMB41,982 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 RMB29,000,000, RMB25,000,000, RMB1,000,000, RMB113,000,000, and RMB143,120 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 RMB2,000,000, RMB3, RMB5,000,000 and RMB8,000,000 was paid or payable by Beijing Starsinhand to Tencent Technology, Cyber Tianjin, Tencent Beijing and Tencent Chengdu respectively. No revenue sharing amounting was paid or payable by Guangzhou Yunxun to Tencent Technology, Cyber Tianjin and Tencent Beijing.

The risks associated with Structure Contracts and the actions taken by the Company to mitigate the risks

Due to regulatory limitations restricting foreign investment in businesses providing value-added telecommunications services in China, the Company conducts some of its business in the PRC through the OPCOs. These contractual arrangements may not be as effective in providing control as direct ownership. Pursuant to the Structure Contracts, the arbitration tribunal is entitled to decide compensation for the equity interests or property ownership of OPCOs, decide to implement enforceable remedy (including mandatorily requiring OPCOs to transfer the equity interests of OPCOs to the WFOEs, etc.) or order the bankruptcy of OPCOs. Prior to the formation of the arbitration tribunal, the courts of the places where the major assets of OPCOs are situated are entitled to implement interim remedies to ensure the enforcement of the future decisions of the arbitration tribunals.

The WFOEs have been structured and located in order to benefit from preferential tax treatments offered to companies located in designated economic zones and/or operating software-related businesses. Although the relevant governmental authority has granted such preferential tax treatment to certain WOFEs and OPCOs, there can be no assurance that the conditions under which these treatments are provided will always be present. The relevant WOFEs and OPCOs would use their reasonable endeavours to take all necessary actions, including but not limited to maintaining or acquiring their status as "High and New Technology Enterprise" or "National Key Software Enterprise", in order to continue to enjoy the reduced income tax rate and the other tax concessions.

Due to the legal constraints in relation to foreign investment in the telecommunications value-added services industry in the PRC, a number of agreements have been entered into between members of the Group whereby the Company and the WOFEs derive substantially all their revenues from transactions with the OPCOs. The recognition of revenues outlined in these intra-group contracts could be challenged by tax authorities and any adjustment in tax treatment could have a material and adverse impact on the taxable profitability of the Group. As advised by the Company's PRC legal advisers, it is unlikely that the tax treatment of revenues will be challenged by the PRC tax authorities, provided that the transactions under these intra-group contracts represent bona fide transactions conducted on an arm's length basis. The Company will take all necessary actions to ensure and monitor that relevant transactions are to be conducted on an arm's length basis to minimize the risks of adjustment in tax treatment.

For details of the risks associated with the Structure Contracts, please refer to the section headed "Risk factors – Risks relating to our structure" in the IPO prospectus.

Other connected transactions

Save as the related parties transaction disclosed in Note 10 (transactions with associates), Note 14 (Loans to investees and investees' shareholders), Note 20 (Share-based payments), Note 31(a) (Senior management's emoluments), Note 31(b) (Five highest paid individuals) and Note 44 (Benefits and interests of directors) 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.

RISKS AND UNCERTAINTIES

The Company has identified principal risks and uncertainties that the Group faces with respect to economic risks, operational risks, regulatory risks, financial risks, and specific risks related to the Group's corporate structure. The Group's business, future results of operations and prospects could be materially and adversely affected by those risks and uncertainties. The following highlights the principal risks and uncertainties of the Group and it is not meant to be exhaustive. There may be other risks and uncertainties which are not known to the Group or which may not be material now but turn out to be material in the future.

Economic Risks

– A severe or prolonged downturn of the global or PRC economy.

– Negative effect on our operational, financing or investing activities due to fluctuations in foreign currency exchange rates, inflation, fluctuations of interest rates and other measures relating to financial policies in PRC.

Operational Risks

– Failure to compete in the competitive environment which the Group operates in or to keep up with technological developments.

– Unexpected network interruptions or undetected programming errors or defects.

Regulatory Risks

– Failure to adhere to laws, regulations and rules, or to obtain or maintain all applicable permits and approvals.

– Adverse effects arising from change in laws and regulations affecting our businesses.

Financial Risks

– Details of financial risks are set out in Note 3.1 to the consolidated financial statements.

Risks Related to Our Corporate Structure

– Details of risks related to our corporate structure are set out in the paragraph "The risks associated with Structure Contracts and the actions taken by the Company to mitigate the risks" under the section headed "Connected Transactions".

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, 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 1)	3,151,201,900	33.51%
Advance Data Services Limited	Long position	Corporate (Note 2)	855,446,400	9.10%
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 3(i)):	587,168,379	6.24%
	Short position	Beneficial owner (Note 3(ii))	83,683,675	0.89%

Note:

(1) 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.

(2) 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".

(3) (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 2015, had an interest or short position in the shares and underlying shares in 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 2015, the five largest customers of the Group accounted for approximately 4.41% of the Group's total revenues while the largest customer of the Group accounted for approximately 1.09% of the Group's total revenues. In addition, for the year ended 31 December 2015, the five largest suppliers of the Group accounted for approximately 19.20% of the Group's total purchases while the largest supplier of the Group accounted for approximately 7.71% 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 consolidated financial statements for the year ended 31 December 2015. The Audit Committee has also reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Save as disclosed in the corporate governance report in the 2014 annual report, and the 2015 interim report of the Company, none of the directors of the Company is aware of any information which would reasonably indicate that the Company has not, for any part of the year ended 31 December 2015, 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.

ENVIRONMENT AND COMPLIANCE WITH LAWS

The Group is committed to and has implemented certain policies to minimise the impact on the environment from our business activities. As far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material respects.

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 2015, the Group had 30,641 employees (2014: 27,690). 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 2015 was RMB18,475 million (2014: RMB15,451 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 2016 AGM

The register of members will be closed from Monday, 16 May 2016 to Wednesday, 18 May 2016, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the 2016 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, 13 May 2016.

(B) Entitlement to the Proposed Final Dividend

The register of members will be closed from Tuesday, 24 May 2016 to Wednesday, 25 May 2016, 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, 23 May 2016.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment at the 2016 AGM.

On behalf of the Board

Ma Huateng
Chairman

Hong Kong, 17 March 2016

Corporate Governance Report

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 Company's corporate governance practices are based on the code provisions as set out in the CG Code. The Board is of the view that throughout the year ended 31 December 2015, 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, 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 and senior management team of the Company
- 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 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 suitably qualified individuals and makes recommendations to the Board to be new Board members
- 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 2015 is set out on pages 74 to 77.

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 have a proper understanding of the Group's operations and business, 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 Group. 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 2015, 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 12 August 2015. Below summarises the participation of each of the directors in continuous professional development during the year ended 31 December 2015:

Name of Director	**Participated in continuous professional development**[1]
Executive directors	
Ma Huateng	√
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	√

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

Corporate Governance Report

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. A code of conduct policy which emphasises on honesty and respect is distributed by the Company 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 has been and will be conducted 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 team, 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 2015, 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 2015 and up to the date of this annual report, there is no change to the composition of the Board.

A list of directors and their respective biographies are set out on pages 46 to 47 of this annual report.

In order to take advantage of the skills, experiences and diversity of perspective of the directors and in order to ensure that the directors 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 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, and 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 2015 annual general meeting, Mr Li Dong Sheng and Mr Iain Ferguson Bruce 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 nor 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 2015, it met six 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	6/6			1/1		1/1
Lau Chi Ping Martin	6/6					1/1
Non-executive directors						
Jacobus Petrus (Koos) Bekker	6/6				4/4	0/1
Charles St Leger Searle	6/6	8/8	2/2	1/1		1/1
Independent non-executive directors						
Li Dong Sheng	4/6			1/1	3/4	0/1
Iain Ferguson Bruce	6/6	8/8	2/2	1/1		1/1
Ian Charles Stone	6/6	8/8	2/2	1/1	4/4	1/1

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 appointment of directors, 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 directors 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 meeting, and keeps 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 conflict 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 seek independent professional advice at the Company's expense in appropriate circumstances.

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 ensuring that sufficient details of the matters considered and decisions reached have been recorded. Draft and final version of the minutes of meetings are sent to the directors for comments and records respectively within a reasonable time after each meeting, and final minutes with the relevant board papers and related materials are kept by the company secretary and 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. The terms of reference of the Audit Committee, the Nomination Committee and the Remuneration 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 (non-executive director). 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 four times a year; in 2015 the Audit Committee met eight times. Individual attendance of each Audit Committee member is set out on page 73. 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 2015 included reviewing:

- the 2014 annual report, including the Corporate Governance Report, Directors' Report and the financial statements, as well as the related results announcement
- the 2015 interim report and interim results announcement
- the 2015 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 2015), 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 of the Company 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 2016 AGM.

In view of the new requirements in respect of risk management and internal control systems of listed issuers under the revised CG Code which apply to accounting periods beginning on or after 1 January 2016, the terms of reference of the Audit Committee were revised in December 2015 to align with the revised CG Code. The Audit Committee will continue to oversee the financial reporting system, risk management and internal control systems of the Company.

Corporate Governance Committee

The Corporate Governance Committee comprises only non-executive directors. Its members are Mr Charles St Leger Searle (non-executive director), 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 2015. Individual attendance of each Corporate Governance Committee member is set out on page 73.

During 2015, the Corporate Governance Committee discussed on the arrangements made for directors and senior management team to attend training sessions for continuous professional development, reviewed the Company's compliance with the code and disclosure in the Corporate Governance Report, as well as reviewed the Company's corporate governance policies and practices, and the Company's policies and practices on compliance with legal and regulatory requirements, including 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 and Mr Charles St Leger Searle. The Investment Committee is chaired by Mr Lau Chi Ping Martin.

In 2015, the Investment Committee met once and had also considered and passed various resolutions on its decisions on the Group's acquisitions and disposals from time to time.

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 (all three are independent non-executive directors) and Mr Charles St Leger Searle (non-executive director). The Nomination Committee is chaired by Mr Ma Huateng.

The Nomination Committee met once in 2015. Individual attendance of each Nomination Committee member is set out on page 73.

During 2015, 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 maintain the effectiveness of the Board. 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 (non-executive director). Mr Ian Charles Stone chairs the Remuneration Committee.

The Remuneration Committee met four times in 2015. Individual attendance of each Remuneration Committee member is set out on page 73.

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 2015, 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 are 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 strategies. 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 the fees payable to them taking into account the particular nature of their duties, relevant guidance available and the requirements of the Listing Rules.

ACCOUNTS, RISK MANAGEMENT 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 is 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 clear 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 and make an informed assessment of financial and other information put before them for approval. 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 determine 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.

Adequate and effective risk management and internal control systems are key to mitigate risk and to safeguard shareholders' interests and the Group's assets against any unauthorised use or disposition. The risk management and internal control systems 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 ensure that the Group is in compliance with relevant legislation and regulations. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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 any noted deficiencies

- 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 risk management and internal control systems. 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 rectify the deficiencies and IA together with management will follow up with the implementations of audit recommendations on timely basis. 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 addition to providing advice on setting up and implementing policies and processes to promote effective internal control, IC also promotes risk management and internal control awareness to management and employees across the Group.

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

The Audit Committee reviews the risk management and internal control systems 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 that the staff receives 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 and competent 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 risk management and internal control systems.

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 Jacobus Petrus (Koos) Bekker and Mr Li Dong Sheng, all directors attended the 2015 annual general meeting, with a view to understand the views of the Company's shareholders. The company secretary provided the minutes of 2015 annual general meeting to all directors to have a thorough understanding of the views of the Company's shareholders. 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, a separate resolution 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 shareholders on the voting procedures can be answered before the poll voting starts. 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.

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 2015.

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 81 and 82. During the year ended 31 December 2015, the remuneration paid/payable to the Company's external auditor, PwC, were RMB35 million, RMB2 million and RMB13 million for audit services, audit-related services and non-audit services (2014: RMB23 million, RMB15 million and RMB15 million for audit services, audit-related services and non-audit services), respectively. Audit-related services conducted by the external auditor in 2015 mainly represented professional services rendered in relation to the Company's Global Medium Term Note programme (2014: mainly included special audit performed on certain business and subsidiaries of the Group disposed to a strategic business partner in 2014). Non-audit services for 2014 and 2015 conducted by the external auditor included providing professional service on internal controls, mergers and acquisitions, tax advisory and other relevant services.

Framework for Disclosure of Inside Information

The Company has put in place a framework for the disclosure of inside information in compliance with the SFO. The framework sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner so as to allow all the shareholders and stakeholders to apprehend the latest position of the Group. The framework and its effectiveness are subject to review on a regular basis according to established procedures.

