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Tencent 腾讯
TENCENT HOLDINGS LIMITED
騰訊控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 700)

ANNOUNCEMENT OF THE RESULTS
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2018

The Board is pleased to announce the unaudited consolidated results of the Group for the three and nine months ended 30 September 2018. These interim results have been reviewed by the Auditor in accordance with International Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the International Auditing and Assurance Standards Board, and by the Audit Committee.

FINANCIAL PERFORMANCE HIGHLIGHTS

	Unaudited				
	Three months ended		Year- on-year change	30 June 2018	Quarter- on-quarter change
30 September 2018	30 September 2017	(RMB in millions, unless specified)			
Revenues	80,595	65,210	24%	73,675	9%
Gross profit	35,480	31,681	12%	34,446	3%
Operating profit	27,861	22,746	22%	21,807	28%
Profit for the period	23,405	18,047	30%	18,580	26%
Profit attributable to equity holders of the Company	23,333	18,006	30%	17,867	31%
Non-GAAP profit attributable to equity holders of the Company	19,710	17,070	15%	19,716	—
EPS (RMB per share)					
- basic	2.469	1.912	29%	1.893	30%
- diluted	2.440	1.888	29%	1.868	31%
Non-GAAP EPS (RMB per share)					
- basic	2.085	1.812	15%	2.089	—
- diluted	2.061	1.790	15%	2.062	—

	Unaudited		
	Nine months ended		
	30 September	30 September	Year-
	2018	2017	on-year
	(RMB in millions, unless specified)		
			change
Revenues	227,798	171,368	33%
Gross profit	106,968	85,430	25%
Operating profit	80,360	64,578	24%
Profit for the period	65,958	50,849	30%
Profit attributable to equity holders of the Company	64,490	50,713	27%
Non-GAAP profit attributable to equity holders of the Company	57,739	47,672	21%
EPS (RMB per share)			
- basic	6.832	5.391	27%
- diluted	6.741	5.323	27%
Non-GAAP EPS (RMB per share)			
- basic	6.116	5.068	21%
- diluted	6.035	5.003	21%

BUSINESS REVIEW AND OUTLOOK

1. Company Financial Performance

In the third quarter of 2018

Revenues increased by 24% year-on-year, primarily benefiting from growth in payment-related services, online advertising, digital content sales and cloud services.

Operating profit increased by 22% year-on-year. Non-GAAP operating profit increased by 4% year-on-year.

Profit attributable to equity holders of the Company increased by 30% year-on-year, mainly due to higher net other gains generated from investment related items compared to the same period last year. Non-GAAP profit attributable to equity holders increased by 15% year-on-year.

2. Company Strategic Highlights

In October 2018, we announced a strategic organisational upgrade in order to enhance our utilisation of internal resources and our competitive advantages, so as to better capture growth opportunities emerging from the new Internet era.

The upgrade involves the formation of two new business groups, the Platform and Content Group (PCG), and the Cloud and Smart Industries Group (CSIG), and of a new business line, Advertising and Marketing Services (AMS), from the reorganisation of three existing business groups – the Mobile Internet Group (MIG), the Online Media Group (OMG) and the Social Network Group (SNG).

Given users' increasing demand for multimedia content and content creators' need for content distribution platforms, we are pairing our digital content services together with our social and other high traffic platforms in the PCG.

We believe we can provide advanced technologies and capabilities including cloud computing, big data, AI, security, and location-based services (LBS) to traditional industries undergoing digital transformation via our CSIG.

We are consolidating our advertising operations into the AMS line, within our Corporate Development Group (CDG), in order to leverage our integrated resources in social, video, news and information media, and to bring greater value to advertisers.

3. Company Business Highlights

Operating Information

	As at 30 September 2018	As at 30 September 2017	Year- on-year change	As at 30 June 2018	Quarter- on-quarter change
MAU of QQ	802.6	843.2	-4.8%	803.2	-0.1%
Smart device MAU of QQ	697.9	652.9	6.9%	708.6	-1.5%
Combined MAU of Weixin and WeChat	1,082.5	980.0	10.5%	1,057.7	2.3%
Smart device MAU of Qzone	531.1	551.8	-3.8%	542.7	-2.1%
Fee-based VAS registered subscriptions	154.1	125.3	23.0%	153.9	0.1%

Communication and Social

- *QQ*: Smart device MAU increased by 6.9% year-on-year to 697.9 million. We continued to expand our young user base and enhanced engagement with this targeted group via new entertainment-driven features and enriched video content. MAU and DAU for users aged 21 years or below grew year-on-year and quarter-on-quarter, and smart device MAU for young users climbed 16% year-on-year. Young users' time spent within Mobile QQ increased steadily year-on-year and quarter-on-quarter, mainly driven by increased consumption of video content and new interactive features. We reached 7 billion daily short and mini content video views across Tencent platforms, in particular QQ KanDian, our newsfeed service within Mobile QQ.

- *Weixin and WeChat*: MAU reached 1,082.5 million, up 10.5% year-on-year. We saw healthy growth in user engagement benefiting from the increasing use cases offered by Mini Programs and Weixin Pay. Mini Programs deepened penetration across different industries, such as transportation and healthcare. User activity within Weixin benefited from strong growth in social video content viewing, with hundreds of millions of daily social video uploads.

Online Games

Smart phone games revenues (including smart phone games revenues attributable to our social networks business) grew 7% year-on-year and 11% sequentially to RMB19.5 billion, mainly due to the contributions from new games. We released 10 new titles, including *Free Fantasy Online Mobile*, *MT4* and *Saint Seiya* during the quarter. Benefiting from positive seasonality and new avatar personalisation items, *Honour of Kings*' paying users increased sequentially, resulting in increased revenues quarter-on-quarter. *Honour of Kings* continued to be the leading game in China in terms of MAU and DAU. During the quarter, we further increased our smart phone games market share by user and time spent.

We have 15 games with monetisation approval, mostly RPG and action titles based on established IPs, in our game pipeline.

In international market, our *PUBG MOBILE* title became the 2nd most popular smart phone game globally (excluding China) by MAU, according to AppAnnie.

PC client games revenues were down by 15% year-on-year and down by 4% quarter-on-quarter to RMB12.4 billion. The year-on-year revenue decline was due to users' migration to mobile games and the high base in the same quarter last year. While our reported revenues declined quarter-on-quarter, our cash sales (before deferral) increased, benefiting from favourable seasonality and content updates for *CrossFire*, *Dungeon & Fighter*, and our sports titles. In November 2018, *League of Legends* achieved viewership records for its World Championship final, at which Invictus Gaming became the first China team to win the Championship.

As the leading game company in China, we are seeking to create a healthy game environment for children. We implemented stringent self-imposed limitations on game playing by minors and recently introduced measures, such as real-ID verification process and face recognition check, to enhance the implementation. We believe the initiatives put the game industry on a more sustainable foundation for future development.

Digital Content

Our fee-based VAS subscriptions were up by 23% year-on-year to 154 million subscriptions, mainly attributable to growth in video subscriptions, in turn due to popular premium content, such as drama series Ruyi's Royal Love in the Palace and anime series Land of Warriors. Digital content revenues grew at a double-digit percentage rate year-on-year and at a high single-digit percentage rate quarter-on-quarter, benefiting from increased monetisation of our live broadcast services, significant uptake of our video subscriptions, and more sales of music and literature products.

We achieved 82 million video subscriptions, up 79% year-on-year and 10% quarter-on-quarter. Three drama series (Legend of Fuyao, Ruyi's Royal Love in the Palace and Sand Sea), and the anime series (Land of Warriors), contributed substantially to the subscription growth.

Online Advertising

Our online advertising business achieved 47% year-on-year and 15% quarter-on-quarter growth in revenues.

Media advertising revenues grew by 23% year-on-year and 8% quarter-on-quarter. For video advertising, revenues growth of 34% year-on-year and 13% quarter-on-quarter benefited from commercially successful drama series and increased sponsorship advertising for self-commissioned variety shows. For news advertising, revenues increased year-on-year due to higher ad-fill rates, but decreased slightly quarter-on-quarter due to fewer sports events in the third quarter compared to the second quarter.

Social and others advertising revenues grew by 61% year-on-year mainly driven by Weixin Moments, Mini Programs, mobile advertising network and QQ KanDian. Social and others advertising revenues grew by 19% sequentially due primarily to increased impressions and click-throughs of Mini Programs advertisements, and more impressions of Weixin Moments advertisements. We have been expanding our long-tail advertiser base for Weixin Moments through cooperating with local advertising agencies and converting Weixin Pay merchants to advertisers.

Others

We recorded 69% year-on-year and 16% quarter-on-quarter revenue growth for our other businesses, mainly contributed by our payment-related services, and by our cloud services.

We maintained our leadership in China's mobile payment market in terms of MAU and DAU. Our daily transaction volume increased over 50% year-on-year, within which our offline daily commercial payment transaction volume grew 200% year-on-year. We strengthened our payment infrastructure to ensure safer and more convenient payment services and largely completed our transition to the NetsUnion Clearing Corporation's centralised clearing and settlement system. In October 2018, we launched the first of its kind Cross-Border Mobile Payment services, allowing WeChat Pay HK users to conduct RMB-denominated transactions with Hong Kong dollars in Mainland China. Leveraging our large-scale payment platform and core technologies, we expanded our FinTech services in areas including wealth management, micro loans and insurance. LiCaiTong added pension funds to its fund offering and its aggregated customer assets surpassed RMB500 billion at the end of the quarter, WeBank-originated *WeiLiDai* loan balances grew rapidly while their non-performing loan rate remained at below-industry level, benefiting from our advanced risk prediction models and user targeting.

