

For Immediate Release

TENCENT ANNOUNCES 2018 FOURTH QUARTER AND ANNUAL RESULTS

Hong Kong, March 21, 2019 – 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 2018 (“4Q2018”) and audited consolidated results for the year ended December 31, 2018 (“FY2018”).

FY2018 Key Highlights

Revenues: +32% YoY, non-GAAP profit attributable to equity holders of the Company: +19% YoY

- Total revenues were RMB312,694 million (USD45,561 million¹), an increase of 32% over the year ended December 31, 2017 (“YoY”).
- Operating profit was RMB97,648 million (USD14,228 million), an increase of 8% YoY. Operating margin was 31%, down from 38% last year.
- Profit for the year was RMB79,984 million (USD11,654 million), an increase of 10% YoY. Net margin decreased to 26% from 30% last year.
- Profit attributable to equity holders of the Company for the year was RMB78,719 million (USD11,470 million), an increase of 10% YoY.
- Basic earnings per share were RMB8.336. Diluted earnings per share were RMB8.228.
- On a non-GAAP² basis, which excludes certain non-cash items and certain impact of M&A transactions:
 - Operating profit was RMB92,481 million (USD13,475 million), an increase of 13% YoY. Operating margin decreased to 30% from 34% last year.
 - Profit for the year was RMB80,292 million (USD11,699 million), an increase of 21% YoY. Net margin decreased to 26% from 28% last year.
 - Profit attributable to equity holders of the Company for the year was RMB77,469 million (USD11,288 million), an increase of 19% YoY.
 - Basic earnings per share were RMB8.203. Diluted earnings per share were RMB8.097.

4Q2018 Key Highlights

Revenues: +28% YoY, non-GAAP profit attributable to equity holders of the Company: +13% YoY

- Total revenues were RMB84,896 million (USD12,370 million), an increase of 28% over the fourth quarter of 2017 (“YoY”).
- Operating profit was RMB17,288 million (USD2,519 million), a decrease of 33% YoY. Operating margin decreased to 20% from 39% last year.
- Profit for the period was RMB14,026 million (USD2,044 million), a decrease of 35% YoY. Net margin decreased to 17% from 33% last year.
- Profit attributable to equity holders of the Company for the quarter was RMB14,229 million (USD2,073 million), a decrease of 32% YoY.

¹ Figures stated in USD are based on USD1 to RMB6.8632

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 RMB1.505. Diluted earnings per share were RMB1.489.
- On a non-GAAP basis, which excludes certain non-cash items and certain impact of M&A transactions:
 - Operating profit was RMB22,388 million (USD3,262 million), an increase of 2% YoY. Operating margin decreased to 26% from 33% last year.
 - Profit for the quarter was RMB20,240 million (USD2,949 million), an increase of 10% YoY. Net margin decreased to 24% from 28% last year.
 - Profit attributable to equity holders of the Company for the quarter was RMB19,730 million (USD2,875 million), an increase of 13% YoY.
 - Basic earnings per share were RMB2.087. Diluted earnings per share were RMB2.065.

Mr. Ma Huateng, Chairman and CEO of Tencent, said, “In 2018, we continued to enhance our services within our established Consumer Internet domain, and strengthened our initiatives in capturing the emerging Industrial Internet opportunities, while sustaining healthy financial metrics. Users and enterprises embraced the powerful functionalities of our Mini Programs, which became the largest and most vibrant ecosystem of their kind in China. We expanded our mobile game publishing presence globally and extended our digital content capabilities in China. We widened our leadership in mobile payment and enriched our FinTech service offerings. Our organizational upgrade, together with our ongoing investments and innovations, position us to drive the evolution of Consumer Internet and to unleash the potential of Industrial Internet for both our partners and ourselves.”

4Q2018 Financial Review

Revenues from our VAS business increased by 9% to RMB43,651 million for the fourth quarter of 2018 on a year-on-year basis. Online games revenues were RMB24,199 million, broadly stable compared to the fourth quarter of 2017. Social networks revenues grew by 25% to RMB19,452 million. The increase mainly reflected growth in revenues from digital content services such as live broadcast services and video streaming subscriptions.

