

For Immediate Release

TENCENT ANNOUNCES 2017 FOURTH QUARTER AND ANNUAL RESULTS

Hong Kong, March 21, 2018 – Tencent Holdings Limited (“Tencent” or the “Company”, 00700.HK), a leading provider of Internet value added services in China, today announced the unaudited consolidated results for the fourth quarter of 2017 (“4Q2017”) and audited consolidated results for the year ended December 31, 2017 (“FY2017”).

FY2017 Key Highlights

Revenues: +56% YoY, non-GAAP Profit attributable to equity holders of the Company: +43% YoY

- Total revenues were RMB237,760 million (USD36,387 million¹), an increase of 56% over the year ended December 31, 2016 (“YoY”).
- Operating profit was RMB90,302 million (USD13,820 million), an increase of 61% YoY. Operating margin was 38%, up from 37% last year.
- Profit for the year was RMB72,471 million (USD11,091 million), an increase of 75% YoY. Net margin increased to 30% from 27% last year.
- Profit attributable to equity holders of the Company for the year was RMB71,510 million (USD10,944 million), an increase of 74% YoY.
- Basic earnings per share were RMB7.598. Diluted earnings per share were RMB7.499.
- On a non-GAAP² basis, which excludes certain non-cash items and certain impact of M&A transactions:
 - Operating profit was RMB82,023 million (USD12,553 million), an increase of 41% YoY. Operating margin decreased to 34% from 38% last year.
 - Profit for the year was RMB66,404 million (USD10,163 million), an increase of 44% YoY. Net margin decreased to 28% from 30% last year.
 - Profit attributable to equity holders of the Company for the year was RMB65,126 million (USD9,967 million), an increase of 43% YoY.
 - Basic earnings per share were RMB6.920. Diluted earnings per share were RMB6.830.

4Q2017 Key Highlights

Revenues: +51% YoY, non-GAAP Profit attributable to equity holders of the Company: +42% YoY

- Total revenues were RMB66,392 million (USD10,161 million), an increase of 51% over the fourth quarter of 2016 (“YoY”).
- Operating profit was RMB25,724 million (USD3,937 million), an increase of 85% YoY. Operating margin increased to 39% from 32% last year.
- Profit for the period was RMB21,622 million (USD3,309 million), an increase of 105% YoY. Net margin increased to 33% from 24% last year.
- Profit attributable to equity holders of the Company for the quarter was RMB20,797 million (USD3,183 million), an increase of 98% YoY.

¹ Figures stated in USD are based on USD1 to RMB6.5342

² Non-GAAP adjustments excludes share-based compensation and M&A related impact such as net (gains)/losses from investee companies, amortisation of intangible assets and impairment provision

- Basic earnings per share were RMB2.206. Diluted earnings per share were RMB2.177.
- On a non-GAAP basis, which excludes certain non-cash items and certain impact of M&A transactions:
 - Operating profit was RMB21,853 million (USD3,344 million), an increase of 46% YoY. Operating margin decreased to 33% from 34% last year.
 - Profit for the quarter was RMB18,371 million (USD2,812 million), an increase of 48% YoY. Net margin was 28%, the same as last year.
 - Profit attributable to equity holders of the Company for the quarter was RMB17,454 million (USD2,671 million), an increase of 42% YoY.
 - Basic earnings per share were RMB1.852. Diluted earnings per share were RMB1.827.

Mr. Ma Huateng, Chairman and CEO of Tencent, said, “During 2017 and continuing in 2018, Tencent made important strategic moves that reinforced our leadership. Our streaming video service became the China market leader with the most mobile daily active users and monthly subscriptions. Our *Weixin Mini Program* platform rapidly expanded its developer base and user adoption. Our *QQ Speed Mobile* racing game and *PUBG: Exciting Battleground* shooter game achieved absolute leadership in, and grew the audiences of, their respective genres. Looking forward, we are substantially increasing our investment in areas including video, payment, cloud, AI technologies and smart retail, which will impact our near term earnings but which we believe can generate long term value and growth opportunities.”

