

Tencent 腾讯

Tencent Holdings Limited

Incorporated in the Cayman Islands with limited liability

騰訊控股有限公司

於開曼群島註冊成立的有限公司

(Stock Code 股份代號 : 700)

2020 Interim Report



smart communication inspires

智慧溝通 靈感無限

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Corporate Information

DIRECTORS

Executive Directors

Ma Huateng (*Chairman*)

Lau Chi Ping Martin

Non-Executive Directors

Jacobus Petrus (Koos) Bekker

Charles St Leger Searle

Independent Non-Executive Directors

Li Dong Sheng

Iain Ferguson Bruce

Ian Charles Stone

Yang Siu Shun

Ke Yang

AUDIT COMMITTEE

Yang Siu Shun (*Chairman*)

Iain Ferguson Bruce

Ian Charles Stone

Charles St Leger Searle

CORPORATE GOVERNANCE COMMITTEE

Charles St Leger Searle (*Chairman*)

Iain Ferguson Bruce

Ian Charles Stone

Yang Siu Shun

Ke Yang

INVESTMENT COMMITTEE

Lau Chi Ping Martin (*Chairman*)

Ma Huateng

Charles St Leger Searle

NOMINATION COMMITTEE

Ma Huateng (*Chairman*)

Li Dong Sheng

Iain Ferguson Bruce

Ian Charles Stone

Charles St Leger Searle

REMUNERATION COMMITTEE

Ian Charles Stone (*Chairman*)

Li Dong Sheng

Jacobus Petrus (Koos) Bekker

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

PRINCIPAL BANKERS

Bank of China Limited

The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

TENCENT GROUP HEAD OFFICE

Tencent Binhai Towers

No. 33 Haitian 2nd Road

Nanshan District

Shenzhen, 518054

The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

29/F., Three Pacific Place

No. 1 Queen's Road East

Wanchai

Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited

Royal Bank House – 3rd Floor

24 Shedden Road

P.O. Box 1586

Grand Cayman, KY1-1110

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Wan Chai, Hong Kong

COMPANY WEBSITE

www.tencent.com

STOCK CODE

700

Financial Performance Highlights

SECOND QUARTER OF 2020

	30 June 2020	Unaudited Three months ended			Quarter- on-quarter change
		30 June 2019	Year- on-year change	31 March 2020	
(RMB in millions, unless specified)					
Revenues	114,883	88,821	29%	108,065	6%
Gross profit	53,210	39,126	36%	52,794	1%
Operating profit	39,311	27,521	43%	37,260	6%
Profit for the period	32,454	24,684	31%	29,403	10%
Profit attributable to equity holders of the Company	33,107	24,136	37%	28,896	15%
Non-IFRS profit attributable to equity holders of the Company	30,153	23,525	28%	27,079	11%
EPS (RMB per share)					
– basic	3.491	2.550	37%	3.049	14%
– diluted	3.437	2.520	36%	2.999	15%
Non-IFRS EPS (RMB per share)					
– basic	3.180	2.486	28%	2.858	11%
– diluted	3.130	2.456	27%	2.817	11%

Financial Performance Highlights

FIRST HALF OF 2020

	Unaudited		
	Six months ended		Year-on-year change
	30 June 2020	30 June 2019	
	(RMB in millions, unless specified)		
Revenues	222,948	174,286	28%
Gross profit	106,004	78,946	34%
Operating profit	76,571	64,263	19%
Profit for the period	61,857	52,540	18%
Profit attributable to equity holders of the Company	62,003	51,346	21%
Non-IFRS profit attributable to equity holders of the Company	57,232	44,455	29%
EPS (RMB per share)			
– basic	6.541	5.427	21%
– diluted	6.440	5.362	20%
Non-IFRS EPS (RMB per share)			
– basic	6.038	4.699	28%
– diluted	5.945	4.643	28%

Chairman's Statement

I am pleased to present our interim report for the three and six months ended 30 June 2020 to the shareholders.

RESULTS

The Group's unaudited profit attributable to equity holders of the Company for the three and six months ended 30 June 2020 increased by 37% and 21% on a year-on-year basis to RMB33,107 million and RMB62,003 million respectively. Basic EPS for the three and six months ended 30 June 2020 were RMB3.491 and RMB6.541 respectively. Diluted EPS for the three and six months ended 30 June 2020 were RMB3.437 and RMB6.440 respectively.

The Group's non-IFRS profit attributable to equity holders of the Company for the three and six months ended 30 June 2020 increased by 28% and 29% on a year-on-year basis to RMB30,153 million and RMB57,232 million respectively. Non-IFRS basic EPS for the three and six months ended 30 June 2020 were RMB3.180 and RMB6.038 respectively. Non-IFRS diluted EPS for the three and six months ended 30 June 2020 were RMB3.130 and RMB5.945 respectively.

OPERATING INFORMATION

	As at 30 June 2020	As at 30 June 2019	Year- on-year change	As at 31 March 2020	Quarter- on-quarter change
			(in millions, unless specified)		
Combined MAU of Weixin and WeChat	1,206.1	1,132.7	6.5%	1,202.5	0.3%
Smart device MAU of QQ	647.6	706.7	-8.4%	693.5	-6.6%
Fee-based VAS registered subscriptions	203.4	168.9	20.4%	197.4	3.0%

BUSINESS REVIEW AND OUTLOOK

Since the beginning of this year, the COVID-19 pandemic has swept the world, disrupting our daily work and life routines. During this challenging time, we utilised our platforms and technologies to help users adapt to the new normal via online tools, to support enterprises in conducting digital upgrades, and to broadly contribute to economic recovery. Here are some highlights for our key products and business lines:

Communication and Social

For Weixin, we released update to enhance functionalities for communication, content and services. For communication, the new Tickle function has enabled many creative expressions, and the addition of live broadcast function to Weixin school-plus-home groups facilitated online education within Weixin. MAUs and daily messages sent both increased year-on-year. For content, we upgraded the video content publishing functionalities in Official Accounts, enhanced content discovery with strengthened recommendation algorithm and launched content aggregation tools. These initiatives revitalized content consumption in Official Accounts, resulting in year-on-year increase in page views. As for services, we assisted traditional retailers to migrate online and support their business resumption via Mini Programs. Transactions value generated via Mini Programs increased sequentially as economic activities recovered. We launched a free and easy-to-use toolkit, Mini Stores, to help long-tail merchants build and operate digital storefronts, empowering them with various functions such as order management, after-sales services and live broadcast.

Chairman's Statement

In QQ, we enriched features to enable users to better interact with their friends and families while they are physically apart. Users can initiate online parties and play AI-empowered social games together with their friends in video chats. To engage the expanding fan base for Anime, Comics, Games and Novels (“ACGN”) content, we offered customisable comic stickers within QQ chats, and enriched content for ACGN-related Mini Programs, which gained popularity among young users.

Online Games

In China, user time spent on our smart phone games increased year-on-year but decreased quarter-on-quarter due to seasonality and back-to-office behavior. Honour of Kings deepened its user engagement with the release of more top-tier skins during its annual Give Me Five festival. Peacekeeper Elite celebrated its first anniversary with new content and game modes to enhance the competitive game experience, and we partnered with Tesla to introduce in-game Tesla-branded car skins in July, which proved highly popular. In the second quarter, we launched a strategy game, Chess Rush; an action game based on a popular anime IP, The Outcast; and Supercell's Brawl Stars. Brawl Stars ranked first in the iOS China Download Chart in June this year, extending its global leadership in the fast-paced 3v3 MOBA genre.

Internationally, our MAU increased significantly year-on-year and quarter-on-quarter due to new game launches and more user time spent during the stay-at-home period. We released an immersive team-based action game for PC, Valorant; a card game supporting cross-platform play on PC and smart phones, Legends of Runeterra; and a licensed mobile RPG, CODE:D Blood. Valorant was the most watched game globally on Twitch during the second quarter, reflecting the game's instant appeal to immersive action game players.

Digital Content

Our fee-based VAS subscriptions increased 20% year-on-year to 203 million, primarily due to growth in video and music content subscriptions. Video subscriptions increased 18% year-on-year to 114 million, driven by self-commissioned Chinese anime and drama series, such as The Land of Warriors Season 3 《鬥羅大陸第三季》, Candle in the Tomb: The Lost Caverns 《龍嶺迷窟》 and The Romance of Tiger and Rose 《傳聞中的陳芊芊》. Sequentially, traffic for long-form video sites in China, including Tencent Video, declined due to work-from-office behavior and delayed releases of certain high-profile variety shows and drama series. However, Tencent Video's traffic has increased subsequent to the quarter end, driven by popular drama series such as Nothing But Thirty 《三十而已》, which we believe reflects the underlying resilience of our video platform. Music subscriptions rose 52% year-on-year to 47 million as Tencent Music increased the scope of the paid music library.

Online Advertising

Continued strength in social and others advertising contributed to the year-on-year revenue growth for our online advertising business. Sequentially, our online advertising revenue grew at a slower-than-seasonal rate as the games and Internet services sectors, which had ramped up advertising aggressively during the first quarter of 2020 due to work-from-home behavior, reduced their spending to more normal levels. However, our advertiser industry breadth diversified in the second quarter of 2020 as categories such as eCommerce and education spent heavily for the 618 promotional campaigns and summer courses, while categories such as automobile and consumer electronics brands increased their spending as consumption recovered.

Chairman's Statement

To reinforce our long-term competitiveness in performance advertising, we launched an integrated advertising platform in July, where advertisers can more efficiently place advertisements across all of our inventories, including our mobile advertising network. This new platform will also enhance bidding efficiency and provide smarter targeting for advertisers.

For social and others advertising, Weixin properties, particularly Moments, saw rapid advertising impressions growth, while our mobile advertising network experienced higher eCPMs as video advertisements' revenue contribution increased from a single digit percentage in the second quarter of 2019 to over 40% in the second quarter this year. We believe the Weixin ecosystem is redefining China's online advertising by enabling advertisers to sustain relationships with their users in their own private domains, such as Official Accounts and Mini Programs, with the result that our advertisers are effectively investing in long-term and loyal customer relationships, rather than just purchasing one-time transactions.

As for media advertising, revenue declined sharply year-on-year due to weak demand from brand advertisers and the delayed production and release of certain variety shows and drama series, some of which we expect to release in the second half of 2020.

FinTech

Our commercial payment and wealth management businesses grew their users and business scale, driving FinTech revenue up year-on-year and quarter-on-quarter. Offline merchants, especially SMEs, increasingly adopted our payment services and business management tools, as they sought to digitally upgrade their businesses to access customers and settle transactions via mobile phones. During the quarter, merchant demand for our payment solutions stepped up, especially from categories such as retail and restaurants. As a result, the number of average daily transactions and value per transaction for our commercial payments both grew year-on-year.

For our wealth management business, the aggregated customer assets and the number of active customers increased rapidly year-on-year as more customers appreciated the convenience of managing their cash through our secure and carefully-curated platform.

Chairman's Statement

Cloud and Other Business Services

Increased cloud services usage by Internet companies and the public sector contributed to the year-on-year and sequential revenue growth of our cloud and other business services. Due to the lingering impact from COVID-19, offline project deployment has not fully resumed in the second quarter, but we signed major contracts in the financial and public sectors, while expanding our presence in emerging verticals such as medical, education, and meetings and exhibitions, to help customers in their digital transformation. On technology and infrastructure, we are adopting custom-made equipment, as well as building and expanding our own hyperscale data centres, to enhance the performance and optimise the cost of our cloud services for the long run.

DIVIDEND

The Board did not declare any interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: Nil).

APPRECIATION

On behalf of the Board, I would like to commend our diligent staff and management team for their relentless efforts and commitment despite the challenges in the first half of 2020. I would also like to express our gratitude to our shareholders and stakeholders for their continued support and trust. With our determination to build a sustainable ecosystem in the Consumer Internet and Industrial Internet sectors, we are confident that we will be able to create long-term value for our shareholders.

Ma Huateng

Chairman

Hong Kong, 12 August 2020

Management Discussion and Analysis

SECOND QUARTER OF 2020 COMPARED TO SECOND QUARTER OF 2019

The following table sets forth the comparative figures for the second quarter of 2020 and the second quarter of 2019:

	Unaudited	
	Three months ended	
	30 June	30 June
	2020	2019
	(RMB in millions)	
Revenues	114,883	88,821
Cost of revenues	(61,673)	(49,695)
Gross profit	53,210	39,126
Interest income	1,749	1,652
Other gains, net	8,607	4,038
Selling and marketing expenses	(7,756)	(4,718)
General and administrative expenses	(16,499)	(12,577)
Operating profit	39,311	27,521
Finance costs, net	(2,005)	(1,982)
Share of (loss)/profit of associates and joint ventures	(295)	2,370
Profit before income tax	37,011	27,909
Income tax expense	(4,557)	(3,225)
Profit for the period	32,454	24,684
Attributable to:		
Equity holders of the Company	33,107	24,136
Non-controlling interests	(653)	548
	32,454	24,684
Non-IFRS profit attributable to equity holders of the Company	30,153	23,525

Management Discussion and Analysis

Revenues. Revenues increased by 29% to RMB114.9 billion for the second quarter of 2020 on a year-on-year basis. The following table sets forth our revenues by line of business for the second quarter of 2020 and the second quarter of 2019:

	Unaudited			
	Three months ended			
	30 June 2020		30 June 2019	
	Amount	% of total revenues	Amount	% of total revenues
	(RMB in millions, unless specified)			
VAS	65,002	57%	48,080	54%
FinTech and Business Services	29,862	26%	22,888	26%
Online Advertising	18,552	16%	16,409	18%
Others	1,467	1%	1,444	2%
Total revenues	114,883	100%	88,821	100%

- Revenues from VAS increased by 35% to RMB65,002 million for the second quarter of 2020 on a year-on-year basis. Online games revenues grew by 40% to RMB38,288 million. The increase was primarily driven by higher revenues from smart phone games in both domestic and overseas markets, including titles such as Peacekeeper Elite and Honour of Kings, partly offset by the decrease in revenues from PC client games such as DnF and CrossFire. Total smart phone games revenues (including smart phone games revenues attributable to our social networks business) were RMB35,988 million and PC client games revenues were RMB10,912 million for the second quarter of 2020. Social networks revenues increased by 29% to RMB26,714 million. The increase was mainly due to revenue contributions from digital content services including the live broadcast services of HUYA Inc. (“HUYA”, which we consolidated as a subsidiary from April 2020), and music subscription growth, as well as revenue growth from in-game virtual item sales.
- Revenues from FinTech and Business Services increased by 30% to RMB29,862 million for the second quarter of 2020 on a year-on-year basis. The increase mainly reflected revenue growth from commercial payment due to increased average daily transactions and value per transaction, from wealth management, as well as from cloud services as a result of greater consumption of our public cloud, particularly by the Internet services and municipal services sectors.
- Revenues from Online Advertising increased by 13% to RMB18,552 million for the second quarter of 2020 on a year-on-year basis. Social and others advertising revenues grew by 27% to RMB15,262 million. The increase was primarily due to revenue growth from our mobile advertising network, benefitting from increased traffic and a greater mix of video advertising with higher pricing, as well as increased revenues derived from Weixin Moments due to more inventories and impressions. Media advertising revenues decreased by 25% to RMB3,290 million. The decrease was primarily driven by lower advertising revenues from Tencent Video as a result of weak brand advertising demand amid the challenging macro environment, as well as delayed content production and releases.