Revenues from our online advertising business increased by 38% to RMB17,033 million for the fourth quarter of 2018 on a year-on-year basis. Social and others advertising revenues increased by 44% to RMB11,846 million, primarily contributed by an increase in advertising revenues derived from Weixin Moments, Mini Programs and QQ KanDian. Media advertising revenues grew by 26% to RMB5,187 million, mainly reflecting contributions from our media platforms such as Tencent Video and Tencent News.

Revenues from our other businesses increased by 72% to RMB24,212 million for the fourth quarter of 2018 on a year-on-year basis. The increase mainly reflected higher revenues from our FinTech and cloud services, as well as film and television production business.

Profit attributable to equity holders of the Company decreased by 32% to RMB14,229 million for the fourth quarter of 2018 on a year-on-year basis. The decrease was greatly affected by non-cash expenses related to capital raising at a subsidiary in the fourth quarter of 2018, coupled with substantial deemed disposal gains relating to the capital activities of certain investee companies (such as the IPOs of Yixin, Sea and Sogou) in the fourth quarter of 2017. Non-GAAP profit attributable to equity holders of the Company increased by 13% to RMB19,730 million.

Other Key Financial Information for 4Q2018

Share-based compensation was RMB2,459 million, up 31% YoY.

EBITDA was RMB27,180 million, up 17% YoY. Adjusted EBITDA was RMB29,701 million, up 18% YoY.

Capital expenditure was RMB4,564 million, down 8% YoY.

Free cash flow was RMB28,623 million, up 18% YoY.

As at December 31, 2018, net debt position totalled RMB12,170 million. Fair value of our stakes in listed investee companies (excluding subsidiaries) totalled RMB238,040 million as at December 31, 2018.

Business Review and Outlook

1. Company Strategic Highlights

2018 marked the 20th anniversary of the founding of the Group. Throughout our history, we have constantly been embracing changes in users' needs, technologies and market conditions to stay at the forefront of our industry. In October, we initiated a strategic organisational upgrade to extend our strengths in the Consumer Internet and to capture the opportunities of the Industrial Internet. This strategic upgrade is intended to enable us to drive the convergence of social, content and technology trends, and to better serve enterprises, as well as consumers.

During the year, we stepped up our investment in innovation and technologies to stay competitive in the evolving Internet industry. We enriched our social platforms with a broader portfolio of digital content, as well as online and offline services, thus deepening our connection with our users, advertisers, merchants and enterprise partners. Through these initiatives, we strengthened our market leadership in social, games, digital content, and payment, contributing to continuing growth across our core business segments.

We made the following key achievements in our core businesses:

Our social communications platforms, Weixin and QQ, represent the largest social communities in China in terms of MAU. The combined MAU of Weixin and WeChat increased to approximately 1,098 million by the end of 2018. Weixin further penetrated lower tier cities and covered a wider age group of users. On average, over 750 million Weixin users read friends' posts on Moments per day.

Mini Programs are now widely adopted by users and enterprises, setting the industry trends for connecting online users to offline scenarios. DAU grew rapidly and daily visits per user increased by 54% year-on-year. Mini Programs cover more than 200 service sectors and connect with our users via multiple channels, including shortcuts in the chat interface, our in-app search function and offline Mini Programs QR Codes. In addition to connecting with online users, Mini Programs enable developers to achieve cross-platform development and instantaneous deployment for their products and services. We empower developers with cloud-based development kits, enhancing the development efficiency, particularly for long-tail developers. Daily visits to long-tail Mini Programs increased significantly, accounting for 43% of the total daily visits to Mini Programs.

Overall MAU of QQ increased to 807 million by the end of 2018. We stayed engaged with young users as QQ introduced innovative and AI-empowered features to make its chat experience more fun and interactive. We offer entertainment-oriented content in verticals including eSports, comics and live streaming services to cater to the entertainment needs of millennial users. In particular, we further increased the user engagement of QQ KanDian, a popular news feed service among young users, through enriching its content with video feeds.