4Q2017 Financial Review

Revenues from our Value Added Services (VAS) business increased by 37% to RMB39,947 million for the fourth quarter of 2017 on a year-on-year basis. Online games revenues increased by 32% to RMB24,367 million. The increase primarily reflected growth in revenues from our existing smart phone games such as Honour of Kings, and new smart phone games such as Kings of Chaos and Legacy TLBB Mobile. The increase also reflected higher revenues from our PC client games such as DnF and LoL. Social networks revenues grew by 45% to RMB15,580 million. The increase was mainly due to higher revenues from digital content services such as subscription video streaming and live broadcast, as well as from in-game virtual item sales.

Revenues from our online advertising business increased by 49% to RMB12,361 million for the fourth quarter of 2017 on a year-on-year basis. Media advertising revenues grew by 22% to RMB4,121 million, mainly benefiting from revenue growth from our Tencent Video, video streaming services, partly offset by the reduced advertising inventory of our news apps due to revamping their advertising systems. Social and others advertising revenues increased by 68% to RMB8,240 million, primarily due to growth in advertising revenues derived from Weixin (mainly from Weixin Moments and Weixin Official Accounts) and our advertising network³.

Revenues from our other businesses increased by 121% to RMB14,084 million for the fourth quarter of 2017 on a year-on-year basis. The increase was mainly driven by growth in revenues from our payment related and cloud services.

³ Since the first quarter of 2017, we have reclassified online advertising revenues. Without the reclassification, performance-based advertising revenues increased by 59% to RMB8,204 million and brand display advertising revenues increased by 33% to RMB4,157 million for the fourth quarter of 2017 on a YoY basis

Other Key Financial Information for 4Q2017

Share-based compensation was RMB1,874 million, up 7% YoY.

EBITDA was RMB23,278 million, up 39% YoY. Adjusted EBITDA was RMB25,127 million, up 36% YoY.

Capital expenditure was RMB4,975 million, up 75% YoY.

Free cash flow was RMB24,170 million, up 41% YoY.

As at December 31, 2017, net cash position totalled RMB16,332 million. Fair value of our stakes in listed investee companies (both associates and available-for-sale financial assets) totalled RMB210.8 billion as at December 31, 2017.

Company Strategic Highlights

In 2017, we fortified our “Connection” strategy by enriching our content and services, thus promoting interaction and sharing among our users in innovative ways.

- *QQ*: We focused on rolling out entertainment-oriented features which appealed to young users, driving their time spent on smart devices. Our KanDian news feed service targets the entertainment-oriented information needs of young users. We have strengthened KanDian’s curation capability and recommendation algorithms to offer a more personalized news feed service and to enhance user stickiness. QQ released a series of AI-enabled features which encourage users to interact in rich media formats with entertaining tools, such as face swap effects and video chat filters.
- *Weixin and WeChat*: We further grew Weixin’s and WeChat’s user bases, such that their combined monthly active users exceeded 1 billion accounts after the Chinese New Year. Since the launch of Mini Programs in January 2017, we have been enhancing Mini Programs’ functionalities, in order to facilitate their discovery by users and the development process. Mini Programs connect users across a wide spectrum of online and offline services including retail, eCommerce, lifestyle services, utilities and games. In particular, Mini Games (a subset of Mini Programs) received a warm user reception following their launch in December 2017, further driving wide adoption of Mini Programs among users. As of January 2018, 580,000 Mini Programs were launched with over 170 million DAU.