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 set out on pages 83 to 195, which comprise the consolidated statement of financial position as at 31 December 2015, 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
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independent Auditor's Report

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 financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance 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, 17 March 2016

Consolidated Statement of Financial Position

As at 31 December 2015

	Note	As at 31 December 2015 RMB'Million	2014 RMB'Million
ASSETS			
Non-current assets			
Fixed assets	6	**9,973**	7,918
Construction in progress	7	**4,248**	3,830
Investment properties		**292**	268
Land use rights	8	**2,293**	751
Intangible assets	9	**13,439**	9,304
Investments in associates	10(a)	**60,171**	51,131
Investments in redeemable preference shares of associates	10(b)	**6,230**	2,941
Investments in joint ventures		**544**	63
Deferred income tax assets	27	**757**	322
Available-for-sale financial assets	12	**44,339**	13,277
Prepayments, deposits and other assets	14	**5,480**	1,209
Term deposits	16	**3,674**	4,831
		151,440	95,845
Current assets			
Inventories		**222**	244
Accounts receivable	13	**7,061**	4,588
Prepayments, deposits and other assets	14	**11,397**	7,804
Other financial assets	15	**1,198**	–
Term deposits	16	**37,331**	10,798
Restricted cash	17(b)	**54,731**	9,174
Cash and cash equivalents	17(a)	**43,438**	42,713
		155,378	75,321
Total assets		**306,818**	171,166

Consolidated Statement of Financial Position

As at 31 December 2015

		As at 31 December	
		2015	2014
	Note	**RMB'Million**	RMB'Million
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	18	**–**	–
Share premium	18	**12,167**	5,131
Shares held for share award schemes	18	**(1,817)**	(1,309)
Other reserves	19	**9,673**	2,129
Retained earnings		**100,012**	74,062
		120,035	80,013
Non-controlling interests		**2,065**	2,111
Total equity		**122,100**	82,124
LIABILITIES			
Non-current liabilities			
Borrowings	24	**12,922**	5,507
Notes payable	25	**37,092**	25,028
Long-term payables	23	**3,626**	2,052
Deferred income tax liabilities	27	**3,668**	2,942
Deferred revenue	26	**3,004**	3,478
		60,312	39,007

Consolidated Statement of Financial Position

As at 31 December 2015

	Note	As at 31 December 2015 RMB'Million	2014 RMB'Million
Current liabilities			
Accounts payable	21	**15,700**	8,683
Other payables and accruals	22	**70,199**	19,123
Borrowings	24	**11,429**	3,215
Notes payable	25	**3,886**	1,834
Current income tax liabilities		**1,608**	461
Other tax liabilities	34(b)	**462**	566
Deferred revenue	26	**21,122**	16,153
		124,406	50,035
Total liabilities		**184,718**	89,042
Total equity and liabilities		**306,818**	171,166

The notes on pages 92 to 195 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 83 to 195 were approved by the Board of Directors on 17 March 2016 and were signed on its behalf:

Ma Huateng
Director

Lau Chi Ping Martin
Director

Consolidated Income Statement

For the year ended 31 December 2015

	Note	Year ended 31 December 2015 RMB'Million	2014 RMB'Million
Revenues			
Value-added services		**80,669**	63,310
Online advertising		**17,468**	8,308
Others		**4,726**	7,314
	5	**102,863**	78,932
Cost of revenues	30	**(41,631)**	(30,873)
Gross profit		**61,232**	48,059
Interest income	28	**2,327**	1,676
Other gains, net	29	**1,886**	2,759
Selling and marketing expenses	30	**(7,993)**	(7,797)
General and administrative expenses	30	**(16,825)**	(14,155)
Operating profit		**40,627**	30,542
Finance costs, net	32	**(1,618)**	(1,182)
Share of losses of associates and joint ventures	33	**(2,793)**	(347)
Profit before income tax		**36,216**	29,013
Income tax expense	34(a)	**(7,108)**	(5,125)
Profit for the year		**29,108**	23,888
Attributable to:			
Equity holders of the Company		**28,806**	23,810
Non-controlling interests		**302**	78
		29,108	23,888
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)			
– basic	35(a)	**3.097**	2.579
– diluted	35(b)	**3.055**	2.545

The notes on pages 92 to 195 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	Year ended 31 December	
	2015	2014
	RMB'Million	RMB'Million
Profit for the year	**29,108**	23,888
Other comprehensive income, net of tax:		
Items that may be subsequently reclassified to profit or loss		
Share of other comprehensive income of associates	**329**	81
Net gains/(losses) from changes in fair value of available-for-sale financial assets	**12,575**	(1,705)
Currency translation differences	**1,975**	(289)
Items that may not be subsequently reclassified to profit or loss		
Other fair value gain recognised	**736**	–
	15,615	(1,913)
Total comprehensive income for the year	**44,723**	21,975
Attributable to:		
Equity holders of the Company	**44,416**	21,891
Non-controlling interests	**307**	84
	44,723	21,975

The notes on pages 92 to 195 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to equity holders of the Company							
	Share capital RMB'Million	Share premium RMB'Million	Shares held for share award schemes RMB'Million	Other reserves RMB'Million	Retained earnings RMB'Million	Total RMB'Million	Non-controlling interests RMB'Million	Total equity RMB'Million
Balance at 1 January 2015	–	5,131	(1,309)	2,129	74,062	80,013	2,111	82,124
Comprehensive income								
Profit for the year	–	–	–	–	28,806	28,806	302	29,108
Other comprehensive income:								
– share of other comprehensive income of associates	–	–	–	329	–	329	–	329
– net gains from changes in fair value of available-for-sale financial assets	–	–	–	12,575	–	12,575	–	12,575
– currency translation differences	–	–	–	1,970	–	1,970	5	1,975
– other fair value gain recognised	–	–	–	736	–	736	–	736
Total comprehensive income for the year	–	–	–	15,610	28,806	44,416	307	44,723
Transactions with owners								
Capital injection	–	–	–	–	–	–	108	108
Employee share option schemes:								
– value of employee services	–	165	–	190	–	355	21	376
– proceeds from shares issued	–	169	–	–	–	169	–	169
Employee share award schemes:								
– value of employee services	–	2,058	–	273	–	2,331	60	2,391
– shares withheld for share award schemes	–	–	(652)	–	–	(652)	–	(652)
– vesting of awarded shares	–	(144)	144	–	–	–	–	–
Tax benefit from share-based payments of a subsidiary	–	–	–	982	–	982	–	982
Profit appropriations to statutory reserves	–	–	–	216	(216)	–	–	–
Dividends (Note 36)	–	–	–	–	(2,640)	(2,640)	(549)	(3,189)
Total contributions by and distributions to owners recognised directly in equity for the year	–	2,248	(508)	1,661	(2,856)	545	(360)	185
Non-controlling interests arising from business combinations	–	–	–	–	–	–	278	278
Disposal of equity interests in non-wholly owned subsidiaries	–	–	–	–	–	–	(44)	(44)
Acquisition of additional equity interests in non-wholly owned subsidiaries (Note 19)	–	4,788	–	(8,160)	–	(3,372)	(599)	(3,971)
Transfer of equity interests of subsidiaries to non-controlling interests	–	–	–	(372)	–	(372)	372	–
Recognition of financial liabilities in respect of the put options granted to non-controlling interests	–	–	–	(1,195)	–	(1,195)	–	(1,195)
Total transactions with owners recognised directly in equity for the year	–	7,036	(508)	(8,066)	(2,856)	(4,394)	(353)	(4,747)
Balance at 31 December 2015	–	12,167	(1,817)	9,673	100,012	120,035	2,065	122,100

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	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 withheld 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	–	–	–	–	(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	–	–	–	–	–	–	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

The notes on pages 92 to 195 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Note	Year ended 31 December 2015 RMB'Million	2014 RMB'Million
Cash flows from operating activities			
Cash generated from operations	38(a)	**50,478**	37,414
Income tax paid		**(5,047)**	(4,703)
Net cash flows generated from operating activities		**45,431**	32,711
Cash flows from investing activities			
Payments for business combinations, net of cash acquired		**(1,349)**	(1,911)
Net inflows of cash in respect of the disposal of subsidiaries		**82**	187
Purchase of fixed assets, construction in progress and investment properties		**(5,440)**	(4,296)
Proceeds from disposals of fixed assets		**70**	40
Payments for acquisition of investments in associates		**(11,423)**	(31,929)
Proceeds from disposals of investments in associates		**1,106**	1,027
Payments for acquisition of investments in redeemable preference shares of associates		**(2,394)**	(2,524)
Proceeds from disposals of investments in redeemable preference shares of associates		**–**	193
Payments for acquisition of investments in joint ventures		**(500)**	(2)
Purchase/prepayment of intangible assets		**(4,620)**	(2,320)
Proceeds from disposals of intangible assets		**115**	48
Purchase/prepayment of land use rights		**(3,045)**	(23)
Proceeds from disposals of land use rights		**–**	127
Payments for available-for-sale financial assets		**(13,001)**	(4,622)
Proceeds from disposals of available-for-sale financial assets		**223**	352
(Payments for)/proceeds from settlement of loan to associates		**(842)**	63
Receipt from maturity of term deposits with initial terms of over three months		**61,810**	27,872
Placement of term deposits with initial terms over three months		**(87,186)**	(12,428)
Interest received		**2,274**	1,468
Dividends received		**515**	290
Net cash flows used in investing activities		**(63,605)**	(28,388)

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Year ended 31 December	
	2015	2014
	RMB'Million	RMB'Million
Cash flows from financing activities		
Proceeds from short-term borrowings	**8,565**	2,549
Repayment of short-term borrowings	**–**	(2,372)
Proceeds from long-term borrowings	**8,581**	4,293
Repayment of long-term borrowings	**(2,200)**	(1,693)
Net proceeds from issuance of notes payable	**13,619**	17,842
Repayment of notes payable	**(1,917)**	–
Proceeds from issuance of ordinary shares	**169**	299
Payments for repurchase of shares	**–**	(61)
Withholding shares for share award schemes	**(652)**	(529)
Proceeds from capital injection from non-controlling interests	**99**	44
Dividends paid to the Company's shareholders	**(2,640)**	(1,761)
Dividends paid to non-controlling interests	**(549)**	(158)
Payments for acquisition of non-controlling interests in non-wholly owned subsidiaries	**(4,547)**	(103)
Net cash flows generated from financing activities	**18,528**	18,350
Net increase in cash and cash equivalents	**354**	22,673
Cash and cash equivalents at beginning of the year	**42,713**	20,228
Exchange gains/(losses) on cash and cash equivalents	**371**	(188)
Cash and cash equivalents at end of the year	**43,438**	42,713

The notes on pages 92 to 195 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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 value-added services ("VAS") and online advertising 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 43) 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.

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 all applicable 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 or loss, which are carried at fair values.

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)

(a) Amendments to standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2015. The adoption of these amendments to standards does not have any significant impact on the consolidated financial statements of the Group.

IAS 19 (2011) (amendment)	Defined benefit plans: employee contributions
IFRSs (amendment)	Annual improvements to IFRSs 2010-2012 cycle and 2011-2013 cycle

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

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap.622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(c) 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 2015, 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:

- 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. This standard replaces IAS 18 "Revenue" and IAS 11 "Construction contracts" and related interpretations. This standard is effective for annual periods beginning on or after 1 January 2018 and earlier adoption is permitted.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.1 Basis of preparation (Cont'd)

(c) 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. 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. This standard is effective for annual periods beginning on or after 1 January 2018 and early adoption is permitted.

- IFRS 16 "Lease" requires lessees to recognise lease liability reflecting future lease payments and a "right-of-use-asset" for almost all lease contracts, with an exemption for certain short-term leases and leases of low-value assets. This standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted if IFRS 15 is also applied.

The Group is in the process of assessing the impact of the above new 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.

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 unless the transaction provides evidence of an impairment of the transferred asset. 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. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

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.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.2 Subsidiaries (Cont'd)

(a) Consolidation (Cont'd)

(i) Business combinations (Cont'd)

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 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

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

Investments in subsidiaries are accounted for at cost less impairment. Cost 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 43(e)), 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 investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

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 consolidated income statement where appropriate.

The Group's share of its associates' post-acquisition profit or loss 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 losses 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 interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. A full gain or loss is recognised when a transaction involves a business whereas 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. 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.

The Group's investments in associates in the form of redeemable preference shares are accounted for as compound financial instruments (Note 2.25).

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. A full gain or loss is recognised when a transaction involves a business whereas 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. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.4 Joint arrangements (Cont'd)

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.

2.5 Investments 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"). The functional currency of the Company and certain of its overseas subsidiaries is United States Dollars ("USD"). As the major operations of the Group are within the PRC, the Group presents its consolidated financial statements in Renminbi ("RMB"), unless otherwise stated.

(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.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.7 Foreign currency translation (Cont'd)

(b) Transactions and balances (Cont'd)

Changes in the fair value of debt 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 the group entities (none of which has the currency of a hyper-inflationary 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 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.

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 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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 using 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	2 - 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 the proceeds with the 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.

2.11 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries 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.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.11 Intangible assets (Cont'd)

(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 game licenses, copyrights, 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 three to ten years) using the straight-line method reflects the pattern in which the intangible asset's future economic benefits are expected to be consumed.

2.12 Shares held for share award schemes

The consideration paid by the Share Scheme Trust (see Note 43(e)) 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", "Term deposits", "Restricted cash" and "Cash and cash equivalents" in the consolidated 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 subsequently 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 consolidated 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 and hedging activities

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 Group designates certain derivatives as either (i) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); (ii) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or (iii) hedges of a net investment in a foreign operation (net investment hedge).

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.17 Derivative financial instruments and hedging activities (Cont'd)

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the consolidated income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income within "Other fair value gain recognised". The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement within 'other gains/(losses), net'. When the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. 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.

2.19 Accounts receivable

Accounts receivable are amounts due from customers or agents for services performed or merchandise sold 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 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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 services or goods 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.

2.23 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 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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.