Our cloud services revenues more than doubled year-on-year and increased at a double-digit percentage rate quarter-on-quarter. Revenues for the first three quarters of the year exceeded RMB6 billion. We sustained our leading cloud services position in the games and live broadcast sectors, and enlarged our presence in other sectors, such as finance and retail. The number of cloud paying customers grew at a triple-digit percentage rate year-on-year.

MANAGEMENT DISCUSSION AND ANALYSIS

Third Quarter of 2018 Compared to Third Quarter of 2017

The following table sets forth the comparative figures for the third quarter of 2018 and the third quarter of 2017:

	Unaudited	
	Three months ended	
	30 September	30 September
	2018	2017
	(RMB in millions)	
Revenues	80,595	65,210
Cost of revenues	<u>(45,115)</u>	<u>(33,529)</u>
Gross profit	35,480	31,681
Interest income	1,082	1,017
Other gains, net	8,762	3,918
Selling and marketing expenses	(6,573)	(4,812)
General and administrative expenses	<u>(10,890)</u>	<u>(9,058)</u>
Operating profit	27,861	22,746
Finance costs, net	(1,492)	(524)
Share of profit of associates and joint ventures	<u>264</u>	<u>818</u>
Profit before income tax	26,633	23,040
Income tax expense	<u>(3,228)</u>	<u>(4,993)</u>
Profit for the period	<u>23,405</u>	<u>18,047</u>
Attributable to:		
Equity holders of the Company	23,333	18,006
Non-controlling interests	<u>72</u>	<u>41</u>
	<u>23,405</u>	<u>18,047</u>
Non-GAAP profit attributable to equity holders of the Company	<u>19,710</u>	<u>17,070</u>

Revenues. Revenues increased by 24% to RMB80,595 million for the third quarter of 2018 on a year-on-year basis. The following table sets forth our revenues by line of business for the third quarter of 2018 and the third quarter of 2017:

	Unaudited			
	Three months ended			
	30 September 2018		30 September 2017	
	% of total		% of total	
	Amount	revenues	Amount	revenues
	(RMB in millions, unless specified)			
VAS	44,049	55%	42,124	65%
Online advertising	16,247	20%	11,042	17%
Others	<u>20,299</u>	<u>25%</u>	<u>12,044</u>	<u>18%</u>
Total revenues	<u>80,595</u>	<u>100%</u>	<u>65,210</u>	<u>100%</u>

- Revenues from our VAS business increased by 5% to RMB44,049 million for the third quarter of 2018 on a year-on-year basis. Online games revenues decreased by 4% to RMB25,813 million, mainly reflecting a decline in revenues from our PC client games, partially offset by an increase in revenues from our smart phone games. Social networks revenues increased by 19% to RMB18,236 million, primarily driven by revenue growth from digital content services such as live broadcast services and video streaming subscriptions.
- Revenues from our online advertising business increased by 47% to RMB16,247 million for the third quarter of 2018 on a year-on-year basis. Social and others advertising revenues grew by 61% to RMB11,157 million. The increase mainly reflected more advertising inventories for properties such as Weixin Moments and new advertising format such as Mini Programs, as well as growth in revenues from our mobile advertising network and QQ KanDian. Media advertising revenues increased by 23% to RMB5,090 million. The growth was primarily driven by higher advertising revenues from Tencent Video due to successful drama series and self-commissioned variety shows.
- Revenues from our other businesses increased by 69% to RMB20,299 million for the third quarter of 2018 on a year-on-year basis, mainly driven by higher contributions from our payment-related and cloud services.

Cost of revenues. Cost of revenues increased by 35% to RMB45,115 million for the third quarter of 2018 on a year-on-year basis. The increase primarily reflected higher costs of payment-related services, content costs and channel costs. As a percentage of revenues, cost of revenues increased to 56% for the third quarter of 2018 from 51% for the same quarter of last year. The following table sets forth our cost of revenues by line of business for the third quarter of 2018 and the third quarter of 2017:

	Unaudited			
	Three months ended			
	30 September 2018		30 September 2017	
		% of		% of
	Amount	segment	Amount	segment
		revenues		revenues
	(RMB in millions, unless specified)			
VAS	19,158	43%	16,903	40%
Online advertising	10,279	63%	7,031	64%
Others	<u>15,678</u>	77%	<u>9,595</u>	80%
Total cost of revenues	<u>45,115</u>		<u>33,529</u>	

- Cost of revenues for our VAS business increased by 13% to RMB19,158 million for the third quarter of 2018 on a year-on-year basis. The increase was primarily driven by higher video content and live stream costs, as well as greater channel costs for mobile games.
- Cost of revenues for our online advertising business increased by 46% to RMB10,279 million for the third quarter of 2018 on a year-on-year basis. The increase mainly reflected greater content costs. Other costs, such as traffic acquisition costs and commissions payable to advertising agencies, also increased.
- Cost of revenues for our other businesses increased by 63% to RMB15,678 million for the third quarter of 2018 on a year-on-year basis, primarily reflecting the expansion of our payment-related and cloud businesses.

Other gains, net. We recorded net other gains totalling RMB8,762 million for the third quarter of 2018. There were increases in valuations of certain investee companies, including a fair value gain from Meituan Dianping upon its IPO. We made impairment provisions for certain investee companies in verticals such as online games, entertainment and eCommerce.

Selling and marketing expenses. Selling and marketing expenses increased by 37% to RMB6,573 million for the third quarter of 2018 on a year-on-year basis. The increase primarily reflected greater marketing spend on our products and platforms such as payment-related services, online video and smart phone games. As a percentage of revenues, selling and marketing expenses increased to 8% for the third quarter of 2018 from 7% for the same quarter of last year.

General and administrative expenses. General and administrative expenses increased by 20% to RMB10,890 million for the third quarter of 2018 on a year-on-year basis. The increase was mainly driven by greater R&D expenses and staff costs. As a percentage of revenues, general and administrative expenses were 14% for the third quarter of 2018, broadly stable compared to the third quarter of 2017.

Finance costs, net. Net finance costs increased by 185% to RMB1,492 million for the third quarter of 2018 on a year-on-year basis. The increase primarily reflected greater interest expenses, and the recognition of foreign exchange losses for the third quarter of 2018, compared to foreign exchange gains for the same period last year.

Income tax expense. Income tax expense decreased by 35% to RMB3,228 million for the third quarter of 2018 on a year-on-year basis. The decrease mainly reflected lower taxable income and withholding tax.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 30% to RMB23,333 million for the third quarter of 2018 on a year-on-year basis. Non-GAAP profit attributable to equity holders of the Company increased by 15% to RMB19,710 million.

Third Quarter of 2018 Compared to Second Quarter of 2018

The following table sets forth the comparative figures for the third quarter of 2018 and the second quarter of 2018:

	Unaudited	
	Three months ended	
	30 September	30 June
	2018	2018
	(RMB in millions)	
Revenues	80,595	73,675
Cost of revenues	<u>(45,115)</u>	<u>(39,229)</u>
Gross profit	35,480	34,446
Interest income	1,082	1,072
Other gains, net	8,762	2,506
Selling and marketing expenses	(6,573)	(6,360)
General and administrative expenses	<u>(10,890)</u>	<u>(9,857)</u>
Operating profit	27,861	21,807
Finance costs, net	(1,492)	(1,151)
Share of profit of associates and joint ventures	<u>264</u>	<u>1,526</u>
Profit before income tax	26,633	22,182
Income tax expense	<u>(3,228)</u>	<u>(3,602)</u>
Profit for the period	<u>23,405</u>	<u>18,580</u>
Attributable to:		
Equity holders of the Company	23,333	17,867
Non-controlling interests	<u>72</u>	<u>713</u>
	<u>23,405</u>	<u>18,580</u>
Non-GAAP profit attributable to equity holders of the Company	<u>19,710</u>	<u>19,716</u>

Revenues. Revenues increased by 9% to RMB80,595 million for the third quarter of 2018 on a quarter-on-quarter basis.

- Revenues from our VAS business increased by 5% to RMB44,049 million for the third quarter of 2018. Online games revenues increased by 2% to RMB25,813 million. The increase reflected contributions from smart phone games launched during the quarter, partly offset by a decrease in revenues from our PC client games. Social networks revenues grew by 8% to RMB18,236 million. The growth was mainly driven by increases in revenues from in-game virtual item sales and our digital content services, such as live broadcast services and video streaming subscriptions.
- Revenues from our online advertising business increased by 15% to RMB16,247 million for the third quarter of 2018. Social and others advertising revenues increased by 19% to RMB11,157 million, contributed by an increase in revenues from Mini Programs and more impressions of Weixin Moments advertisements. Media advertising revenues grew by 8% to RMB5,090 million, reflecting growth in advertising revenues from Tencent Video as a result of successful drama series and self-commissioned variety shows.
- Revenues from our other businesses increased by 16% to RMB20,299 million for the third quarter of 2018. The increase primarily reflected revenue growth from our payment-related and cloud services.