We continued to achieve solid growth across core business segments:

- *Online games*: We sustained another year of strong growth in both smart phone and PC games. On the mobile front, our in-house developed MOBA game, Honour of Kings, achieved mass adoption and became the most popular smart phone game in China in terms of DAU. It consistently ranked top in app stores’ grossing charts for China. We achieved some initial success with the launch of its overseas version, Arena of Valor, in South East Asia. We further strengthened our leadership as the preferred publishing partner in China for domestic and international smart phone game developers. Successfully launching several licensed role playing games enhanced our presence in this high-revenue game genre. We also diversified

our smart phone game portfolio by launching strategy and car-racing titles. On PC, we solidified our leading position in 2017 against a challenging market environment. We strengthened core user engagement by organizing eSports tournaments and live streaming activities. Through attaining the PC publishing rights and mobile development rights for the popular survival shooter game “PUBG” in China, we are well-positioned to develop this emerging category of games during 2018, as evidenced by the late-mover success of the mobile game PUBG: Exciting Battleground launched before Chinese New Year.

- *Digital content:* Tencent Video achieved rapid growth in traffic and paying users driven by the popularity of our exclusive drama series, movies and self-commissioned content. We became the leading video streaming platform in China with over 137 million mobile DAU during the fourth quarter and 56 million subscriptions as of the end of 2017. In November, we successfully listed our online literature business, China Literature, on the Main Board of The Stock Exchange of Hong Kong Limited. China Literature operates one of the largest and most diverse libraries of online literary content in China. We remain its controlling shareholder and will continue to leverage its rich and diverse content library for exploring adaptation into other media formats. Tencent Music Entertainment operates the three most popular music apps in China by DAU, namely QQ Music, Kugou and WeSing. It increased subscription revenues and achieved robust virtual gifting sales. In the area of news feed content and short video, we upgraded Tencent Open Media Platform to centralize the content library and facilitate content curation for distribution across our news, browser and social properties.
- *Advertising:* For social and others advertising, we deployed our AI technology and data analysis capabilities to further strengthen the user targeting capabilities of our advertising platform, enabling our advertisers to achieve higher ROI and effectiveness. Catering to advertiser demand, we increased our ad load for Weixin Moments in certain first-tier cities and lowered the traffic threshold for advertisements in Weixin Official Accounts. The number of advertisers for social advertisements grew strongly, helped by our self-service platform and our partner platforms. For media advertising, the popularity of our original and licensed video content contributed to traffic growth, user engagement, and helped to attract more branding and sponsorship advertisements. We have completed the revamp of our news feed advertising system and started to resume monetization at the end of 2017. To facilitate effective placement by advertisers, we launched a unified advertising platform which integrated the advertising inventory of all our news feed products.
- *Payment related services:* We extended our leadership in mobile payment in terms of active user accounts and further increased our presence in commercial transactions. For social transactions, total transaction volume increased year-on-year and money transfers kept on growing while red envelope gifting volume decreased. For commercial transactions, our offline transaction volume more than doubled year-on-year. We deepened our relationships with key channel partners and empowered more small merchants with technologies to enhance their operational efficiency. Payment is also an important platform for upselling our Internet finance products. LiCaiTong, our wealth management platform, aggregated more than RMB300 billion assets under management as of the end of January 2018. WeBank achieved rapid growth in its

unsecured consumer loan business, Weilidai, which managed outstanding loans of over RMB100 billion as of the end of 2017 while maintaining a low non-performing loan ratio. In October 2017, we attained an insurance distribution license in China and started to partner with insurance companies in offering customized insurance products.

- *Cloud services*: Tencent Cloud continued to grow rapidly during the year. We maintained our leading market position in cloud services verticals including online games and video cloud services. We deepened our penetration among the leading Internet industries with more key clients, and expanded our client base in cloud services for financial services and government sectors. Our sales, channel and big data capabilities enabled us to offer smart retail solutions targeted at supermarkets, department stores, and fast moving consumer goods companies.