We have built up a content ecosystem covering online games, literature, video, music, news and comics. For online games, we are the leading platform globally by revenue and users. Our technical strength supports the operation of multiple PC and mobile blockbuster game titles, serving hundreds of millions of active users every day. Internationally, our subsidiary Riot Games operates the highest-MAU PC game, League of Legends, and we operate the highest-MAU smart phone game, PUBG MOBILE. Through our partnerships with and investments in global leaders such as Epic Games (creator of Fortnite) and Supercell (creator of Clash of Clans), we support the innovation and growth of the global game industry. In China, our popular smart phone games expanded our user base and increased time spent. We have taken the lead in introducing the Healthy Gameplay System to assist parents in managing the amount of time their children spend playing games. We upgraded the system last September by introducing measures to strengthen real-name verification, and implementing game time limits for children players, as well as spending alerts to their parents. Our Tencent Game Guardian Platform enables parents to engage with their children and track their in-game activities online. We recently provided teachers access to this platform to enhance their engagement with their students who play games. These initiatives built a pilot case for the China game industry and, we believe, help position it for sustainable and healthy growth in the long run.

Leveraging our rich IP portfolio, we provide digital content to our users across online media platforms. Our total digital content subscription counts exceeded 100 million by the end of 2018, up 50% year-on-year. High quality content, better IP protection, enhanced streaming capabilities and convenience of mobile payment were the growth drivers for our digital content subscription business. Tencent Video is the leading online video streaming platform in China in terms of mobile DAU and subscriptions, generating the highest revenues in the online video market in China through subscriptions and advertising. TME is the leading online music entertainment platform in China, operating the country's most popular and innovative music apps – QQ Music, Kugou Music, Kuwo Music and WeSing. In December 2018, we listed TME on the New York Stock Exchange. News feeds, short videos and mini videos contributed substantially to traffic on our media and distribution platforms including Tencent News, QQ KanDian, Mobile QQ Browser and Weishi.

During 2018, we enhanced the monetisation potential of our platforms through connecting more advertisers, across more platforms, with more accurate user targeting capabilities. For social advertising, we increased our advertising inventory through adding the second ad unit in Weixin Moments, and we started to insert ad units into Mini Programs. For media advertising, we completed the system revamp of our news advertising in early 2018. Leveraging our enhanced recommendation algorithms, steady traffic growth and rising fill rates, our news feed business significantly grew its advertising revenues. Our video advertising outpaced the industry in terms of its revenue amount and revenue growth rate, due to the popularity of our content, especially self-commissioned content, and

the strong growth in sponsorship advertising revenue. As part of the Company's strategic reorganisation, we merged our advertising sales teams to provide better marketing solutions, data analytics, and ad placement processes for our advertisers, thus enhancing their ROIs.

Payment is one of the key infrastructure platforms of the Company, enabling us and our merchant partners to complete transactions for online and offline services. We extended our market leadership as the leading mobile payment platform by active users and number of transactions in China. Our total daily payment transaction volume exceeded 1 billion for 2018, driven by rapid growth in commercial payments, which represented more than half of the number of transactions. Our commercial payment revenue more than doubled year-on-year in 2018. Our payment platform connects with tens of millions of merchants and monthly active merchants increased over 80% year-on-year in the fourth quarter of 2018. We boosted our payment penetration in the food and retail industries thanks to features such as our Mini Programs and Scan-to-Pay solution. In Hong Kong, we launched the first-of-its-kind cross-border mobile payment service in October 2018, which enables WeChat Pay Hong Kong users to conduct RMB-denominated transactions funded by Hong Kong dollars. This cross-border mobile payment service now covers approximately 1 million merchants in Mainland China, including taxi-hailing, food ordering, and high-speed railway ticketing services. The transaction volume of WeChat Pay Hong Kong increased more than 10 times year-on-year. We launched WeChat Pay Malaysia services in August, offering online transactions such as mobile credit top-ups, flight and bus ticket purchases, and offline transactions at retail outlets, such as supermarkets, fashion and beauty stores. Globally, we are expanding our footprint by supporting China outbound travelers to make cross-border payments in overseas destinations, and we now offer real-time tax refund services for Weixin Pay users in over 80 airports. Weixin Pay is now available in 49 markets outside Mainland China, supporting cross-border payment transactions in 16 currencies.