General and specific finance costs directly attributable to the acquisition, construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. During the year ended 31 December 2015, finance cost capitalised was insignificant to the Group.

2.25 Compound financial instruments

Compound financial instruments of the Group comprise redeemable preference shares of associates and convertible bond of a subsidiary that can be converted to share capital at the option of the holder.

The Group either (i) accounts for different components of the compound financial instruments separately or (ii) designate the entire financial instruments as financial assets/liabilities at fair value through profit or loss. The host component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the conversion component, and is subsequently measured at amortised cost. For financial assets/liabilities at fair value through profit or loss including derivative, they are initially recognised at fair value and subsequently carried at fair value with changes in fair value recognised in the consolidated income statement.

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 from 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.

2.27 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.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.27 Employee benefits (Cont'd)

(b) Pension obligations

The Group participates in various defined contribution retirement benefit plans which are available to all relevant employees. These plans are generally funded through payments to schemes established by governments or trustee-administered funds. A defined contribution plan is a pension plan under which the Group pays contributions on a mandatory, contractual or voluntary basis into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group's contributions to the defined contribution plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

(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 option-pricing models - Black-Scholes valuation model (the "BS Model") and "Enhanced FAS 123" binomial model (the "Binomial Model"), which include the impact of market performance conditions (such as the Company's share price) but exclude 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 financial statements, 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 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, 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.

If the Group repurchases vested equity instruments, the payment made to the employee shall be accounted for as a deduction from equity, except to the extent that the payment exceeds the fair value of the equity instruments repurchased, measured at the repurchase date. Any such excess shall be recognised as an expense.

If the terms of an equity-settled award are modified, at a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

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 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.29 Revenue recognition

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

(a) VAS

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

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 paid online products or relevant paid services. Receipts from the sales of prepaid cards and tokens are deferred and recorded as "Deferred revenue" in the consolidated statement of financial position (see Note 26). The amounts are then recognised as revenue based on the actual utilisation of the respective payment units: (i) when the payment unit is used to purchase services, 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/mobile 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 various third parties platforms, including certain major telecommunication operators in the PRC. These third party platforms collect the relevant service fees (the "Internet and Mobile Service Fees") on behalf of the Group and they are entitled to a commission fee determined at certain percentages of the service fees (defined as "Channel costs"). The Channel costs are withheld and deducted from the gross Internet and Mobile Service Fees collected by these 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.

The Group also opens its Internet and mobile platforms to third-party game/application developers under certain co-operation agreements, of which the Group pays a pre-determined percentage of the fees paid by and collected from the users of the Group's Internet and mobile platforms for the virtual products/items purchased to the third-party game/application developers. The Group recognises the related revenue on a gross or net basis depending on whether the Group is acting as a principal or an agent in the transaction. The Group also defers the related revenue, either on gross or net basis, over the estimated lifespan of the respective virtual products/items or over the expected user relationship periods, given 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.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.29 Revenue recognition (Cont'd)

(a) VAS (Cont'd)

Determining whether revenue of the Group should be reported gross or net is based on a continuing assessment of various factors. The primary factor is 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, given 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 its specific responsibilities in different VAS offerings.

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

(b) Online advertising

Online advertising revenues comprise mainly display based and performance based advertisements.

Revenue from displaying advertisements to the users of instant messaging, portals, social networks, video streaming and other online and mobile platforms operated by the Group is recognised ratably over the contracted period, with advertisers and their advertising agencies, in which the advertisements are displayed.

Revenue from performance based advertisements is recognised based on actual performance measurement. The Group recognise the revenue from the delivery of pay-for click or pay-for instant display advertisements for advertisers to users of the Group based on a per-click basis when the users click on the content, or on a per-display basis, when the advertising contents are displayed to users.

Commissions payable to advertising agencies are recognised as a component of the cost of revenues.

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 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.31 Dividend income

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

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's and Company's financial statements in the period in which the dividend is approved by the Company's shareholders or board of directors where appropriate.

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 criterias 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, Hong Kong Dollars ("HKD"), 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 is USD whereas functional currency of the subsidiaries which operate in the PRC is 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.

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 2015, the Group's major monetary assets and liabilities which are exposed to foreign exchange risk, are listed below:

	Denomination currency	
RMB'Million	**RMB**	**USD**
As at 31 December 2015		
Monetary assets, current	**36**	**3,169**
Monetary liabilities, current	**(7)**	**(2,186)**
	29	**983**
As at 31 December 2014		
Monetary assets, current	3,075	1,049
Monetary liabilities, current	(302)	(1,319)
	2,773	(270)

During the year ended 31 December 2015, the Group reported exchange losses of approximately RMB108 million (2014: RMB316 million). Such losses were recorded in "Finance costs, net" in the consolidated income statement.

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.1 Financial risk factors (Cont'd)

(a) Market risk (Cont'd)

(i) Foreign exchange risk (Cont'd)

At 31 December 2015, management considers that any reasonable changes in foreign exchange rates of the above currencies against the two major functional currencies of the Group's entities would not result in a significant change in the Group's results as the net carrying amounts of financial assets and liabilities denominated in a currency other than the respective Group's entities' function currency are considered to be insignificant. Accordingly, no sensitivity analysis is presented for foreign exchange risk (2014: Nil).

(ii) Price risk

The Group is exposed to price risk mainly arising from the investments that classified as available-for-sale financial assets held by the Group (Note 12). To manage its price risk arising from the investments, the Group diversifies its portfolio. The investments made by the Group are either for strategic purposes, or for the purpose of improving investment yield and maintaining high liquidity level simultaneously. 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% (2014: 5%) higher/lower as at 31 December 2015, the other comprehensive income would have been approximately RMB2,067 million (2014: RMB642 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 loans to 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 14, 16 and 17.

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 24 and 25. 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.

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.1 Financial risk factors (Cont'd)

(a) Market risk (Cont'd)

(iii) Interest rate risk (Cont'd)

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. The Group may consider to use any interest rate swaps to hedge its exposure to interest rates risk, however, no interest rate swaps have been entered as at 31 December 2015 and 2014.

For the year ended 31 December 2015, if the average interest rate on variable interest-bearing borrowings had been increased/decreased by 50 basis points (2014: 50 basis points) the Group's profit before income tax for the year would have been approximately RMB42 million (2014: RMB43 million) lower/higher.

(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 these 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.

The Group has policies in place to ensure that revenues of on credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties.

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.1 Financial risk factors (Cont'd)

(b) Credit risk (Cont'd)

A large portion of Internet and Mobile Service Fees is derived from the co-operative arrangements with certain third party platform providers, including certain telecommunications operators in the PRC. They usually settle the amounts by them within a period of 30 to 120 days. If the strategic relationship with these providers are terminated or scaled-back; 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. To manage this risk, the Group maintains frequent communication with these providers to ensure the co-operation is effective. In view of the history of co-operation with these 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 13 for details).

The Group does not expose to significant credit risk arising from customers of its performance based advertisements as full advances from most of the customers are received before delivery of the advertisements according to the Group's policies. For other advertising customers, mainly advertising agencies, the credit quality of each customer is assessed, which takes into account its financial position, past experience and other factors. In addition, prepayments representing a certain percentage of the total service fees for each advertising service are required. Provisions are made for past due balances when management considers the loss from non-performance by the customers is likely. The Group's historical experience in collection of receivables falls within the recorded allowances.

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.1 Financial risk factors (Cont'd)

(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 financial liabilities by relevant maturity groupings based on the remaining period since the end of the reporting period to the contractual maturity date.

	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 2015					
Notes payable	**5,271**	**4,409**	**29,747**	**7,951**	**47,378**
Long-term payables	**–**	**1,282**	**2,347**	**95**	**3,724**
Borrowings	**11,774**	**6,826**	**6,415**	**–**	**25,015**
Accounts payable, other payables and accruals (excluding prepayments received from customers, staff costs and welfare accruals)	**77,915**	**–**	**–**	**–**	**77,915**
	94,960	**12,517**	**38,509**	**8,046**	**154,032**
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, staff costs and welfare accruals)	21,563	–	–	–	21,563
	27,641	6,591	25,965	1,891	62,088

3 FINANCIAL RISK MANAGEMENT (Cont'd)

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.

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	
	2015	2014
	RMB'Million	RMB'Million
Borrowings	**24,351**	8,722
Notes payable	**40,978**	26,862
Total debts	**65,329**	35,584
Adjusted EBITDA (Note)	**45,805**	32,710
Debts/Adjusted EBITDA Ratio	**1.43**	1.09

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.

The movement in the ratio is mainly the result of additional debts issued by the Group for the year.

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2015 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).

	Level 1 RMB'Million	Level 2 RMB'Million	Level 3 RMB'Million	Total RMB'Million
As at 31 December 2015				
Available-for-sale financial assets	**9,435**	**7,419**	**27,485**	**44,339**
Other financial assets	**–**	**736**	**462**	**1,198**
Convertible bonds	**–**	**–**	**588**	**588**
As at 31 December 2014				
Available-for-sale financial assets	3,631	3,370	6,276	13,277
Convertible bonds	–	–	489	489

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.

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.3 Fair value estimation (Cont'd)

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.

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 2015:

	Financial assets	
	2015	2014
	RMB'Million	RMB'Million
Opening balance	**6,276**	2,775
Additions	**14,736**	2,682
Changes in fair value	**5,939**	1,257
Impairment provision	**(65)**	(369)
Currency translation differences	**1,061**	(69)
Closing balance	**27,947**	6,276

3 FINANCIAL RISK MANAGEMENT (Cont'd)

3.3 Fair value estimation (Cont'd)

No significant change in the financial liabilities that in level 3 instruments for the year ended 31 December 2015.

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. External valuation experts will be involved when necessary.

The valuation of the level 3 instruments mainly included investments in private funds and unlisted companies, other financial instruments and convertible bonds. As these instruments are not traded in an active market, their fair value have been determined using various applicable valuation techniques, including discounted cash flows, comparable transactions approaches, and other option pricing models etc. Major assumptions used in the valuation include historical financial results, assumptions about future growth rates, estimate of weighted average cost of capital (WACC), recent market transactions, estimate discount for marketing and other exposure 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) Share-based compensation arrangements

As mentioned in Note 2.27(c), the Group has granted share options to its employees. The directors have used the BS Model and the Binomial Model ("Valuation Models") 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 Valuation Models (Note 20).

The fair value of share options granted to employees determined using the Valuation Models was approximately HKD76 million (equivalent to approximately RMB60 million) in 2015 (2014: HKD508 million (equivalent to approximately RMB403 million)).

The Group also granted awarded shares to its employees at an aggregate fair value of HKD4,287 million (equivalent to approximately RMB3,395 million) in 2015 (2014: HKD3,907 million (equivalent to approximately RMB3,094 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 2015, the Expected Retention Rate of Grantees was assessed to be 85% (2014: 85%).

If the Expected Retention Rate of Grantees had been increased/decreased by 5% (2014: 5%), the amount of share-based compensation expenses would be increased/decreased by RMB154 million (2014: RMB73 million).

In addition, during the year ended 31 December 2015, the Group repurchased certain vested equity interests in a non-wholly owned subsidiary and exchanged certain unvested equity interests in a non-wholly owned subsidiary for the unvested awarded shares of the Company, which have been accounted for as a deduction from equity.

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

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.

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. 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 RMB80 million (2014: RMB23 million) and the deferred tax liabilities by RMB183 million (2014: RMB147 million), if unfavourable; or
- Decrease the income tax liabilities by RMB80 million (2014: RMB23 million) and the deferred tax liabilities by RMB183 million (2014: RMB147 million), if favourable.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Cont'd)

(d) Recoverability of non-financial assets

The Group tests annually whether goodwill has suffered any impairment. Other non-financial assets, mainly including fixed assets, construction in progress, other intangible assets, investment properties, land use rights, and investments in associates and joint ventures etc., 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.

Judgment 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.

(e) Fair value measurement of available-for-sale financial assets

The assessment of the fair values for the investment classified as "available-for-sale financial assets" required significant estimates, which includes estimating the future cash flows, determining appropriate discount rates and other assumptions. Changes in these assumptions and estimates could materially affect the respective fair value of these investments. We monitor our investments for other-than-temporary impairment by considering factors including, but not limited to, current economic, market conditions and recent fund raising transactions undertaken, the operating performance of the companies including current earnings trends and other company-specific information.

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.

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

The Group has following reportable segments for the years ended 31 December 2015 and 2014:

– VAS;

– Online advertising; and

– Others.

"Others" segment of the Group comprise 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 these 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 2015 and 2014. The revenues from external customers reported to the chief operating decision-makers are measured in a manner consistent with that applied in the consolidated income statement.

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 consolidated financial statements. There were no segment assets and segment liabilities information provided to the chief operating decision-makers.