We are committed to investing in Artificial Intelligence (AI) and applying AI technologies to our existing products, such as performance advertising systems, content services and financial services. In addition to these core business use cases, we are deploying AI in new areas such as medical healthcare and translation. We launched an AI-empowered diagnostic medical imaging product called AI Medical Innovation System (“騰訊覓影”) which is now being deployed in close to 100 hospitals in China with accuracy rates of over 90% for diagnoses of esophageal cancer. Our AI Lab rolled out an AI-assisted translation software. In view of demand among traditional retailers to undergo digital transformation, we launched our smart retail strategy to empower offline retailers with our technological capabilities including payment, cloud, data analytics and AI technologies. We also provide traffic support to enable merchants access into our online user base. In addition, Weixin Official Accounts and Mini Programs can act as CRM systems for retailers to better connect with their customers.

Business Review and Outlook

Company Product Highlights

Operating Information

- Monthly active user accounts (“MAU”) of QQ was 783 million, a decrease of 9.8% YoY.
- Smart device MAU of QQ was 683 million, an increase of 1.7% YoY.
- Peak concurrent user accounts (“PCU”) of QQ (for the quarter) was 271 million, an increase of 11.1% YoY.
- Combined MAU of Weixin and WeChat were 989 million, an increase of 11.2% YoY.
- MAU of Qzone was 563 million, a decrease of 11.7% YoY.
- Smart device MAU of Qzone was 554 million, a decrease of 9.1% YoY.
- Fee-based VAS registered subscriptions were 135 million, an increase of 22.1% YoY

Social and Communication

- QQ: Smart device MAU was up by 1.7% year-on-year to 683.0 million while PCU, including PC and mobile,

increased by 11.1% year-on-year to 270.8 million. Smart device MAU for users aged 21 years or below increased year-on-year and their time spent per user also increased, indicating higher stickiness among young users. We launched AI-enabled features designed to attract young users to create amusing photo-, audio- and video-based messages. During the Chinese New Year, we encouraged users to send short-form greeting videos for receiving red envelopes, and to personalize greetings with Chinese New Year-themed animation and background music.

- *Qzone*: Smart device MAU was down 9.1% year-on-year to 554.0 million. Campus Qzone further increased coverage in high schools and colleges.
- *Weixin* and *WeChat*: Combined MAU was 988.6 million, representing year-on-year growth of 11.2%. Following the Chinese New Year, the combined MAU exceeded 1 billion. We fine-tuned the Weixin user interface to enable more prominent featuring of Mini Programs. The launch of Mini Games in the end of 2017 gained widespread attention and accelerated adoption among users.

Online Games

PC client games achieved approximately RMB12.8 billion revenue, representing 13% year-on-year revenue growth, mainly contributed by the increase in DnF and LoL. Active users declined due to the general user migration to mobile devices while revenues were impacted by reduced item-sales marketing in the fourth quarter of 2017. PC game revenues are likely to remain under pressure in future quarters impacted by the mobile shift. We will continue to develop the PC game franchise by enhancing our core users' engagement through organizing professional eSports tournaments, promoting breakout new games such as PUBG and Fortnite, and discovering innovative game titles such as Subnautica to strengthen our platform.

Smart phone games achieved approximately RMB16.9 billion revenue, up 59% year-on-year. The number of active users remained healthy while ARPU was down quarter-on-quarter. Our shooter game CFM rolled out a survival mode which greatly expanded its user base but with no immediate monetization. Several RPG games entered into the post-launch user consolidation phase and their revenue reduced sequentially during the quarter. We have extended our leadership in smart phone games through the roll out of new game genres. We launched two PUBG mobile games - PUBG: Exciting Battleground, which has achieved by far the highest DAU within the survival shooter game genre, and PUBG: Full Ahead, which has attained solid DAU. Currently, we focus on user experience and are yet to monetize these games. In December, we launched QQ Speed Mobile, which achieved breakout success with over 20 million DAU and healthy monetization. Its successful launch illustrated our capability to create an original game IP, operate it successfully on PC, and then extend its success to mobile.