Cost of revenues. Cost of revenues increased by 15% to RMB45,115 million for the third quarter of 2018 on a quarter-on-quarter basis. The increase mainly reflected greater content costs, costs of payment-related services and channel costs. As a percentage of revenues, cost of revenues increased to 56% for the third quarter of 2018 from 53% for the second quarter of 2018.

- Cost of revenues for our VAS business increased by 11% to RMB19,158 million for the third quarter of 2018. The increase was primarily driven by higher content costs for games (due to a mix shift to licensed games), channel costs for mobile games, and video content costs.
- Cost of revenues for our online advertising business increased by 16% to RMB10,279 million for the third quarter of 2018. The increase was mainly due to greater content costs and commissions payable to advertising agencies.
- Cost of revenues for our other businesses increased by 19% to RMB15,678 million for the third quarter of 2018. The increase primarily reflected variable costs in our payment-related and cloud businesses.

Selling and marketing expenses. Selling and marketing expenses increased by 3% to RMB6,573 million for the third quarter of 2018 on a quarter-on-quarter basis. The increase reflected higher marketing spend on our online video business and payment-related services.

General and administrative expenses. General and administrative expenses increased by 10% to RMB10,890 million for the third quarter of 2018 on a quarter-on-quarter basis. The increase was primarily due to greater R&D expenses and staff costs.

Share of profit of associates and joint ventures. Share of profit of associates and joint ventures decreased by 83% to RMB264 million for the third quarter of 2018 on a quarter-on-quarter basis, while non-GAAP share of profit remained stable. The quarter-on-quarter decline reflected one-off share-based compensation expenses at an associate company engaged in eCommerce.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 31% to RMB23,333 million for the third quarter of 2018 on a quarter-on-quarter basis. Non-GAAP profit attributable to equity holders of the Company was RMB19,710 million, broadly stable compared to the previous quarter.

Other Financial Information

	Unaudited			Unaudited	
	Three months ended			Nine months ended	
	30 September	30 June	30 September	30 September	30 September
	2018	2018	2017	2018	2017
	(RMB in millions, unless specified)				
EBITDA (a)	27,568	26,409	24,024	83,224	66,446
Adjusted EBITDA (a)	29,577	28,139	25,632	88,572	70,734
Adjusted EBITDA margin (b)	37%	38%	39%	39%	41%
Interest and related expenses	1,298	1,188	794	3,553	2,221
Net (debt)/cash (c)	(29,227)	(35,301)	18,862	(29,227)	18,862
Capital expenditures (d)	5,974	7,085	3,492	19,377	8,610

Note:

- (a) EBITDA consists of operating profit less interest income and other gains/losses, net, and plus depreciation of property, plant and equipment as well as 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 (debt)/cash represents period end balance and is calculated as cash and cash equivalents, plus term deposits and others, minus borrowings and notes payable.
- (d) Capital expenditures consist of additions (excluding business combinations) to property, plant and equipment, construction in progress, investment properties, land use rights and intangible assets (excluding media contents, game licenses and other contents).

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

	Unaudited		Unaudited		
	Three months ended		Nine months ended		
	30 September	30 June	30 September	30 September	
	2018	2018	2017	2018	
	(RMB in millions, unless specified)				
Operating profit	27,861	21,807	22,746	80,360	64,578
Adjustments:					
Interest income	(1,082)	(1,072)	(1,017)	(3,219)	(2,784)
Other gains, net	(8,762)	(2,506)	(3,918)	(18,853)	(12,234)
Depreciation of property, plant and equipment and investment properties	2,321	1,918	1,263	5,903	3,504
Amortisation of intangible assets	<u>7,230</u>	<u>6,262</u>	<u>4,950</u>	<u>19,033</u>	<u>13,382</u>
EBITDA	27,568	26,409	24,024	83,224	66,446
Equity-settled share-based compensation	<u>2,009</u>	<u>1,730</u>	<u>1,608</u>	<u>5,348</u>	<u>4,288</u>
Adjusted EBITDA	<u>29,577</u>	<u>28,139</u>	<u>25,632</u>	<u>88,572</u>	<u>70,734</u>

Non-GAAP Financial Measures

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

The Company's management believes that the non-GAAP financial measures provide investors with useful supplementary information to assess the performance of the Group's core operations by excluding certain non-cash items and certain impacts of M&A transactions. In addition, non-GAAP adjustments include relevant non-GAAP adjustments for the Group's material associates based on available published financials of the relevant material associates, or estimates made by the Company's management based on available information, certain expectations, assumptions and premises.

The following tables set forth the reconciliations of the Group's non-GAAP financial measures for the third quarter of 2018 and 2017, the second quarter of 2018, and the first nine months of 2018 and 2017 to the nearest measures prepared in accordance with IFRS:

	Unaudited three months ended 30 September 2018						Non-GAAP	
	Adjustments							
	As reported	Share-based compensation	Net (gains)/losses		Impairment provision			
			from investee companies	Amortisation of intangible assets				
(a)	(b)	(c)	(d)					
Operating profit	27,861	2,011	(20,949)	127	13,513	22,563		
Profit for the period	23,405	3,531	(20,840)	916	13,411	20,423		
Profit attributable to equity holders	23,333	3,458	(20,819)	876	12,862	19,710		
EPS (RMB per share)								
- basic	2.469					2.085		
- diluted	2.440					2.061		
Operating margin	35%					28%		
Net margin	29%					25%		

Unaudited three months ended 30 June 2018

	Adjustments					Non-GAAP
	As reported	Share-based compensation	Net (gains)/losses from investee companies	Amortisation of intangible assets	Impairment provision	
	(a)	(b)	(c)	(d)		
	(RMB in millions, unless specified)					
Operating profit	21,807	1,798	(4,010)	99	2,564	22,258
Profit for the period	18,580	2,562	(4,033)	813	2,577	20,499
Profit attributable to equity holders	17,867	2,478	(3,986)	779	2,578	19,716
EPS (RMB per share)						
- basic	1.893					2.089
- diluted	1.868					2.062
Operating margin	30%					30%
Net margin	25%					28%

Unaudited three months ended 30 September 2017

	Adjustments					Non-GAAP
	As reported	Share-based compensation	Net (gains)/losses from investee companies	Amortisation of intangible assets	Impairment provision	
	(a)	(b)	(c)	(d)		
	(RMB in millions, unless specified)					
Operating profit	22,746	1,632	(3,169)	110	295	21,614
Profit for the period	18,047	1,851	(3,475)	395	356	17,174
Profit attributable to equity holders	18,006	1,816	(3,475)	367	356	17,070
EPS (RMB per share)						
- basic	1.912					1.812
- diluted	1.888					1.790
Operating margin	35%					33%
Net margin	28%					26%

Unaudited nine months ended 30 September 2018

	Adjustments					Non-GAAP
	As reported	Share-based compensation	Net (gains)/losses from investee companies	Amortisation of intangible assets	Impairment provision	
	(a)	(b)	(c)	(d)		
	(RMB in millions, unless specified)					
Operating profit	80,360	5,441	(32,747)	326	16,713	70,093
Profit for the period	65,958	7,775	(32,638)	2,260	16,697	60,052
Profit attributable to equity holders	64,490	7,521	(32,571)	2,150	16,149	57,739
EPS (RMB per share)						
- basic	6.832					6.116
- diluted	6.741					6.035
Operating margin	35%					31%
Net margin	29%					26%

Unaudited nine months ended 30 September 2017

	Adjustments					Non-GAAP
	As reported	Share-based compensation	Net (gains)/losses from investee companies	Amortisation of intangible assets	Impairment provision	
	(a)	(b)	(c)	(d)		
	(RMB in millions, unless specified)					
Operating profit	64,578	4,379	(11,535)	378	2,370	60,170
Profit for the period	50,849	4,934	(11,883)	1,367	2,766	48,033
Profit attributable to equity holders	50,713	4,791	(11,862)	1,264	2,766	47,672
EPS (RMB per share)						
- basic	5.391					5.068
- diluted	5.323					5.003
Operating margin	38%					35%
Net margin	30%					28%

Note:

- (a) Including put options granted to employees of investee companies on their shares and shares to be issued under investee companies' share-based incentive plans which can be acquired by the Group, and other incentives
- (b) Including net (gains)/losses on deemed disposals, disposals of investee companies and businesses, and fair value changes arising from investee companies
- (c) Amortisation of intangible assets resulting from acquisitions, net of related deferred tax
- (d) Impairment provision for associates, joint ventures, AFS and intangible assets arising from acquisitions

Liquidity and Financial Resources

Our net debt positions as at 30 September 2018 and 30 June 2018 are as follows:

	Unaudited 30 September 2018	Unaudited 30 June 2018
	(RMB in millions)	
Cash and cash equivalents	105,394	104,623
Term deposits and others	<u>39,079</u>	<u>29,553</u>
	144,473	134,176
Borrowings	(108,543)	(105,985)
Notes payable	<u>(65,157)</u>	<u>(63,492)</u>
Net debt	<u>(29,227)</u>	<u>(35,301)</u>
Fair value of our stakes in listed investee companies (excluding subsidiaries)	<u>273,104</u>	<u>239,690</u>

As at 30 September 2018, the Group had net debt of RMB29,227 million. The sequential decrease in indebtedness was mainly due to free cash flow generation and proceeds from disposal of certain investee companies, partially offset by payments for media content and M&A initiatives.