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 2015 and 2014 is as follows:

	Year ended 31 December 2015			
	VAS	**Online advertising**	**Others**	**Total**
	RMB'Million	**RMB'Million**	**RMB'Million**	**RMB'Million**
Segment revenues	**80,669**	**17,468**	**4,726**	**102,863**
Gross profit	**52,247**	**8,527**	**458**	**61,232**
Depreciation	**1,983**	**171**	**37**	**2,191**
Amortisation	**631**	**2,437**	**–**	**3,068**
Share of (losses)/profits of associates and joint ventures	**(538)**	**164**	**(2,419)**	**(2,793)**

	Year ended 31 December 2014			
	VAS	Online advertising	Others	Total
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Segment revenues	63,310	8,308	7,314	78,932
Gross profit	42,691	3,648	1,720	48,059
Depreciation	1,919	158	38	2,115
Amortisation	232	1,374	–	1,606
Share of losses of associates and joint ventures	(26)	(166)	(155)	(347)

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

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 2015, the geographical information on the total revenues is as follows:

	2015	2014
	RMB'Million	RMB'Million
Revenues		
– Mainland China	**96,251**	72,462
– Others	**6,612**	6,470
	102,863	78,932

The Group also conducts operations in United States, Europe and other regions, and holds investments (including investments in associates, investments in redeemable preference shares of associates, investments in joint ventures and available-for-sale financial assets) which are traded in other territories. The geographical information on the total assets is as follows:

	As at 31 December	
	2015	2014
	RMB'Million	RMB'Million
Operating assets		
– Mainland China	**150,608**	80,975
– Others	**44,925**	22,779
Investments		
– Mainland China and Hong Kong	**85,282**	51,067
– North America	**14,412**	7,422
– Asia excluding Mainland China and Hong Kong	**9,036**	7,235
– Europe	**2,462**	1,619
– Others	**93**	69
	306,818	171,166

As at 31 December 2015, the total non-current assets other than financial instruments and deferred tax assets located in Mainland China and other areas were RMB77,704 million (2014: RMB60,752 million) and RMB16,897million (2014: RMB13,211 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 2015.

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 2015						
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
Year ended 31 December 2015						
Opening net book amount	2,052	5,092	339	12	423	7,918
Business combinations	1	3	–	–	2	6
Additions	753	3,498	167	3	791	5,212
Disposals	(2)	(4)	(13)	(2)	(15)	(36)
Depreciation	(179)	(2,647)	(115)	(4)	(208)	(3,153)
Transfer to investment properties	(31)	–	–	–	–	(31)
Currency translation differences	–	17	6	–	34	57
Closing net book amount	2,594	5,959	384	9	1,027	9,973
At 31 December 2015						
Cost	3,293	15,165	806	25	1,696	20,985
Accumulated depreciation	(699)	(9,160)	(432)	(16)	(694)	(11,001)
Currency translation differences	–	(46)	10	–	25	(11)
Net book amount	2,594	5,959	384	9	1,027	9,973

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 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
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

For the year ended 31 December 2015, depreciation of RMB2,191 million (2014: RMB2,115 million), RMB118 million (2014: RMB102 million) and RMB844 million (2014: RMB772 million) were charged to cost of revenues, selling and marketing expenses and general and administrative expenses, respectively.

7 CONSTRUCTION IN PROGRESS

	2015	2014
	RMB'Million	RMB'Million
Opening net book amount	**3,830**	2,041
Additions	**2,199**	1,894
Transfer to fixed assets	**(1,783)**	(100)
Disposals	**–**	(5)
Currency translation differences	**2**	–
Closing net book amount	**4,248**	3,830

As at 31 December 2015, construction in progress mainly comprised new buildings under construction located in the PRC.

8 LAND USE RIGHTS

	2015	2014
	RMB'Million	RMB'Million
Opening net book amount	**751**	871
Additions	**1,581**	27
Disposals	**–**	(130)
Amortisation	**(39)**	(17)
Closing net book amount	**2,293**	751

The land use rights are all related to land in the PRC with remaining lease period of 40 to 50 years. For the year ended 31 December 2015, all of the amortisation was charged to general and administrative expenses.

9 INTANGIBLE ASSETS

	Goodwill RMB'Million	Computer software and technology RMB'Million	Game licences RMB'Million	Licensed online contents RMB'Million	Copyrights RMB'Million	Others RMB'Million	Total RMB'Million
At 1 January 2015							
Cost	6,558	1,671	1,711	2,933	586	704	14,163
Accumulated amortisation and impairment	(63)	(532)	(1,142)	(2,324)	(360)	(273)	(4,694)
Currency translation differences	(139)	(21)	(3)	–	–	(2)	(165)
Net book amount	6,356	1,118	566	609	226	429	9,304
Year ended 31 December 2015							
Opening net book amount	6,356	1,118	566	609	226	429	9,304
Business combinations	845	–	231	–	–	132	1,208
Additions	–	450	300	5,665	175	6	6,596
Disposals	(97)	(37)	(53)	–	(6)	–	(193)
Amortisation	–	(281)	(329)	(2,611)	(136)	(119)	(3,476)
Impairment provision	(99)	(44)	(30)	–	–	(1)	(174)
Currency translation differences	150	13	12	2	–	(3)	174
Closing net book amount	7,155	1,219	697	3,665	259	444	13,439
At 31 December 2015							
Cost	7,306	2,087	2,196	8,598	754	836	21,777
Accumulated amortisation and impairment	(162)	(860)	(1,508)	(4,935)	(495)	(387)	(8,347)
Currency translation differences	11	(8)	9	2	–	(5)	9
Net book amount	7,155	1,219	697	3,665	259	444	13,439

9 INTANGIBLE ASSETS (Cont'd)

	Goodwill RMB'Million	Computer software and technology RMB'Million	Game licences RMB'Million	Licensed online contents RMB'Million	Copyrights RMB'Million	Others RMB'Million	Total RMB'Million
At 1 January 2014							
Cost	2,698	1,125	1,386	1,441	45	375	7,070
Accumulated amortisation	–	(648)	(919)	(950)	(21)	(271)	(2,809)
Currency translation differences	(146)	(7)	(3)	–	–	(2)	(158)
Net book amount	2,552	470	464	491	24	102	4,103
Year ended 31 December 2014							
Opening net book amount	2,552	470	464	491	24	102	4,103
Business combinations	3,929	728	–	–	141	325	5,123
Additions	–	187	346	1,492	89	5	2,119
Disposals	(68)	(56)	(22)	–	(3)	–	(149)
Amortisation	–	(184)	(222)	(1,374)	(25)	(3)	(1,808)
Impairment provision	(64)	(13)	–	–	–	–	(77)
Currency translation differences	7	(14)	–	–	–	–	(7)
Closing net book amount	6,356	1,118	566	609	226	429	9,304
At 31 December 2014							
Cost	6,558	1,671	1,711	2,933	586	704	14,163
Accumulated amortisation and impairment	(63)	(532)	(1,142)	(2,324)	(360)	(273)	(4,694)
Currency translation differences	(139)	(21)	(3)	–	–	(2)	(165)
Net book amount	6,356	1,118	566	609	226	429	9,304

For the year ended 31 December 2015, amortisation of RMB3,068 million (2014: RMB1,606 million) and RMB408 million (2014: RMB202 million) were charged to cost of revenues and general and administrative expenses, respectively.

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 related to the operating segment of VAS. Goodwill is monitored by the management at each CGU level within VAS, such as online game business, online literature business and others. The recoverable amount of a CGU is the higher of its value-in-use and fair value less costs to sell.

For online game business, 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 (ranging from 8.07-14.11x) of the related CGU and discounted for the lack of marketability at the rate of 15%. The public comparable companies are chosen based on factors such as industry similarity, company size, profitability and financial risk.

For online literature business, management calculates value-in-use based on discounted cash flows calculations. The discounted cash flows calculations use cash flow projections based on financial budgets approved by management for the purposes of impairment reviews covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated annual growth of not more than 3%. Discount rate used of 25% is pre-tax and reflects market assessments of time value and the specific risks relating to the industry the Group operates. The financial projection was determined by the management based on past performance and its expectation for market development.

Based on the assessment made by management, the carrying amount of goodwill and other identifiable intangible assets recognised for the investment in a subsidiary had been reduced to their expected recoverable amount by recognising an impairment loss amounting to RMB174 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 2015.

10 INTERESTS IN ASSOCIATES

	As at 31 December	
	2015	2014
	RMB'Million	RMB'Million
Investments in associates (Note (a))		
– Listed shares	**36,040**	19,067
– Unlisted shares	**24,131**	32,064
	60,171	51,131
Investments in redeemable preference shares of associates (Note (b))	**6,230**	2,941
	66,401	54,072

Note:

(a) Investments in associates

	2015	2014
	RMB'Million	RMB'Million
At beginning of the year	**51,131**	10,867
Additions (i), (ii) and (iii)	**12,908**	40,628
Deemed disposal gains (Note 29 (b) (i))	**1,931**	2,402
Share of losses of associates	**(2,802)**	(346)
Share of other comprehensive income of associates	**329**	81
Dividends from associates	**(237)**	(148)
Disposals and transfers (iv)	**(4,386)**	(278)
Impairment provision (v)	**(1,591)**	(1,638)
Currency translation differences	**2,888**	(437)
At end of the year	**60,171**	51,131

10 INTERESTS IN ASSOCIATES (Cont'd)

Note: (Cont'd)

(a) Investments in associates (Cont'd)

Note:

(i) In April 2015, the Group subscribed for newly issued shares of 58.com Inc. ("58.com"), an existing associate, at a subscription price equivalent to USD52 per American Depositary Share ("ADS"), totalling approximately USD400 million (equivalent to approximately RMB2,457 million).

In December 2015, the Group further subscribed for newly issued shares of 58.com at USD62 per ADS, totalling USD132 million (equivalent to approximately RMB846 million), after these transactions, the Group's equity interests in 58.com was increased to approximately 22.9%.

(ii) In December 2015, the Group invested in an entertainment and media group in the PRC at a consideration of approximately RMB2,508 million.

(iii) The Group acquired interests in associates, made additional investments in existing associates and recategorized from available-for-sale financial assets or subsidiaries for an aggregate consideration of RMB7,097 million during the year ended 31 December 2015. These associates are principally engaged in online gaming businesses and other Internet-related businesses.

(iv) During the year ended 31 December 2015, the Group re-designated several investments from associates, including Dianping Holdings Ltd. ("Dianping") of RMB3,130 million (Note 12(b)), to available-for-sale financial assets as a result of change in the nature of these investments.

(v) During the year ended 31 December 2015, the Group made an aggregate impairment provision of RMB1,591 million (2014: RMB1,638 million) against the carrying amounts of its investments in certain associates, of which RMB1,128 million was provided for an associate, based on the results of impairment assessment performed on the carrying amounts of these investments with reference to their recoverable amounts.

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

10 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 2015 RMB'Million
2015							
Listed companies	**55,557**	**19,517**	**36,149**	**(1,764)**	**323**	**(1,441)**	**88,090**
Non-listed companies	**31,566**	**7,435**	**6,215**	**(1,038)**	**6**	**(1,032)**	
	87,123	**26,952**	**42,364**	**(2,802)**	**329**	**(2,473)**	
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)	

Management has assessed the level of influence that the Group has on certain associates, with a total carrying amount of RMB31,207 million as at 31 December 2015 (2014: RMB29,311 million), and determined that it has significant influence even though the respective shareholding is below 20% because of the board representation or other arrangements made. Consequently, these investments have been classified as associates.

10 INTERESTS IN ASSOCIATES (Cont'd)

Note: (Cont'd)

(a) Investments in associates (Cont'd)

Particulars of a 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 Inc. ("JD.com")	Cayman Islands	18.03%	Online direct sales and online marketplace businesses/the PRC

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	
	2015	2014
	RMB'Million	RMB'Million
Summarised consolidated balance sheet		
Current assets	**58,468**	49,942
Non-current assets	**26,698**	16,551
Current liabilities	**49,029**	28,995
Non-current liabilities	**5,459**	–
Shareholders' equity	**30,678**	37,498

	Year ended 31 December	
	2015	2014
	RMB'Million	RMB'Million
Summarised consolidated statements of operations and comprehensive loss		
Net Revenues	**181,287**	115,002
Loss from operations	**(6,459)**	(5,802)
Loss before tax	**(9,402)**	(4,977)
Net loss	**(9,388)**	(4,996)
Other comprehensive income/(loss)	**1,159**	(108)
Total comprehensive loss	**(8,229)**	(5,104)

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

10 INTERESTS IN ASSOCIATES (Cont'd)

Note: (Cont'd)

(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.

The Group acquired several redeemable preference shares of the associates or made additional investments in existing redeemable preference shares of associates for an aggregate consideration of RMB3,021 million during the year ended 31 December 2015. These investments in redeemable preference shares of associates are principally engaged in online automotive purchase financing business, online gaming businesses and other Internet-related businesses.

During the year ended 31 December 2015, the Group made an impairment provision of approximately RMB47 million (2014: RMB321 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.

(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 10 March 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 arrangement, 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.

The revenues recorded by the Group from the aforesaid co-operation arrangements during the years ended 31 December 2015 and 2014 were considered to be insignificant.

10 INTERESTS IN ASSOCIATES (Cont'd)

Note: (Cont'd)

(c) Transactions with associates (Cont'd)

(ii) Transactions with other associates

During the years ended 31 December 2015 and 2014, 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 these 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 addition, as part of certain investment arrangements, the Group also entered into certain similar strategic co-operation arrangements and formed strategic partnership with certain other associates as stated in Note (b) above.

The revenues recorded by the Group from the aforesaid co-operation arrangements during the years ended 31 December 2015 and 2014 were considered to be insignificant.

The Group was entitled to certain call options/warrants and conversion options of the Group's investments in certain associates. As at 31 December 2015, fair values of these call options/warrants and conversion options of approximate RMB1,198 million (2014: Nil) were recognised in the consolidated financial statements.