Digital Content

Total fee-based VAS subscriptions grew by 22% year-on-year to 135 million, primarily driven by video and music streaming services. Tencent Video became the leading online video platform in China in terms of mobile DAU and subscriptions. Our mobile video DAU increased by 44% year-on-year to 137 million during the fourth

quarter of 2017 and our subscriptions increased by 121% year-on-year to 56 million as of the end of 2017. Leveraging our diversified content strategy and proven operation expertise, we further grew our online video subscriptions to approximately 62.6 million as of the end of February 2018. Our IP portfolio under China Literature and Tencent Games provides a rich source for adaptation of the quality content into video. We have accumulated an exclusive content library covering TV drama series, movies, variety shows, animation, documentaries and music programs. We are committed to investing in high quality content to solidify our position as the largest and most rapidly growing online video platform in China.

Online Advertising

Our online advertising business achieved 49% year-on-year growth in revenues. For media advertising, video revenues continued to demonstrate strong growth due to popular video content such as the self-commissioned HoK-themed variety show “王者出击” and selected drama series. News revenues decreased year-on-year as we were still revamping the advertising system during the quarter. We have launched a unified advertisement placement platform for all news feed products.

For social and others advertising, our advertising revenues year-on-year increase was primarily driven by higher advertising demand due to the enhanced targeting capability of our platforms and an expanded advertiser base leveraging our partner platforms. The sequential increase was mainly due to positive eCommerce seasonality. Advertising impressions also increased in Weixin Moments and Official Accounts, and our mobile advertising network. We are now testing CPC-based advertising links in Official Accounts which connect users to advertisers' Mini Programs.

Others

We recorded 121% year-on-year revenue growth for other businesses, which was primarily driven by the strong growth of payment related and cloud services. Commercial transaction volume of Weixin Pay continued to grow at a fast pace, driven by offline transaction volumes, which more than doubled year-on-year.

Tencent Cloud's global infrastructure covered 21 regions and operated 36 availability zones in the world as of end of 2017. While we maintained our leading position in verticals such as online games and video, we achieved rapid growth in the financial services industry through strategic partnerships with major banks and insurance clients. In addition, we offered smart retail solutions targeting supermarkets, department stores and fast moving consumer goods companies.

Company Outlook and Strategies for 2018

Looking forward, we will more aggressively invest to strengthen our long-term competitive positions in areas including online video, payment services, cloud services, AI technologies and smart retail. Our development initiatives include:

- Strengthening our social platforms to encourage user sharing, enhance connections with users' daily lives and facilitate interactions with ecosystem partners;
- Enhancing the popularity of our games through upgrading the content of our existing titles and adding innovative new titles;
- Investing in digital content, including long form and short form video content, in order to further grow our subscriber base;
- Increasing use case scenarios for payment related services to accelerate merchant and user adoption, and cooperating with partners in developing Internet financial services;
- Expanding our cloud infrastructure and recruiting more talent to better serve our clients;
- Investing in AI technologies for applications such as advertisement targeting, recommendation algorithms, and healthcare;
- Deploying our smart retail strategy to empower offline retailers by leveraging our technology services.

For other detailed disclosure, please refer to our website www.tencent.com/ir, or follow us via Weixin Official Account (Weixin ID: Tencent_IR):



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About Tencent

Tencent uses technology to enrich the lives of Internet users. Our social products Weixin and QQ link our users to a rich digital content catalogue including games, video, music and books. Our proprietary targeting technology helps advertisers reach out to hundreds of millions of consumers in China. Our infrastructure services including payment, security, cloud and artificial intelligence create differentiated offerings and support our partners' business growth. Tencent invests heavily in people and innovation, enabling us to evolve with the Internet.

Tencent was founded in Shenzhen, China, in 1998. Shares of Tencent (00700.HK) are traded on the Main Board of the Stock Exchange of Hong Kong.