Building on our payment user base, we offer FinTech services to under-served consumers, conveniently and at low cost. LiCaiTong, our wealth management platform, helped manage over RMB600 billion of customer assets as of the end of 2018. WeBank, our associate with an online banking business, achieved rapid growth in the outstanding loan balance of its micro-loan product for consumers, WeiLiDai. WeBank also expanded its loan services to enterprises, serving the financing needs for small and micro businesses customers through WeiYeDai.

Tencent Cloud is the foundation for our smart industry solutions. We integrate our cloud computing technology with AI and data analytics capabilities, to assist the digital transformation of various industries. Our online security capabilities enhance the stability and reliability of our cloud solutions. During 2018, Tencent Cloud maintained market leadership in verticals such as online games and streaming video leveraging our industry know-how and solid infrastructure. We now serve over half of the China-based games companies and are expanding overseas. We expanded our customer base rapidly for Internet services via strategic partnership in verticals. Key categories include eCommerce, social media and community, handset manufacturer app stores and smart transportation. We have further expanded our presence in other key industries such as financial and retail sectors. We are the partner of choice for top banks including BOC, CCB and CMB. Majority of top online finance companies and insurance firms are our clients. Our retail cloud solutions build on our unique properties such as Official Accounts and Mini Programs to increase retailers' consumer engagement, enhance their marketing ROI via our consumer targeting

and anti-fraud technologies, and upgrade internal operations using AI, LBS and big data technologies.

In addition to growing our core businesses organically, we make strategic investments in best-in-class companies so we can focus our management attention and company resources on our own core platforms, while capturing emerging opportunities in adjacent verticals through investee companies. We have invested in more than 700 companies. More than 100 investees were valued at over USD1 billion each. Among which, over 60 went public. We enrich our IP portfolio including games, video, music and literature via upstream investments, and broaden user reach and engagement via investments in vertical platforms. We work with businesses that can expand our offerings to meet evolving user needs, and accelerate the adoption of our enterprise services and products, such as O2O and smart retail companies, which has helped our payment service penetration and advertiser base expansion. And, we use investments as a tool for better understanding frontier technologies which will become important to our future, such as connected cars, Internet-facilitated healthcare, and quantum computing. Our investments have created value for our investee companies by offering them access to our large user base, and providing them infrastructure, technology and capital support to bolster their growth.

2. Company Financial Performance

In fiscal year 2018

Revenues increased by 32% year-on-year, primarily driven by FinTech services, social and video advertising, and digital content subscriptions and sales.

Operating profit increased by 8% year-on-year. Non-GAAP operating profit increased by 13% year-on-year.

Profit attributable to equity holders of the Company increased by 10% year-on-year. Non-GAAP profit attributable to equity holders of the Company increased by 19%.

3. Company Business Highlights

Operating Information

	As at 31 December 2018	As at 31 December 2017 <small>(in millions, unless specified)</small>	Year- on-year change	As at 30 September 2018	Quarter- on-quarter change
MAU of QQ	807.1	783.4	3.0%	802.6	0.6%
Smart device MAU of QQ	699.8	683.0	2.5%	697.9	0.3%
Combined MAU of Weixin and WeChat	1,097.6	988.6	11.0%	1,082.5	1.4%
Smart device MAU of Qzone	532.4	554.0	-3.9%	531.1	0.2%
Fee-based VAS registered subscriptions	160.3	134.6	19.1%	154.1	4.0%