Management Discussion and Analysis

Cost of revenues. Cost of revenues increased by 24% to RMB61,673 million for the second quarter of 2020 on a year-on-year basis. The increase mainly reflected greater channel and distribution costs, server and bandwidth costs, as well as content costs. As a percentage of revenues, cost of revenues decreased to 54% for the second quarter of 2020 from 56% for the second quarter of 2019. The following table sets forth our cost of revenues by line of business for the second quarter of 2020 and the second quarter of 2019:

	Unaudited			
	Three months ended			
	30 June 2020		30 June 2019	
	Amount	% of segment revenues	Amount	% of segment revenues
	(RMB in millions, unless specified)			
VAS	30,100	46%	22,783	47%
FinTech and Business Services	21,222	71%	17,391	76%
Online Advertising	9,008	49%	8,432	51%
Others	1,343	92%	1,089	75%
Total cost of revenues	<u>61,673</u>		<u>49,695</u>	

- Cost of revenues for VAS increased by 32% to RMB30,100 million for the second quarter of 2020 on a year-on-year basis. The increase was mainly driven by greater channel and distribution costs, as well as content costs including those for HUYA's live broadcast services.
- Cost of revenues for FinTech and Business Services increased by 22% to RMB21,222 million for the second quarter of 2020 on a year-on-year basis. The increase primarily reflected greater transaction costs due to increased volume of payment activities, as well as greater server and bandwidth costs as a result of enlarging the scale of our cloud services business.
- Cost of revenues for Online Advertising increased by 7% to RMB9,008 million for the second quarter of 2020 on a year-on-year basis. The increase was primarily driven by greater traffic acquisition costs for our mobile advertising network, as well as increased server and bandwidth costs, partly offset by lower content costs resulting from fewer content releases.

Management Discussion and Analysis

Other gains, net. We recorded net other gains of RMB8,607 million for the second quarter of 2020, which mainly comprised of non-IFRS adjustment items including net gains on deemed disposals of certain investee companies in verticals such as eCommerce, live broadcast services and online games, as well as net fair value gains resulting from increased valuations of investees. Such gains were partly offset by impairment provisions for goodwill at China Literature and against certain investee companies, reflecting revisions of their financial/business outlook and changes in their market environments.

Selling and marketing expenses. Selling and marketing expenses increased by 64% to RMB7,756 million for the second quarter of 2020 on a year-on-year basis. The increase was mainly due to greater marketing spending on our online games, Weishi as well as cloud and business services. As a percentage of revenues, selling and marketing expenses increased to 7% for the second quarter of 2020 from 5% for the second quarter of 2019.

General and administrative expenses. General and administrative expenses increased by 31% to RMB16,499 million for the second quarter of 2020 on a year-on-year basis. The increase was mainly driven by greater R&D expenses and staff costs. As a percentage of revenues, general and administrative expenses were 14% for the second quarter of 2020, broadly stable compared to the second quarter of 2019.

Finance costs, net. Net finance costs were RMB2,005 million for the second quarter of 2020, broadly stable compared to the second quarter of 2019.

Share of loss/profit of associates and joint ventures. We recorded share of losses of associates and joint ventures of RMB295 million for the second quarter of 2020, compared to share of profit of RMB2,370 million for the second quarter of 2019. The movement mainly reflected the impact of longer revenue deferral period and greater marketing spending at an associate game company.

Income tax expense. Income tax expense increased by 41% to RMB4,557 million for the second quarter of 2020 on a year-on-year basis.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 37% to RMB33,107 million for the second quarter of 2020 on a year-on-year basis. Non-IFRS profit attributable to equity holders of the Company increased by 28% to RMB30,153 million for the second quarter of 2020.

Management Discussion and Analysis

SECOND QUARTER OF 2020 COMPARED TO FIRST QUARTER OF 2020

The following table sets forth the comparative figures for the second quarter of 2020 and the first quarter of 2020:

	Unaudited	
	Three months ended	
	30 June	31 March
	2020	2020
	(RMB in millions)	
Revenues	114,883	108,065
Cost of revenues	(61,673)	(55,271)
Gross profit	53,210	52,794
Interest income	1,749	1,636
Other gains, net	8,607	4,037
Selling and marketing expenses	(7,756)	(7,049)
General and administrative expenses	(16,499)	(14,158)
Operating profit	39,311	37,260
Finance costs, net	(2,005)	(1,684)
Share of losses of associates and joint ventures	(295)	(281)
Profit before income tax	37,011	35,295
Income tax expense	(4,557)	(5,892)
Profit for the period	32,454	29,403
Attributable to:		
Equity holders of the Company	33,107	28,896
Non-controlling interests	(653)	507
	32,454	29,403
Non-IFRS profit attributable to equity holders of the Company	30,153	27,079

Management Discussion and Analysis

Revenues. Revenues increased by 6% to RMB114.9 billion for the second quarter of 2020 on a quarter-on-quarter basis.

- Revenues from VAS increased by 4% to RMB65,002 million for the second quarter of 2020. Online games revenues grew by 3% to RMB38,288 million. The increase primarily reflected revenue growth from domestic smart phone games such as Peacekeeper Elite and Honour of Kings, as well as revenue contributions from overseas titles, partially offset by lower revenues from PC client games. Social networks revenues increased by 6% to RMB26,714 million. The increase was mainly driven by revenues contributed from digital content services, including the consolidation of HUYA's live broadcast services.
- Revenues from FinTech and Business Services increased by 13% to RMB29,862 million for the second quarter of 2020. The increase was primarily due to higher revenues from commercial payment, social payment and cloud services, as a result of recovering consumer sentiment in the Mainland of China.
- Revenues from Online Advertising increased by 5% to RMB18,552 million for the second quarter of 2020. Social and others advertising revenues increased by 5% to RMB15,262 million. The increase primarily reflected revenue growth from Weixin Moments and our mobile advertising network, resulting from more traffic and increased eCPM due to greater proportion of rewarded videos advertisements, which are widely used by the eCommerce and education sectors. Media advertising revenues grew by 5% to RMB3,290 million. The increase was mainly driven by higher advertising revenues arising from our media platforms including music and news. Compared to historic patterns, we experienced a slower-than-usual seasonal upturn from the first to the second quarter of 2020, reflecting the COVID-19 pandemic driving unusually high traffic, and thus spending by game and Internet services advertisers, in the first quarter of 2020. However, other advertiser categories, such as eCommerce, education, automobiles and consumer electronics, increased their spending quarter-on-quarter.

Cost of revenues. Cost of revenues increased by 12% to RMB61,673 million for the second quarter of 2020 on quarter-on-quarter basis. The increase was primarily due to greater content costs, channel and distribution costs and costs of FinTech services. As a percentage of revenues, cost of revenues increased to 54% for the second quarter of 2020 from 51% for the first quarter of 2020, partly due to the consolidation of HUYA.

- Cost of revenues for VAS increased by 18% to RMB30,100 million for the second quarter of 2020. The increase was mainly driven by greater content costs for live broadcast, online games and video streaming services, including content costs attributable to HUYA, as well as increased channel and distribution costs.
- Cost of revenues for FinTech and Business Services increased by 11% to RMB21,222 million for the second quarter of 2020. The increase was mainly due to greater transaction costs of payment-related services, flowing from increased payment volume, as well as greater project deployment costs and server and bandwidth costs for cloud business.
- Cost of revenues for Online Advertising was RMB9,008 million for the second quarter of 2020, broadly stable compared to the first quarter of 2020, as greater channel and distribution costs, as well as content costs, were offset by the industry-wide removal of cultural construction fee for this year.

Management Discussion and Analysis

Note:

- (a) EBITDA is calculated as operating profit minus interest income and other gains/losses, net, and adding back depreciation of property, plant and equipment, investment properties as well as right-of-use assets, and amortisation of intangible assets. Adjusted EBITDA is calculated as EBITDA plus equity-settled share-based compensation expenses.
- (b) Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by revenues.
- (c) Net cash/(debt) 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 video and music content, game licences and other content).

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

	Unaudited			Unaudited	
	Three months ended			Six months ended	
	30 June	31 March	30 June	30 June	30 June
	2020	2020	2019	2020	2019
	(RMB in millions, unless specified)				
Operating profit	39,311	37,260	27,521	76,571	64,263
Adjustments:					
Interest income	(1,749)	(1,636)	(1,652)	(3,385)	(3,060)
Other gains, net	(8,607)	(4,037)	(4,038)	(12,644)	(15,127)
Depreciation of property, plant and equipment and investment properties	4,257	3,889	2,989	8,146	5,793
Depreciation of right-of-use assets	899	874	748	1,773	1,350
Amortisation of intangible assets	6,414	5,878	7,081	12,292	12,996
EBITDA	40,525	42,228	32,649	82,753	66,215
Equity-settled share-based compensation	3,217	2,962	2,453	6,179	4,485
Adjusted EBITDA	43,742	45,190	35,102	88,932	70,700

Management Discussion and Analysis

NON-IFRS FINANCIAL MEASURES

To supplement the consolidated results of the Group prepared in accordance with IFRS, certain additional non-IFRS 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 interim report. These unaudited non-IFRS 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-IFRS financial measures may be defined differently from similar terms used by other companies.

The Company's management believes that the non-IFRS 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-IFRS adjustments include relevant non-IFRS adjustments for the Group's major associates based on available published financials of the relevant major associates, or estimates made by the Company's management based on available information, certain expectations, assumptions and premises.

The following tables set forth the reconciliations of the Group's non-IFRS financial measures for the second quarter of 2020 and 2019, the first quarter of 2020, as well as the first half of 2020 and 2019 to the nearest measures prepared in accordance with IFRS:

Unaudited three months ended 30 June 2020							
	As reported	Adjustments					Non-IFRS
		Share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/ (reversals) (d)	Income tax effects (e)	
(RMB in millions, unless specified)							
Operating profit	39,311	3,507	(14,672)	870	8,613	–	37,629
Profit for the period	32,454	4,225	(16,108)	1,886	9,268	(505)	31,220
Profit attributable to equity holders	33,107	4,019	(15,436)	1,503	7,310	(350)	30,153
EPS (RMB per share)							
– basic	3.491						3.180
– diluted	3.437						3.130
Operating margin	34%						33%
Net margin	28%						27%

Management Discussion and Analysis

Unaudited three months ended 31 March 2020

	Adjustments						Non-IFRS
	As reported	Share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/ (reversals) (d)	Income tax effects (e)	
	(RMB in millions, unless specified)						
Operating profit	37,260	3,435	(5,272)	639	(487)	–	35,575
Profit for the period	29,403	4,198	(6,992)	1,572	(18)	(179)	27,984
Profit attributable to equity holders	28,896	3,957	(6,976)	1,338	(18)	(118)	27,079
EPS (RMB per share)							
– basic	3.049						2.858
– diluted	2.999						2.817
Operating margin	34%						33%
Net margin	27%						26%

Unaudited three months ended 30 June 2019

	Adjustments						Non-IFRS
	As reported	Share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/ (reversals) (d)	Income tax effects (e)	
	(RMB in millions, unless specified)						
Operating profit	27,521	2,453	(4,950)	118	2,139	–	27,281
Profit for the period	24,684	2,373	(6,523)	1,486	2,492	(321)	24,191
Profit attributable to equity holders	24,136	2,296	(6,522)	1,432	2,492	(309)	23,525
EPS (RMB per share)							
– basic	2.550						2.486
– diluted	2.520						2.456
Operating margin	31%						31%
Net margin	28%						27%

Management Discussion and Analysis

Unaudited six months ended 30 June 2020

	Adjustments						Non-IFRS
	As reported	Share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/ (reversals) (d)	Income tax effects (e)	
	(RMB in millions, unless specified)						
Operating profit	76,571	6,942	(19,944)	1,509	8,126	–	73,204
Profit for the period	61,857	8,423	(23,100)	3,458	9,250	(684)	59,204
Profit attributable to equity holders	62,003	7,976	(22,412)	2,841	7,292	(468)	57,232
EPS (RMB per share)							
– basic	6.541						6.038
– diluted	6.440						5.945
Operating margin	34%						33%
Net margin	28%						27%

Unaudited six months ended 30 June 2019

	Adjustments						Non-IFRS
	As reported	Share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/ (reversals) (d)	Income tax effects (e)	
	(RMB in millions, unless specified)						
Operating profit	64,263	4,486	(15,496)	232	2,266	–	55,751
Profit for the period	52,540	5,241	(16,897)	2,570	3,081	(671)	45,864
Profit attributable to equity holders	51,346	5,078	(16,873)	2,465	3,081	(642)	44,455
EPS (RMB per share)							
– basic	5.427						4.699
– diluted	5.362						4.643
Operating margin	37%						32%
Net margin	30%						26%

Management Discussion and Analysis

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
- (d) Impairment provisions/(reversals) for associates, joint ventures, goodwill and intangible assets arising from acquisitions
- (e) Income tax effects of non-IFRS adjustments

INVESTMENTS HELD

As at 30 June 2020, our investment portfolio amounted to approximately RMB539,545 million (31 December 2019: RMB439,551 million) as recorded in the consolidated statement of financial position under various categories including:

- investments in associates and joint ventures which are accounted for by using equity method; and
- financial assets at fair value through profit or loss and through other comprehensive income.