11 FINANCIAL INSTRUMENTS BY CATEGORY

As at 31 December 2015, the financial instruments of the Group is analysed as follows:

	As at 31 December	
	2015	2014
	RMB'Million	RMB'Million
Financial assets classified as loan and receivables:		
Investments in redeemable preference shares of associates (Note 10)	**6,230**	2,941
Accounts receivable (Note 13)	**7,061**	4,588
Deposits and other receivables	**7,709**	4,691
Term deposits (Note 16)	**41,005**	15,629
Restricted cash (Note 17)	**54,731**	9,174
Cash and cash equivalents (Note 17)	**43,438**	42,713
	160,174	79,736
Financial liabilities at amortised cost:		
Notes payable (Note 25)	**40,978**	26,862
Long-term payables	**3,626**	1,121
Accounts payable (Note 21)	**15,700**	8,683
Other payables and accruals (excluding prepayments received from customers, staff costs and welfare accruals)	**61,627**	12,801
Borrowings (Note 24)	**24,351**	8,722
	146,282	58,189

As at 31 December 2015, financial assets classified as available-for-sale was RMB44,339 million (2014: RMB13,277 million) (Note 12).

As at 31 December 2015, financial assets and liabilities at fair value include other financial assets (Note 15) and convertible bonds (Notes 22 and 23) of RMB1,198 million (2014: Nil) and RMB588 million (2014: RMB489 million), respectively.

12 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets include the following:

	As at 31 December	
	2015	2014
	RMB'Million	RMB'Million
Listed equity interests (Note (a))	**9,435**	3,631
Unlisted equity investments (Note (b))	**34,879**	9,646
Other unlisted investments (Note (b))	**25**	–
	44,339	13,277

Note:

(a) Listed equity interests include:

	As at 31 December	
	2015	2014
	RMB'Million	RMB'Million
Equity interests - Listed in Mainland China	**6,198**	1,735
Equity interests - Listed in Hong Kong	**179**	277
Equity interests - Listed in United Kingdom	**2,376**	1,619
Equity interests - Listed in United States of America	**553**	–
Equity interests - Listed in Japan	**129**	–
	9,435	3,631

Note:

(i) Fair value gains recognised for the listed equity interests for during the year ended 31 December 2015 of RMB3,357 million (2014: fair value losses of RMB2,866 million) were recognised in the other comprehensive income.

(ii) During 2015, the Group entered into a series of agreements with a third party company, which is a company listed on the New York Stock Exchange and provides Internet content and marketing services of the automobile industry in the PRC, to subscribe for 5.06% of its shares, on an outstanding basis, at a consideration of USD176.5 million (equivalent to approximately RMB1,090 million).

(iii) In November 2014, the Group signed a share purchase agreement with a company engaged in entertainment and film production, an existing available-for-sale financial asset, to purchase its newly issued shares at consideration of approximately RMB1,280 million. The transaction was completed in August 2015.

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

Note: (Cont'd)

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

	2015 RMB'Million	2014 RMB'Million
At beginning of the year	**9,646**	6,270
Additions (Note (i) and (ii))	**14,298**	2,682
Changes in fair value	**9,688**	1,146
Impairment provision	**(65)**	(369)
Currency translation differences	**1,337**	(83)
At end of the year	**34,904**	9,646

Note:

(i) In October 2015, the Group's equity interests in Dianping was exchanged to that of Internet Plus Holdings. As a result of the exchange, the Group recognised the investment in Internet Plus Holdings as available-for-sale financial assets. In December 2015, the Group further subscribed for the newly issued shares of Internet Plus Holdings at a total consideration of USD1,000 million (equivalent to approximately RMB6,396 million). As at 31 December 2015, the Group's aggregate equity interests in Internet Plus Holdings was approximately 13.6%, on an outstanding basis.

(ii) The Group acquired certain unlisted interests or made additional investments in existing unlisted interests or transfer from investments in associates for an aggregate consideration of RMB7,902 million during the year ended 31 December 2015. They are principally engaged in the provision of online-to-offline and other Internet-related businesses.

(c) During the year ended 31 December 2015, the Group made an impairment provision of RMB586 million (2014: RMB478 million) against the carrying amounts of certain available-for-sale financial assets, with reference to their respective market values, business performance and assessed recoverable amounts.

13 ACCOUNTS RECEIVABLE

Accounts receivable and their ageing analysis are as follows:

	As at 31 December	
	2015	2014
	RMB'Million	RMB'Million
0 - 30 days	**3,616**	2,032
31 - 60 days	**2,209**	1,464
61 - 90 days	**798**	667
Over 90 days	**438**	425
	7,061	4,588

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	
	2015	2014
	RMB'Million	RMB'Million
Online advertising customers	**3,340**	1,528
Third party platform providers	**1,500**	1,066
Telecommunications operators	**815**	1,116
Others	**1,406**	878
	7,061	4,588

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

As at 31 December 2015, insignificant amounts of accounts receivable were past due and related impairment provision was recognised after assessment on the financial condition and 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 2015.

14 PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	As at 31 December	
	2015	2014
	RMB'Million	RMB'Million
Included in non-current assets:		
Prepayments for land use rights	**2,242**	–
Prepayment for licensed contents	**857**	656
Running royalty fees for online games	**357**	–
Loan to investees and investees' shareholders (Note)	**999**	–
Others	**1,025**	553
	5,480	1,209
Included in current assets:		
Running royalty fees for online games	**2,252**	1,596
Prepaid expenses	**3,275**	2,028
Loan to investees and investees' shareholders (Note)	**2,507**	688
Interest receivables	**1,392**	1,339
Refundable value-added tax	**254**	303
Rental deposits and other deposits	**167**	461
Others	**1,550**	1,389
	11,397	7,804
	16,877	9,013

Note:

As at 31 December 2015, the amounts represented loans to investees and investees' shareholders. These balances are repayable in the period of three to ten years (included in non-current assets), or within one year (included in current assets) and majority of the balances are interest-bearing at rates of 0.28% to 10.0% per annum (2014: 0.3% to 8.0% per annum).

The directors of the Company considered that the carrying amounts of deposits and other assets approximated their respective fair values as at 31 December 2015. Deposits and other assets (excluding financial instrument associated with investee companies) were neither past due nor impaired. Their recoverability was assessed with reference to the credit status of the counterparties and credit history.

15 OTHER FINANCIAL ASSETS

As at 31 December 2015, other financial assets represents call option rights held by the Group which entitle it to acquire additional equity interests in certain investee companies of the Group. They were presented at their fair value.

16 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 2015 was 4.00% (2014: 4.30%).

An analysis of the Group's term deposits by currencies are as follows:

	As at 31 December	
	2015	2014
	RMB'Million	RMB'Million
Included in non-current assets:		
RMB term deposits	**3,611**	4,831
USD term deposits	**58**	–
Other currencies	**5**	–
	3,674	4,831
Included in current assets:		
RMB term deposits	**36,569**	10,777
USD term deposits	**762**	–
Other currencies	**–**	21
	37,331	10,798
	41,005	15,629

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 2015.

17 BANK BALANCES AND CASH

(a) Cash and cash equivalents

	As at 31 December	
	2015	2014
	RMB'Million	RMB'Million
Bank balances and cash	**19,845**	15,235
Term deposits and highly liquid investments with initial terms within three months	**23,593**	27,478
	43,438	42,713

The effective interest rate of the term deposits of the Group with initial terms within three months for the year ended 31 December 2015 was 3.08% (2014: 3.55%).

Approximately RMB22,150 million (2014: RMB24,343 million) and RMB6,995 million (2014: RMB10,593 million) of the total balance of the Group's cash and cash equivalents was denominated in RMB, which placed with banks in Mainland China and Hong Kong, respectively.

(b) Restricted cash

As at 31 December 2015, restricted deposits held at bank of RMB54,731 million (2014: RMB9,174 million) mainly represents prepayments received from users via online/mobile platforms. These restricted cash are mainly denominated in RMB.

18 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 2015 (2014: 50,000,000,000 shares at HKD0.00002 per share).

As at 31 December 2015, the total number of issued ordinary shares of the Company was 9,403,923,992 shares (2014: 9,370,678,830 shares), which included 58,379,035 shares (2014: 88,686,054 shares) held under the Share Award Schemes. They were all fully paid up.

18 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 2015 (Note (b))	9,370,678,830	–	5,131	(1,309)	3,822
Employee share option schemes:					
– value of employee services	–	–	165	–	165
– shares issued and proceeds received (Note (d))	11,488,432	–	169	–	169
Employee share award schemes:					
– value of employee services	–	–	2,058	–	2,058
– shares withheld for share award schemes (Note (e))	–	–	–	(652)	(652)
– shares allotted for the share award schemes (Note (f))	21,756,730	–	–	–	–
– shares vested from share award schemes and transferred to the grantees (Note (g))	–	–	(144)	144	–
Acquisition of additional equity interests in non-wholly owned subsidiaries (Note 19(d))	–	–	4,788	–	4,788
At 31 December 2015 (Note (b))	9,403,923,992	–	12,167	(1,817)	10,350

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

	Number of ordinary shares	Share capital	Share premium	Shares held for share award schemes	Total
		RMB'Million	RMB'Million	RMB'Million	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 withheld 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

18 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 2015, 11,488,432 Post-IPO options (2014: 41,368,995 Post-IPO options) with exercise prices ranging from HKD8.53 to HKD124.30 (2014: HKD0.733 to HKD49.76) were exercised.

(e) During the year ended 31 December 2015, the Share Scheme Trust withheld 5,747,513 ordinary shares (2014: 5,435,277 ordinary shares) of the Company for an amount of approximately HKD800 million (equivalent to approximately RMB652 million) (2014: HKD668 million (equivalent to approximately RMB529 million)), which had been deducted from shareholders' equity.

(f) During the year ended 31 December 2015, the Company allotted 21,756,730 ordinary shares (2014: 19,520,635 ordinary shares) 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 2015, the Share Scheme Trust transferred 57,811,262 ordinary shares of the Company (2014: 33,778,133 ordinary shares) to the share awardees upon vesting of the awarded shares.

(h) As at 31 December 2015, included in "Shares held for share award schemes", 12,818,261 ordinary shares of the Company (2014: 6,650,532 ordinary shares) held by the Share Scheme Trust had not yet been granted to the participants.

19 OTHER RESERVES

	Capital reserve RMB'Million (Note (a))	Available-for-sale financial assets RMB'Million	Investments in associates RMB'Million	Currency translation differences RMB'Million	PRC statutory reserves RMB'Million (Note (b))	Share-based compensation reserve RMB'Million (Note (c))	Others RMB'Million	Total RMB'Million
Balance at 1 January 2015	(1,611)	2,531	129	(363)	873	570	–	2,129
Value of employee services:								
– Employee share option schemes	–	–	–	–	–	190	–	190
– Employee share award schemes	–	–	–	–	–	273	–	273
Tax benefit from share-based payments of a subsidiary	–	–	–	–	–	982	–	982
Acquisition of additional equity interests in non-wholly owned subsidiaries (Note (d))	(8,160)	–	–	–	–	–	–	(8,160)
Transfer of equity interests of subsidiaries to non-controlling interests	(372)	–	–	–	–	–	–	(372)
Recognition of financial liabilities in respect of the put options granted to non-controlling interests	(1,195)	–	–	–	–	–	–	(1,195)
Profit appropriations to PRC statutory reserves	–	–	–	–	216	–	–	216
Net gains from changes in fair value of available-for-sale financial assets	–	12,575	–	–	–	–	–	12,575
Share of other comprehensive income of associates	–	–	329	–	–	–	–	329
Currency translation differences	–	–	–	1,970	–	–	–	1,970
Other fair value gain recognised	–	–	–	–	–	–	736	736
Balance at 31 December 2015	(11,338)	15,106	458	1,607	1,089	2,015	736	9,673

19 OTHER RESERVES (Cont'd)

	Capital reserve RMB'Million (Note (a))	Available-for-sale financial assets RMB'Million	Investments in associates RMB'Million	Currency translation differences RMB'Million	PRC statutory reserves RMB'Million (Note (b))	Share-based compensation reserve RMB'Million (Note (c))	Others RMB'Million	Total RMB'Million
Balance at 1 January 2014	(1,442)	4,236	48	(68)	662	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	(1,224)	–	–	–	–	–	–	(1,224)
Equity interests in non-wholly owned subsidiaries diluted in relation to business combinations	468	–	–	–	–	–	–	468
Disposal of equity interests in non-wholly owned subsidiaries	230	–	–	–	–	–	–	230
Put option granted to owners of the non-controlling interests lapsed	357	–	–	–	–	–	–	357
Profit appropriations to PRC statutory reserves	–	–	–	–	211	–	–	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)	873	570	–	2,129

19 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 Fund. 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 respective boards of directors of these companies, the Reserve Fund can be used to offset accumulated deficit or to increase capital.

(c) Share-based compensation reserve arises from share option schemes and restricted share award schemes adopted by subsidiaries (Note 20 (d)).

(d) During the year ended 31 December 2015, the Group acquired additional equity interests (including the outstanding equity settled and cash settled share options and restricted shares under the relevant employees incentive plans) in certain non-wholly owned subsidiaries of the Group at aggregate considerations of RMB9,860 million, which were settled in cash and in the form of awarded shares of the Company. The excess of considerations over the aggregate carrying amounts of acquired non-controlling interests and the carrying amounts of the liabilities for the cash settled share options and restricted shares of RMB8,160 million was recognised directly in equity.