For the third quarter of 2018, the Group had free cash flow of RMB26,354 million. This was a result of net cash flows generated from operating activities of RMB31,819 million, offset by payments for capital expenditure of RMB5,465 million.

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2018

		Unaudited		Unaudited	
		Three months ended		Nine months ended	
		30 September		30 September	
		2018	2017	2018	2017
Note		RMB'Million	RMB'Million	RMB'Million	RMB'Million
Revenues					
		44,049	42,124	132,995	114,036
		16,247	11,042	41,046	28,078
		20,299	12,044	53,757	29,254
		80,595	65,210	227,798	171,368
Cost of revenues	4	(45,115)	(33,529)	(120,830)	(85,938)
Gross profit		35,480	31,681	106,968	85,430
Interest income		1,082	1,017	3,219	2,784
Other gains, net	3	8,762	3,918	18,853	12,234
Selling and marketing expenses	4	(6,573)	(4,812)	(18,503)	(11,630)
General and administrative expenses	4	(10,890)	(9,058)	(30,177)	(24,240)
Operating profit		27,861	22,746	80,360	64,578
Finance costs, net		(1,492)	(524)	(3,297)	(2,049)
Share of profit of associates and joint ventures		264	818	1,471	941
Profit before income tax		26,633	23,040	78,534	63,470
Income tax expense	5	(3,228)	(4,993)	(12,576)	(12,621)
Profit for the period		23,405	18,047	65,958	50,849

		Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	Note	2018 RMB'Million	2017 RMB'Million	2018 RMB'Million	2017 RMB'Million
Attributable to:					
Equity holders of the Company		23,333	18,006	64,490	50,713
Non-controlling interests		<u>72</u>	<u>41</u>	<u>1,468</u>	<u>136</u>
		<u>23,405</u>	<u>18,047</u>	<u>65,958</u>	<u>50,849</u>
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)					
- basic	6	<u>2.469</u>	<u>1.912</u>	<u>6.832</u>	<u>5.391</u>
- diluted	6	<u>2.440</u>	<u>1.888</u>	<u>6.741</u>	<u>5.323</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2018	2017	2018	2017
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Profit for the period	23,405	18,047	65,958	50,849
Other comprehensive income, net of tax:				
<i>Items that may be subsequently reclassified to profit or loss</i>				
Share of other comprehensive income of associates and joint ventures	41	336	13	513
Net gains from changes in fair value of available-for-sale financial assets	–	1,895	–	19,311
Transfer to profit or loss upon disposal of available-for-sale financial assets	–	(176)	–	(2,008)
Currency translation differences	4,462	(2,338)	4,662	(6,555)
Other fair value gains	223	270	1,416	167
<i>Items that will not be subsequently reclassified to profit or loss</i>				
Net losses from changes in fair value of financial assets at fair value through other comprehensive income	(7,864)	–	(7,329)	–
Other fair value gains/(losses)	22	241	(91)	(149)
	(3,116)	228	(1,329)	11,279
Total comprehensive income for the period	20,289	18,275	64,629	62,128
Attributable to:				
Equity holders of the Company	19,761	18,248	62,541	62,028
Non-controlling interests	528	27	2,088	100
	20,289	18,275	64,629	62,128

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018**

		Unaudited 30 September 2018	Audited 31 December 2017
	Note	RMB'Million	RMB'Million
ASSETS			
Non-current assets			
Property, plant and equipment		33,740	23,597
Construction in progress		4,386	3,163
Investment properties		736	800
Land use rights		7,033	5,111
Intangible assets		48,663	40,266
Investments in associates	8	214,178	113,779
Investments in redeemable instruments of associates	1	—	22,976
Investments in joint ventures		8,624	7,826
Financial assets at fair value through profit or loss	1,9	92,214	—
Financial assets at fair value through other comprehensive income	1,10	48,477	—
Available-for-sale financial assets	1	—	127,218
Prepayments, deposits and other assets		16,630	11,173
Other financial assets	1	2,923	5,159
Deferred income tax assets		13,850	9,793
Term deposits		—	5,365
		491,454	376,226
Current assets			
Inventories		456	295
Accounts receivable	11	25,736	16,549
Prepayments, deposits and other assets		26,208	17,110
Other financial assets	1	415	465
Financial assets at fair value through profit or loss	1,9	6,152	—
Term deposits		32,805	36,724
Restricted cash		2,306	1,606
Cash and cash equivalents		105,394	105,697
		199,472	178,446
Total assets		690,926	554,672

		Unaudited	Audited
		30 September	31 December
		2018	2017
	Note	RMB' Million	RMB' Million
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		—	—
Share premium		25,767	22,204
Treasury shares		(102)	—
Shares held for share award schemes		(4,299)	(3,970)
Other reserves		7,063	35,158
Retained earnings		<u>285,952</u>	<u>202,682</u>
		314,381	256,074
Non-controlling interests		<u>28,381</u>	<u>21,019</u>
Total equity		<u>342,762</u>	<u>277,093</u>
LIABILITIES			
Non-current liabilities			
Borrowings	14	82,578	82,094
Notes payable	15	51,410	29,363
Long-term payables		6,072	3,862
Other financial liabilities		1,403	2,154
Deferred income tax liabilities		9,881	5,975
Deferred revenue		<u>4,741</u>	<u>2,391</u>
		<u>156,085</u>	<u>125,839</u>
Current liabilities			
Accounts payable	13	69,439	50,085
Other payables and accruals		30,482	29,433
Borrowings	14	25,965	15,696
Notes payable	15	13,747	4,752
Current income tax liabilities		9,511	8,708
Other tax liabilities		946	934
Deferred revenue		<u>41,989</u>	<u>42,132</u>
		<u>192,079</u>	<u>151,740</u>
Total liabilities		<u>348,164</u>	<u>277,579</u>
Total equity and liabilities		<u>690,926</u>	<u>554,672</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

	Unaudited								
	Attributable to equity holders of the Company								
	Share capital	Share premium	Treasury shares	Shares held for share award schemes	Other reserves	Retained earnings	Total	Non- controlling interests	Total equity
	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Balance at 31 December 2017, as previously reported	—	22,204	—	(3,970)	35,158	202,682	256,074	21,019	277,093
Adjustment on adoption of IFRS 9 (Note 1)	—	—	—	—	(16,210)	16,210	—	—	—
Balance at 1 January 2018	—	22,204	—	(3,970)	18,948	218,892	256,074	21,019	277,093
Comprehensive income									
Profit for the period	—	—	—	—	—	64,490	64,490	1,468	65,958
Other comprehensive income, net of tax:									
- share of other comprehensive income of associates and joint ventures	—	—	—	—	13	—	13	—	13
- net (losses)/gains from changes in fair value of financial assets at fair value through other comprehensive income	—	—	—	—	(7,483)	—	(7,483)	154	(7,329)
- currency translation differences	—	—	—	—	4,196	—	4,196	466	4,662
- other fair value gains, net	—	—	—	—	1,325	—	1,325	—	1,325
Total comprehensive income for the period	—	—	—	—	(1,949)	64,490	62,541	2,088	64,629
Transfer of gains on disposal of financial assets at fair value through other comprehensive income to retained earnings	—	—	—	—	(9,381)	9,381	—	—	—
Share of other changes in net assets of associates	—	—	—	—	1,936	—	1,936	—	1,936

Unaudited

Attributable to equity holders of the Company									
	Share capital	Share premium	Treasury shares	Shares held for share award schemes	Other reserves	Retained earnings	Total	Non- controlling interests	Total equity
	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Transactions with equity holders									
Capital injection	-	-	-	-	-	-	-	76	76
Employee share option schemes:									
- value of employee services	-	1,434	-	-	50	-	1,484	44	1,528
- proceeds from shares issued	-	461	-	-	-	-	461	-	461
Employee share award schemes:									
- value of employee services	-	3,303	-	-	333	-	3,636	185	3,821
- shares withheld for share award schemes	-	-	-	(1,887)	-	-	(1,887)	-	(1,887)
- vesting of awarded shares	-	(1,558)	-	1,558	-	-	-	-	-
Repurchase and cancellation of shares	-	(368)	-	-	-	-	(368)	-	(368)
Repurchase of shares (not yet cancelled)	-	-	(102)	-	-	-	(102)	-	(102)
Tax benefit from share-based payments of a subsidiary	-	-	-	-	153	-	153	-	153
Profit appropriations to statutory reserves	-	-	-	-	35	(35)	-	-	-
Dividends (Note 7)	-	-	-	-	-	(6,776)	(6,776)	(453)	(7,229)
Non-controlling interests arising from business combinations	-	-	-	-	-	-	-	988	988
Deemed disposal of a subsidiary	-	-	-	-	-	-	-	(34)	(34)
Acquisition of additional equity interests in non-wholly owned subsidiaries	-	291	-	-	(515)	-	(224)	(60)	(284)
Dilution of interests in subsidiaries	-	-	-	-	478	-	478	1,909	2,387
Transfer of equity interests of subsidiaries to non-controlling interests	-	-	-	-	(2,619)	-	(2,619)	2,619	-
Recognition of the financial liabilities in respect of the put option from business combinations	-	-	-	-	(406)	-	(406)	-	(406)
Total transactions with equity holders at their capacity as equity holders for the period	-	3,563	(102)	(329)	(2,491)	(6,811)	(6,170)	5,274	(896)
Balance at 30 September 2018	-	25,767	(102)	(4,299)	7,063	285,952	314,381	28,381	342,762