Changes in respective items in the consolidated statement of financial position have been disclosed in the notes to the interim financial information in this interim report.

We manage our investment portfolio with a primary objective to strengthen our leading position in core businesses and complement our “Connection” strategy in various industries, particularly in social and digital content, O2O and smart retail sectors. We also invest in transportation, FinTech, cloud and other sectors.

The fair value of our stakes in listed investee companies (excluding subsidiaries) amounted to RMB726,244 million as at 30 June 2020 (31 December 2019: RMB419,818 million). None of our investments (including listed equity investments) had a carrying amount which represents 5% or more of our total assets as at 30 June 2020.

Save as disclosed herein, there are no material changes in our investment portfolio affecting the Company's performance that need to be disclosed under paragraphs 32 and 40(2) of Appendix 16 to the Listing Rules.

Management Discussion and Analysis

Return from our investment portfolio amounted to RMB10,527 million for the six months ended 30 June 2020, with a decrease of 19% compared to the same period of last year. Details of our return from investment portfolio are as follows:

Income of Principal Investment (Classified by nature of income)	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Dividend income	386	300	794	542
Net gains on disposals and deemed disposals of investee companies	8,325	2,850	11,972	6,517
Net fair value gains	6,347	2,100	7,972	8,979
Impairment provision for investee companies, goodwill and intangible assets arising from acquisitions	(8,613)	(2,139)	(8,126)	(2,266)
Share of (loss)/profit of associates and joint ventures	(295)	2,370	(576)	(587)
Amortisation of intangible assets resulting from acquisitions	(870)	(118)	(1,509)	(232)

We continue to closely monitor the performance of our investment portfolio and strategically make investments, M&A, and explore opportunities in monetising some of the existing investments if appropriate opportunities in the market arise.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

Our cash positions as at 30 June 2020 and 31 March 2020 were as follows:

	Unaudited 30 June 2020	Unaudited 31 March 2020
		(RMB in millions)
Cash and cash equivalents	173,718	135,270
Term deposits and others	107,368	85,314
	281,086	220,584
Borrowings	(147,089)	(140,566)
Notes payable	(126,785)	(85,734)
Net cash/(debt)	7,212	(5,716)
Fair value of our stakes in listed investee companies (excluding subsidiaries)	726,244	410,299

As at 30 June 2020, the Group had net cash of RMB7,212 million, compared to net debt of RMB5,716 million as at 31 March 2020. The sequential improvement mainly reflected strong free cash flow generation, and the consolidation of HUYA's net cash balance, partly offset by payments for M&A initiatives.

For the second quarter of 2020, the Group had free cash flow of RMB28,451 million. This was a result of net cash flow generated from operating activities of RMB44,064 million, offset by payments for capital expenditures of RMB8,796 million, payments for media content of RMB5,864 million, and payments for lease liabilities of RMB953 million.

Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF TENCENT HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 24 to 84, which comprises the consolidated statement of financial position of Tencent Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2020 and the consolidated income statement and the consolidated statement of comprehensive income for the three and six months then ended, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 12 August 2020

Consolidated Income Statement

For the three and six months ended 30 June 2020

	Note	Unaudited		Unaudited	
		Three months ended 30 June		Six months ended 30 June	
		2020	2019	2020	2019
		RMB'Million	RMB'Million	RMB'Million	RMB'Million
Revenues					
Value-added Services		65,002	48,080	127,431	97,054
FinTech and Business Services		29,862	22,888	56,337	44,677
Online Advertising		18,552	16,409	36,265	29,786
Others		1,467	1,444	2,915	2,769
	7	<u>114,883</u>	<u>88,821</u>	<u>222,948</u>	<u>174,286</u>
Cost of revenues	9	<u>(61,673)</u>	<u>(49,695)</u>	<u>(116,944)</u>	<u>(95,340)</u>
Gross profit		53,210	39,126	106,004	78,946
Interest income		1,749	1,652	3,385	3,060
Other gains, net	8	8,607	4,038	12,644	15,127
Selling and marketing expenses	9	(7,756)	(4,718)	(14,805)	(8,962)
General and administrative expenses	9	(16,499)	(12,577)	(30,657)	(23,908)
Operating profit		39,311	27,521	76,571	64,263
Finance costs, net	10	(2,005)	(1,982)	(3,689)	(3,099)
Share of (loss)/profit of associates and joint ventures		(295)	2,370	(576)	(587)
Profit before income tax		37,011	27,909	72,306	60,577
Income tax expense	11	(4,557)	(3,225)	(10,449)	(8,037)
Profit for the period		32,454	24,684	61,857	52,540
Attributable to:					
Equity holders of the Company		33,107	24,136	62,003	51,346
Non-controlling interests		(653)	548	(146)	1,194
		<u>32,454</u>	<u>24,684</u>	<u>61,857</u>	<u>52,540</u>
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)					
– basic	12(a)	<u>3.491</u>	<u>2.550</u>	<u>6.541</u>	<u>5.427</u>
– diluted	12(b)	<u>3.437</u>	<u>2.520</u>	<u>6.440</u>	<u>5.362</u>

The accompanying notes on pages 35 to 84 form an integral part of this interim financial information.

Consolidated Statement of Comprehensive Income

For the three and six months ended 30 June 2020

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Profit for the period	32,454	24,684	61,857	52,540
Other comprehensive income, net of tax:				
<i>Items that may be subsequently reclassified to profit or loss</i>				
Share of other comprehensive income/(loss) of associates and joint ventures	159	(2)	129	(28)
Transfer of share of other comprehensive income to profit or loss upon deemed disposal of an associate	(2)	–	(2)	–
Currency translation differences	2,358	3,059	3,673	1,060
Other fair value losses	(687)	(1,388)	(2,044)	(2,036)
<i>Items that will not be subsequently reclassified to profit or loss</i>				
Net gains from changes in fair value of financial assets at fair value through other comprehensive income	56,797	2,582	48,947	16,847
Other fair value gains/(losses)	102	(70)	48	(71)
	58,727	4,181	50,751	15,772
Total comprehensive income for the period	91,181	28,865	112,608	68,312
Attributable to:				
Equity holders of the Company	89,242	28,080	110,262	66,571
Non-controlling interests	1,939	785	2,346	1,741
	91,181	28,865	112,608	68,312

The accompanying notes on pages 35 to 84 form an integral part of this interim financial information.

Consolidated Statement of Financial Position

As at 30 June 2020

	Note	Unaudited 30 June 2020 RMB'Million	Audited 31 December 2019 RMB'Million
ASSETS			
Non-current assets			
Property, plant and equipment	14	52,565	46,824
Land use rights	15	15,822	15,609
Right-of-use assets	16	10,622	10,847
Construction in progress	14	5,217	3,935
Investment properties	14	635	855
Intangible assets	14	135,260	128,860
Investments in associates	17	224,753	213,614
Investments in joint ventures		7,053	8,280
Financial assets at fair value through profit or loss	18	162,391	128,822
Financial assets at fair value through other comprehensive income	19	139,021	81,721
Prepayments, deposits and other assets	20	22,588	23,442
Deferred income tax assets	21	20,974	18,209
Term deposits		21,210	19,000
		818,111	700,018
Current assets			
Inventories		988	718
Accounts receivable	22	40,384	35,839
Prepayments, deposits and other assets	20	36,233	27,840
Other financial assets		1,585	375
Financial assets at fair value through profit or loss	18	6,327	7,114
Term deposits		79,920	46,911
Restricted cash		2,278	2,180
Cash and cash equivalents		173,718	132,991
		341,433	253,968
Total assets		1,159,544	953,986

Consolidated Statement of Financial Position

As at 30 June 2020

	Note	Unaudited 30 June 2020 RMB'Million	Audited 31 December 2019 RMB'Million
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	23	–	–
Share premium		41,701	35,271
Shares held for share award schemes		(3,959)	(4,002)
Other reserves		61,056	16,786
Retained earnings		436,611	384,651
		535,409	432,706
Non-controlling interests		70,864	56,118
Total equity		606,273	488,824
LIABILITIES			
Non-current liabilities			
Borrowings	25	131,988	104,257
Notes payable	26	126,785	83,327
Long-term payables	27	4,675	3,577
Other financial liabilities	28	7,016	5,242
Deferred income tax liabilities	21	13,434	12,841
Lease liabilities	16	8,143	8,428
Deferred revenue	31	6,638	7,334
		298,679	225,006

Consolidated Statement of Financial Position

As at 30 June 2020

	Note	Unaudited 30 June 2020 RMB'Million	Audited 31 December 2019 RMB'Million
Current liabilities			
Accounts payable	29	86,433	80,690
Other payables and accruals	30	43,675	45,174
Borrowings	25	15,101	22,695
Notes payable	26	–	10,534
Current income tax liabilities		10,813	9,733
Other tax liabilities		1,133	1,245
Other financial liabilities	28	5,746	5,857
Lease liabilities	16	3,474	3,279
Deferred revenue	31	88,217	60,949
		254,592	240,156
Total liabilities		553,271	465,162
Total equity and liabilities		1,159,544	953,986

The accompanying notes on pages 35 to 84 form an integral part of this interim financial information.

On behalf of the Board

Ma Huateng
Director

Lau Chi Ping Martin
Director

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Unaudited							
	Attributable to equity holders of the Company							
	Share capital RMB'Million	Share premium RMB'Million	Shares held for share award schemes RMB'Million	Other reserves RMB'Million	Retained earnings RMB'Million	Total RMB'Million	Non-controlling interests RMB'Million	Total equity RMB'Million
Balance at 1 January 2020	-	35,271	(4,002)	16,786	384,651	432,706	56,118	488,824
Comprehensive income								
Profit for the period	-	-	-	-	62,003	62,003	(146)	61,857
Other comprehensive income, net of tax:								
- share of other comprehensive income of associates and joint ventures	-	-	-	128	-	128	1	129
- transfer of share of other comprehensive income to profit or loss upon deemed disposal of an associate	-	-	-	(2)	-	(2)	-	(2)
- net gains from changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	47,206	-	47,206	1,741	48,947
- currency translation differences	-	-	-	2,863	-	2,863	810	3,673
- other fair value losses, net	-	-	-	(1,936)	-	(1,936)	(60)	(1,996)
Total comprehensive income for the period	-	-	-	48,259	62,003	110,262	2,346	112,608
Transfer of gains on disposal and deemed disposal of financial assets at fair value through other comprehensive income to retained earnings	-	-	-	(346)	346	-	-	-
Share of other changes in net assets of associates and joint ventures	-	-	-	1,456	-	1,456	(5)	1,451
Transfer of share of other changes in net assets of associates to profit or loss upon deemed disposal of associates	-	-	-	(154)	-	(154)	-	(154)

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Unaudited							
	Attributable to equity holders of the Company							
	Share capital	Share premium	Shares held for share award schemes	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Transactions with equity holders								
Capital injection	-	-	-	-	-	-	222	222
Employee share option schemes:								
– value of employee services	-	933	-	31	-	964	32	996
– proceeds from shares issued	-	542	-	-	-	542	-	542
Employee share award schemes:								
– value of employee services	-	4,714	-	141	-	4,855	163	5,018
– shares withheld for share award schemes	-	-	(411)	-	-	(411)	-	(411)
– vesting of awarded shares	-	(336)	336	-	-	-	-	-
Tax benefit from share-based payments	-	-	-	214	-	214	-	214
Profit appropriations to statutory reserves	-	-	-	(60)	60	-	-	-
Dividends	-	-	-	-	(10,449)	(10,449)	(324)	(10,773)
Non-controlling interests arising								
from business combinations	-	-	-	-	-	-	8,685	8,685
Deemed disposal of a subsidiary	-	-	-	-	-	-	5	5
Acquisition of additional equity interests								
in non-wholly owned subsidiaries	-	-	-	35	-	35	(270)	(235)
Dilution of interests in subsidiaries	-	-	-	(139)	-	(139)	273	134
Changes in put option liability with								
non-controlling interests	-	-	-	(75)	-	(75)	(35)	(110)
Recognition of financial liabilities in respect of								
non-controlling interests	-	-	-	(686)	-	(686)	-	(686)
Transfer of equity interests of subsidiaries to								
non-controlling interests	-	577	118	(4,406)	-	(3,711)	3,654	(57)
Total transactions with equity holders at their capacity as equity holders for the period	-	6,430	43	(4,945)	(10,389)	(8,861)	12,405	3,544
Balance at 30 June 2020	-	41,701	(3,959)	61,056	436,611	535,409	70,864	606,273

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Unaudited							
	Attributable to equity holders of the Company							
	Share capital	Share premium	Shares held for share award schemes	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Balance at 1 January 2019	-	27,294	(4,173)	729	299,660	323,510	32,697	356,207
Comprehensive income								
Profit for the period	-	-	-	-	51,346	51,346	1,194	52,540
Other comprehensive income, net of tax:								
- share of other comprehensive loss of associates and joint ventures	-	-	-	(27)	-	(27)	(1)	(28)
- net gains from changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	16,373	-	16,373	474	16,847
- currency translation differences	-	-	-	986	-	986	74	1,060
- other fair value losses, net	-	-	-	(2,107)	-	(2,107)	-	(2,107)
Total comprehensive income for the period	-	-	-	15,225	51,346	66,571	1,741	68,312
Share of other changes in net assets of associates	-	-	-	881	-	881	-	881

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

Unaudited								
Attributable to equity holders of the Company								
	Share capital	Share premium	Shares held for share award schemes	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Transactions with equity holders								
Capital injection	-	-	-	-	-	-	237	237
Employee share option schemes:								
- value of employee services	-	1,090	-	22	-	1,112	22	1,134
- proceeds from shares issued	-	110	-	-	-	110	-	110
Employee share award schemes:								
- value of employee services	-	3,018	-	209	-	3,227	144	3,371
- shares withheld for share award schemes	-	-	(369)	-	-	(369)	-	(369)
- vesting of awarded shares	-	(606)	606	-	-	-	-	-
Profit appropriations to statutory reserves	-	-	-	14	(14)	-	-	-
Dividends	-	-	-	-	(8,305)	(8,305)	(23)	(8,328)
Non-controlling interests arising from business combination	-	-	-	-	-	-	51	51
Acquisition of additional equity interests in non-wholly owned subsidiaries	-	273	-	(258)	-	15	(628)	(613)
Dilution of interests in subsidiaries	-	-	-	(212)	-	(212)	267	55
Transfer of equity interests of subsidiaries to non-controlling interests	-	488	-	(572)	-	(84)	68	(16)
Total transactions with equity holders at their capacity as equity holders for the period	<u>-</u>	<u>4,373</u>	<u>237</u>	<u>(797)</u>	<u>(8,319)</u>	<u>(4,506)</u>	<u>138</u>	<u>(4,368)</u>
Balance at 30 June 2019	<u>-</u>	<u>31,667</u>	<u>(3,936)</u>	<u>16,038</u>	<u>342,687</u>	<u>386,456</u>	<u>34,576</u>	<u>421,032</u>

The accompanying notes on pages 35 to 84 form an integral part of this interim financial information.

Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'Million	RMB'Million
Cash flows from operating activities		
Cash generated from operations	111,478	63,986
Income tax paid	<u>(12,753)</u>	<u>(10,182)</u>
Net cash flows generated from operating activities	<u>98,725</u>	<u>53,804</u>
Cash flows from investing activities		
Payments for business combinations, net of cash acquired	(3,182)	(1,717)
Purchase of property, plant and equipment, construction in progress and investment properties	(17,593)	(8,347)
Proceeds from disposals of property, plant and equipment	–	3
Purchase of/prepayments for intangible assets	(11,343)	(14,760)
Purchase of/prepayments for land use rights	(351)	(55)
Payments for acquisition of investments in associates	(14,472)	(8,814)
Proceeds from disposals of investments in associates	1,133	652
Payments for acquisition of investments in joint ventures	(186)	(99)
Payments for acquisition of financial assets at fair value through other comprehensive income	(4,240)	(1,610)
Proceeds from disposals of financial assets at fair value through other comprehensive income	3,597	–
Payments for acquisition of financial assets at fair value through profit or loss	(28,637)	(15,341)
Proceeds from disposals of financial assets at fair value through profit or loss	5,092	5,817
Proceeds from disposals of other financial assets	1,462	937
Payments for investments in other financial assets	(273)	–
Payments for loans to investees and others	(1,277)	(3,151)
Loans repayments from investees and others	390	256
Receipt from maturity of term deposits with initial terms of over three months	12,336	55,639
Placement of term deposits with initial terms of over three months	(38,312)	(49,758)
Interest received	2,327	3,423
Dividends received	<u>602</u>	<u>625</u>
Net cash flows used in investing activities	<u>(92,927)</u>	<u>(36,300)</u>

Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'Million	RMB'Million
Cash flows from financing activities		
Proceeds from short-term borrowings	5,662	17,175
Repayments of short-term borrowings	(8,323)	(20,850)
Proceeds from long-term borrowings	26,223	11,967
Repayments of long-term borrowings	(5,255)	(14,990)
Net proceeds from issuance of notes payable	42,509	40,202
Repayments of notes payable	(10,460)	(13,465)
Principal elements of lease payments	(1,515)	(1,065)
Interest paid	(3,714)	(3,060)
Proceeds from issuance of ordinary shares as a result of exercise of share options	542	110
Shares withheld for share award schemes	(411)	(589)
Proceeds from issuance of additional equity of non-wholly owned subsidiaries	273	317
Payments for acquisition of non-controlling interests in non-wholly owned subsidiaries	(343)	(103)
Dividends paid to the Company's shareholders	(10,339)	(8,315)
Dividends paid to non-controlling interests	(351)	(82)
	<u>34,498</u>	<u>7,252</u>
Net cash flows generated from financing activities		
	<u>34,498</u>	<u>7,252</u>
Net increase in cash and cash equivalents	40,296	24,756
Cash and cash equivalents at beginning of the period	132,991	97,814
Exchange gains on cash and cash equivalents	431	268
	<u>173,718</u>	<u>122,838</u>
Cash and cash equivalents at end of the period		
	<u>173,718</u>	<u>122,838</u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	68,699	53,244
Term deposits and highly liquid investments with initial terms within three months	105,019	69,594
	<u>173,718</u>	<u>122,838</u>

The accompanying notes on pages 35 to 84 form an integral part of this interim financial information.

Notes to the Interim Financial Information

1 GENERAL INFORMATION

Tencent Holdings Limited (the “Company”) was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 16 June 2004.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the “Group”) are principally engaged in the provision of Value-added Services (“VAS”), FinTech and Business Services and Online Advertising services.

The condensed consolidated interim financial information comprises the consolidated statement of financial position as at 30 June 2020, the consolidated income statement and the consolidated statement of comprehensive income for the three and six months then ended, the consolidated statement of changes in equity and the consolidated statement of cash flows for six months then ended, and a summary of significant accounting policies and other explanatory notes (the “Interim Financial Information”). The Interim Financial Information is presented in Renminbi (“RMB”), unless otherwise stated.

The Interim Financial Information has not been audited but has been reviewed by the external auditor of the Company.

2 BASIS OF PREPARATION AND PRESENTATION

The Interim Financial Information has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as set out in the 2019 annual report of the Company dated 18 March 2020 (the “2019 Financial Statements”).

3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below and in Note 4, the accounting policies and method of computation used in the preparation of the Interim Financial Information are consistent with those used in the 2019 Financial Statements, which have been prepared in accordance with IFRS under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss (“FVPL”), financial assets at fair value through other comprehensive income (“FVOCI”), certain other financial liabilities and derivative financial instruments, which are carried at fair value.

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

Notes to the Interim Financial Information

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Amendments to standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2020:

Amendments to IAS 1 and IAS 8	Definition of material
Amendments to IFRS 3	Definition of a business
Conceptual Framework	Revised Conceptual Framework for Financial Reporting
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The adoption of these amended standards does not have significant impact on the consolidated financial statements of the Group.

(b) New standards and amendments to standards issued but not effective

The following new standards and amendments to standards have not come into effect for the financial year beginning 1 January 2020 and have not been early adopted by the Group in preparing the consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

		Effective for annual periods beginning on or after
Amendments to IAS 28 and IFRS 10	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
IFRS 17	Insurance contracts	1 January 2023

4 CHANGES IN ACCOUNTING POLICY

Change in the subsequent measurement of put option arrangements with non-controlling shareholders

From 1 January 2020, the Group made voluntary change in accounting policy on the subsequent measurement of put option arrangements with non-controlling shareholders from the change in carrying value “through profit or loss” to “through equity”. The Group considers the change in the accounting policy will provide more relevant information about the effects of underlying transactions which is related to transaction with non-controlling shareholders that do not result in loss of control over a subsidiary. The Group has adopted this new policy retrospectively, however as the impact is insignificant to the consolidated financial statements of the Group, comparative figures have not been restated. The adoption of this new policy also does not result in any significant financial impact for the three and six months ended 30 June 2020.

Notes to the Interim Financial Information

5 ESTIMATES

The preparation of the Interim Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied to the 2019 Financial Statements.

6 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2019 Financial Statements.

There were no significant changes in any material risk management policies during the six months ended 30 June 2020. Management has considered pandemic impact on these risks, which have been reflected in the consolidated financial statements.

During the three and six months ended 30 June 2020, the Group reported exchange losses of RMB183 million and exchange gains of RMB139 million respectively (three and six months ended 30 June 2019: exchange losses of RMB225 million and exchange gains of RMB157 million respectively) (Note 10), within "Finance costs, net" in the consolidated income statement.

During the three and six months ended 30 June 2020, the Group reported fair value gains on FVPL of RMB3,717 million and RMB5,034 million respectively (three and six months ended 30 June 2019: fair value gains of RMB1,816 million and RMB6,999 million respectively) (Note 8), within "Other gains, net" in the consolidated income statement, and fair value gains on FVOCI of RMB57,328 million and RMB49,817 million respectively (three and six months ended 30 June 2019: fair value gains of RMB2,566 million and RMB16,920 million respectively) within "other reserve" in the consolidated statement of financial position.

Notes to the Interim Financial Information

6 FINANCIAL RISK MANAGEMENT (continued)

(b) Capital risk management

The Group's objectives on managing capital are to safeguard the Group's ability to continue as a going concern and support the sustainable growth of the Group in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

Capital refers to equity and external debts (including borrowings and notes payable). In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, repurchase the Company's shares or raise/repay debts.

The Group monitors capital by regularly reviewing debts to adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA") (Note) ratio, being the measure of the Group's ability to pay off all debts that reflects financial health and liquidity position. The total debts/adjusted EBITDA ratio calculated by dividing the total debts by adjusted EBITDA is as follows:

	Unaudited	Audited
	30 June	31 December
	2020	2019
	(RMB in million, unless specified)	
Borrowings (Note 25)	147,089	126,952
Notes payable (Note 26)	126,785	93,861
Total debts	273,874	220,813
Adjusted EBITDA for the twelve months ended 30 June 2020/31 December 2019 (Note)	165,627	147,395
Total debts/Adjusted EBITDA ratio	1.65	1.50

Note:

Adjusted EBITDA represents operating profit less interest income and other gains/(losses), net, and adding back depreciation of property, plant and equipment, investment properties as well as right-of-use assets, amortisation of intangible assets and equity-settled share-based compensation expenses.

Notes to the Interim Financial Information

6 FINANCIAL RISK MANAGEMENT (continued)

(c) Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2020 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1 RMB'Million	Level 2 RMB'Million	Level 3 RMB'Million	Total RMB'Million
As at 30 June 2020 (Unaudited)				
FVPL	20,854	5,313	142,551	168,718
FVOCI	129,595	–	9,426	139,021
Other financial assets	–	714	780	1,494
Other financial liabilities	–	2,700	283	2,983
As at 31 December 2019 (Audited)				
FVPL	14,766	5,091	116,079	135,936
FVOCI	74,707	–	7,014	81,721
Other financial assets	–	375	–	375
Other financial liabilities	–	523	1,873	2,396

Notes to the Interim Financial Information

6 FINANCIAL RISK MANAGEMENT (continued)

(c) Fair value estimation (continued)

The fair value of financial instruments traded in active markets is determined with reference to quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required for evaluating the fair value of a financial instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments mainly include:

- Dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

Notes to the Interim Financial Information

6 FINANCIAL RISK MANAGEMENT (continued)

(c) Fair value estimation (continued)

During the six months ended 30 June 2020, there had been no transfer between level 1 and level 2 for recurring fair value measurement. The following table which presents the changes of financial instruments in level 3 instruments for the six months ended 30 June 2020 and 2019 sets out the transfers in and out of level 3 measurements.

	Financial assets		Financial liabilities	
	Unaudited		Unaudited	
	Six months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Opening balance	123,093	83,934	1,873	4,466
Additions	25,290	12,042	237	–
Disposals/Settlements	(541)	(1,391)	(1,177)	(1,193)
Transfers	475	(4,022)	–	–
Changes in fair value recognised in other comprehensive income	399	–	–	–
Changes in fair value recognised in profit or loss*	1,520	6,609	(627)	(619)
Currency translation differences	2,521	399	(23)	(57)
Closing balance	152,757	97,571	283	2,597
* Includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period	1,361	2,344	(625)	(619)

Notes to the Interim Financial Information

6 FINANCIAL RISK MANAGEMENT (continued)

(c) Fair value estimation (continued)

Valuation processes inputs and relationships to fair value (Level 3)

The Group has a team of personnel who performs valuation on these level 3 instruments for financial reporting purposes. The team performs valuation, or necessary updates, at least once every quarter, which coincides with the Group's quarterly reporting dates. On an annual basis, the team adopts various valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts may also be involved and consulted when it is necessary.

The components of the level 3 instruments mainly include investments in unlisted companies classified as FVPL or FVOCI, other financial assets, and other financial liabilities. Other financial assets mainly include contingent consideration receivable related to a business combination of a company, which is principally engaged in the television series and film production business. As these investments and instruments are not traded in an active market, majority of their fair values have been determined using applicable valuation techniques including comparable transactions approach and other option pricing approach. These valuation approaches require significant judgments, assumptions and inputs, including risk-free rates, expected volatility, relevant underlying financial projections, and market information of recent transactions (such as recent fund-raising transactions undertaken by the investees) and other exposure, etc.

The quantitative information about the significant unobservable inputs used in level 3 fair value measurements of investments in unlisted companies comprise:

- For Investments in unlisted companies in FVPL and FVOCI, the significant unobservable input is the expected volatility, and the range of inputs at 30 June 2020 is 27% ~ 83% (31 December 2019: 36% ~ 83%). The higher the expected volatility, the lower the fair value.
- For contingent consideration related to business combination, the significant unobservable input is the expected volatility, which is 20% (31 December 2019: 25%). The higher the expected volatility, the lower the fair value.

For the fair value of contingent consideration related to business combination, management considered that any reasonable changes in the expected volatility would not result in a significant change in the Group's results as at 30 June 2020 and 2019.

Notes to the Interim Financial Information

7 SEGMENT INFORMATION AND REVENUES

(a) Description of segments and principal activities

The chief operating decision-makers mainly include executive directors of the Company. They review the Group's internal reporting in order to assess performance, allocate resources, and determine the operating segments based on these reports.