20 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 the 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. The 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 have been made to the exercise prices and the number of outstanding share options, 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 2015 (Note (2))	–	–	HKD57.36	36,432,000	HKD31.70	5,000,000	41,432,000
Granted (Note (2))	–	–	HKD149.22	1,470,875	–	–	1,470,875
Exercised (Note (2))	–	–	HKD18.28	(11,488,432)	–	–	(11,488,432)
Lapsed (Note (2))	–	–	HKD39.44	(717,138)	–	–	(717,138)
At 31 December 2015 (Note (2))	–	–	HKD80.59	25,697,305	HKD31.70	5,000,000	30,697,305
Exercisable as at 31 December 2015 (Note (2))	–	–	HKD56.85	8,844,117	HKD31.70	1,250,000	10,094,117

20 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 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

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 2015, no share options were granted to any director of the Company (2014: 1,000,000 share options (before the effect of the Share Subdivision) were granted to an executive director of the Company).

As a result of the options exercised during the year ended 31 December 2015, 11,488,432 ordinary shares (2014: 41,368,995 ordinary shares) were issued by the Company (Note 18). The weighted average price of the shares at the time these options were exercised was HKD142.75 per share (equivalent to approximately RMB114.57 per share) (2014: HKD109.88 per share (equivalent to approximately RMB87.00 per share)).

20 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 2015 and 2014 are as follows:

		Number of share options	
		31 December	31 December
Expiry Date	**Range of exercise price**	**2015**	2014
7 years commencing from the	HKD6.35-HKD8.70	–	405,950
date of grant of options	HKD9.10-HKD18.06	**2,851,000**	10,964,950
(Post-IPO Option Scheme II)	HKD25.68-HKD149.80	**22,846,305**	25,061,100
		25,697,305	36,432,000
10 years commencing from the			
date of grant of options			
(Post-IPO Option Scheme III)	HKD31.70	**5,000,000**	5,000,000
		30,697,305	41,432,000

The outstanding share options as of 31 December 2015 were divided into three to five tranches on an equal basis as at their grant dates. 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.

20 SHARE-BASED PAYMENTS (Cont'd)

(a) Share option schemes (Cont'd)

(iii) Fair value of options

The directors of the Company have used the Valuation Models to determine the fair value of the options as at the respective grant dates, which is to be expensed over the relevant vesting period. The weighted average fair value of options granted during the year ended 31 December 2015 was HKD51.92 per share (equivalent to approximately RMB41.01 per share (2014: HKD36.97 per share (equivalent to approximately RMB29.28 per share)).

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

	As at 31 December	
	2015	2014
Weighted average share price at the grant date (Note (1))	**HKD149.22**	HKD113.30
Risk free rate	**0.36%-1.54%**	1.56%-1.91%
Dividend yield	**0.36%**	0.34%
Expected volatility (Note (2))	**40.00%-41.00%**	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.

20 SHARE-BASED PAYMENTS (Cont'd)

(b) Share award schemes

The Company has adopted two share award schemes (the "Share Award Schemes"), both of which are administered by an independent trustee appointed by the Group (the "Trustee") as of 31 December 2015. The vesting period of the awarded shares is determined by the Board.

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

Movements in the number of awarded shares for the years ended 31 December 2015 and 2014 are as follows:

	Number of awarded shares
At 1 January 2015 (Note (ii))	**82,035,522**
Granted (Note (ii))	**74,308,983**
Lapsed (Note (ii))	**(6,746,336)**
Vested and transferred (Note (ii))	**(57,811,262)**
At 31 December 2015 (Note (ii))	**91,786,907**
Vested but not transferred as at 31 December 2015 (Note (ii))	**8,574,117**
At 1 January 2014 (Note (i))	18,065,996
Granted before the Share Subdivision (Note (i))	1,183,445
Granted after the Share Subdivision (Note (ii))	26,602,842
Lapsed before the Share Subdivision (Note (i))	(461,220)
Lapsed after the Share Subdivision (Note (ii))	(4,730,292)
Vested and transferred before the Share Subdivision (Note (i))	(226,797)
Vested and transferred after the Share Subdivision (Note (ii))	(32,644,148)
Effect of Share Subdivision (Note (iii))	74,245,696
At 31 December 2014 (Note (ii))	82,035,522
Vested but not transferred as at 31 December 2014 (Note (ii))	28,160

20 SHARE-BASED PAYMENTS (Cont'd)

(b) Share award schemes (Cont'd)

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 2015, 75,000 awarded shares (after the effect of the Share Subdivision) were granted to three independent non-executive directors of the Company (2014: 25,000 awarded shares (before the effect of the Share Subdivision) were granted to three independent non-executive directors 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 2015 was HKD147.94 per share (equivalent to approximately RMB120.86 per share) (2014: HKD120.15 per share (equivalent to approximately RMB95.15 per share)).

The outstanding awarded shares as of 31 December 2015 were divided into two to five tranches on an equal basis as at their grant dates. The first tranche can be exercised immediately or after a specified period ranging from two months to four years from the grant date, and the remaining tranches will become exercisable in each subsequent year.

(c) Employee incentive scheme

For aligning the interests of key employees with the Group, the Group established three employees' investment plans in the form of limited liability partnerships in 2011, 2014 and 2015 (the "EISs"), respectively. According to the term of the EISs, the Board may, at its absolute discretion, select any employee of the Group, excluding any director of the Company, to participate in the EISs by subscribing for the partnership interest at cash consideration. The participating employees are entitled to all the economic benefits generated by the EISs, if any, after a specified vesting period under the respective EISs, ranging from up to four to seven years.

Wholly-owned subsidiaries of the Company act as general partner of these EISs administer and in essence, control the EISs. These EISs are therefore consolidated by the Company.

The related share-based compensation expenses incurred for the year ended 31 December 2015 and 2014 were insignificant to the Group.

20 SHARE-BASED PAYMENTS (Cont'd)

(d) Share options and restricted share award schemes adopted by subsidiaries

Certain 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 granted are normally vested by several tranches. Participants of some subsidiaries have the right to request the Group to repurchase their vested equity interests of the respective subsidiaries ("Repurchase Transaction"). For certain participants, the Group have discretion to settle the Repurchase Transaction by using either equity instruments of the Company 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 Company. As a result, they are accounted for using the equity-settled share-based payment method. In addition, in connection with the acquisition of the addition equity interests in a non-wholly owned subsidiary in 2015, the unvested share options and unvested restricted awarded shares of that subsidiary are exchanged for the unvested awarded shares of the Company upon their vesting at a pre-determined conversion formula. As the fair values of unvested share options and unvested restricted awarded shares of that subsidiary and the fair values of the unvested awarded shares of the Company to be exchanged are the same at the relevant contract date, no additional share-based payments costs were recognised by the Group in 2015.

(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 2015, the Expected Retention Rate for the grantees from the Group's wholly-owned subsidiaries was assessed to be 85% (2014: 85%).

21 ACCOUNTS PAYABLE

Accounts payable and their ageing analysis are as follows:

	As at 31 December	
	2015	2014
	RMB'Million	RMB'Million
0 - 30 days	**10,019**	5,775
31 - 60 days	**1,774**	936
61 - 90 days	**1,518**	618
Over 90 days	**2,389**	1,354
	15,700	8,683

22 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2015	2014
	RMB'Million	RMB'Million
Deposits received from customers	**54,108**	8,949
Staff costs and welfare accruals	**7,719**	6,019
Selling and marketing expense accruals	**1,628**	1,409
General and administrative expenses accruals	**966**	407
Purchase of land use rights	**773**	–
Convertible bonds of a subsidiary (Note)	**588**	–
Interests payable	**386**	208
Liabilities in relation to the put options granted to non-controlling shareholders of a subsidiary	**314**	–
Others	**3,717**	2,131
	70,199	19,123

Note: Convertible bonds of a subsidiary related to the convertible bonds assumed in a business combination in 2014 (Note 23).

23 LONG-TERM PAYABLES

	As at 31 December	
	2015	2014
	RMB'Million	RMB'Million
Payables to the licensed online contents and running royalty fee for online games	**2,361**	–
Present value of liabilities in relation to the put options granted to non-controlling shareholders of subsidiaries	**487**	1,080
Purchase consideration payables for business combinations	**–**	93
Convertible bonds assumed in business combination	**–**	489
Others	**778**	390
	3,626	2,052

24 BORROWINGS

	As at 31 December	
	2015	2014
	RMB'Million	RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD bank borrowings, unsecured (Note (a))	**12,922**	5,507
Included in current liabilities:		
RMB bank borrowings, unsecured	**–**	125
USD bank borrowings, unsecured (Note (b))	**10,715**	1,836
Current portion of long-term USD bank borrowings, unsecured (Note (a))	**714**	1,254
	11,429	3,215
	24,351	8,722

24 BORROWINGS (Cont'd)

Note:

(a) The aggregate principal amount of long-term USD bank borrowings was USD2,100 million (2014: USD1,105 million). Applicable interest rates are at LIBOR plus 1.02% to 1.52% (2014: LIBOR plus 1.35% to 1.75%) per annum.

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

	As at 31 December	
	2015	2014
	RMB'Million	RMB'Million
Within 1 year	**714**	1,254
Between 1 and 2 years	**6,623**	612
Between 2 and 5 years	**6,299**	4,895
	13,636	6,761

(b) The aggregate principal amount of short-term USD bank borrowings was USD1,650 million (2014: USD300 million). Applicable interest rates are at LIBOR plus 0.75% to 0.85% or an interest rate of 1.125% (2014: LIBOR plus 0.85% to 1.00%) per annum.

The carrying amounts of borrowings approximated their fair values as at 31 December 2015.

25 NOTES PAYABLE

	As at 31 December	
	2015	2014
	RMB'Million	RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD notes payable	**33,583**	22,511
Non-current portion of long-term HKD notes payable	**3,509**	2,517
	37,092	25,028
Included in current liabilities:		
Current portion of long-term USD notes payable	**3,886**	1,834
	40,978	26,862

25 NOTES PAYABLE (Cont'd)

Note:

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

The notes payable were repayable as follows:

	As at 31 December	
	2015	2014
	RMB'Million	RMB'Million
Within 1 year	**3,886**	1,834
Between 1 and 2 years	**3,236**	3,651
Between 2 and 3 years	**4,713**	3,042
Between 3 and 4 years	**12,930**	3,649
Between 4 and 5 years	**9,778**	12,169
Over 5 years	**6,435**	2,517
	40,978	26,862

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

During the year ended 31 December 2015, the Company issued four tranches of notes payable under the Programme with aggregate principal amounts of USD1,100 million, USD900 million, USD100 million and HKD1,000 million, respectively.

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

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

As at 31 December 2015, the fair value of the notes payable amounted to RMB41,372 million (2014: RMB27,528 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.

26 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 2015. 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 2015, deferred revenue also included fair value of internet traffic and other support to be offered to JD.com and other investee companies in the future periods measured at inception date, as mentioned in Note 10(c).

27 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 2015 and 2014.

	As at 31 December	
	2015	2014
	RMB'Million	RMB'Million
Deferred income tax assets:		
– to be recovered after more than 12 months	**443**	206
– to be recovered within 12 months	**314**	116
	757	322
Deferred income tax liabilities:		
– to be recovered after more than 12 months	**(2,713)**	(2,058)
– to be recovered within 12 months	**(955)**	(884)
	(3,668)	(2,942)

The movements of the deferred income tax assets/liabilities account were as follows:

	2015	2014
	RMB'Million	RMB'Million
At beginning of the year	**(2,620)**	(1,010)
Charge to consolidated income statement (Note 34)	**(172)**	(1,956)
Withholding tax paid relating to remittance of dividends	**326**	575
(Charge)/credit to other comprehensive income	**(459)**	15
Disposal of a subsidiary	**5**	11
Business combinations	**2**	(256)
Currency translation differences	**7**	1
At end of the year	**(2,911)**	(2,620)

27 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 (i))	Deferred income tax assets arising from accelerated amortisation of intangible assets RMB'Million	Deferred income tax assets arising from tax losses RMB'Million (Note (ii))	Others RMB'Million	Total RMB'Million
At 1 January 2015	**72**	**17**	**209**	**24**	**322**
(Charge)/Credit to consolidated income statement	**(19)**	**226**	**(11)**	**228**	**424**
Currency translation differences	**–**	**–**	**11**	**–**	**11**
At 31 December 2015	**53**	**243**	**209**	**252**	**757**
At 1 January 2014	171	47	213	–	431
Business combinations	–	–	–	24	24
Charge to consolidated income statement	(101)	(30)	(3)	–	(134)
Currency translation differences	2	–	(1)	–	1
At 31 December 2014	72	17	209	24	322

Note:

(i) The deferred income tax assets recognised are mainly related to the temporary differences arising from certain intra-group software and technology transfer transactions.

(ii) 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 2015, the Group did not recognise deferred income tax assets of RMB1,017 million (2014: RMB866 million) in respect of cumulative tax losses amounting to RMB4,125 million (2014: RMB3,525 million). These tax losses will expire from 2016 to 2020.

