

For Immediate Release

TENCENT ANNOUNCES 2013 THIRD QUARTER RESULTS

Hong Kong, Nov 13, 2013 –Tencent Holdings Limited (“Tencent” or the “Company”, SEHK 00700), a leading provider of comprehensive Internet services in China, today announced the unaudited consolidated results for the third quarter of 2013 ended September 30, 2013.

Highlights of the Third Quarter of 2013:

- Total revenues were RMB15,535.1 million (USD2,526.9 million¹), an increase of 8.0% over the second quarter of 2013 (“QoQ”) or an increase of 34.3% over the third quarter of 2012 (“YoY”).
- Revenues from Value-Added services (“VAS”) were RMB11,635.2 million (USD1,892.5 million), an increase of 8.2% QoQ or an increase of 24.9% YoY.
- Revenues from online advertising were RMB1,390.1 million (USD226.1 million), an increase of 7.2% QoQ or an increase of 36.9% YoY.
- Revenues from eCommerce transactions were RMB2,359.3 million (USD383.8 million), an increase of 7.3% QoQ or an increase of 108.1% YoY.
- Gross profit was RMB8,498.8 million (USD1,382.4 million), an increase of 9.0% QoQ or an increase of 25.4% YoY. Gross margin decreased to 54.7% from 58.6% of the third quarter of 2012.
- Operating profit was RMB4,815.8 million (USD783.3 million), an increase of 5.5% QoQ or an increase of 16.8% YoY. Operating margin decreased to 31.0% from 35.7% of the third quarter of 2012.
Non-GAAP operating profit² was RMB5,331.4 million (USD867.2 million), an increase of 5.6% QoQ or an increase of 20.0% YoY. Non-GAAP operating margin decreased to 34.3% from 38.4% of the third quarter of 2012.
- Profit for the quarter was RMB3,876.2 million (USD630.5 million), an increase of 5.2% QoQ or an increase of 19.6% YoY. Net margin decreased to 25.0% from 28.0% of the third quarter of 2012.
Non-GAAP profit for the quarter² was RMB4,411.7 million (USD717.6 million), an increase of 5.3% QoQ or an increase of 23.0% YoY. Non-GAAP net margin decreased to 28.4% from 31.0% of the third quarter of 2012.
- Profit attributable to equity holders of the Company for the quarter was RMB3,866.7 million (USD628.9 million), an increase of 5.1% QoQ or an increase of 20.1% YoY.
Non-GAAP profit attributable to equity holders of the Company for the quarter² was RMB4,375.7 million (USD711.7 million), an increase of 5.4% QoQ or an increase of 23.2% YoY.
- Basic earnings per share were RMB2.105. Diluted earnings per share were RMB2.070.
- Key platform statistics:
 - Monthly active Instant Messaging (“IM”) user accounts were 815.6 million, a decrease of 0.4% QoQ or an increase of 4.0% YoY.
 - Peak simultaneous online IM user accounts were 178.2 million, an increase of 2.9% QoQ or an increase of 6.5% YoY.
 - Combined MAU of Weixin and WeChat were 271.9 million, an increase of 15.3% QoQ

¹ Figures stated in USD are based on USD1 to RMB6.1480

² See “Non-GAAP Financial Measures” section for more details on the reasons for presenting these measures

- or an increase of 124.3% YoY.
- Monthly active Qzone user accounts were 623.3 million, a decrease of 0.5% QoQ or an increase of 5.1% YoY.
- Peak simultaneous online QQ Game Platform user accounts were 8.2 million, a decrease of 2.4% QoQ or a decrease of 12.8% YoY.
- Fee-based VAS registered subscriptions were 89.0 million, a decrease of 9.8% QoQ or a decrease of 17.2% YoY.

Mr. Ma Huateng, Chairman and CEO of Tencent, said, "In the third quarter, we achieved continued momentum operationally, strategically, and financially. Operationally, we launched a number of mobile games integrated with Mobile QQ and Weixin, which have become highly popular in China. Strategically, we invested into, and formed a strategic cooperation with Sogou, a leading search services, and look forward to providing our users with an enhanced search experience. Financially, we reported healthy growth in revenue, earnings, and free cash flow. We will continue to invest in our business and ecosystem through partnerships and strategic investments to create more value for our users, advertisers, developers and partners."