Unaudited

	Attributable to equity holders of the Company								
	Share capital	Share premium	Treasury shares	Shares held for share award schemes	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Balance at 1 January 2017	—	17,324	—	(3,136)	23,693	136,743	174,624	11,623	186,247
Comprehensive income									
Profit for the period	—	—	—	—	—	50,713	50,713	136	50,849
Other comprehensive income, net of tax:									
- share of other comprehensive income of associates and joint ventures	—	—	—	—	513	—	513	—	513
- net gains from changes in fair value of available-for-sale financial assets	—	—	—	—	19,311	—	19,311	—	19,311
- transfer to profit or loss upon disposal of available-for-sale financial assets	—	—	—	—	(2,008)	—	(2,008)	—	(2,008)
- currency translation differences	—	—	—	—	(6,519)	—	(6,519)	(36)	(6,555)
- other fair value gains, net	—	—	—	—	18	—	18	—	18
Total comprehensive income for the period	—	—	—	—	11,315	50,713	62,028	100	62,128
Transactions with equity holders									
Capital injection	—	—	—	—	—	—	—	328	328
Employee share option schemes:									
- value of employee services	—	728	—	—	117	—	845	71	916
- proceeds from shares issued	—	156	—	—	—	—	156	—	156
Employee share award schemes:									
- value of employee services	—	2,996	—	—	310	—	3,306	72	3,378
- shares withheld for share award schemes	—	—	—	(1,886)	—	—	(1,886)	—	(1,886)
- vesting of awarded shares	—	(1,119)	—	1,119	—	—	—	—	—
Tax benefit from share-based payments of a subsidiary	—	—	—	—	202	—	202	—	202
Profit appropriations to statutory reserves	—	—	—	—	3	(3)	—	—	—
Dividends	—	—	—	—	—	(5,052)	(5,052)	(940)	(5,992)
Acquisition of additional equity interests in non-wholly owned subsidiaries	—	576	—	—	(800)	—	(224)	(262)	(486)
Disposal and deemed disposal of subsidiaries	—	—	—	—	—	—	—	(162)	(162)
Dilution of interests in subsidiaries	—	—	—	—	(244)	—	(244)	244	—
Transfer of equity interests of subsidiaries to non-controlling interests	—	—	—	—	(771)	—	(771)	771	—
Lapse of the put option granted to non-controlling interests	—	—	—	—	50	—	50	26	76
Total transactions with equity holders at their capacity as equity holders for the period	—	3,337	—	(767)	(1,133)	(5,055)	(3,618)	148	(3,470)
Balance at 30 September 2017	—	20,661	—	(3,903)	33,875	182,401	233,034	11,871	244,905

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018**

	Unaudited	
	Nine months ended	
	30 September	
	2018	2017
	RMB'Million	RMB'Million
Net cash flows generated from operating activities	73,222	77,546
Net cash flows used in investing activities	(102,224)	(79,089)
Net cash flows generated from financing activities	<u>26,333</u>	<u>19,023</u>
Net (decrease)/increase in cash and cash equivalents	(2,669)	17,480
Cash and cash equivalents at beginning of the period	105,697	71,902
Exchange gains/(losses) on cash and cash equivalents	<u>2,366</u>	<u>(2,039)</u>
Cash and cash equivalents at end of the period	<u><u>105,394</u></u>	<u><u>87,343</u></u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	38,671	35,678
Term deposits and highly liquid investments with initial terms within three months	<u>66,723</u>	<u>51,665</u>
	<u><u>105,394</u></u>	<u><u>87,343</u></u>

Note:

1 General information, basis of preparation and presentation

The Company was incorporated in the Cayman Islands with limited liability. The shares of the Company have been listed on the Main Board of the Stock Exchange since 16 June 2004.

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

The condensed consolidated interim financial information comprises the consolidated statement of financial position as at 30 September 2018, the consolidated income statement and the consolidated statement of comprehensive income for the three-month and nine-month periods then ended, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes (the “Interim Financial Information”). The Interim Financial Information is presented in RMB, unless otherwise stated.

The Interim Financial Information has been prepared in accordance with IAS 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2017, which have been prepared in accordance with IFRS, as set out in the 2017 annual report of the Company dated 21 March 2018 (the “2017 Financial Statements”).

Except as described below, the accounting policies and method of computation used in the preparation of the Interim Financial Information are consistent with those used in the 2017 Financial Statements, which have been prepared in accordance with IFRS under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments, which are carried at fair values.

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

New standards and amendments to IFRS effective for the financial year beginning 1 January 2018 do not have a material impact on the Group’s interim financial information, except the application of new standard IFRS 9 “Financial Instruments”, details of which are set out below:

The Group has adopted IFRS 9 since 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provision under IFRS 9, comparative figures have not been restated. As a result, any adjustments to carrying amounts of financial assets or financial liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings.

The accounting policies were changed to comply with IFRS 9. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Management has assessed the business model and the terms relating to the collection of contractual cash flows applicable to the financial assets held by the Group at the date of initial application of IFRS 9 (1 January 2018) and has classified its financial instruments into the appropriate IFRS 9 categories, which are those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and those to be measured at amortised cost. The main effects resulting from this reclassification are as follows:

At 1 January 2018	AFS RMB' Million	RCPS RMB' Million	OFA RMB' Million	FVPL RMB' Million	FVOCI RMB' Million	Total RMB' Million
Opening balance – IAS 39	127,218	22,976	5,624	–	–	155,818
Reclassification of AFS to FVPL	(68,703)	–	–	68,703	–	–
Reclassification of AFS to FVOCI	(58,515)	–	–	–	58,515	–
Reclassification of RCPS to FVPL	–	(22,976)	–	22,976	–	–
Reclassification of OFA to FVPL	–	–	(3,818)	3,818	–	–
Opening balance – IFRS 9	<u>–</u>	<u>–</u>	<u>1,806</u>	<u>95,497</u>	<u>58,515</u>	<u>155,818</u>

The main effects resulting from this reclassification on the Group's equity are as follows:

At 1 January 2018	Effect on AFS reserves RMB' Million	Effect on FVOCI reserves RMB' Million	Effect on retained earnings RMB' Million
Opening balance – IAS 39	31,152	–	202,682
Reclassification of AFS to FVPL	(16,210)	–	16,210
Reclassification of AFS to FVOCI	<u>(14,942)</u>	<u>14,942</u>	<u>–</u>
Total impact	<u>(31,152)</u>	<u>14,942</u>	<u>16,210</u>
Opening balance – IFRS 9	<u>–</u>	<u>14,942</u>	<u>218,892</u>

There was no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, while the Group does not have any such liabilities.

2 Segment information

The Group has the following reportable segments for the three and nine months ended 30 September 2018 and 2017:

- VAS;
- Online advertising; and
- Others.

“Others” segment primarily comprises payment-related services for individual and corporate users, cloud services and other services.

There were no material inter-segment sales during the three and nine months ended 30 September 2018 and 2017. The revenues from external customers reported to the chief operating decision-makers are measured in a manner consistent with that applied in the consolidated income statement.

The segment information provided to the chief operating decision-makers for the reportable segments for the three and nine months ended 30 September 2018 and 2017 is as follows:

	Unaudited			
	Three months ended 30 September 2018			
	VAS	Online advertising	Others	Total
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Segment revenues	<u>44,049</u>	<u>16,247</u>	<u>20,299</u>	<u>80,595</u>
Gross profit	<u>24,891</u>	<u>5,968</u>	<u>4,621</u>	<u>35,480</u>
Depreciation	521	395	1,052	1,968
Amortisation	<u>3,504</u>	<u>3,413</u>	<u>56</u>	<u>6,973</u>

	Unaudited			
	Three months ended 30 September 2017			
		Online		
	VAS	advertising	Others	Total
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Segment revenues	<u>42,124</u>	<u>11,042</u>	<u>12,044</u>	<u>65,210</u>
Gross profit	<u>25,221</u>	<u>4,011</u>	<u>2,449</u>	<u>31,681</u>
Depreciation	453	184	394	1,031
Amortisation	<u>2,196</u>	<u>2,570</u>	<u>—</u>	<u>4,766</u>

	Unaudited			
	Nine months ended 30 September 2018			
		Online		
	VAS	advertising	Others	Total
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Segment revenues	<u>132,995</u>	<u>41,046</u>	<u>53,757</u>	<u>227,798</u>
Gross profit	<u>79,364</u>	<u>14,573</u>	<u>13,031</u>	<u>106,968</u>
Depreciation	1,412	924	2,557	4,893
Amortisation	<u>8,668</u>	<u>9,555</u>	<u>129</u>	<u>18,352</u>

	Unaudited			
	Nine months ended 30 September 2017			
		Online		
	VAS	advertising	Others	Total
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Segment revenues	<u>114,036</u>	<u>28,078</u>	<u>29,254</u>	<u>171,368</u>
Gross profit	<u>68,915</u>	<u>10,251</u>	<u>6,264</u>	<u>85,430</u>
Depreciation	1,466	352	937	2,755
Amortisation	<u>6,039</u>	<u>6,728</u>	<u>—</u>	<u>12,767</u>