The Group has the following reportable segments for the three and six months ended 30 June 2020 and 2019:

- VAS;
- FinTech and Business Services;
- Online Advertising; and
- Others.

The "Others" business segment consists of the financials of investment in, production of and distribution of, films and television programmes for third parties, copyrights licensing, merchandise sales and various other activities.

The chief operating decision-makers assess the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and marketing expenses and general and administrative expenses are common costs incurred for these operating segments as a whole and therefore, they are not included in the measure of the segments' performance which is used by the chief operating decision-makers as a basis for the purpose of resource allocation and assessment of segment performance. Interest income, other gains, net, finance costs, net, share of profit/(loss) of associates and joint ventures and income tax expense are also not allocated to individual operating segment.

There were no material inter-segment sales during the three and six months ended 30 June 2020 and 2019. The revenues from external customers reported to the chief operating decision-makers are measured in a manner consistent with that applied in the consolidated income statement.

Other information, together with the segment information, provided to the chief operating decision-makers, is measured in a manner consistent with that applied in the Interim Financial Information. There were no segment assets and segment liabilities information provided to the chief operating decision-makers.

Notes to the Interim Financial Information

7 SEGMENT INFORMATION AND REVENUES (continued)

(a) Description of segments and principal activities (continued)

The segment information provided to the chief operating decision-makers for the reportable segments for the three and six months ended 30 June 2020 and 2019 is as follows:

	Unaudited				
	Three months ended 30 June 2020				
	FinTech		Online		Total
	VAS	and Business Services	Advertising	Others	
RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	
Segment revenues	<u>65,002</u>	<u>29,862</u>	<u>18,552</u>	<u>1,467</u>	<u>114,883</u>
Gross profit	<u>34,902</u>	<u>8,640</u>	<u>9,544</u>	<u>124</u>	<u>53,210</u>
Cost of revenues					
Depreciation	1,218	2,192	794	21	4,225
Amortisation	<u>3,883</u>	<u>–</u>	<u>1,678</u>	<u>268</u>	<u>5,829</u>

	Unaudited				
	Three months ended 30 June 2019				
	FinTech		Online		Total
	VAS	and Business Services	Advertising	Others	
RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	
Segment revenues	<u>48,080</u>	<u>22,888</u>	<u>16,409</u>	<u>1,444</u>	<u>88,821</u>
Gross profit	<u>25,297</u>	<u>5,497</u>	<u>7,977</u>	<u>355</u>	<u>39,126</u>
Cost of revenues					
Depreciation	846	1,585	469	28	2,928
Amortisation	<u>3,580</u>	<u>–</u>	<u>2,896</u>	<u>378</u>	<u>6,854</u>

Notes to the Interim Financial Information

7 SEGMENT INFORMATION AND REVENUES (continued)

(a) Description of segments and principal activities (continued)

	Unaudited				
	Six months ended 30 June 2020				
		FinTech		Online	
	VAS	and Business	Advertising	Others	Total
	RMB'Million	Services	RMB'Million	RMB'Million	RMB'Million
Segment revenues	<u>127,431</u>	<u>56,337</u>	<u>36,265</u>	<u>2,915</u>	<u>222,948</u>
Gross profit/(loss)	<u>71,754</u>	<u>16,022</u>	<u>18,254</u>	<u>(26)</u>	<u>106,004</u>
Cost of revenues					
Depreciation	2,273	4,207	1,542	47	8,069
Amortisation	<u>7,361</u>	<u>–</u>	<u>3,128</u>	<u>754</u>	<u>11,243</u>

	Unaudited				
	Six months ended 30 June 2019				
		FinTech		Online	
	VAS	and Business	Advertising	Others	Total
	RMB'Million	Services	RMB'Million	RMB'Million	RMB'Million
Segment revenues	<u>97,054</u>	<u>44,677</u>	<u>29,786</u>	<u>2,769</u>	<u>174,286</u>
Gross profit	<u>53,490</u>	<u>11,705</u>	<u>13,578</u>	<u>173</u>	<u>78,946</u>
Cost of revenues					
Depreciation	1,577	2,983	953	53	5,566
Amortisation	<u>6,687</u>	<u>–</u>	<u>5,133</u>	<u>719</u>	<u>12,539</u>

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

All the revenues derived from any single external customer were less than 10% of the Group's total revenues during the three and six months ended 30 June 2020 and 2019.

Notes to the Interim Financial Information

7 SEGMENT INFORMATION AND REVENUES (continued)

(b) Disaggregation of revenue from contracts with customers

In the following table, revenue of the Group from contracts with customers is disaggregated by revenue source. The table also includes a reconciliation to the segment information (Note 7(a)).

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Revenue from contracts with customers				
– VAS	65,002	48,080	127,431	97,054
<i>Online games</i>	38,288	27,307	75,586	55,820
<i>Social networks</i>	26,714	20,773	51,845	41,234
– FinTech and Business Services	29,862	22,888	56,337	44,677
– Online Advertising	18,552	16,409	36,265	29,786
<i>Media advertising</i>	3,290	4,400	6,411	7,879
<i>Social and others advertising</i>	15,262	12,009	29,854	21,907
– Others	1,467	1,444	2,915	2,769
	114,883	88,821	222,948	174,286

Notes to the Interim Financial Information

8 OTHER GAINS, NET

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Net gains on disposals and deemed disposals of investee companies (Note (a))	8,325	2,850	11,972	6,517
Impairment provision for investee companies, goodwill and intangible assets arising from acquisitions (Note (b))	(8,613)	(2,139)	(8,126)	(2,266)
Net fair value gains on FVPL (Note (c))	3,717	1,816	5,034	6,999
Subsidies and tax rebates	1,657	978	3,772	1,861
Net fair value gains on other financial instruments	2,630	284	2,938	1,980
Donations (Note (d))	–	–	(2,600)	(700)
Dividend income	386	300	794	542
Others (Note (e))	505	(51)	(1,140)	194
	<u>8,607</u>	<u>4,038</u>	<u>12,644</u>	<u>15,127</u>

Notes to the Interim Financial Information

8 OTHER GAINS, NET (continued)

Note:

- (a) The disposal and deemed disposal gains of approximately RMB11,972 million recognised during the six months ended 30 June 2020 mainly comprised the following:
- net gains of approximately RMB5,585 million (six months ended 30 June 2019: RMB4,011 million) on dilution of the Group's equity interests in certain associates due to new equity interests being issued by these associates (Note 17). These investee companies are principally engaged in eCommerce and Internet-related business; and
 - aggregate net gains of approximately RMB6,387 million (six months ended 30 June 2019: RMB2,506 million) on disposals, partial disposals or deemed disposals of various investments of the Group, including step down gains of approximately RMB2,592 million arising from investment in an associate transferred to FVOCI (Note 19(a)), and step up gains of approximately RMB2,189 million arising from the acquisition of HUYA (Note 35).
- (b) The impairment provision for investee companies, goodwill and intangible assets arising from acquisitions mainly comprised the following:

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Goodwill and intangible assets arising from acquisitions	4,384	–	4,384	–
Investments in associates (Note 17(c))	3,777	2,139	2,432	2,266
Investments in joint ventures	452	–	1,310	–
	8,613	2,139	8,126	2,266

- (c) Net fair value gains on FVPL during the six months ended 30 June 2020 comprised net gains of approximately RMB5,034 million (Note 18) as a result of increases in valuations of certain FVPL.
- (d) The donations mainly include emergency funds to offer support to pandemic-related programs and medical research.
- (e) Others mainly comprised impairment reversal/(provision) on receivables.

Notes to the Interim Financial Information

9 EXPENSES BY NATURE

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Transaction costs (Note (a))	25,570	20,210	47,303	38,673
Employee benefits expenses (Note (b))	16,821	12,643	31,964	24,259
Content costs (excluding amortisation of intangible assets)	14,600	11,295	26,862	22,552
Amortisation of intangible assets (Note (c) and Note 14)	6,414	7,081	12,292	12,996
Promotion and advertising expenses	6,048	3,661	11,597	6,982
Bandwidth and server custody fees (excluding depreciation of right-of-use assets)	5,652	3,991	10,773	8,069
Depreciation of property, plant and equipment, investment properties and right-of-use assets (Note 14 and Note 16)	5,156	3,737	9,919	7,143
Travelling and entertainment expenses	146	387	305	721

Note:

- (a) Transaction costs primarily consist of bank handling fees, channel and distribution costs.
- (b) During the three and six months ended 30 June 2020, the Group had incurred expenses for the purpose of research and development of approximately RMB9,880 million and RMB17,885 million, respectively (three and six months ended 30 June 2019: approximately RMB7,117 million and RMB13,606 million, respectively), which mainly comprised employee benefits expenses of approximately RMB7,771 million and RMB14,571 million, respectively (three and six months ended 30 June 2019: approximately RMB5,786 million and RMB11,215 million, respectively).

During the three and six months ended 30 June 2020, employee benefits expenses included the share-based compensation expenses of approximately RMB3,507 million and RMB6,942 million, respectively (three and six months ended 30 June 2019: approximately RMB2,453 million and RMB4,486 million, respectively).

No significant development expenses had been capitalised for the three and six months ended 30 June 2020 and 2019.

- (c) Amortisation charges of intangible assets is mainly in respect of media content including video and music contents, game licenses, and literature copyrights. During the three and six months ended 30 June 2020, amortisation of media content was approximately RMB5,800 million and RMB11,208 million, respectively (three and six months ended 30 June 2019: approximately RMB6,848 million and RMB12,525 million, respectively).

During the three and six months ended 30 June 2020, amortisation of intangible assets had included the amortisation of intangible assets resulting from business combinations of approximately RMB870 million and RMB1,509 million, respectively (three and six months ended 30 June 2019: approximately RMB118 million and RMB232 million, respectively).

Notes to the Interim Financial Information

10 FINANCE COSTS, NET

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Interest and related expenses	1,822	1,757	3,828	3,256
Exchange losses/(gains)	183	225	(139)	(157)
	<u>2,005</u>	<u>1,982</u>	<u>3,689</u>	<u>3,099</u>

Interest and related expenses mainly arise from the borrowings, notes payable and lease liabilities as disclosed in Note 25, Note 26 and Note 16(b), respectively.

11 TAXATION

(a) Income tax expense

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

- (i) Cayman Islands and British Virgin Islands corporate income tax

The Group was not subject to any taxation in the Cayman Islands and the British Virgin Islands for the three and six months ended 30 June 2020 and 2019.

- (ii) Hong Kong profits tax

Hong Kong profits tax had been provided for at the rate of 16.5% on the estimated assessable profit for the three and six months ended 30 June 2020 and 2019.

Notes to the Interim Financial Information

11 TAXATION (continued)

(a) Income tax expense (continued)

(iii) PRC CIT

PRC CIT had been provided for at applicable tax rates under the relevant regulations of the PRC after considering the available preferential tax benefits from refunds and allowances, and on the estimated assessable profit of entities within the Group established in the Mainland of China for the three and six months ended 30 June 2020 and 2019. The general PRC CIT rate was 25% for the three and six months ended 30 June 2020 and 2019.

Certain subsidiaries of the Group in the Mainland of China were approved as High and New Technology Enterprises, and accordingly, they were subject to a preferential corporate income tax rate of 15% for the three and six months ended 30 June 2020 and 2019. Moreover, according to announcement and circular issued by relevant government authorities, certain subsidiaries that qualified as national key software enterprises are subject to a preferential corporate income tax rate of 10%.

In addition, according to relevant tax circulars issued by the Mainland of China tax authorities, certain subsidiaries of the Company are entitled to other tax concessions, mainly including the preferential policy of “2-year exemption and 3-year half rate concession” and the preferential tax rate of 15% applicable for some subsidiaries located in certain areas of the Mainland of China upon fulfillment of certain requirements of the respective local governments.

(iv) Corporate income tax in other jurisdictions

Income tax on profit arising from other jurisdictions, including the United States, Europe, East Asia and South America, had been calculated on the estimated assessable profit for the three and six months ended 30 June 2020 and 2019 at the respective rates prevailing in the relevant jurisdictions, ranging from 12.5% to 35%.

(v) Withholding tax

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

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

Notes to the Interim Financial Information

11 TAXATION (continued)

(a) Income tax expense (continued)

The income tax expense of the Group for the three and six months ended 30 June 2020 and 2019 are analysed as follows:

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Current income tax	4,730	4,354	12,060	8,796
Deferred income tax (Note 21)	(173)	(1,129)	(1,611)	(759)
	<u>4,557</u>	<u>3,225</u>	<u>10,449</u>	<u>8,037</u>

(b) Value-added tax and other taxes

The operations of the Group are also mainly subject to the following taxes in the PRC:

Category	Tax rate	Basis of levy
Value-added tax ("VAT")	6~16% (Note i)	Sales value of goods sold and services fee income, offsetting by VAT on purchases
Cultural construction fee	3% (Note ii)	Taxable advertising income
City construction tax	7%	Net VAT payable amount
Educational surcharge	5%	Net VAT payable amount

Note:

- (i) Effective from 1 April 2019, the 16% and 10% VAT rates applicable to certain goods and services have been reduced to 13% and 9%, respectively.
- (ii) Effective from 1 July 2019 to 31 December 2024, cultural construction fee have been reduced by 50% in certain jurisdictions, while during the period from 1 January 2020 to 31 December 2020, this fee is exempted. The cultural construction fee is imposed on taxable advertising income.

Notes to the Interim Financial Information

12 EARNINGS PER SHARE

(a) Basic

Basic earnings per share (“EPS”) is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Profit attributable to equity holders of the Company (RMB'Million)	<u>33,107</u>	<u>24,136</u>	<u>62,003</u>	<u>51,346</u>
Weighted average number of ordinary shares in issue (million shares)	<u>9,482</u>	<u>9,464</u>	<u>9,479</u>	<u>9,461</u>
Basic EPS (RMB per share)	<u>3.491</u>	<u>2.550</u>	<u>6.541</u>	<u>5.427</u>

(b) Diluted

The share options and awarded shares granted by the Company have potential dilutive effect on the EPS. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options and awarded shares granted by the Company (collectively forming the denominator for computing the diluted EPS).