Communication and Social

- Weixin and WeChat: Combined MAU was 1,098 million, up by 11.0% year-on-year. Hundreds of millions of social videos are uploaded and shared on the Weixin platform every day. We enriched our user experience via a new video function that allows users to share 15-second mini video clips with AI-recommended background music with friends. WeChat Work, an enterprise application integrated with Weixin, allows companies to deepen engagement with customers, digitalise user profiles for data analytics, facilitate office administration and enhance internal communication. It is seeing particularly rapid adoption by large enterprises, providing a showcase for SMEs. Approximately 80% of the top 500 enterprises in China are now registered as WeChat Work corporate users.
- QQ: Smart device MAU was 699.8 million, up by 2.5% year-on-year. Smart device MAU for users aged 21 years or below increased by 13% year-on-year. We further increased young user stickiness by enhancing the video recording functions and news feed features. We launched AI-powered filters and stickers for video chat, increasing the number of short and mini videos shared by young users by over 50% year-on-year. For QQ KanDian, we added a bullet chatting function within video and enhanced video feed recommendation algorithms, boosting the click-through volume and increasing user time spent. QQ KanDian daily video views rose over 300% year-on-year.

Online Games

For 2018, our smart phone games business achieved RMB77.8 billion revenues (including smart phone games revenues attributable to our social networks business), up 24% year-on-year; for the fourth quarter, it achieved RMB19.0 billion revenues, up 12% year-on-year. We released 9 licensed games in the fourth quarter, most of which were role playing games. The industry regulator re-started issuing game monetisation license (“banhao”) approvals in December 2018, after a nine-month suspension. A total of 8 Tencent games (including 7 smart phone games and 1 PC game) have received approval so far, including role playing games, strategy, casual and functional genres. Since there is a sizeable backlog for the banhao applications in the industry, our scheduled game releases will initially be slower than in some prior years. We have implemented our upgraded Healthy Gameplay System in 39 smart phone games, including our most popular titles such as Honour of Kings, QQ Speed Mobile, Cross Fire Mobile, Naruto OL Mobile and MT4. The system has resulted in minors spending significantly less time in the affected games, but immaterial impact on time spent by adult players.

In China, we increased our market share in smart phone games in terms of active users. We enhanced user engagement across multiple genres. For action titles, QQ Speed Mobile’s anniversary promotions increased its DAU sequentially. Cross Fire Mobile introduced a season pass to encourage in-game engagement. For role playing games, we launched several IP-based games that attracted fans of popular anime and comic franchises such as Battle through the Heavens, Naruto OL Mobile and Samurai Spirits. For MOBA, Honour of Kings organised its flagship eSports event KPL Fall Final in December, attracting over 75 million unique viewers for the live broadcast. In international markets, PUBG MOBILE achieved breakout success, becoming the most popular game globally by MAU, and was named the Best Game of 2018 by Google Play. Our investee companies’ success added to our

proven track record of working with category leaders in the games industry. For example, Supercell's new MOBA game Brawl Stars was the most downloaded game in 50 markets after its global launch in December 2018. And, Epic Games' Fortnite continued its phenomenal success, topping US iOS Grossing Chart in the fourth quarter. Sea's first self-developed game, Free Fire, was the fourth most downloaded game globally in 2018, according to App Annie.

Our PC client games business achieved approximately RMB50.6 billion revenues, down 8% year-on-year, for 2018, and approximately RMB11.2 billion revenues for the fourth quarter, down 13% year-on-year as users continue to shift time to mobile. League of Legends introduced its first season pass and increased average user time spent, with active users growing sequentially after a China team won the World Championship in November 2018. We released a sequel to NBA2K in China, significantly expanding the total user base of this popular basketball franchise. We launched two new internally developed PC games, Iris Fall and Bladed Fury, to better serve niche audience interests.