27 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 subsidiaries RMB'Million (Note)	Deferred income tax liabilities arising from change in fair value of available-for-sale financial assets RMB'Million	Deferred income tax liabilities arising from deemed disposals of investees RMB'Million	Others RMB'Million	Total RMB'Million
At 1 January 2015	**(360)**	**(2,033)**	**(172)**	**–**	**(377)**	**(2,942)**
Business combinations	**2**	**–**	**–**	**–**	**–**	**2**
Credit/(charge) to consolidated income statement	**41**	**(266)**	**–**	**(198)**	**(173)**	**(596)**
Disposal of a subsidiary	**5**	**–**	**–**	**–**	**–**	**5**
Withholding tax paid in relation to the remittance of dividends	**–**	**326**	**–**	**–**	**–**	**326**
Charge to other comprehensive income	**–**	**–**	**(459)**	**–**	**–**	**(459)**
Currency translation differences	**(2)**	**(2)**	**–**	**–**	**–**	**(4)**
At 31 December 2015	**(314)**	**(1,975)**	**(631)**	**(198)**	**(550)**	**(3,668)**
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)

Note:

Withholding tax will be levied on the dividends distributed by a company established in certain jurisdictions, including the PRC, to an investor outside the jurisdiction of that company established ("foreign investor").

27 DEFERRED INCOME TAXES (Cont'd)

As at 31 December 2015, the Group recognised the relevant deferred income tax liabilities of RMB1,975 million (2014: RMB2,033 million) on earnings anticipated to be remitted by certain subsidiaries in the foreseeable future. No withholding tax had been provided for the earnings of approximately RMB37,344 million (2014: RMB10,607 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.

28 INTEREST INCOME

Interest income mainly represents interest income from bank deposits, including current term deposits and non-current term deposits.

29 OTHER GAINS, NET

	2015 RMB'Million	2014 RMB'Million
Impairment provision for investee companies and intangible assets from acquisition (Note (a))	**(2,373)**	(2,510)
Gains on disposals/deemed disposals of investees and businesses (Note (b), Note 12(b))	**3,813**	5,111
Fair value gains on other financial instruments	**462**	86
Subsidies and tax rebates	**331**	392
Dividend income	**272**	144
Donation to Tencent Charity Funds	**(470)**	(300)
Others	**(149)**	(164)
	1,886	2,759

Note:

(a) The impairment provision for investee companies and intangible assets from acquisition recognised in "Other gains, net" mainly comprised impairment provision for investments in associates and redeemable preference shares of associates of RMB1,638 million (2014: RMB1,959 million), impairment provision for available-for-sale financial assets of RMB586 million (2014: RMB478 million) and impairment provision for intangible assets arising from acquisition of RMB148 million (2014: RMB73 million).

29 OTHER GAINS, NET (Cont'd)

Note: (Cont'd)

(b) The disposal gains/deemed disposal gains recognised in "Other gains, net" mainly comprised the following:

(i) During the year ended 31 December 2015, the Group recognised total net gains of deemed disposals of a number of investments in associates of RMB1,931 million (Note 10(a)) mainly due to new equity interests issued by these associates for additional financing or investment considerations. As a result, the Group's equity interests in these associates were diluted, and dilution gains had been recognised accordingly. These associates are principally engaged in online insurance, online classified listing platform services, online gaming and other Internet-related business.

(ii) As described in Notes 10(a) (iv) and 12(b), the Group recognised gains from investment in Dianping of RMB868 million during the year ended 31 December 2015.

(iii) During the year ended 31 December 2015, the Group also recognised total net gains of RMB1,014 million from a number of investees as a result of disposal, re-designation of investments, et cetera.

30 EXPENSES BY NATURE

	2015	2014
	RMB'Million	RMB'Million
Employee benefits expenses (Note (a) and Note 31)	**18,475**	15,451
Content costs and agency fees (excluding amortisation of intangible assets)	**17,094**	10,963
Cost of merchandises sold	**193**	4,334
Bandwidth and server custody fees	**5,492**	4,255
Channel costs	**4,691**	2,031
Promotion and advertising expenses	**5,814**	5,833
Depreciation of fixed assets (Note (a) and Note 6)	**3,153**	2,989
Amortisation of intangible assets (Note (b) and Note 9)	**3,476**	1,808
Operating lease rentals in respect of office buildings	**896**	997
Travelling and entertainment expenses	**594**	480
Auditor's remuneration		
– Audit services	**35**	23
– Audit-related services	**2**	15
– Non-audit services	**13**	15

Note:

(a) Research and development expenses for the year ended 31 December 2015 were RMB9,039 million (2014: RMB7,581 million), which included employee benefits expenses of RMB7,134 million (2014: RMB6,022 million) and depreciation of fixed assets of RMB718 million (2014: RMB639 million). No development expenses had been capitalised for the year ended 31 December 2015 (2014: Nil).

(b) Included the amortisation charge for intangible assets in respect of licenses and licensed online contents.

31 EMPLOYEE BENEFITS EXPENSES

	2015	2014
	RMB'Million	RMB'Million
Wages, salaries and bonuses	**13,377**	11,223
Welfare, medical and other expenses (Note)	**1,076**	862
Share-based compensation expenses	**2,841**	2,497
Contributions to pension plans (Note)	**1,112**	820
Training expenses	**69**	49
	18,475	15,451

Note:

Majority of the Group's contributions to pension plans are related to the local employees in the PRC. 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 2015 and 2014 are listed below:

	Percentage
Pension insurance	12.0 – 21.0%
Medical insurance	6.0 – 11.5%
Unemployment insurance	0.8 – 2.0%
Housing fund	10.0 – 12.0%

31 EMPLOYEE BENEFITS EXPENSES (Cont'd)

(a) Senior management's emoluments

Senior management includes directors, chief executive officer ("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 44(a) is as follows:

	2015	2014
	RMB'000	RMB'000
Salaries, bonuses, allowances and benefits in kind	**165,607**	136,359
Contributions to pension plans	**699**	697
Share-based compensation expenses charged to consolidated income statement	**535,733**	220,186
	702,039	357,242

The emoluments of the senior management fell within the following bands:

	Number of individuals	
	2015	2014
Emolument bands		
HKD800,000 – HKD15,000,000	**2**	2
HKD15,000,001 – HKD30,000,000	**1**	5
HKD30,000,001 – HKD45,000,000	**4**	3
HKD45,000,001 – HKD60,000,000	**3**	–
HKD75,000,001 – HKD105,000,000	**–**	1
HKD105,000,001 – HKD135,000,000	**–**	1
HKD195,000,001 – HKD255,000,000	**1**	–
HKD255,000,001 – HKD315,000,000	**1**	–

31 EMPLOYEE BENEFITS EXPENSES (Cont'd)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one director during the year 2015 (2014: one). The emoluments paid/payable to the remaining four (2014: four) individuals during the year were as follows:

	2015 RMB'000	2014 RMB'000
Salaries, bonuses, allowances and benefits in kind	**195,792**	195,896
Contributions to pension plans	**503**	471
Share-based compensation expenses charged to consolidated income statement	**516,582**	362,860
Estimated money value of other benefits	**49**	36
	712,926	559,263

The emoluments of the above four individuals (2014: four) fell within the following bands:

	Number of individuals 2015	2014
Emolument bands		
HKD81,000,001 – HKD81,500,000	**–**	1
HKD129,000,001 – HKD129,500,000	**–**	1
HKD183,000,001 – HKD183,500,000	**2***	–
HKD210,000,001 – HKD210,500,000	**1**	–
HKD249,000,001 – HKD249,500,000	**–**	2*
HKD274,000,001 – HKD274,500,000	**1**	–

* Employees of a foreign subsidiary of the Group. The respective emolument amounts are mainly comprised of charges related to the vesting of share-based compensation and the re-measurement appreciation of cash-settled share-based award grants.

32 FINANCE COSTS, NET

	2015 RMB'Million	2014 RMB'Million
Interest and related expenses	**1,510**	866
Exchange losses	**108**	316
	1,618	1,182

Interest expenses mainly arose from the borrowings and notes payable mentioned in Notes 24 and 25, respectively.

33 SHARE OF LOSSES OF ASSOCIATES AND JOINT VENTURES

	2015 RMB'Million	2014 RMB'Million
Share of losses of associates (Note 10(a))	**2,802**	346
Share of (profit)/losses of joint ventures	**(9)**	1
	2,793	347

34 TAX EXPENSE

(a) Income tax expense

(i) Cayman Islands and British Virgin Islands corporate income tax ("CIT")

The Group was not subject to any taxation in the Cayman Islands and the British Virgin Islands for the years ended 31 December 2015 and 2014.

(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 2015 and 2014.

34 TAX EXPENSE (Cont'd)

(a) Income tax expense (Cont'd)

(iii) PRC corporate income tax

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC for the years ended 31 December 2015 and 2014, calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% in 2015.

Certain subsidiaries of the Group in the PRC were approved as High and New Technology Enterprise, and accordingly, they were subject to a reduced preferential CIT rate of 15% for the years ended 31 December 2015 and 2014 according to the applicable CIT Law.

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

(iv) United States corporate income tax

United States CIT provision was provided for the years ended 31 December 2015 and 2014 for the entities within the Group which were incorporated in the United States with estimated assessable profits, at applicable tax rate of 36%.

34 TAX EXPENSE (Cont'd)

(a) Income tax expense (Cont'd)

(v) Corporate income tax in other countries

CIT provision has been provided for the years ended 31 December 2015 and 2014 for the entities within the Group which were incorporated in Europe, East Asia and South America to the extent that there were estimated assessable profits under these jurisdictions, at applicable tax rates ranging from 12.5 % to 35%.

(vi) Withholding tax

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

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

The income tax expense of the Group for the years ended 31 December 2015 and 2014 are analysed as follows:

	2015	2014
	RMB'Million	RMB'Million
Current tax	**6,936**	3,169
Deferred income tax (Note 27)	**172**	1,956
	7,108	5,125

34 TAX EXPENSE (Cont'd)

(a) Income tax expense (Cont'd)

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 2015 and 2014, being the tax rate of the major subsidiaries of the Group before enjoying preferential tax treatments. The difference is analysed as follows:

	2015 RMB'Million	2014 RMB'Million
Profit before income tax	**36,216**	29,013
Share of losses of associates and joint ventures	**2,793**	347
	39,009	29,360
Tax calculated at a tax rate of 25%	**9,752**	7,340
Effects of different tax rates applicable to different subsidiaries of the Group	**(3,775)**	(4,038)
Effects of tax holiday on assessable profits of subsidiaries	**(508)**	(828)
Income not subject to tax	**(14)**	–
Expenses not deductible for tax purposes	**906**	698
Withholding tax on earnings expected to be remitted by subsidiaries (Note 27)	**266**	1,480
Unrecognised deferred income tax assets	**421**	470
Others	**60**	3
Income tax expense	**7,108**	5,125

34 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
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

35 EARNINGS PER SHARE

(a) Basic

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

	2015	2014
Profit attributable to equity holders of the Company (RMB'Million)	**28,806**	23,810
Weighted average number of ordinary shares in issue (million shares)	**9,300**	9,231
Basic EPS (RMB per share)	**3.097**	2.579

(b) Diluted

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

In addition, the share options and restricted shares granted by the Company's non-wholly owned subsidiaries and associates, and the convertible bonds of the subsidiaries should also have potential dilutive effect on the EPS. During the year ended 31 December 2015, these share options and restricted shares, and the convertible bonds had either anti-dilutive effect or insignificant dilutive effect to the Group.

35 EARNINGS PER SHARE (Cont'd)

(b) Diluted (Cont'd)

	2015	2014
Profit attributable to equity holders of the Company (RMB'Million)	**28,806**	23,810
Weighted average number of ordinary shares in issue (million shares)	**9,300**	9,231
Adjustments for share options and awarded shares (million shares)	**130**	126
Weighted average number of ordinary shares for the calculation of diluted EPS (million shares)	**9,430**	9,357
Diluted EPS (RMB per share)	**3.055**	2.545

36 DIVIDENDS

The dividends amounted to RMB2,640 million (2014: RMB1,761 million) was paid during the year ended 31 December 2015.

A final dividend in respect of the year ended 31 December 2015 of HKD0.47 per share (2014: HKD0.36 per share) was proposed pursuant to a resolution passed by the Board on 17 March 2016 and subject to the approval of the shareholders at the annual general meeting to be held on 18 May 2016. This proposed dividend is not reflected as dividend payable in the consolidated financial statements.

37 BUSINESS COMBINATIONS

During the year ended 31 December 2015, the Group acquired and obtained control of certain entities engaging in online game, films production and literature related business. The aggregate consideration for these acquisitions was RMB1,109 million, fair value of net assets acquired (including identifiable intangible assets), non-controlling interests and goodwill recognised were RMB514 million, RMB262 million and RMB857 million, respectively.

The acquisition related costs of the business combinations were not significant and had been charged to general and administrative expenses in the consolidated income statement for the year ended 31 December 2015.

The revenue and the results contributed by these acquisitions of the Group for the period since the date of acquisitions were insignificant to the Group. The Group's revenue and results for the period would not be materially different if these acquisitions had occurred on 1 January 2015.