Financial Review for the Third Quarter of 2013

VAS revenues increased 24.9% YoY to RMB11,635.2 million and represented 74.9% of our total revenues for the third quarter of 2013. Online games revenues increased 35.4% YoY to RMB8,424.3 million. This mainly reflected higher revenues from major domestic PC titles, contribution from new PC titles, and an increase in international revenues. Social networks revenues increased by 3.7% YoY to RMB3,210.8 million. This was primarily driven by growth in item-based sales within applications on our open platforms, partly offset by a decline in subscription revenues. Smart phone games integrated with Mobile QQ and Weixin also contributed to the revenue growth of our online games and social networks.

Online advertising revenues increased 36.9% YoY to RMB1,390.1 million and represented 8.9% of our total revenues. This was primarily driven by significant growth in revenues from performance-based social advertising and online video advertising. Revenues from traditional brand advertising also increased.

eCommerce transactions revenues increased 108.1% YoY to RMB2,359.3 million and represented 15.2% of our total revenues. This mainly reflected a significant growth in our principal eCommerce transactions. Fees generated from transactions on our marketplace also increased.

Other Key Financial Information for the Third Quarter of 2013

Share-based compensation was RMB477.5 million for the third quarter of 2013 as compared with RMB446.6 million for the previous quarter.

Capital expenditure was RMB1,620.9 million for the third quarter of 2013 as compared with RMB1,464.0 million for the previous quarter.

The Company didn't repurchase any shares on the Stock Exchange during the third quarter of 2013 and as compared with 4,585,700 shares repurchased for an aggregate consideration of approximately HKD1,125.5 million in the previous quarter.

As at September 30, 2013, net cash position totaled RMB34,400.4 million which excluded short-term borrowings of RMB6,007.0 million and long-term notes payable of RMB9,216.4 million.

As at September 30, 2013, the total number of shares of the Company in issue was 1.859 billion.

BUSINESS REVIEW AND OUTLOOK

Overall Financial Performance

In the third quarter of 2013, we achieved solid year-on-year growth in revenues and profits, while driving uptake of our smart phone applications and launching several smart phone games.

- *VAS*. Our online game business benefited from the growth of our major PC titles and initial contributions from smart phone games integrated with Mobile QQ and Weixin. Our social network revenues grew as applications on our open platforms registered a significant increase in item-based sales, offsetting weakness in subscription services.

- *Online advertising*. Our online advertising business achieved a solid revenue increase compared to the same period last year, reflecting growth across brand display and performance display categories. Performance-based social advertising and online video advertising were the key growth drivers of the business.

- *eCommerce transactions*. The third quarter of 2013 saw a significant year-on-year increase in revenues from principal eCommerce transactions as we improved our user experience and expanded our business coverage. Fees generated from transactions on our marketplaces also increased compared to the same period last year.

Strategic Highlights

In September 2013, we made a joint press announcement with Sohu and Sogou regarding the establishment of a strategic co-operation, under which we invested a net cash amount of USD448 million in Sogou and merged our SoSo search-related businesses and certain other assets with Sogou. Immediately after the transaction, we held 36.5% of Sogou's equity capital and 20.6% of the voting interest of Sogou, each on a fully-diluted basis.

Sogou will continue to operate independently. We will work closely with Sogou on joint development, cross-promotion and integration related to products and services, while collaborating in areas of search technology, user insights and data sharing. Sogou's products will have direct access to the vast user base of our communities.

We believe Sogou is the ideal partner for us to further develop search opportunities in China. The transaction reinforces our "open, win-win" philosophy of working with leading teams to create innovative products for users, and to build a healthy, diversified ecosystem for the industry. We believe that Sogou, benefiting from its combination with SoSo, will deliver superior search experiences to users on our social, browser and content platforms, especially on mobile devices. We expect that Sogou may also enjoy cost synergies and greater monetisation potential as a result of the economies of scale inherent in the search business.

Divisional and Product Highlights

Communications Platforms

In the third quarter of 2013, the user base of QQ grew incrementally, with MAU increasing by 4.0% on a year-on-year basis to 815.6 million at the end of the quarter. Aggregate MAU was relatively stable quarter-on-quarter, while smart device MAU¹ grew by 10.1% quarter-on-quarter, reflecting increased user adoption of Mobile QQ as we enhanced its user experience and features. PCU for the quarter reached 178.2 million, representing year-on-year growth of 6.5%.

Combined MAU of Weixin and WeChat increased by 124.3% on a year-on-year basis to 271.9 million at the end of the third quarter of 2013. The rapid active user expansion was supported by the launch of new services and features, such as games and online payment for Weixin, and improved user experience. In addition, WeChat benefited from marketing activities in international markets.