Digital Content

Our fee-based VAS subscriptions were up by 19.1% year-on-year to 160.3 million, mainly attributable to growth in video and music subscriptions. Tencent Video expanded its subscription counts to 89 million, up 58% year-on-year, driven by premium content and cross-promotions. We released sequels to popular self-commissioned IPs, extending the longevity and monetisation opportunities of these IPs. These included Candle in the Tomb Season 3 in the drama category, the Land of Warriors Season 2 in Chinese anime, and Once Upon A Bite in documentary (whose related IP program, Flavorful Origins, we licensed to Netflix for distribution outside China). We upgraded our VIP loyalty program to offer subscribers different tiers of privileges. We maintained healthy engagement trends with video views per DAU up over 40% year-on-year, as consumers watched more short-form videos. We are the leading streaming platform for sports fans in China, featuring 40 top global sports IPs, including the 4 major sports leagues in the US. We distribute sports content in live programs, news feeds and short videos formats across Tencent Sports, Tencent News, Tencent Video, Mobile QQ Browser and WeiShi. Since we began licensing NBA live streaming rights in 2015, we have expanded the total audience size for NBA games in China. Over the period, average daily unique visitors per live-streamed NBA game in China have tripled.

Online Advertising

Our online advertising business achieved RMB58.1 billion revenues, up 44% year-on-year, for 2018, and RMB17.0 billion revenues, up 38% year-on-year, for the fourth quarter. Social and Others advertising grew to RMB39.8 billion, up 55% year-on-year for the full year, and RMB11.8 billion, up 44% year-on-year for the fourth quarter, driven by Weixin Moments, Mini Programs, QQ KanDian and our mobile advertising network. We received positive feedback from advertisers after the launch of the second daily ad unit for Moments, and the overall ad fill rates remained high. About 50% of Moments' DAU were shown the second ad unit, and Moments ad click-through rates remained at healthy levels. Media advertising revenues amounted to RMB18.3 billion, up 23%, for the full year, and RMB5.2 billion, up 26%, for the fourth quarter. Among which, video advertising revenues increased by 34% year-on-year for 2018 and 21% year-on-year for the fourth quarter. The increase in the fourth quarter was driven by more video

views and sponsorship advertising for our popular self-commissioned variety shows. Our news advertising revenues picked up year-on-year in the latter half of the year, recovering from our system revamp. Media feed advertising revenues grew by over 10 times year-on-year.

Others

Our other businesses grew revenues by 80% year-on-year for the year 2018, primarily contributed by FinTech and cloud services. The increase in FinTech revenues was driven by our take-rate on commercial transactions collected from merchants, cash withdrawal fees and credit card repayment charges collected from users, and the service fees from financial institutions for the distribution of FinTech products such as WeiLiDai and the wealth management products on our LiCaiTong platform. In January 2019, we completed the transition to the centralised clearing and settlement system and moved all custodian cash to the accounts of the People's Bank of China.

As we added more use cases online and offline for our payment services, our payment active users increased robustly year-on-year. Users' transaction frequency and value per transaction also increased. Weixin Pay launched a new user interface enabling easier access to new features including virtual subsidiary cards for parents and children. We enhanced account management tools for merchants, including cash register, book-keeping and revenue sharing settlement functions. LiCaiTong enlarged its user base, reaching 100 million accumulated users by end of 2018. We expanded our FinTech services by rolling out LingQianTong, which enables users to invest the unused cash balance in their Weixin Pay accounts in funds.

Our cloud revenues increased by over 100% to RMB9.1 billion for the year 2018. Paying customers more than doubled year-on-year in the fourth quarter of 2018. Tencent Cloud's global infrastructure covered 25 regions and operated 53 availability zones as of the end of 2018. We developed and launched new IaaS and PaaS products in the fourth quarter. In addition to strengthening our leadership in games and video verticals, we further promoted our presence in financial and retail cloud services, leveraging our AI and security capabilities.

4. Company Outlook and Strategies for 2019

Looking ahead, we will invest in core infrastructure and frontier technologies to embrace the trend of the Industrial Internet, while continuing to drive the evolution of the Consumer Internet.