3 Other gains, net

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Gains on disposals and deemed disposals of investee companies	528	1,731	2,825	7,591
Fair value changes on FVPL (a)	20,146	—	29,134	—
Fair value changes on other financial instruments	275	1,438	788	3,944
Impairment provision for investee companies and intangible assets from acquisitions (b)	(13,513)	(295)	(16,713)	(2,370)
Subsidies and tax rebates	692	1,171	2,620	2,989
Dividend income	299	61	618	834
Donation to Tencent Charity Funds	—	—	(570)	(550)
Others	335	(188)	151	(204)
	<u>8,762</u>	<u>3,918</u>	<u>18,853</u>	<u>12,234</u>

Note:

- (a) The fair value changes on FVPL during the three and nine months ended 30 September 2018 comprised of net gains of approximately RMB20,146 million and RMB29,134 million (Note 9), respectively, as a result of increases in valuations of certain FVPL (mainly engaged in the provision of Internet-related services, media and entertainment and related businesses).
- (b) The impairment provision for investee companies, intangible assets arising from acquisitions was mainly set up against the carrying amounts of the following items:

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Investments in associates and joint ventures	12,337	173	15,533	963
Intangible assets arising from acquisitions	1,176	—	1,180	129
Investments in redeemable instruments of associates	—	47	—	607
Available-for-sale financial assets	—	75	—	671
	<u>13,513</u>	<u>295</u>	<u>16,713</u>	<u>2,370</u>

4 Expenses by nature

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Employee benefits expenses (a)	11,251	9,617	31,189	25,634
Content costs (excluding amortisation of intangible assets) (b)	9,799	8,381	26,277	22,144
Channel and distribution costs (b)	8,374	6,627	23,911	16,045
Bandwidth and server custody fees	4,365	2,966	11,513	8,057
Promotion and advertising expenses	5,409	3,768	15,159	8,816
Operating lease rentals in respect of office buildings	403	330	1,157	955
Travelling and entertainment expenses	400	273	1,007	713
Amortisation of intangible assets (c)	7,230	4,950	19,033	13,382
Depreciation of property, plant and equipment	2,315	1,254	5,882	3,481

Note:

(a) During the three and nine months ended 30 September 2018, the Group incurred expenses for the purpose of research and development of approximately RMB6,254 million and RMB16,982 million, respectively (three and nine months ended 30 September 2017: approximately RMB4,828 million and RMB12,666 million, respectively), which mainly comprised employee benefits expenses.

No significant development expenses had been capitalised for the three and nine months ended 30 September 2018 and 2017.

(b) The comparative figures of certain costs have been reclassified to better reflect the nature of the costs and in conformity to current period's classification.

(c) Mainly included the amortisation charges of intangible assets in respect of media contents and game licences.

5 Income tax expense

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

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

The Group was not subject to any taxation in the Cayman Islands and the British Virgin Islands for the three and nine months ended 30 September 2018 and 2017.

(b) Hong Kong profit tax

Hong Kong profit tax has been provided for at the rate of 16.5% on the estimated assessable profit for the three and nine months ended 30 September 2018 and 2017.

(c) PRC corporate income tax

PRC CIT has been provided for at applicable tax rates under the relevant regulations of the PRC after considering the available preferential tax benefits from refunds and allowances, and on the estimated assessable profit of entities within the Group established in the PRC for the three and nine months ended 30 September 2018 and 2017. The general PRC CIT rate is 25% for the three and nine months ended 30 September 2018 and 2017.

Certain subsidiaries of the Group in the PRC were approved as High and New Technology Enterprises, and accordingly, they were subject to a preferential CIT rate of 15% for the three and nine months ended 30 September 2018 and 2017. Moreover, according to announcement and circular issued by relevant government authorities, for the year of 2015 and beyond, a software enterprise that qualifies as a national key software enterprise is subject to a preferential CIT rate of 10%.

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 from the first year of profitable operation, after offsetting tax losses generated in prior years.

(d) Corporate income tax in other countries

Income tax on profit arising from other jurisdictions, including the United States, Europe, East Asia and South America, has been calculated on the estimated assessable profit for the three and nine months ended 30 September 2018 and 2017 at the respective rates prevailing in the relevant jurisdictions, ranging from 12.5% to 35%.

(e) Withholding tax

According to applicable tax regulations prevailing in the PRC, dividends distributed by a company established in the PRC to a foreign investor with respect to profit derived after 1 January 2008 are generally subject to a 10% withholding tax. If a foreign investor is incorporated in Hong Kong, under the double taxation arrangement between the Mainland China and Hong Kong, the relevant withholding tax rate applicable to the Group will be reduced from 10% to 5% subject to the fulfilment of certain conditions.

Dividends distributed from certain jurisdictions that the Group's entities operate in are also subject to withholding tax at respective applicable tax rates.

The income tax expense of the Group for the three and nine months ended 30 September 2018 and 2017 are analysed as follows:

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Current income tax	4,056	5,324	12,594	12,840
Deferred income tax	<u>(828)</u>	<u>(331)</u>	<u>(18)</u>	<u>(219)</u>
	<u>3,228</u>	<u>4,993</u>	<u>12,576</u>	<u>12,621</u>

6 Earnings per share

(a) Basic

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

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
Profit attributable to equity holders of the Company (RMB'Million)	<u>23,333</u>	<u>18,006</u>	<u>64,490</u>	<u>50,713</u>
Weighted average number of ordinary shares in issue (million shares)	<u>9,452</u>	<u>9,418</u>	<u>9,440</u>	<u>9,406</u>
Basic EPS (RMB per share)	<u>2.469</u>	<u>1.912</u>	<u>6.832</u>	<u>5.391</u>

(b) Diluted

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

In addition, the share options and restricted shares granted by the Company's non-wholly owned subsidiaries and associates should also have potential dilutive effect on the EPS. During the three and nine months ended 30 September 2018 and 2017, these share options and restricted shares had either anti-dilutive effect or insignificant dilutive effect to the Group's diluted EPS.

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
Profit attributable to equity holders of the Company (RMB' Million)	<u>23,333</u>	<u>18,006</u>	<u>64,490</u>	<u>50,713</u>
Weighted average number of ordinary shares in issue (million shares)	9,452	9,418	9,440	9,406
Adjustments for share options and awarded shares (million shares)	<u>109</u>	<u>121</u>	<u>127</u>	<u>122</u>
Weighted average number of ordinary shares for the calculation of diluted EPS (million shares)	<u>9,561</u>	<u>9,539</u>	<u>9,567</u>	<u>9,528</u>
Diluted EPS (RMB per share)	<u>2.440</u>	<u>1.888</u>	<u>6.741</u>	<u>5.323</u>

7 Dividends

A final dividend in respect of the year ended 31 December 2017 of HKD0.88 per share (2016: HKD0.61 per share) was proposed pursuant to a resolution passed by the Board on 21 March 2018 and approved by the shareholders of the Company at 2018 AGM. Such dividend amounting to RMB6,776 million (final dividend for 2016: RMB5,052 million) was paid before 30 September 2018.

The Board did not declare any interim dividend for the nine months ended 30 September 2018 and 2017.

8 Investments in associates

	Unaudited	Audited
	30 September	31 December
	2018	2017
	RMB'Million	RMB'Million
Investments in associates		
- Listed entities (Note)	128,292	60,935
- Unlisted entities	<u>85,886</u>	<u>52,844</u>
	<u>214,178</u>	<u>113,779</u>

Note:

As at 30 September 2018, the fair value of the investments in associates which are listed entities was RMB216,225 million (31 December 2017: RMB156,968 million).

Movement of investments in associates is analysed as follows:

	Unaudited	
	Nine months ended	
	30 September	
	2018	2017
	RMB'Million	RMB'Million
At beginning of period	113,779	70,042
Additions (a)	38,765	11,168
Deemed disposal gains	1,517	3,516
Share of profit of associates	1,318	895
Share of other changes in net assets of associates	1,936	–
Share of other comprehensive income of associates	15	513
Dividends	(908)	(284)
Transfers (b)	68,656	612
Disposals	(661)	(156)
Impairment provision (c)	(13,207)	(963)
Currency translation differences	<u>2,968</u>	<u>(3,928)</u>
At end of period	<u>214,178</u>	<u>81,415</u>

Note:

- (a) During the nine months ended 30 September 2018, the Group's additions to investments in associates mainly comprised an additional investment in an eCommerce company of approximately RMB7,456 million, acquisition of additional equity interests of approximately RMB4,800 million in a media and entertainment company which was previously recognised as FVPL, an additional investment in another media and entertainment company of approximately RMB3,998 million, an investment in an online game company of approximately RMB2,985 million, and subscription of additional shares of a leading eCommerce platform for services upon its IPO of approximately RMB2,757 million.
- (b) During the nine months ended 30 September 2018, transfers mainly comprised the following:
- as described in note (a) above, an investment in a leading eCommerce platform for services was re-designated from FVPL due to the conversion of preferred shares held by the Group to ordinary shares with board representation upon its IPO. As at 30 September 2018, the Group's equity interests in this associate are approximately 19% on an outstanding basis;
 - an acquisition of approximately 4% in a commercial property company in the PRC at a consideration of approximately RMB10,266 million was carried out in certain tranches and completed in September 2018. The board representation was effective upon the completion of final tranche and the investment was transferred from FVPL accordingly; and
 - the Group also transferred several investments at an aggregate amount of approximately RMB10,097 million from FVPL upon the conversion of the redeemable instruments or preferred shares into ordinary shares upon their IPOs.
- (c) During the nine months ended 30 September 2018, the Group made an aggregate impairment provision of RMB13,207 million (nine months ended 30 September 2017: RMB963 million) against the carrying amounts of certain investments in associates based on the respective assessed recoverable amounts.