Social Platforms

Qzone's MAU increased by 5.1% on a year-on-year basis to 623.3 million at the end of the third quarter of 2013. On a quarter-on-quarter basis, while aggregate MAU remained broadly stable, smart device MAU² grew by 10.4% quarter-on-quarter, reflecting increased user adoption of Mobile Qzone.

Media Platforms

In the third quarter of 2013, we made significant progress in mobilising our media platforms. For example, Tencent News has significantly expanded its user base and reinforced its leading position via mobile applications as well as plug-ins on Mobile QQ and Weixin. We are exploring monetising Tencent News via splash screen advertisements and sponsored news feeds.

VAS

Our open platforms delivered significant year-on-year growth in paying users and revenues. During the quarter, we continued to focus on nurturing success for third-party developers and doubled the number of revenue-generating applications compared to the same period last year. We also strengthened our distribution capabilities, in order to enhance the reach of applications on our platforms.

Our VAS subscription count continued to decline in the third quarter of 2013, primarily reflecting lower consumption of our paid subscriptions as users shift from PCs to mobile devices, due to

¹ Smart device MAU of QQ denotes the total number of QQ MAU that logged in via the Mobile QQ application on iOS or Android devices at least once during the last calendar month of the quarter. Aggregate MAU of QQ denotes the total number of user accounts that logged into QQ on any device at least once during the last calendar month of the quarter.

² Smart device MAU of Qzone denotes the total number of Qzone MAU that logged in via the Mobile Qzone applications on iOS or Android devices at least once during the last calendar month of the quarter. Aggregate MAU of Qzone denotes the total number of user accounts that logged into Qzone on any device at least twice during the last calendar month of the quarter.

fewer paid privileges on smart devices as compared to those on PCs or feature phones. In addition, stringent measures to clean up certain user accounts acquired through mobile channels with low possibility of fee collection impacted our subscription count. We are in the process of aligning our VAS subscription services with the mobile Internet opportunities, through smart-phone-oriented subscription services such as Super VIP.

In the third quarter of 2013, our online game business benefited from the growth of our major domestic titles and higher contribution from international markets. QQ Game experienced a decline in PCU compared to the same period last year as increasing mobile usage resulted in a more dispersed user activity pattern, and as our open platforms impacted user activity. Since August 2013, we have introduced a number of smart phone games integrated with Mobile QQ and Weixin, many of which achieved first-ranked positions in application store rankings of game downloads in China. We believe such consistent performance demonstrates that our mobile platforms can achieve not only extensive user reach via Mobile QQ and Weixin game centers, but also viral adoption and enhanced user engagement by enabling game players to interact with their friends and families. We will expand our smart phone game portfolio for Mobile QQ and Weixin with both self-developed and third-party games. In our income statement, we allocate revenues from games integrated with Mobile QQ and Weixin to different revenue categories under the VAS segment. The portion attributable to the Mobile QQ and Weixin platforms is included in social network revenues, while the remaining portion, which is related to game operations and game development, is included in online game revenues.

Online Advertising

Our advertising business continued to expand in the third quarter of 2013, with revenue growth across the brand display and performance display categories. For brand display advertising, revenues from our online video platform achieved strong growth, riding on an expanded advertiser base and improved pricing. Our regional portals also registered revenue growth. For performance display advertising, revenues from our social platforms benefited from growth in impression volume and improved targeting, which enables advertisers to achieve competitive cost per click while yielding attractive revenue per thousand impressions for our platforms. For search advertising, we expect the integration between Sogou and SoSo to complete by the end of 2013.

eCommerce Transactions

The third quarter of 2013 saw a significant year-on-year growth in the volume of principal eCommerce transactions. This reflected our focus on enhancing user experience, broadening product categories and expanding geographic coverage. Our marketplaces also achieved revenue growth compared to the same period last year, with improved product selection and customer service.

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About Tencent

Tencent uses technology to enrich the lives of Internet users. Every day, hundreds of millions of people communicate, share experiences, consume information, seek entertainment, and shop online through our integrated platforms. Our diversified services include QQ, Weixin and WeChat for communications; Qzone for social networking; QQ Game Platform for online games; QQ.com for information; as well as our eCommerce open platform. Our company was founded in Shenzhen in 1998 and went public on the Hong Kong Stock Exchange in 2004. We seek to evolve with the Internet by investing in innovation, providing a hospitable environment for our partners, and staying close to our users.