38 CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of net profit to cash inflow from operating activities:

	2015 RMB'Million	2014 RMB'Million
Profit for the year	**29,108**	23,888
Adjustments for:		
Income tax expense	**7,108**	5,125
Gains on disposals/deemed disposals of investees and businesses	**(3,813)**	(5,111)
Loss on liquidation of an investee	**–**	12
Dividend income	**(272)**	(144)
Depreciation of fixed assets and investment properties	**3,159**	2,993
Amortisation of intangible assets and land use rights	**3,515**	1,825
Net losses on disposals of land used rights, intangible assets, fixed assets and construction in progress	**43**	57
Interest income	**(2,327)**	(1,676)
Equity-settled share-based compensation expenses	**2,756**	1,802
Share of losses of associates and joint ventures	**2,793**	347
Impairment provision for available-for-sale financial assets, associates and joint ventures	**2,225**	2,437
Fair value gains on other financial assets	**(462)**	(86)
Impairment of intangible assets	**148**	73
Exchange losses	**108**	316
Changes in working capital:		
Accounts receivable	**(2,469)**	(1,418)
Inventories	**(17)**	1,300
Prepayments, deposits and other receivables	**(5,081)**	(1,751)
Accounts payable	**5,969**	1,788
Other payables and accruals	**3,654**	2,975
Other tax liabilities	**(106)**	(25)
Deferred revenue	**4,439**	2,687
Cash generated from operating activities	**50,478**	37,414

38 CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(b) Major non-cash transactions

Other than the transaction with non-controlling interests described in Note 19(d), there were no material non-cash transactions for the year ended 31 December 2015.

39 COMMITMENTS

(a) Capital commitments

Capital commitments as at 31 December 2015 are analysed as follows:

	As at 31 December	
	2015	2014
	RMB'Million	RMB'Million
Contracted:		
Construction/purchase of buildings and purchase of land use rights	**2,239**	2,496
Purchase of other fixed assets	**631**	494
Capital investment in investees	**2,249**	912
	5,119	3,902
Authorised but not contracted:		
Construction/purchase of building and purchase of land use rights	**8,376**	3,242
	13,495	7,144

39 COMMITMENTS (Cont'd)

(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	
	2015	2014
	RMB'Million	RMB'Million
Contracted:		
Not later than one year	**428**	746
Later than one year and not later than five years	**827**	1,347
Later than five years	**1,198**	1,200
	2,453	3,293

(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	
	2015	2014
	RMB'Million	RMB'Million
Contracted:		
Not later than one year	**2,090**	1,778
Later than one year and not later than five years	**3,363**	1,566
Later than five years	**540**	5
	5,993	3,349

40 RELATED PARTIES TRANSACTIONS

Except as disclosed in Note 10(c) (Transactions with associates), Note 14 (Loan to investees and investees' shareholders), Note 20 (Share-based payments), Note 31(a) (Senior management's emoluments), Note 31(b) (Five highest paid individuals) and Note 44 (Benefits and interests of directors) to the consolidated financial statements, the Group had no other material transactions with related parties for the year ended 31 December 2015, and no other material related parties' balances as at 31 December 2015.

41 SUBSEQUENT EVENTS

There were no material subsequent events during the period from 31 December 2015 to the approval date of these financial statements by the Board of Directors on 17 March 2016.

42 FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Financial position of the Company

	As at 31 December	
	2015	2014
	RMB'Million	RMB'Million
ASSETS		
Non-current assets		
Intangible assets	**38**	36
Investments in subsidiaries (Note (b))	**45,647**	29,540
Investments in associates	**1,278**	–
Prepayments, deposits and other receivables	**426**	–
Contribution to Share Scheme Trust	**48**	21
	47,437	29,597
Current assets		
Amounts due from subsidiaries	**10,056**	9,272
Prepayments, deposits and other receivables	**131**	388
Cash and cash equivalents	**99**	168
	10,286	9,828
Total assets	**57,723**	39,425

42 FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Cont'd)

(a) Financial position of the Company (Cont'd)

	As at 31 December	
	2015	2014
	RMB'Million	RMB'Million
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	**–**	–
Share premium	**12,167**	5,131
Shares held for share award schemes	**(1,817)**	(1,309)
Other reserves (Note (c))	**(448)**	(377)
Retained earnings (Note (c))	**472**	4,206
Total equity	**10,374**	7,651
LIABILITIES		
Non-current liabilities		
Notes payable	**37,092**	25,028
Current liabilities		
Amounts due to subsidiaries	**6,024**	4,742
Other payables and accruals	**347**	170
Notes payable	**3,886**	1,834
	10,257	6,746
Total liabilities	**47,349**	31,774
Total equity and liabilities	**57,723**	39,425

The financial position of the Company was approved by the Board of Directors on 17 March 2016 and was signed on its behalf:

Ma Huateng
Director

Lau Chi Ping Martin
Director

42 FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Cont'd)

(b) Investments in subsidiaries

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

	As at 31 December	
	2015	2014
	RMB'Million	RMB'Million
Investments in subsidiaries:		
– Investments in equity interests - at cost, unlisted	**119**	67
– Deemed investments arising from share-based compensation (Note (i))	**7,381**	5,158
– Advance to subsidiaries (Note (ii))	**38,147**	24,315
	45,647	29,540

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.

(c) Reserve movement of the Company

	Retained earnings RMB'Million	**Other reserves RMB'Million**
At 1 January 2014	2,295	–
Profit for the year	3,672	–
Dividends paid relating to 2013	(1,761)	–
Currency translation differences	–	(377)
At 31 December 2014	4,206	(377)
At 1 January 2015	**4,206**	**(377)**
Losses for the year	**(1,094)**	**–**
Dividends paid relating to 2014	**(2,640)**	**–**
Currency translation differences	**–**	**(71)**
At 31 December 2015	**472**	**(448)**

43 SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITIES

The following is a list of principal subsidiaries of the Company as at 31 December 2015:

Name	Place of establishment and nature of legal entity	Particulars of issued/paid-in capital	Proportion of equity interest held by the Group (%)	Principal activities
Tencent Computer	Established in the PRC, limited liability company	RMB65,000,000	100% (Note (a))	Provision of Internet and mobile and telecommunications value-added services, Internet advertisement services and eCommerce transactions business
Tencent Technology	Established in the PRC, wholly foreign owned enterprise	USD2,000,000	100%	Development of computer software and provision of information technology services
Shenzhen Shiji Kaixuan Technology Company Limited	Established in the PRC, limited liability company	RMB11,000,000	100% (Note (a))	Provision of Internet advertisement services
Tencent Cyber (Tianjin) Company Limited	Established in the PRC, wholly foreign owned enterprise	USD90,000,000	100%	Development of computer software and provision of information technology services
Tencent Asset Management Limited	Established in BVI, limited liability company	USD100	100%	Asset management
Tencent Technology (Beijing) Company Limited	Established 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 Limited	Established in the PRC, limited liability company	RMB10,290,000	100%	Provision of mobile and telecommunications value-added services
Beijing BIZCOM Technology Company Limited	Established in the PRC, limited liability company	RMB16,500,000	100%	Provision of mobile and telecommunications value-added services
Beijing Starsinhand Technology Company Limited	Established in the PRC, limited liability company	RMB10,000,000	100% (note a)	Provision of mobile and telecommunications value-added services

43 SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITIES (Cont'd)

Name	Place of establishment and nature of legal entity	Particulars of issued/paid-in capital	Proportion of equity interest held by the Group (%)	Principal activities
Tencent Cyber (Shenzhen) Company Limited	Established in the PRC, wholly foreign owned enterprise	USD30,000,000	100%	Development of computer software
Tencent Technology (Shanghai) Company Limited	Established 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	Established in the PRC, wholly foreign owned enterprise	USD120,000,000	100%	Development of computer software and provision of information technology services
Tencent Technology (Wuhan) Company Limited	Established in the PRC, wholly foreign owned enterprise	USD30,000,000	100%	Development of computer software and provision of Internet information services
Tencent Cloud Computing (Beijing) Company Limited	Established in the PRC, limited liability company	RMB120,000,000	100%	Provision of information system integration services
Riot Games, Inc.	Established in the United States, limited liability company	USD1,239	100%	Development and operation of online games
China Reading Limited	Established in the Cayman Islands, limited liability company	USD66,683	66.44%	Provision of online literature services

Note:

(a) 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.

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

43 SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITIES (Cont'd)

Note: (Cont'd)

(c) 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.

(d) Significant restrictions

As at 31 December 2015, cash and cash equivalents, term deposits and restricted cash of the Group, amounting to RMB105,151 million are held in Mainland China and are subject to local exchange control and other financial and treasury regulations. The local exchange control and other financial and treasury regulations provide for restrictions on payment of dividends, share repurchase and offshore investments, other than through normal activities. In addition, the restricted cash, mainly arising from the prepayments received from users via online/mobile platforms operated by the Group, of a subsidiary of the Group's structured entity is subject to certain treasury regulations in the PRC.

(e) Consolidation of structured entities

As mentioned in Note (a) 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 20 (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 2015, the Company contributed approximately RMB652 million (2014: RMB529 million) to the Share Scheme Trust for financing its acquisition of the Company's shares.

44 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and the chief executive's emoluments

The remuneration of every director and the CEO is set out below:

For the year ended 31 December 2015:

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	Estimated money value of other benefits RMB'000 (Note (i))	Total RMB'000
Ma Huateng (CEO)	–	32,725	84	–	19	32,828
Lau Chi Ping Martin	1,169	19,940	–	53,842	19	74,970
Iain Ferguson Bruce	838	–	–	2,778	–	3,616
Ian Charles Stone	670	–	–	2,717	–	3,387
Li Dong Sheng	545	–	–	1,267	–	1,812
Jacobus Petrus (Koos) Bekker	–	–	–	–	–	–
Charles St Leger Searle	–	–	–	–	–	–
	3,222	52,665	84	60,604	38	116,613

44 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and the chief executive's emoluments (Cont'd)

For the year ended 31 December 2014 (Restated):

Certain of the comparative information of directors' emoluments for the year ended 31 December 2014 previously disclosed in accordance with the predecessor Companies Ordinance have been restated in order to comply with the new scope and requirements by the Hong Kong Companies Ordinance (Cap.622).

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	Estimated money value of other benefits RMB'000 (Note (i))	Total RMB'000
Ma Huateng (CEO)	–	27,473	75	–	18	27,566
Zhang Zhidong	–	16,062	56	–	18	16,136
Lau Chi Ping Martin	1,101	15,196	–	55,264	18	71,579
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	54	121,111

44 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and the chief executive's emoluments (Cont'd)

Note:

(i) Other benefits include leave pay, insurance premium and club membership.

(ii) During the year ended 31 December 2015, no share option was granted to any director of the Company, and 75,000 awarded shares were granted to three independent non-executive directors of the Company (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).

(iii) 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 2015 and 2014.

(b) Directors' termination benefits

No director's termination benefit subsisted at the end of the year or at any time during the year.

(c) Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available directors' services subsisted at the end of the year or at any time during the year.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of the year or at any time during the year.

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the group's business to which the Company 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.

Definition

In this annual report, unless the context otherwise requires, the following expressions shall 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, as amended
"2016 AGM"	the annual general meeting of the Company to be held on 18 May 2016 or any adjournment thereof
"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
"C2C"	customer-to-customer (or person-to-person)
"CG Code"	the corporate governance code provisions set out in Appendix 14 to the Listing Rules
"CIT"	corporate income tax
"Company"	Tencent Holdings Limited, a limited liability company organised and existing under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange

Term	Definition
"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 Tianjin"	Tencent Cyber (Tianjin) Company Limited
"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
"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
"Hainan Network"	Hainan Tencent Network information 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
"IFRS"	International Financial Reporting Standards
"IM"	Instant messaging
"Internet Plus Holdings"	Internet Plus Holdings Ltd., a limited liability company incorporated under the laws of the Cayman Islands
"Investment Committee"	the investment committee of the Company

Definition

Term	Definition
"IP"	intellectual property
"IPO"	initial public offering
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"M&A"	mergers and acquisitions
"MAU"	monthly active user accounts
"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
"NASDAQ"	NASDAQ Global Select Market
"NBA"	the National Basketball Association
"Nomination Committee"	the nomination committee of the Company
"O2O"	online-to-offline, or offline-to-online
"Paramount"	Paramount Pictures, Inc.
"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

Term	Definition
“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, as amended
“Share Subdivision”	with effect from 15 May 2014, each existing issued and unissued share of HKD0.0001 each in the share capital of the Company was subdivided into five subdivided shares of HKD0.00002 each, after passing of an ordinary resolution at the annual general meeting of the Company held on 14 May 2014 and granting by the Stock Exchange of the listing of, and permission to deal in, the subdivided shares
“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
“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 Information Chongqing”	Tencent Information Technology (Chongqing) Company Limited
“Tencent Information Shanghai”	Tencent Information Technology (Shanghai) Company Limited

Definition

Term	Definition
"Tencent Information Shenzhen"	Tencent Information Technology (Shenzhen) 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
"United States"	the United States of America
"USD"	the lawful currency of the United States
"VAS"	value-added services
"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
"WFOEs"	Tencent Technology, Cyber Tianjin, Tencent Beijing, Tencent Information Shenzhen, Tencent Chengdu, Tencent Information Chongqing, Tencent Information Shanghai, Tencent Shanghai, Tencent Wuhan and Hainan Network

Tencent 腾讯

Website: www.tencent.com

Tencent Group Head Office
Tencent Building, Kejizhongyi Avenue, Hi-tech Park
Nanshan District, Shenzhen, the PRC

Zipcode : 518057
Telephone : 86-755-86013388
Facsimile : 86-755-86013399

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

Telephone : 852-21795122
Facsimile : 852-25201148