9 Financial assets at fair value through profit or loss

FVPL include the following:

	Unaudited 30 September 2018 RMB'Million
Included in non-current assets:	
Investments in listed entities	9,778
Investments in unlisted entities	77,893
Others	<u>4,543</u>
	<u>92,214</u>
Included in current assets:	
Treasury investments and others	<u>6,152</u>
	<u><u>98,366</u></u>

Movement of FVPL is analysed as follows:

	Unaudited Nine months ended 30 September 2018 RMB'Million
At beginning of period	—
Adjustment on adoption of IFRS 9 (Note 1)	95,497
Additions ((a), (b), (c), (d), (e) and Note 8(b))	50,625
Transfers	(70,632)
Changes in fair value (Note 3(a))	29,134
Disposals (f)	(13,081)
Currency translation differences	<u>6,823</u>
At end of period	<u><u>98,366</u></u>

Note:

- (a) During the nine months ended 30 September 2018, the Group entered into a share purchase agreement with an investee company, which is principally engaged in the media and entertainment business, to subscribe for approximately 35% of its equity interests, on an outstanding basis, at a total consideration of approximately USD462 million (equivalent to approximately RMB2,922 million).

- (b) During the nine months ended 30 September 2018, the Group disposed of its entire equity interest in an investee company, to another investee company of the Group at a total consideration of approximately USD551 million (equivalent to approximately RMB3,481 million) comprised of cash and its equity interests. The acquirer is principally engaged in the provision of Internet-related services.
- (c) During the nine months ended September 2018, the Group made additional investment in an existing investee company, which is principally engaged in online game business, to further subscribe for certain equity interests in it at a consideration of approximately USD410 million (equivalent to approximately RMB2,799 million). As at 30 September 2018, the Group's equity interests in this investee company are approximately 11% on an outstanding basis.
- (d) During the nine months ended 30 September 2018, the Group made additional investment in an existing investee company which is principally engaged in the media and entertainment business, to further subscribe for certain equity interests in it at a total consideration of approximately USD400 million (equivalent to approximately RMB2,536 million). As at 30 September 2018, the Group's equity interests in this investee company are approximately 14% on an outstanding basis.
- (e) During the nine months ended 30 September 2018, the Group also made certain new investments and additional investments with an aggregate amount of approximately RMB29,559 million in listed and unlisted entities mainly operated in the United States, the PRC and other Asian countries. These companies are principally engaged in games, entertainment, technology and other Internet-related business.
- (f) During the nine months ended 30 September 2018, the Group disposed of certain investments, which are mainly engaged in the provision of Internet-related services.

10 Financial assets at fair value through other comprehensive income

FVOCI include the following:

	Unaudited 30 September 2018 RMB'Million
Equity investments in listed entities	
- United States	37,942
- Mainland China	5,811
- France	<u>3,348</u>
	<u>47,101</u>
Others	<u>1,376</u>
	<u><u>48,477</u></u>

Movement of FVOCI is analysed as follows:

	Unaudited Nine months ended 30 September 2018 RMB'Million
At beginning of period	—
Adjustment on adoption of IFRS 9 (Note 1)	58,515
Additions ((a), (b), (c), (d) and (e))	14,619
Transfers	1,791
Changes in fair value	(7,457)
Disposals (f)	(21,581)
Currency translation differences	<u>2,590</u>
At end of period	<u><u>48,477</u></u>

Note:

- (a) During the nine months ended 30 September 2018, the Group entered into a share purchase agreement with an investee company, which is principally engaged in retail business, to acquire approximately 5% of its equity interests, on an outstanding basis, at a total consideration of approximately RMB4,216 million.
- (b) During the nine months ended 30 September 2018, the Group made additional investment in an existing investee company, which is principally engaged in Internet-related business, to further acquire approximately 3% of its equity interests, on an outstanding basis, at a total consideration of approximately USD570 million (equivalent to approximately RMB3,712 million).

- (c) During the nine months ended 30 September 2018, the Group entered into a share purchase agreement with an investee company, which is principally engaged in game business, to acquire approximately 5% of its equity interests, on an outstanding basis, at a total consideration of approximately EUR371 million (equivalent to approximately RMB2,900 million).
- (d) During the nine months ended 30 September 2018, the Group made additional investment in an existing investee company, which is principally engaged in media and entertainment business, to further acquire certain equity interests, at a total consideration of approximately USD395 million (equivalent to approximately RMB2,508 million).
- (e) During the nine months ended 30 September 2018, the Group also made certain new investments and additional investments with an aggregate amount of approximately RMB1,283 million in listed entities mainly operated in the PRC, which are principally engaged in technology services.
- (f) During the nine months ended 30 September 2018, the Group partially disposed of certain listed investments, with total gains of approximately RMB9,381 million on disposals of FVOCI transferred from other reserves to retained earnings.

11 Accounts receivable

Accounts receivable and their ageing analysis, based on recognition date, are as follows:

	Unaudited 30 September 2018 RMB'Million	Audited 31 December 2017 RMB'Million
0 ~ 30 days	5,345	4,399
31 ~ 60 days	7,755	6,394
61 ~ 90 days	5,158	2,259
Over 90 days	<u>7,478</u>	<u>3,497</u>
	<u>25,736</u>	<u>16,549</u>

Receivable balances as at 30 September 2018 and 31 December 2017 mainly represented amounts due from online advertising customers and agencies, third party platform providers, and telecommunication operators.

Some online advertising customers and agencies are granted with a credit period of 90 days after full execution of the contracted advertisement orders. Third party platform providers and telecommunication operators usually settle the amounts due by them within 60 days and a period of 30 to 120 days, respectively.

12 Share option and share award schemes

(a) Share option schemes

The Company has adopted five share option schemes, namely, the Pre-IPO Option Scheme, the Post-IPO Option Scheme I, the Post-IPO Option Scheme II, the Post-IPO Option Scheme III and the Post-IPO Option Scheme IV.

The Pre-IPO Option Scheme, the Post-IPO Option Scheme I and the Post-IPO Option Scheme II expired on 31 December 2011, 23 March 2014 and 16 May 2017, respectively. Upon the expiry of these schemes, no further options would be granted under these schemes, but the options granted prior to such expiry continued to be valid and exercisable in accordance with provisions of the schemes.

In respect of the Post-IPO Option Scheme III and the Post-IPO Option Scheme IV which continue to be in force, the Board may, at its discretion, grant options to any qualifying participants to subscribe for shares in the Company, subject to the terms and conditions stipulated therein. The exercise price must be in compliance with the requirement under the Listing Rules. In addition, the option vesting period is determined by the Board provided that it is not later than the last day of a 10-year period for the Post-IPO Option Scheme III and a 7-year period for the Post-IPO Option Scheme IV after the date of grant of option.

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

	Post-IPO Option Scheme II		Post-IPO Option Scheme III		Post-IPO Option Scheme IV		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 2018	HKD179.90	55,510,248	HKD31.70	2,500,000	HKD273.80	9,155,860	67,166,108
Granted	–	–	–	–	HKD405.73	27,723,850	27,723,850
Exercised	HKD107.28	(3,629,242)	HKD31.70	(2,500,000)	HKD272.36	(341,207)	(6,470,449)
Lapsed	HKD131.47	(37,139)	–	–	HKD282.21	(111,992)	(149,131)
At 30 September 2018	HKD185.02	<u>51,843,867</u>	–	<u>–</u>	HKD374.20	<u>36,426,511</u>	<u>88,270,378</u>
Exercisable as at 30 September 2018	HKD160.37	<u>22,736,587</u>	–	<u>–</u>	HKD272.36	<u>1,814,266</u>	<u>24,550,853</u>
At 1 January 2017	HKD120.95	31,247,436	HKD31.70	2,500,000	–	–	33,747,436
Granted	HKD225.44	28,526,215	–	–	HKD272.36	9,129,470	37,655,685
Exercised	HKD46.39	(3,926,611)	–	–	–	–	(3,926,611)
Lapsed	HKD151.38	(125,405)	–	–	HKD272.36	(30,835)	(156,240)
At 30 September 2017	HKD179.63	<u>55,721,635</u>	HKD31.70	<u>2,500,000</u>	HKD272.36	<u>9,098,635</u>	<u>67,320,270</u>
Exercisable as at 30 September 2017	HKD118.56	<u>13,308,044</u>	HKD31.70	<u>1,250,000</u>	–	<u>–</u>	<u>14,558,044</u>

During the nine months ended 30 September 2018, 3,215,800 options were granted to one director of the Company (nine months ended 30 September 2017: 5,250,000 options were granted to one director of the Company).

(b) Share award schemes

The Company has adopted the Share Award Schemes as of 30 September 2018, which are administered by an independent trustee appointed by the Group. The vesting period of the awarded shares is determined by the Board.