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

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 realised 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

RMB in million, unless specified

	Unaudited		Audited	
	4Q2017	4Q2016	2017	2016
Revenues	66,392	43,864	237,760	151,938
VAS	39,947	29,191	153,983	107,810
Online advertising	12,361	8,288	40,439	26,970
Others	14,084	6,385	43,338	17,158
Cost of revenues	(34,897)	(20,238)	(120,835)	(67,439)
Gross profit	31,495	23,626	116,925	84,499
	<i>Gross margin</i>	<i>47%</i>	<i>54%</i>	<i>49%</i>
Interest income	1,156	653	3,940	2,619
Other gains, net	7,906	1,022	20,140	3,594
Selling and marketing expenses	(6,022)	(4,462)	(17,652)	(12,136)
General and administrative expenses	(8,811)	(6,909)	(33,051)	(22,459)
Operating profit	25,724	13,930	90,302	56,117
	<i>Operating margin</i>	<i>39%</i>	<i>32%</i>	<i>38%</i>
Finance costs, net	(859)	(483)	(2,908)	(1,955)
Share of profit/(loss) of associates and joint ventures	(120)	(522)	821	(2,522)
Profit before income tax	24,745	12,925	88,215	51,640
Income tax expense	(3,123)	(2,402)	(15,744)	(10,193)
Profit for the period	21,622	10,523	72,471	41,447
	<i>Net margin</i>	<i>33%</i>	<i>24%</i>	<i>30%</i>
Attributable to:				
Equity holders of the Company	20,797	10,529	71,510	41,095
Non-controlling interests	825	(6)	961	352
Non-GAAP profit attributable to equity holders of the Company	17,454	12,332	65,126	45,420
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)				
- basic	2.206	1.121	7.598	4.383
- diluted	2.177	1.108	7.499	4.329

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

RMB in million, unless specified

	Audited	
	2017	2016
Profit for the year	72,471	41,447
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	907	863
Net gains from changes in fair value of available-for-sale financial assets	16,854	2,929
Transfer to profit or loss upon disposal of available-for-sale financial assets	(2,561)	(1,176)
Currency translation differences	(9,316)	4,198
Other fair value gains	756	600
<i>Items that may not be subsequently reclassified to profit or loss</i>		
Other fair value gains	(50)	(244)
	6,590	7,170
Total comprehensive income for the year	79,061	48,617
Attributable to:		
Equity holders of the Company	78,218	48,194
Non-controlling interests	843	423

OTHER FINANCIAL INFORMATION

RMB in million, unless specified

	Unaudited		Audited	
	4Q2017	4Q2016	2017	2016
EBITDA (a)	23,278	16,775	89,724	62,550
Adjusted EBITDA (a)	25,127	18,495	95,861	66,863
Adjusted EBITDA margin (b)	38%	42%	40%	44%
Interest expense	839	611	3,060	2,167
Net cash (c)	16,332	18,140	16,332	18,140
Capital expenditures (d)	4,975	2,839	13,585	12,100

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 cash represents period end balance and is calculated as cash and cash equivalents, 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 licences and other contents).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

RMB in million, unless specified

	Audited	
	As at December 31	
	2017	2016
ASSETS		
Non-current assets		
Property, plant and equipment	23,597	13,900
Construction in progress	3,163	4,674
Investment properties	800	854
Land use rights	5,111	5,174
Intangible assets	40,266	36,467
Investments in associates	113,779	70,042
Investments in redeemable instruments of associates	22,976	9,627
Investments in joint ventures	7,826	630
Available-for-sale financial assets	127,218	83,806
Prepayments, deposits and other assets	11,173	7,363
Other financial assets	5,159	1,760
Deferred income tax assets	9,793	7,033
Term deposits	5,365	5,415
	<u>376,226</u>	<u>246,745</u>
Current assets		
Inventories	295	263
Accounts receivable	16,549	10,152
Prepayments, deposits and other assets	17,110	14,118
Other financial assets	465	1,649
Term deposits	36,724	50,320
Restricted cash	1,606	750
Cash and cash equivalents	105,697	71,902
	<u>178,446</u>	<u>149,154</u>
Total assets	<u><u>554,672</u></u>	<u><u>395,899</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)