We will enable our enterprise partners to better connect with our users via an expanding, open and connected ecosystem. Utilising our innovation and technology capabilities, we seek to assist a range of industries in undergoing digital upgrades and transformation.

For our social communications platforms, we will strengthen connections between our users with digital content, as well as online and offline services. We will also enhance connections with enterprises leveraging Mini Programs, Weixin Pay and WeChat Work. For online games, we will strengthen our game portfolio through enhancing our internal R&D capability and external partnerships. We will further expand our overseas business through exploring

new game genres and strengthening our overseas publishing capability. For digital content, we will continue to invest and grow our subscription business. For advertising, we will strengthen our user targeting capabilities to further increase our ROIs to advertisers and relevance to consumers. For FinTech, we will drive innovation in our payment product development and add new payment use cases. We will also expand our FinTech solutions and product portfolio to cater to the wealth management and financial needs of our users. For cloud, we will integrate our advanced cloud computing capability, data analytics, AI and security solutions, to develop customised solutions for various industries such as retail, financial, transportation, healthcare and education. We will assist enterprises in upgrading and innovating for the digital age.

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 millions, unless specified

	Unaudited		Audited	
	4Q2018	4Q2017	2018	2017
Revenues	84,896	66,392	312,694	237,760
VAS	43,651	39,947	176,646	153,983
Online advertising	17,033	12,361	58,079	40,439
Others	24,212	14,084	77,969	43,338
Cost of revenues	(49,744)	(34,897)	(170,574)	(120,835)
Gross profit	35,152	31,495	142,120	116,925
	Gross margin	41%	47%	45%
Interest income	1,350	1,156	4,569	3,940
Other (losses)/ gains, net	(2,139)	7,906	16,714	20,140
Selling and marketing expenses	(5,730)	(6,022)	(24,233)	(17,652)
General and administrative expenses	(11,345)	(8,811)	(41,522)	(33,051)
Operating profit	17,288	25,724	97,648	90,302
	Operating margin	20%	39%	31%
Finance costs, net	(1,372)	(859)	(4,669)	(2,908)
Share of profit/(loss) of associates and joint ventures	16	(120)	1,487	821
Profit before income tax	15,932	24,745	94,466	88,215
Income tax expense	(1,906)	(3,123)	(14,482)	(15,744)
Profit for the period	14,026	21,622	79,984	72,471
	Net margin	17%	33%	26%
Attributable to:				
Equity holders of the Company	14,229	20,797	78,719	71,510
Non-controlling interests	(203)	825	1,265	961
Non-GAAP profit attributable to equity holders of the Company	19,730	17,454	77,469	65,126
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)				
- basic	1.505	2.206	8.336	7.598
- diluted	1.489	2.177	8.228	7.499

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

RMB in millions, unless specified

	Audited	
	2018	2017
Profit for the year	79,984	72,471
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	23	907
Net gains from changes in fair value of available-for-sale financial assets	-	16,854
Transfer to profit or loss upon disposal of available-for-sale financial assets	-	(2,561)
Currency translation differences	4,133	(9,316)
Other fair value gains	181	756
<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	(16,391)	-
Other fair value losses	(170)	(50)
	(12,224)	6,590
Total comprehensive income for the year	67,760	79,061
Attributable to:		
Equity holders of the Company	66,339	78,218
Non-controlling interests	1,421	843

OTHER FINANCIAL INFORMATION

RMB in millions, unless specified

	Unaudited		Audited	
	4Q2018	4Q2017	2018	2017
EBITDA (a)	27,180	23,278	110,404	89,724
Adjusted EBITDA (a)	29,701	25,127	118,273	95,861
Adjusted EBITDA margin (b)	35%	38%	38%	40%
Interest and related expenses	1,345	839	4,898	3,060
Net (debt)/ cash (c)	(12,170)	16,332	(12,170)	16,332
Capital expenditures (d)	4,564	4,975	23,941	13,585

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).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