For more information, please visit www.tencent.com/ir

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Non-GAAP Financial Measures

To supplement the consolidated results of the Company 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 and non-GAAP profit attributable to equity holders of the Company, have been presented in this press release. 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 Company's core operations by excluding certain non-cash items and certain impact of acquisitions.

Forward-Looking Statements

This press release contains forward-looking statements relating to the business outlook, forecast business plans and growth strategies of the Company. These forward-looking statements are based on information currently available to the Company and are stated herein on the basis of the outlook at the time of this press release. 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 realized in future. Underlying the forward-looking statements is a large number of risks and uncertainties. Further information regarding these risks and uncertainties is included in our other public disclosure documents on our corporate website.

CONSOLIDATED INCOME STATEMENT

In RMB '000 (unless otherwise stated)

	Unaudited		Unaudited	
	3Q2013	2Q2013	3Q2013	3Q2012
Revenues	15,535,112	14,384,521	15,535,112	11,565,556
VAS	11,635,168	10,752,102	11,635,168	9,317,244
Online advertising	1,390,145	1,297,257	1,390,145	1,015,266
eCommerce transactions	2,359,305	2,199,448	2,359,305	1,133,901
Others	150,494	135,714	150,494	99,145
Cost of revenues	(7,036,286)	(6,590,285)	(7,036,286)	(4,787,093)
Gross profit	8,498,826	7,794,236	8,498,826	6,778,463
<i>Gross margin</i>	<i>54.7%</i>	<i>54.2%</i>	<i>54.7%</i>	<i>58.6%</i>
Interest income	336,862	324,241	336,862	205,781
Other gains/(losses), net	67,111	81,687	67,111	(14,791)
S&M expenses	(1,465,936)	(1,234,117)	(1,465,936)	(819,790)
G&A expenses	(2,621,080)	(2,400,943)	(2,621,080)	(2,025,298)
Operating profit	4,815,783	4,565,104	4,815,783	4,124,365
<i>Operating margin</i>	<i>31.0%</i>	<i>31.7%</i>	<i>31.0%</i>	<i>35.7%</i>
Finance (costs)/income, net	(22,483)	14,333	(22,483)	(99,478)
Share of profit/(losses) of associates	49,814	46,070	49,814	(21,188)
Share of losses of jointly controlled entities	(12,119)	(15,095)	(12,119)	(6,089)
Profit before income tax	4,830,995	4,610,412	4,830,995	3,997,610
Income tax expense	(954,801)	(926,157)	(954,801)	(756,465)
Profit for the period	3,876,194	3,684,255	3,876,194	3,241,145
<i>Net margin</i>	<i>25.0%</i>	<i>25.6%</i>	<i>25.0%</i>	<i>28.0%</i>
Attributable to:				
Equity holders of the Company	3,866,662	3,680,389	3,866,662	3,218,693
Non-controlling interests	9,532	3,866	9,532	22,452
Non-GAAP profit attributable to equity holders of the Company	4,375,718	4,152,001	4,375,718	3,551,337
Earnings per share (GAAP)				
- basic (RMB)	2.105	2.009	2.105	1.759
- diluted (RMB)	2.070	1.976	2.070	1.727

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In RMB '000 (unless otherwise stated)

	Unaudited		Unaudited	
	3Q2013	2Q2013	3Q2013	3Q2012
Profit for the period	3,876,194	3,684,255	3,876,194	3,241,145
Other comprehensive income, net of tax:				
Items that may be reclassified to profit or loss				
Share of other comprehensive (losses)/income of associates	(106)	495	(106)	-
Net gains/(losses) from changes in fair value of available-for-sale financial assets	2,233,412	367,783	2,233,412	(37,923)
Currency translation differences	29,892	(28,407)	29,892	125
Total comprehensive income for the period	6,139,392	4,024,126	6,139,392	3,203,347
Attributable to:				
Equity holders of the Company	6,127,983	4,025,050	6,127,983	3,180,882
Non-controlling interests	11,409	(924)	11,409	22,465

OTHER FINANCIAL INFORMATION

In RMB '000 (unless otherwise stated)

	Unaudited		
	3Q2013	2Q2013	3Q2012
EBITDA (a)	5,255,978	4,968,600	4,591,603
Adjusted EBITDA (a)	5,599,651	5,228,433	4,784,020
Adjusted EBITDA margin (b)	36.0%	36.3%	41.4%
Interest expense	98,310	92,002	86,104
Net cash (c)	34,400,433	33,556,493	23,492,375
Capital expenditures (d)	1,620,864	1,464,020	1,132,314