Notes to the Interim Financial Information

12 EARNINGS PER SHARE (continued)

(b) Diluted (continued)

In addition, the profit attributable to equity holders (numerator) has been adjusted by the effect of the share options and restricted shares granted by the Company's non-wholly owned subsidiaries and associates, excluding those which have anti-dilutive effect to the Group's diluted EPS.

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Profit attributable to equity holders of the Company (RMB'Million)	33,107	24,136	62,003	51,346
Dilution effect arising from share-based awards issued by non-wholly owned subsidiaries and associates (RMB'Million)	(49)	–	(86)	–
Profit attributable to equity holders of the Company for the calculation of diluted EPS (RMB'Million)	33,058	24,136	61,917	51,346
Weighted average number of ordinary shares in issue (million shares)	9,482	9,464	9,479	9,461
Adjustments for share options and awarded shares (million shares)	136	113	135	114
Weighted average number of ordinary shares for the calculation of diluted EPS (million shares)	9,618	9,577	9,614	9,575
Diluted EPS (RMB per share)	3.437	2.520	6.440	5.362

13 DIVIDENDS

A final dividend in respect of the year ended 31 December 2019 of HKD1.20 per share (2018: HKD1.00 per share) was proposed pursuant to a resolution passed by the Board on 18 March 2020 and approved by the shareholders at the 2020 annual general meeting of the Company held on 13 May 2020. Such dividend amounting to HKD11,378 million (final dividend for 2018: HKD9,463 million) was paid during the three months ended 30 June 2020.

The Board did not declare any interim dividend for the six months ended 30 June 2020 and 2019.

Notes to the Interim Financial Information

14 PROPERTY, PLANT AND EQUIPMENT, CONSTRUCTION IN PROGRESS, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

	Unaudited			
	Property, plant and equipment RMB'Million	Construction in progress RMB'Million	Investment properties RMB'Million	Intangible assets RMB'Million
Net book amount at 1 January 2020	46,824	3,935	855	128,860
Business combinations	92	–	–	11,182
Additions	13,447	1,409	–	11,335
Transfers	339	(138)	(201)	–
Disposals	(23)	–	(3)	(814)
Depreciation/amortisation	(8,130)	–	(16)	(12,292)
Impairment (Note)	–	–	–	(4,388)
Currency translation differences	16	11	–	1,377
Net book amount at 30 June 2020	52,565	5,217	635	135,260
Net book amount at 1 January 2019	35,091	4,879	725	56,650
Business combinations	2	–	–	346
Additions	7,366	1,100	–	12,676
Transfers	3,461	(3,660)	199	–
Disposals	(12)	–	–	(461)
Depreciation/amortisation	(5,778)	–	(15)	(12,996)
Currency translation differences	27	(1)	–	41
Net book amount at 30 June 2019	40,157	2,318	909	56,256

Non-financial assets that have an indefinite life are not subject to amortisation, but are tested for impairment whenever there is any indication of impairment or annually at year-end (31 December). Non-financial assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable.

Notes to the Interim Financial Information

14 PROPERTY, PLANT AND EQUIPMENT, CONSTRUCTION IN PROGRESS, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS (continued)

Note:

During the three and six months ended 30 June 2020, the Group had recorded an impairment loss of approximately RMB4,016 million on goodwill which was presented as an item in “Other gains, net” (Note 8(b)). The goodwill impairment was related to the acquired business engaged in television series and film production business. Management has considered that the current film and television industry in the Mainland of China is undergoing profound adjustment, as it responds to the fluid and changing macro-environment which has been affected by the continuous novel coronavirus epidemic, and accordingly the Group’s acquired TV and film production business has been suffering substantially due to production delays and uncertain release dates. For the purpose of impairment testing, management considered the acquired TV and film production business as a separate cash-generating unit (the “CGU”), and the recoverable amount of the CGU was determined using discounted cash flow calculations which derived from a six-year financial projection with annual revenue growth rate ranging from -43.4% to 21.7%. Management leveraged their experiences in the industries and provided forecast based on past performance and their anticipation of future business and market developments. Pre-tax discount rate of 18.7% was applied in the discounted cash flows calculations, which reflected time value of money and the assessment of specific risks of this industry.

15 LAND USE RIGHTS

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'Million	RMB'Million
Net book amount at 1 January	15,609	7,106
Additions	440	153
Amortisation	(227)	(79)
Net book amount at 30 June	15,822	7,180

The land use rights represent prepaid operating lease payments in respect of land in the PRC with remaining lease period of 30 to 55 years.

Notes to the Interim Financial Information

16 LEASES (EXCLUDING LAND USE RIGHTS)

(a) Amounts recognised in the consolidated statement of financial position

Except recognition of lease liabilities, the carrying amounts of right-of-use assets (excluding land use rights, disclosed in Note 15), are as below:

	Buildings RMB'Million	Computer equipment RMB'Million	Others RMB'Million	Total RMB'Million
Net book amount as at 30 June 2020	5,551	5,046	25	10,622
Net book amount as at 31 December 2019	5,574	5,253	20	10,847

Additions to the right-of-use assets (excluding land use rights, disclosed in Note 15) during the six months ended 30 June 2020 were RMB1,589 million, including acquired assets arising from business combinations (six months ended 30 June 2019: RMB2,525 million).

(b) Amounts recognised in consolidated income statement

The consolidated income statement shows the following amounts relating to leases (excluding the amortisation of land use rights, disclosed in Note 15):

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2020 RMB'Million	2019 RMB'Million	2020 RMB'Million	2019 RMB'Million
Depreciation charge of right-of-use assets				
Computer equipment	472	365	923	627
Buildings	422	383	841	721
Others	5	–	9	2
	899	748	1,773	1,350
Interest expense (included in finance costs, net)	130	149	262	255
Expense relating to short-term leases not included in lease liabilities (included in cost of revenues and expenses)	441	367	746	841
Expense relating to variable lease payments not included in lease liabilities (included in cost of revenues and expenses)	888	728	1,770	1,241

Notes to the Interim Financial Information

16 LEASES (EXCLUDING LAND USE RIGHTS) (continued)

(b) Amounts recognised in consolidated income statement (continued)

Some computer equipment contain variable lease payments. Variable payments are used for a variety of reasons, including managing cash outflows and minimising the fixed costs. Variable lease payments that depend on usage of bandwidth are recognised in profit or loss in the period in which the condition that triggers those payments occur. Variable lease payments relating to computer equipment leases during the six months ended 30 June 2020 were considered to be insignificant.

The total cash outflow in financing activities for leases during six months ended 30 June 2020 was RMB1,777 million (six months ended 30 June 2019: RMB1,266 million), including principal elements of lease payments of approximately RMB1,515 million (six months ended 30 June 2019: RMB1,065 million) and related interest paid of approximately RMB262 million (six months ended 30 June 2019: RMB201 million), respectively.

17 INVESTMENTS IN ASSOCIATES

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'Million	RMB'Million
Investments in associates		
– Listed entities (Note)	145,062	141,350
– Unlisted entities	79,691	72,264
	<u>224,753</u>	<u>213,614</u>

Note:

As at 30 June 2020, the fair value of the investments in associates which were listed entities was RMB580,055 million (31 December 2019: RMB334,688 million).

Notes to the Interim Financial Information

17 INVESTMENTS IN ASSOCIATES (continued)

Movement of investments in associates is analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'Million	RMB'Million
At beginning of period	213,614	219,215
Additions (Note (a))	15,521	8,459
Transfers (Note (b))	(8,138)	823
Deemed disposal gains (Note 8(a))	5,585	4,011
Share of loss of associates	(241)	(538)
Share of other comprehensive income/(loss) of associates	148	(22)
Share of other changes in net assets of associates	1,443	881
Dividends	(71)	(100)
Disposals	(1,621)	(3,549)
Impairment provision (Note (c))	(2,432)	(2,266)
Currency translation differences	945	273
	224,753	227,187

Note:

- (a) During the six months ended 30 June 2020, the Group's additions to investments in associates mainly comprised the following:
- (i) a consortium (the "Consortium") formed together with Tencent Music Entertainment Group ("TME"), a non-wholly owned subsidiary of the Company, and certain global financial investors to acquire 10% equity interests in Universal Music Group from its parent company, Vivendi S.A.. According to the subscription agreements, the Group has significant influence on the Consortium. The Group's investment in the Consortium amounts to approximately EUR1,178 million (equivalent to approximately RMB9,065 million). As a result, the investment in the Consortium has been accounted for as an associate by the Group; and
 - (ii) new associates and additional investments in existing associates with an aggregate amount of approximately RMB6,456 million during the six months ended 30 June 2020 are principally engaged in software, digital medical and other Internet-related business.

Notes to the Interim Financial Information

17 INVESTMENTS IN ASSOCIATES (continued)

Note: (continued)

- (b) During the six months ended 30 June 2020, transfers comprised an aggregate amount of approximately RMB8,138 million, which mainly included HUYA, an existing associate of approximately RMB5,221 million transferred to a subsidiary as a result of business combination (Note 35), and an associate of approximately RMB2,349 million transferred to FVOCI as a result of retirement of board representative.
- (c) During the six months ended 30 June 2020, the Group had made an aggregate net impairment provision of approximately RMB2,432 million (six months ended 30 June 2019: RMB2,266 million) against the carrying amounts of certain investments in associates, which included impairment loss of approximately RMB4,916 million recognised and approximately RMB2,484 million reversed. The impairment reversal/provision mainly resulted from revisions of financial/business outlook of the associates and changes in the market environment.

Management has assessed the level of influence that the Group exercises on certain associates with shareholding below 20% and associates with shareholding over 50%, with total carrying amounts of RMB153,330 million and RMB9,285 million respectively as at 30 June 2020 (31 December 2019: RMB145,971 million and RMB13,393 million). Management determined that it only has significant influence thereon through the board representation or other arrangements made, and it has no control or joint control over such investees as the Group has no power to direct relevant activities due to other arrangements made. Consequently, these investments have been classified as associates.

Transactions with associates

During the three and six months ended 30 June 2020, the Group had undertaken transactions relating to the provision of various services such as FinTech services, business services and online advertising to certain associates, which mainly engaged in various Internet businesses such as eCommerce, O2O platforms, FinTech services under, among others, certain business co-operation arrangements. The transactions with associates for three and six months ended 30 June 2020 and 2019 were considered not significant compared to total revenue in the consolidated financial statements.

Notes to the Interim Financial Information

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

FVPL include the following:

	Unaudited 30 June 2020 RMB'Million	Audited 31 December 2019 RMB'Million
Included in non-current assets:		
Investments in listed entities	16,594	10,408
Investments in unlisted entities	137,319	111,761
Treasury investments and others	8,478	6,653
	<u>162,391</u>	<u>128,822</u>
Included in current assets:		
Investment in a listed entity	–	15
Treasury investments and others	6,327	7,099
	<u>6,327</u>	<u>7,114</u>
	<u><u>168,718</u></u>	<u><u>135,936</u></u>

Movement of FVPL is analysed as follows:

	Unaudited Six months ended 30 June	
	2020 RMB'Million	2019 RMB'Million
At beginning of period	135,936	97,877
Additions and transfers (Note)	30,167	13,849
Changes in fair value (Note 8(c))	5,034	6,999
Disposals and others	(5,123)	(6,953)
Currency translation differences	2,704	462
	<u>168,718</u>	<u>112,234</u>

Notes to the Interim Financial Information

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Note:

During the six months ended 30 June 2020, the Group's additions and transfers to FVPL mainly comprised the following:

- (i) an additional investment in an online video-sharing services platform of approximately USD1.5 billion (equivalent to approximately RMB10.3 billion). As at 30 June 2020, the Group's equity interests in this investee company are approximately 19% on an outstanding basis; and
- (ii) new investments and additional investments with an aggregate amount of approximately RMB19,159 million in listed and unlisted entities. These companies are principally engaged in eCommerce, online education, Internet platform, technology and other Internet-related businesses.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

FVOCI include the following:

	Unaudited 30 June 2020 RMB'Million	Audited 31 December 2019 RMB'Million
Equity investments in listed entities		
– North America	94,965	59,449
– Asia Pacific	31,115	12,318
– Europe	3,515	2,940
	129,595	74,707
Equity investments in unlisted entities	9,426	7,014
	139,021	81,721

Notes to the Interim Financial Information

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Movement of FVOCI is analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'Million	RMB'Million
At beginning of period	81,721	43,519
Additions and transfers (Note (a))	9,091	8,130
Changes in fair value (Note (b))	49,817	16,920
Disposals	(2,905)	–
Currency translation differences	1,297	499
	<u>139,021</u>	<u>69,068</u>
At end of period	<u>139,021</u>	<u>69,068</u>

Note:

- (a) It comprised transfers of approximately RMB1,846 million, step down gains due to an investee company transferred from investment in an associate of approximately RMB2,592 million and new and additional investments of approximately RMB4,653 million.
- (b) It comprised net gains of approximately RMB49,817 million mainly as a result of increases in share prices of certain listed entities.

Notes to the Interim Financial Information

20 PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'Million	RMB'Million
Included in non-current assets:		
Prepayments for media contents and game licences	15,170	15,731
Loans to investees and investees' shareholders (Note (a))	705	937
Running royalty fees for online games (Note (b))	623	564
Prepayments for capital investments in investees	441	587
Others	5,649	5,623
	22,588	23,442
Included in current assets:		
Running royalty fees for online games (Note(b))	17,097	10,888
Prepayments and prepaid expenses	12,081	8,353
Interest receivables	2,665	2,774
Refundable value-added tax	1,734	629
Lease deposits and other deposits	660	1,107
Loans to investees and investees' shareholders (Note (a))	241	447
Dividend and other investment-related receivables	139	1,034
Others	1,616	2,608
	36,233	27,840
	58,821	51,282

Note:

- (a) As at 30 June 2020, the balance of loans to investees and investees' shareholders were mainly repayable within a period of one to five years (included in non-current assets), or within one year (included in current assets), and were interest-bearing at rates of not higher than 12.0% per annum (31 December 2019: not higher than 12.0% per annum).
- (b) Running royalty fees for online games comprised prepaid royalty fees, unamortised running royalty fees and deferred service fees collected from third party platforms.