RMB in million, unless specified

	Audited	
	As at December 31	
	2017	2016
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	-	-
Share premium	22,204	17,324
Shares held for share award schemes	(3,970)	(3,136)
Other reserves	35,158	23,693
Retained earnings	202,682	136,743
	<u>256,074</u>	<u>174,624</u>
Non-controlling interests	<u>21,019</u>	<u>11,623</u>
Total equity	<u>277,093</u>	<u>186,247</u>
LIABILITIES		
Non-current liabilities		
Borrowings	82,094	57,549
Notes payable	29,363	36,204
Long-term payables	3,862	4,935
Other financial liabilities	2,154	2,576
Deferred income tax liabilities	5,975	5,153
Deferred revenue	2,391	2,038
	<u>125,839</u>	<u>108,455</u>
Current liabilities		
Accounts payable	50,085	27,413
Other payables and accruals	29,433	20,873
Borrowings	15,696	12,278
Notes payable	4,752	3,466
Current income tax liabilities	8,708	5,219
Other tax liabilities	934	745
Deferred revenue	42,132	31,203
	<u>151,740</u>	<u>101,197</u>
Total liabilities	<u>277,579</u>	<u>209,652</u>
Total equity and liabilities	<u>554,672</u>	<u>395,899</u>

RECONCILIATIONS OF IFRS TO NON-GAAP RESULTS

RMB in million, unless specified	As reported	Adjustments				Non-GAAP
		Share-based compensation (a)	Net (gains)/losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provision (d)	
Year ended December 31, 2017						
Operating profit	90,302	6,253	(17,816)	490	2,794	82,023
Profit for the year	72,471	7,080	(18,112)	1,841	3,124	66,404
Profit attributable to equity holders	71,510	6,875	(18,051)	1,706	3,086	65,126
Operating margin	38%					34%
Net margin	30%					28%
Year ended December 31, 2016						
Operating profit	56,117	4,455	(7,624)	397	4,809	58,154
Profit for the year	41,447	5,227	(7,786)	1,651	5,452	45,991
Profit attributable to equity holders	41,095	5,123	(7,770)	1,547	5,425	45,420
Operating margin	37%					38%
Net margin	27%					30%

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 investments
- (c) Amortisation of intangible assets resulting from acquisitions, net of related deferred tax
- (d) Impairment provision for associates, available-for-sale financial assets, and intangible assets arising from acquisitions

RECONCILIATIONS OF IFRS TO NON-GAAP RESULTS

RMB in million, unless specified	As reported	Adjustments				Non-GAAP
		Share-based compensation (a)	Net (gains)/losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provision (d)	
Unaudited three months ended December 31, 2017						
Operating profit	25,724	1,874	(6,281)	112	424	21,853
Profit for the period	21,622	2,146	(6,229)	474	358	18,371
Profit attributable to equity holders	20,797	2,084	(6,189)	442	320	17,454
Operating margin	39%					33%
Net margin	33%					28%
Unaudited three months ended September 30, 2017						
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
Operating margin	35%					33%
Net margin	28%					26%
Unaudited three months ended December 31, 2016						
Operating profit	13,930	1,754	(1,502)	162	602	14,946
Profit for the period	10,523	1,980	(1,440)	541	828	12,432
Profit attributable to equity holders	10,529	1,940	(1,440)	493	810	12,332
Operating margin	32%					34%
Net margin	24%					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 investments
- (c) Amortisation of intangible assets resulting from acquisitions, net of related deferred tax
- (d) Impairment provision for associates, available-for-sale financial assets, and intangible assets arising from acquisitions