Note:

- EBITDA consists of operating profit less interest income, and plus other losses/(gains), net depreciation of fixed assets and investment properties and amortisation of intangible assets. Adjusted EBITDA consists of EBITDA plus equity-settled share-based compensation expenses.
- Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by revenues.
- Net cash represents period end balance and is calculated as cash and cash equivalents, term deposits, and restricted cash pledged for secured bank borrowings, minus borrowings and long-term notes payable.
- Capital expenditures consist of additions (excluding business combinations) to fixed assets, construction in progress, land use rights and intangible assets (excluding game and other content licences).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In RMB '000 (unless otherwise stated)

	Unaudited 30 September 2013	Unaudited 30 June 2013
ASSETS		
Non-current assets		
Fixed assets	8,529,409	8,182,143
Construction in progress	1,310,208	918,776
Investment properties	-	21,476
Land use rights	883,339	823,789
Intangible assets	4,870,541	4,798,610
Interests in associates	11,495,242	8,073,492
Investment in jointly controlled entities	9,256	8,742
Deferred income tax assets	175,370	174,135
Available-for-sale financial assets	8,756,251	6,282,289
Prepayments, deposits and other assets	1,201,334	1,060,129
Term deposits	13,620,000	13,081,000
	50,850,950	43,424,581
Current assets		
Inventories	984,761	715,789
Accounts receivable	2,669,501	2,895,327
Prepayments, deposits and other assets	5,476,141	5,240,152
Term deposits	17,401,202	15,920,732
Restricted cash	3,437,669	3,165,791
Cash and cash equivalents	18,602,602	14,791,822
	48,571,876	42,729,613
Total assets	99,422,826	86,154,194
EQUITY		
Equity attributable to the Company's equity holders		
Share capital	200	199
Share premium	2,533,575	2,193,289
Shares held for share award scheme	(858,924)	(674,674)
Other reserves	2,813,403	584,071
Retained earnings	48,391,639	44,525,134
	52,879,893	46,628,019
Non-controlling interests	806,931	823,757
Total equity	53,686,824	47,451,776
LIABILITIES		
Non-current liabilities		
Borrowings	3,442,880	2,471,480
Long-term notes payable	9,216,391	7,396,646
Deferred income tax liabilities	1,593,835	1,388,002
Long-term payables	1,546,136	1,535,840
	15,799,242	12,791,968
Current liabilities		
Accounts payable	6,563,151	6,410,489
Other payables and accruals	8,210,724	7,546,012
Borrowings	2,564,100	368,935
Current income tax liabilities	1,197,483	869,441
Other tax liabilities	549,247	579,855
Deferred revenue	10,852,055	10,135,718
	29,936,760	25,910,450
Total liabilities	45,736,002	38,702,418
Total equity and liabilities	99,422,826	86,154,194

RECONCILIATIONS OF IFRS TO NON-GAAP RESULTS

<i>In RMB '000</i> <i>Unless specified</i>	As reported	Adjustments						Non-GAAP
		Equity-settled share-based compensation	Cash-settled share-based compensation (a)	Losses/(gains) on deemed disposal (b)	Amortisation of intangible assets (c)	Impairment provision (d)	Special dividend income (e)	
Unaudited three months ended 30 September 2013								
Operating profit	4,815,783	343,673	133,871	-	38,058	-	-	5,331,385
Profit for the period	3,876,194	343,673	133,871	-	57,969	-	-	4,411,707
Profit attributable to equity holders	3,866,662	340,211	119,069	-	49,776	-	-	4,375,718
Operating margin	31.0%							34.3%
Net margin	25.0%							28.4%
Unaudited three months ended 30 June 2013								
Operating profit	4,565,104	259,833	186,744	-	38,784	-	-	5,050,465
Profit for the period	3,684,255	259,833	186,744	-	58,628	-	-	4,189,460
Profit attributable to equity holders	3,680,389	257,853	163,728	-	50,031	-	-	4,152,001
Operating margin	31.7%							35.1%
Net margin	25.6%							29.1%
Unaudited three months ended 30 September 2012								
Operating profit	4,124,365	192,417	24,860	5,150	38,494	448,000	(390,472)	4,442,814
Profit for the period	3,241,145	192,417	24,860	5,150	66,013	448,000	(390,472)	3,587,113
Profit attributable to equity holders	3,218,693	189,660	21,921	5,150	58,385	448,000	(390,472)	3,551,337
Operating margin	35.7%							38.4%
Net margin	28.0%							31.0%

Note:

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