As at 30 June 2020, the carrying amounts of deposits and other assets (excluding prepayments and refundable value-added tax) approximated their fair values. As at 30 June 2020, loss allowance made against the gross amounts of deposits and other assets were not significant.

Notes to the Interim Financial Information

21 DEFERRED INCOME TAXES

The movements of deferred income tax assets/liabilities are as follows:

	Deferred income tax assets	Unaudited Deferred income tax liabilities	Deferred income tax, net
	RMB'Million	RMB'Million	RMB'Million
At 1 January 2020	18,209	(12,841)	5,368
Credited/(charged) to consolidated income statement (Note 11)	3,862	(2,251)	1,611
Withholding taxes paid	–	1,925	1,925
Charged to consolidated statement of changes in equity	(129)	(741)	(870)
Business combinations	90	(574)	(484)
Currency translation differences	54	(64)	(10)
Set-off of deferred tax assets/liabilities	(1,112)	1,112	–
	<u>20,974</u>	<u>(13,434)</u>	<u>7,540</u>
At 30 June 2020			
At 1 January 2019	15,755	(10,964)	4,791
Credited/(charged) to consolidated income statement (Note 11)	2,428	(1,669)	759
Withholding taxes paid	–	887	887
Credit/(charged) to consolidated statement of changes in equity	39	(112)	(73)
Business combinations	–	(28)	(28)
Currency translation differences	4	(4)	–
Set-off of deferred tax assets/liabilities	(1,343)	1,343	–
	<u>16,883</u>	<u>(10,547)</u>	<u>6,336</u>
At 30 June 2019			

Note:

Deferred tax assets and liabilities have been set off when there is a legally enforceable right to set off current tax assets and liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Notes to the Interim Financial Information

22 ACCOUNTS RECEIVABLE

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

	Unaudited 30 June 2020 RMB'Million	Audited 31 December 2019 RMB'Million
0 ~ 30 days	14,609	15,582
31 ~ 60 days	11,700	10,222
61 ~ 90 days	4,909	5,035
Over 90 days	9,166	5,000
	<u>40,384</u>	<u>35,839</u>

Majority of the Group's accounts receivable were denominated in RMB.

Receivable balances as at 30 June 2020 and 31 December 2019 mainly represented amounts due from online advertising customers and agencies, FinTech and cloud customers and third party platform providers.

Some online advertising customers and agencies are usually granted with a credit period within 90 days immediately following the month-end in which the relevant obligations under the relevant contracted advertising orders are delivered. Third party platform providers usually settle the amounts due by them within 60 days. Other customers, mainly including FinTech and cloud customers, are usually granted with a credit period within 90 days.

As at 30 June 2020, loss allowance made against the gross amounts of accounts receivable were not significant.

As at 30 June 2020, the carrying amounts of the accounts receivable approximated their fair values.

Notes to the Interim Financial Information

23 SHARE CAPITAL

As at 30 June 2020 and 31 December 2019, the authorised share capital of the Company comprised 50,000,000,000 ordinary shares with par value of HKD0.00002 per share.

Number of ordinary shares, issued and fully paid	Unaudited	
	Six months ended 30 June	
	2020	2019
At beginning of period	9,552,615,286	9,520,307,091
Issuance of shares under share option schemes	2,550,183	663,420
At end of period	9,555,165,469	9,520,970,511

As at 30 June 2020, the total number of issued ordinary shares of the Company included 70,787,668 shares (31 December 2019: 77,967,786 shares) held under the Share Award Schemes.

24 SHARE-BASED PAYMENTS

(a) Share option schemes

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

The Pre-IPO Option Scheme, the Post-IPO Option Scheme I, the Post-IPO Option Scheme II and the Post-IPO Option Scheme III expired on 31 December 2011, 23 March 2014, 16 May 2017 and 13 May 2019, respectively. Upon the expiry of these schemes, no further options would be granted under these schemes, but the options granted prior to such expiry continued to be valid and exercisable in accordance with provisions of the schemes. As at 30 June 2020, there were no outstanding options exercisable of the Pre-IPO Option Scheme, the Post-IPO Option Scheme I and the Post-IPO Option Scheme III.

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

In 2020, the Company allows certain of the grantees under the Post-IPO Option Scheme II and the Post-IPO Option Scheme IV to surrender their rights to receive a portion of the underlying shares (with equivalent fair value) to set off against the exercise price and/or individual income tax payable when they exercise their options.

Notes to the Interim Financial Information

24 SHARE-BASED PAYMENTS (continued)

(a) Share option schemes (continued)

(i) Movements in share options

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

	Post-IPO Option Scheme II		Post-IPO Option Scheme IV		Total
	Average exercise price	No. of options	Average exercise price	No. of options	
At 1 January 2020	HKD185.86	50,358,800	HKD375.36	61,738,193	112,096,993
Granted	–	–	HKD360.47	7,564,144	7,564,144
Exercised	HKD185.92	(1,513,080)	HKD308.70	(1,037,103)	(2,550,183)
Lapsed/forfeited	HKD174.86	<u>(4,425)</u>	HKD347.62	<u>(281,780)</u>	<u>(286,205)</u>
At 30 June 2020	HKD185.86	<u>48,841,295</u>	HKD374.84	<u>67,983,454</u>	<u>116,824,749</u>
Exercisable as at 30 June 2020	HKD179.54	<u>41,717,167</u>	HKD384.17	<u>17,782,134</u>	<u>59,499,301</u>
At 1 January 2019	HKD185.25	51,499,010	HKD374.52	36,277,234	87,776,244
Granted	–	–	HKD376.00	23,696,575	23,696,575
Exercised	HKD168.17	(509,236)	HKD272.36	(154,184)	(663,420)
Lapsed/forfeited	HKD148.90	<u>(1,225)</u>	HKD325.28	<u>(158,662)</u>	<u>(159,887)</u>
At 30 June 2019	HKD185.42	<u>50,988,549</u>	HKD375.50	<u>59,660,963</u>	<u>110,649,512</u>
Exercisable as at 30 June 2019	HKD172.04	<u>33,919,512</u>	HKD382.40	<u>7,793,394</u>	<u>41,712,906</u>

During the six months ended 30 June 2020, 4,399,815 options had been granted to one director of the Company (six months ended 30 June 2019: 3,506,580 options were granted to one director of the Company).

As a result of the options exercised during the six months ended 30 June 2020, 2,550,183 ordinary shares (six months ended 30 June 2019: 663,420 ordinary shares) were issued by the Company (Note 23). The weighted average price of the shares at the time these options were exercised was HKD433.52 per share (equivalent to approximately RMB395.51 per share) (six months ended 30 June 2019: HKD338.80 per share (equivalent to approximately RMB295.10 per share)).

Notes to the Interim Financial Information

24 SHARE-BASED PAYMENTS (continued)

(a) Share option schemes (continued)

(ii) Outstanding share options

Details of the expiry dates, exercise prices and the respective numbers of share options which remained outstanding as at 30 June 2020 and 31 December 2019 are as follows:

Expiry Date	Range of exercise price	No. of share options	
		30 June 2020	31 December 2019
7 years commencing from the date of grant of options (Post-IPO Option Scheme II and Post-IPO Option Scheme IV)	HKD112.30 ~ HKD174.86	22,051,155	22,761,755
	HKD225.44 ~ HKD272.36	33,844,916	35,450,183
	HKD334.20 ~ HKD386.60	38,350,428	31,308,935
	HKD403.16 ~ HKD444.20	22,578,250	22,576,120
		<u>116,824,749</u>	<u>112,096,993</u>

The outstanding share options as of 30 June 2020 were divided into one to five tranches on an equal basis as at their grant dates. The first tranche can be exercised after a specified period ranging from ten months to five years from the grant date, and then the remaining tranches will become exercisable in each subsequent year.

Notes to the Interim Financial Information

24 SHARE-BASED PAYMENTS (continued)

(a) Share option schemes (continued)

(iii) Fair value of options

The directors of the Company have used the dividend adjusted Black-Scholes option pricing model and “Enhanced FAS 123” binomial model (“Valuation Models”) to determine the fair value of the options as at the respective grant dates, which is to be expensed over the relevant vesting period. The weighted average fair value of options granted during the six months ended 30 June 2020 was HKD106.05 per share (equivalent to approximately RMB97.05 per share) (six months ended 30 June 2019 was HKD126.05 per share (equivalent to approximately RMB107.68 per share)).

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
Weighted average share price at the grant date	HKD360.36	HKD376.00
Risk free rate	0.57% ~ 1.52%	2.07%
Dividend yield	0.23%	0.23%
Expected volatility (Note)	30.00%	30.00%

Note:

The expected volatility, measured as the standard deviation of expected share price returns, is determined based on the average daily trading price volatility of the shares of the Company.

Notes to the Interim Financial Information

24 SHARE-BASED PAYMENTS (continued)

(b) Share award schemes

The Company has adopted three share award schemes (the “Share Award Schemes”) as of 30 June 2020, which are administered by an independent trustee appointed by the Group. The vesting period of the awarded shares is determined by the Board.

Movements in the number of awarded shares for the six months ended 30 June 2020 and 2019 are as follows:

	Number of awarded shares	
	Six months ended 30 June	
	2020	2019
At beginning of period	76,615,755	50,247,895
Granted	13,426,868	28,190,873
Lapsed/forfeited	(1,617,473)	(1,359,202)
Vested and transferred	(8,360,461)	(8,726,893)
At end of period	80,064,689	68,352,673
Vested but not transferred as at the end of period	32,554	34,630

During the six months ended 30 June 2020, 59,500 awarded shares had been granted to five independent non-executive directors of the Company (six months ended 30 June 2019: 53,500 awarded shares were granted to four independent non-executive directors of the Company).

The fair value of the awarded shares was calculated based on the market price of the Company’s shares at the respective grant dates. The expected dividends during the vesting period have been taken into account when assessing the fair value of these awarded shares.

The weighted average fair value of awarded shares granted during the six months ended 30 June 2020 was HKD373.40 per share (equivalent to approximately RMB340.83 per share) (six months ended 30 June 2019: HKD370.77 per share (equivalent to approximately RMB317.33 per share)).

The outstanding awarded shares as of 30 June 2020 were divided into one to five tranches on an equal basis as at their grant dates. The first tranche can be exercised immediately or after a specified period ranging from four months to five years from the grant date, and the remaining tranches will become exercisable in each subsequent year.

Notes to the Interim Financial Information

24 SHARE-BASED PAYMENTS (continued)

(c) Employee investment schemes

For aligning the interests of key employees with the Group, the Group established several employees' investment plans in the form of limited liability partnerships (the "EIS") among which the four EISs established in 2014, 2015, 2016 and 2017 are in effect as at 30 June 2020. According to the term of the EISs, the Board may, at its absolute discretion, invite any qualifying participants of the Group, excluding any director of the Company, to participate in the EISs by subscribing for the partnership interest at cash consideration. The participating employees are entitled to the economic benefits generated by the EISs, if any, after a specified vesting period under the respective EISs, ranging from four to seven years. Wholly-owned subsidiaries of the Company acting as general partner of these EISs administer and in essence, control the EISs. These EISs are therefore consolidated by the Company as structured entities.

The related share-based compensation expenses incurred for the six months ended 30 June 2020 and 2019 were insignificant to the Group.

(d) Share option and share award schemes adopted by subsidiaries

Certain subsidiaries of the Group operate their own share-based compensation plans (share option and/or share award schemes). The exercise prices of the share options, as well as the vesting periods of the share options and awarded shares are determined by the respective board of directors of these subsidiaries at their sole discretion and in accordance with relevant rules. The share options or restricted shares of the subsidiaries granted are normally vested by several tranches. Participants of some subsidiaries have the right to request the Group to repurchase their vested equity interests of the respective subsidiaries ("Repurchase Transaction"). The Group has discretion to settle the Repurchase Transaction by using either equity instruments of the Company or by cash. For the Repurchase Transaction which the Group has settlement options, the directors of the Company are currently of the view that some of them would be settled by equity instruments of the Company. As a result, they are accounted for using the equity-settled share-based payment method. In addition, the Group provides a put arrangement to the participants of the share-based compensation plans operated by Supercell Oy ("Supercell") for cash, the share-based compensation plans of Supercell are accounted for as cash-settled share-based payment transactions in the consolidated financial statements of the Company.

(e) Expected retention rate of grantees

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of vesting periods of the options and awarded shares (the "Expected Retention Rate") in order to determine the amount of share-based compensation expenses charged to the consolidated income statement. As at 30 June 2020, the Expected Retention Rate of the Group's wholly-owned subsidiaries was assessed to be 95%~97% (31 December 2019: 95%~97%).