RMB in millions, unless specified

	Audited	
	As at December 31	
	2018	2017
ASSETS		
Non-current assets		
Property, plant and equipment	35,091	23,597
Construction in progress	4,879	3,163
Investment properties	725	800
Land use rights	7,106	5,111
Intangible assets	56,650	40,266
Investments in associates	219,215	113,779
Investments in redeemable instruments of associates	-	22,976
Investments in joint ventures	8,575	7,826
Financial assets at fair value through profit or loss	91,702	-
Financial assets at fair value through other comprehensive income	43,519	-
Available-for-sale financial assets	-	127,218
Prepayments, deposits and other assets	21,531	11,173
Other financial assets	1,693	5,159
Deferred income tax assets	15,755	9,793
Term deposits	-	5,365
	506,441	376,226
Current assets		
Inventories	324	295
Accounts receivable	28,427	16,549
Prepayments, deposits and other assets	18,493	17,110
Other financial assets	339	465
Financial assets at fair value through profit or loss	6,175	-
Term deposits	62,918	36,724
Restricted cash	2,590	1,606
Cash and cash equivalents	97,814	105,697
	217,080	178,446
Total assets	723,521	554,672

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

RMB in millions, unless specified

	Audited	
	As at December 31	
	2018	2017
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	-	-
Share premium	27,294	22,204
Shares held for share award schemes	(4,173)	(3,970)
Other reserves	729	35,158
Retained earnings	299,660	202,682
	323,510	256,074
Non-controlling interests	32,697	21,019
Total equity	356,207	277,093
LIABILITIES		
Non-current liabilities		
Borrowings	87,437	82,094
Notes payable	51,298	29,363
Long-term payables	4,797	3,862
Other financial liabilities	3,306	2,154
Deferred income tax liabilities	10,964	5,975
Deferred revenue	7,077	2,391
	164,879	125,839
Current liabilities		
Accounts payable	73,735	50,085
Other payables and accruals	33,312	29,433
Borrowings	26,834	15,696
Notes payable	13,720	4,752
Current income tax liabilities	10,210	8,708
Other financial liabilities	1,200	-
Other tax liabilities	1,049	934
Deferred revenue	42,375	42,132
	202,435	151,740
Total liabilities	367,314	277,579
Total equity and liabilities	723,521	554,672

RECONCILIATIONS OF IFRS TO NON-GAAP RESULTS

RMB in millions, 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, 2018						
Operating profit	97,648	7,900	(31,168)	524	17,577	92,481
Profit for the year	79,984	10,654	(32,121)	4,142	17,633	80,292
Profit attributable to equity holders	78,719	10,325	(32,696)	3,964	17,157	77,469
Operating margin	31%					30%
Net margin	26%					26%
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%

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, fair value changes arising from investee companies, and other expenses in relation to equity transactions of investee companies

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

(d) Impairment provisions for associates, joint ventures, AFS (2017) and intangible assets arising from acquisitions

RECONCILIATIONS OF IFRS TO NON-GAAP RESULTS

RMB in millions, 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, 2018						
Operating profit	17,288	2,459	1,579	198	864	22,388
Profit for the period	14,026	2,879	517	1,882	936	20,240
Profit attributable to equity holders	14,229	2,804	(125)	1,814	1,008	19,730
<i>Operating margin</i>	<i>20%</i>					<i>26%</i>
<i>Net margin</i>	<i>17%</i>					<i>24%</i>
Unaudited three months ended September 30, 2018						
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
<i>Operating margin</i>	<i>35%</i>					<i>28%</i>
<i>Net margin</i>	<i>29%</i>					<i>25%</i>
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
<i>Operating margin</i>	<i>39%</i>					<i>33%</i>
<i>Net margin</i>	<i>33%</i>					<i>28%</i>

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, fair value changes arising from investee companies, and other expenses in relation to equity transactions of investee companies
- (c) Amortisation of intangible assets resulting from acquisitions, net of related deferred tax
- (d) Impairment provisions for associates, joint ventures, AFS (2017) and intangible assets arising from acquisitions