Movements in the number of awarded shares for the nine months ended 30 September 2018 and 2017 are as follows:

	No. of awarded shares	
	Nine months ended 30 September	
	2018	2017
At beginning of period	63,636,254	86,365,812
Granted	17,385,515	18,142,435
Lapsed	(2,144,043)	(2,632,167)
Vested and transferred	<u>(26,384,636)</u>	<u>(33,594,844)</u>
At end of period	<u>52,493,090</u>	<u>68,281,236</u>
Vested but not transferred as at the end of period	<u>296,324</u>	<u>192,542</u>

During the nine months ended 30 September 2018, 39,500 awarded shares were granted to four independent non-executive directors of the Company (nine months ended 30 September 2017: 60,000 awarded shares were granted to four independent non-executive directors of the Company).

13 Accounts payable

Accounts payable and their ageing analysis, based on recognition date, are as follows:

	Unaudited 30 September 2018 RMB'Million	Audited 31 December 2017 RMB'Million
0 ~ 30 days	53,962	38,420
31 ~ 60 days	4,654	3,030
61 ~ 90 days	2,923	2,050
Over 90 days	<u>7,900</u>	<u>6,585</u>
	<u>69,439</u>	<u>50,085</u>

14 Borrowings

	Unaudited	Audited
	30 September	31 December
	2018	2017
	RMB'Million	RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD bank borrowings, unsecured (a)	75,472	76,326
Non-current portion of long-term RMB bank borrowings		
- unsecured (a)	6,229	4,459
- secured (a)	—	475
HKD bank borrowings, unsecured (a)	<u>877</u>	<u>834</u>
	82,578	<u>82,094</u>
Included in current liabilities:		
USD bank borrowings, unsecured (b)	16,441	1,307
HKD bank borrowings, unsecured (b)	3,378	14,293
Current portion of long-term USD bank borrowings, unsecured (a)	5,641	66
Current portion of long-term RMB bank borrowings,		
- unsecured (a)	30	30
- secured (a)	<u>475</u>	<u>—</u>
	25,965	<u>15,696</u>
	108,543	<u>97,790</u>

Note:

- (a) The aggregate principal amounts of long-term USD bank borrowings, long-term RMB bank borrowings and long-term HKD bank borrowings were USD11,791 million (31 December 2017: USD11,691 million), RMB6,734 million (31 December 2017: RMB4,964 million) and HKD1,000 million (31 December 2017: HKD1,000 million), respectively. Applicable interest rates are at LIBOR/HIBOR + 0.70% ~ 1.51% or a fixed interest rate of 1.875% for non-RMB bank borrowings and interest rates of 4.18% ~ 4.275% for RMB bank borrowings (31 December 2017: LIBOR/HIBOR + 0.70% ~ 1.51% or a fixed interest rate of 1.875% for non-RMB bank borrowings and interest rates of 4.18% ~ 4.275% for RMB bank borrowings) per annum.
- (b) The aggregate principal amounts of short-term USD bank borrowings and short-term HKD bank borrowings were USD2,390 million (31 December 2017: USD200 million) and HKD3,850 million (31 December 2017: HKD17,133 million), respectively. These short-term borrowings are carried at LIBOR/HIBOR + 0.50% ~ 0.55% (31 December 2017: LIBOR/HIBOR + 0.50% ~ 0.55%) per annum.

15 Notes payable

	Unaudited 30 September 2018 RMB'Million	Audited 31 December 2017 RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD notes payable	48,606	26,697
Non-current portion of long-term HKD notes payable	<u>2,804</u>	<u>2,666</u>
	<u>51,410</u>	<u>29,363</u>
Included in current liabilities:		
Current portion of long-term USD notes payable	13,747	3,919
Current portion of long-term HKD notes payable	<u>—</u>	<u>833</u>
	<u>13,747</u>	<u>4,752</u>
	<u><u>65,157</u></u>	<u><u>34,115</u></u>

Note:

The aggregate principal amounts of USD notes payable and HKD notes payable were USD9,100 million (31 December 2017: USD4,700 million) and HKD3,200 million (31 December 2017: HKD4,200 million), respectively. Applicable interest rates are at 2.875% ~ 4.70% and 3-month USD LIBOR + 0.605% (31 December 2017: 2.30% ~ 4.70%) per annum.

All of these notes payable issued by the Group were unsecured.

On 19 January 2018, the Company issued four tranches of senior notes under the Global Medium Term Note Programme with aggregate principal amounts of USD5 billion as set out below:

	Amount (USD'Million)	Interest Rate (per annum)	Due
2023 Notes	1,000	2.985%	2023
2023 Floating Rate Notes	500	3-month USD LIBOR + 0.605%	2023
2028 Notes	2,500	3.595%	2028
2038 Notes	<u>1,000</u>	3.925%	2038
	<u><u>5,000</u></u>		

In March 2018, the notes payable with an aggregate principal amount of USD600 million issued in September 2012 reached their maturity and were repaid in full by the Group.

In September 2018, the notes payable with an aggregate principal amount of HKD1,000 million issued in September 2015 reached their maturity and were repaid in full by the Group.

OTHER INFORMATION

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

During the three months ended 30 September 2018, the Company repurchased 1,668,500 shares on the Stock Exchange for an aggregate consideration of approximately HKD535.6 million before expenses. The repurchased shares were subsequently cancelled. The repurchase was effected by the Board for the enhancement of shareholder value in the long term. Details of the shares repurchased are as follows:

Month of purchase in the three months ended 30 September 2018	No. of shares purchased	Purchase consideration per share		Aggregate consideration paid HKD
		Highest price paid HKD	Lowest price paid HKD	
September	1,668,500	333.40	306.00	535,627,842

Save as disclosed above and in the “Financial Information” section, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the three months ended 30 September 2018.

Employee and Remuneration Policies

As at 30 September 2018, the Group had 52,612 employees (30 September 2017: 43,472). The number of employees employed by the Group varies from time to time depending on needs and employees are remunerated based on industry practice.

The remuneration policy and package of the Group's employees are periodically reviewed. Apart from pension funds and in-house training 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 three months ended 30 September 2018 was RMB11,251 million (for the three months ended 30 September 2017: RMB9,617 million).

Audit Committee

The Audit Committee, together with the Auditor, has reviewed the Group's unaudited Interim Financial Information for the three and nine months ended 30 September 2018. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

Compliance with the Corporate Governance Code

Save as disclosed in the 2018 interim report and the corporate governance report in the 2017 annual report of the Company, none of the directors of the Company is aware of any information which would reasonably indicate that the Company has not complied with the code provisions as set out in the CG Code during the period from 1 July 2018 to 30 September 2018.

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

APPRECIATION

On behalf of the Board, I would like to thank our staff and management team for their professionalism, dedication and hard work. I would also like to express our sincere gratitude to our shareholders and stakeholders for their continuous support to the Group. We believe that our unwavering commitment to building a healthy ecosystem around our core capabilities will enhance the user experience and will further create value for our shareholders.

By Order of the Board
Ma Huateng
Chairman

Hong Kong, 14 November 2018

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

Executive Directors:

Ma Huateng and Lau Chi Ping Martin;

Non-Executive Directors:

Jacobus Petrus (Koos) Bekker and Charles St Leger Searle; and

Independent Non-Executive Directors:

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

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

DEFINITION

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

Term	Definition
“2018 AGM”	the annual general meeting of the Company held on 16 May 2018
“AFS”	available-for-sale financial assets
“AI”	artificial intelligence
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the auditor of the Company
“Board”	the board of directors of the Company
“CG Code”	the corporate governance code as 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
“DAU”	daily active user accounts
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“EPS”	earnings per share
“EUR”	the lawful currency of European Union
“FinTech”	financial technology
“FVOCI”	financial assets at fair value through other comprehensive income
“FVPL”	financial assets at fair value through profit or loss
“GAAP”	Generally Accepted Accounting Principles

“Group”	the Company and its subsidiaries
“HIBOR”	Hong Kong InterBank Offered Rate
“HKD”	the lawful currency of Hong Kong
“HK” or “Hong Kong”	the Hong Kong Special Administrative Region, the PRC
“IAS”	International Accounting Standards
“IFRS”	International Financial Reporting Standards
“IP”	intellectual property
“IPO”	initial public offering
“LIBOR”	London InterBank Offered Rate
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“M&A”	mergers and acquisitions
“MAU”	monthly active user accounts
“Meituan Dianping”	Meituan Dianping, a limited liability company incorporated in the Cayman Islands and the shares of which are listed on the Stock Exchange
“OFA”	other financial assets
“PC”	personal computer
“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
“Post-IPO Option Scheme IV”	the Post-IPO Share Option Scheme adopted by the Company on 17 May 2017

“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
“PUBG”	PlayerUnknown’s Battlegrounds
“R&D”	research and development
“RCPS”	investments in redeemable instruments of associates
“RMB”	the lawful currency of the PRC
“RPG”	role playing game
“Share Award Schemes”	the share award scheme adopted by the Company on 13 December 2007, as amended, and the share award scheme adopted by the Company on 13 November 2013, as amended
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tencent Charity Funds”	charity funds established by the Group
“United States”	the United States of America
“USD”	the lawful currency of the United States
“VAS”	value-added services