Notes to the Interim Financial Information

25 BORROWINGS

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'Million	RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD bank borrowings, unsecured (Note (a))	120,387	88,354
Non-current portion of long-term EUR bank borrowings, unsecured (Note (a))	1,194	1,172
Non-current portion of long-term EUR bank borrowings, secured (Note (a))	13	–
Non-current portion of long-term RMB bank borrowings, unsecured (Note (a))	10,394	10,196
Non-current portion of long-term HKD bank borrowings, unsecured (Note (a))	–	4,535
	131,988	104,257
Included in current liabilities:		
USD bank borrowings, unsecured (Note (b))	10,336	6,627
HKD bank borrowings, unsecured (Note (b))	–	9,298
RMB bank borrowings, unsecured (Note (b))	4,049	902
RMB bank borrowings, secured (Note (b))	190	201
Current portion of long-term USD bank borrowings, unsecured (Note (a))	142	140
Current portion of long-term RMB bank borrowings, unsecured (Note (a))	384	4,633
Current portion of long-term HKD bank borrowings, unsecured (Note (a))	–	894
	15,101	22,695
	147,089	126,952

Notes to the Interim Financial Information

25 BORROWINGS (continued)

Note:

(a) The aggregate principal amounts of long-term bank borrowings and applicable interest rates are as follows:

	Unaudited 30 June 2020		Audited 31 December 2019	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
USD bank borrowings	USD17,025	LIBOR + 0.70% ~ 1.27%	USD12,685	LIBOR + 0.70% ~ 1.27%
EUR bank borrowings	EUR152	0.52% ~ 1.00%	EUR150	0.52%
HKD bank borrowings	–	–	HKD6,070	HIBOR + 0.70% ~ 0.80%
RMB bank borrowings	RMB10,778	4.18% ~ 5.70%	RMB14,829	4.18% ~ 5.70%

The long-term bank borrowings were repayable as follows:

	Unaudited 30 June 2020	Audited 31 December 2019
	RMB'Million	RMB'Million
Within 1 year	526	5,667
Between 1 and 2 years	25,712	18,449
Between 2 and 5 years	106,263	85,808
Over 5 years	13	–
	<u>132,514</u>	<u>109,924</u>

Notes to the Interim Financial Information

25 BORROWINGS (continued)

Note: (continued)

(b) The aggregate principal amounts of short-term bank borrowings and applicable interest rates are as follows:

	Unaudited 30 June 2020		Audited 31 December 2019	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
USD bank borrowings	USD1,460	LIBOR + 0.45% ~ 1.10%	USD950	LIBOR + 0.5%
HKD bank borrowings	–	–	HKD10,395	HIBOR + 0.45% ~ 0.50%
RMB bank borrowings	RMB4,239	3.55% ~ 5.22%	RMB1,103	3.60% ~ 5.22%

During the six months ended 30 June 2020, the Group had entered into certain interest rate swap contracts to hedge its exposure arising from its long-term bank borrowings carried at floating rates. The Group's outstanding interest rate swap contracts as at 30 June 2020 are detailed in Note 28.

As at 30 June 2020, the carrying amounts of borrowings approximated their fair values.

The Group had complied with all of the financial covenants of its borrowing facilities for the three and six months ended 30 June 2020 and 2019.

Notes to the Interim Financial Information

26 NOTES PAYABLE

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'Million	RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD notes payable	126,785	83,327
Included in current liabilities:		
Current portion of long-term USD notes payable	–	7,672
Current portion of long-term HKD notes payable	–	2,862
	–	10,534
	126,785	93,861

The aggregate principal amounts of notes payable were USD18,000 million (31 December 2019: USD13,100 million and HKD3,200 million). Applicable interest rates were at 1.81% to 4.70% and 3-month USD LIBOR + 0.605% to 0.910% (31 December 2019: 2.875% to 4.70% and 3-month USD LIBOR + 0.605% to 0.910%) per annum.

During the six months ended 30 June 2020, the Group had entered into certain interest rate swap contracts to hedge its exposure arising from its senior notes carried at floating rates. The Group's outstanding interest rate swap contracts as at 30 June 2020 are detailed in Note 28.

Notes payable are repayable as follows:

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'Million	RMB'Million
Within 1 year	–	10,534
Between 1 and 2 years	–	–
Between 2 and 5 years	31,047	24,335
More than 5 years	95,738	58,992
	126,785	93,861

Notes to the Interim Financial Information

26 NOTES PAYABLE (continued)

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

On 25 May 2020, the Company updated the Global Medium Term Note Programme (the “Programme”) to include, among other things, the Company’s recent corporate and financial information.

On 4 June 2020, the Company issued four tranches of senior notes under the Programme with an aggregate principal amount of USD6 billion as set out below.

	Amount (USD Million)	Interest Rate (per annum)	Due
January 2026 Notes	1,000	1.810%	2026
2030 Notes	2,250	2.390%	2030
2050 Notes	2,000	3.240%	2050
2060 Notes	750	3.290%	2060
	<u>6,000</u>		

During the six months ended 30 June 2020, the notes payable with an aggregate principal amount of USD1,100 million issued in February 2015, an aggregate principal amount of HKD2,000 million issued in May 2014 and an aggregate principal amount of HKD1,200 million issued in October 2014 reached their maturity and were repaid in full by the Group.

As at 30 June 2020, the fair value of the notes payable amounted to RMB135,563 million (31 December 2019: RMB98,668 million). The respective fair values are assessed based on the active market price of these notes on the reporting date or by making reference to similar instruments traded in the observable market.

Notes to the Interim Financial Information

27 LONG-TERM PAYABLES

	Unaudited 30 June 2020 RMB'Million	Audited 31 December 2019 RMB'Million
Cash-settled share-based compensation payables	1,495	980
Payables relating to media contents and running royalty fee for online games	1,198	1,281
Purchase consideration payables for investee companies	104	298
Others	1,878	1,018
	<u>4,675</u>	<u>3,577</u>

28 OTHER FINANCIAL LIABILITIES

	Unaudited 30 June 2020 RMB'Million	Audited 31 December 2019 RMB'Million
Measured at amortised cost:		
Redemption liability (Note (a))	9,779	8,703
Measured at fair value:		
Interest rate swap (Note (b))	2,589	494
Contingent consideration	175	1,873
Others	219	29
	<u>12,762</u>	<u>11,099</u>
Included in:		
Non-current liabilities	7,016	5,242
Current liabilities	5,746	5,857
	<u>12,762</u>	<u>11,099</u>

Note:

- (a) It mainly comprised redemption liability arising from put option arrangement with non-controlling shareholders of an acquired subsidiary of approximately RMB7,757 million (31 December 2019: RMB7,452 million).
- (b) The aggregate notional principal amounts of the Group's outstanding interest rate swap contracts are USD15,463 million (equivalent to approximately RMB109,470 million) (31 December 2019: USD4,025 million and HKD1,500 million (equivalent to approximately RMB29,423 million)).

Notes to the Interim Financial Information

29 ACCOUNTS PAYABLE

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

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'Million	RMB'Million
0 ~ 30 days	72,084	67,054
31 ~ 60 days	7,094	2,975
61 ~ 90 days	1,742	1,442
Over 90 days	5,513	9,219
	<u>86,433</u>	<u>80,690</u>

Notes to the Interim Financial Information

30 OTHER PAYABLES AND ACCRUALS

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'Million	RMB'Million
Staff costs and welfare accruals	16,269	20,110
Selling and marketing expense accruals	5,916	4,772
Purchase of land use rights and construction related costs	5,154	5,622
General and administrative expenses accruals	2,125	1,932
Purchase consideration payables for investee companies	1,713	1,979
Prepayments received from customers and others	1,335	1,536
Interests payable	1,159	1,245
Others (Note)	10,004	7,978
	<u>43,675</u>	<u>45,174</u>

Note:

Others primarily consist of deposits from third parties, reserve for platform services, sundry payables and other accruals.

31 DEFERRED REVENUE

Deferred revenue mainly comprises contract liabilities in relation to the unamortised pre-paid tokens or cards, virtual items, prepaid advertising and cloud services fees, Internet traffic and other support to be offered under strategic cooperation agreements to certain investee companies in the future periods measured at their fair values on the inception dates (Note 17), and customer loyalty incentives offered to the customers.

32 CONTINGENCIES

The Group had no material contingent liabilities outstanding as at 30 June 2020.

Notes to the Interim Financial Information

33 COMMITMENTS

(a) Capital commitments

Capital commitments as at 30 June 2020 and 31 December 2019 are analysed as follows:

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'Million	RMB'Million
Contracted:		
Construction/purchase of buildings and purchase of land use rights	3,857	4,180
Purchase of other property, plant and equipment	429	331
Capital investments in investees	15,111	18,206
	19,397	22,717

(b) Other commitments

The future aggregate minimum payments under non-cancellable bandwidth, online game licensing and media contents agreements are as follows:

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'Million	RMB'Million
Contracted:		
Not later than one year	14,633	12,405
Later than one year and not later than five years	19,268	17,647
Later than five years	3,805	3,323
	37,706	33,375

Notes to the Interim Financial Information

34 RELATED PARTY TRANSACTIONS

Except as disclosed in Note 17 (Transactions with associates), Note 20 (Loans to investees and investees' shareholders), and Note 24 (Share-based payments) to the Interim Financial Information, the Group had no other material transactions with related parties for the six months ended 30 June 2020, and no other material related party balances as at 30 June 2020.

35 BUSINESS COMBINATION

Step-up acquisition of HUYA

On 3 April 2020 (the "Acquisition Date"), the Group exercised its call option to acquire additional 16,523,819 Class B ordinary shares in an associate, HUYA for an aggregate purchase price of approximately USD262.6 million in cash from JOYY Inc. (the "Transaction"). HUYA is a leading game live streaming platform in China. After the Transaction, the Group increased its voting power in HUYA to 50.9% and equity interests in HUYA to 36.9% on an outstanding basis, and the Group considers it has sufficient power to control HUYA. As a result, HUYA was accounted for as a subsidiary of the Group upon the completion of the transaction ("Step-up Acquisition"). The equity interest held under investment in an associate was re-measured to fair value and resulted in step up gains of approximately RMB2,189 million.

For the non-controlling interest in HUYA, the Group elected to recognise the non-controlling interests that are present ownership interests measured at its proportionate share of the acquired identifiable net assets, and other components of non-controlling interests measured at the acquisition-date fair value. Goodwill of approximately RMB5,272 million was recognised as a result of the Step-up Acquisition. It was mainly attributable to the operating synergies and economies of scale expected to be derived from integration of the operations with the Company. None of the goodwill is expected to be deductible for income tax purpose.

Notes to the Interim Financial Information

35 BUSINESS COMBINATION (continued)

Step-up acquisition of HUYA (continued)

The following table summarises the purchase consideration, fair value of assets acquired, liabilities assumed and the non-controlling interest recognised as at the Acquisition Date.

	As at 3 April 2020 RMB'Million
Total consideration:	
Cash paid	1,860
Fair value of the previously held interests	<u>7,260</u>
	<u><u>9,120</u></u>
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Intangible assets	3,864
Term deposits and others	10,060
Prepayments, deposits and other assets	534
Cash and cash equivalents	659
Other assets	335
Deferred income tax liabilities	(574)
Deferred revenue	(862)
Accounts payable	(1,088)
Other payables and accruals	(442)
Other liabilities	<u>(187)</u>
Total identifiable net assets	12,299
Non-controlling interests	(8,451)
Goodwill	<u>5,272</u>
	<u><u>9,120</u></u>

Note:

The Group's revenue for the half year would be increased by not more than 5% and results for the half year would not be materially different should the Step-up Acquisition have occurred on 1 January 2020.

The related transaction costs of the Step-up Acquisition are not material to the Group's consolidated financial statements.

Notes to the Interim Financial Information

36 SUBSEQUENT EVENT

The issuance of preliminary non-binding proposal to HUYA and DouYu International Holdings Limited (“DouYu”) and acquisition of additional equity interest in HUYA

On 10 August 2020, the Group issued a preliminary non-binding proposal letter to HUYA and DouYu, an existing subsidiary and associate of the Group respectively, proposing that HUYA and DouYu enter into a stock-for-stock merger to be effected pursuant to applicable laws, as a result of which HUYA or its subsidiary would acquire each outstanding ordinary share of DouYu, including those ordinary shares represented by American depositary shares, in exchange for a certain number of newly issued Class A ordinary shares of HUYA to be agreed between the parties, including those ordinary shares represented by American depositary shares.

On 10 August 2020, the Group also entered into a definitive share transfer agreement with JOYY Inc. and a separate share transfer agreement with Mr. Rongjie Dong (“Mr. Dong”), the chief executive officer of HUYA, pursuant to which the Group will purchase from JOYY Inc. additional 30,000,000 Class B ordinary shares of HUYA, for an aggregate purchase price of approximately USD810 million and from Mr. Dong 1,000,000 Class B ordinary shares of HUYA. After completion of this transaction, the Group will increase its voting power in HUYA to 70.4% and equity interests in HUYA to 51.0% on an outstanding basis.

Other Information

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2020, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or are deemed to have taken, under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

(A) Long position in the shares and underlying shares of the Company

Name of director	Nature of interest	Number of shares/ underlying shares held	Approximate % of shareholding
Ma Huateng	Corporate (Note 1)	804,859,700	8.42%
Lau Chi Ping Martin	Personal *	55,090,195 (Note 2)	0.58%
Li Dong Sheng	Personal *	29,375 (Note 3)	0.0003%
Iain Ferguson Bruce	Personal *	365,500 (Note 4)	0.004%
Ian Charles Stone	Personal * Family +	82,000 <hr/> 240,000	0.003%
		322,000 (Note 5)	
Yang Siu Shun	Personal *	46,474 (Note 6)	0.0005%
Ke Yang	Personal *	11,984 (Note 7)	0.00013%

Other Information

Note:

1. Advance Data Services Limited, a British Virgin Islands company wholly-owned by Ma Huateng, holds 709,859,700 shares directly and 95,000,000 shares indirectly through its wholly-owned subsidiary, Ma Huateng Global Foundation.
2. The interest comprises 29,968,000 shares and 25,122,195 underlying shares in respect of the share options granted pursuant to the Post-IPO Option Scheme II and the Post-IPO Option Scheme IV. Details of the share options granted to this director are set out below under “Share Option Schemes”.
3. The interest comprises 8,750 shares and 20,625 underlying shares in respect of the Awarded Shares granted pursuant to the 2013 Share Award Scheme and the 2019 Share Award Scheme. Details of the Awarded Shares granted to this director are set out below under “Share Award Schemes”.
4. The interest comprises 332,750 shares and 32,750 underlying shares in respect of the Awarded Shares granted pursuant to the 2013 Share Award Scheme and the 2019 Share Award Scheme. Details of the Awarded Shares granted to this director are set out below under “Share Award Schemes”.
5. The interest comprises 280,750 shares and 41,250 underlying shares in respect of the Awarded Shares granted pursuant to the 2013 Share Award Scheme and the 2019 Share Award Scheme. Details of the Awarded Shares granted to this director are set out below under “Share Award Schemes”.
6. The interest comprises 9,855 shares and 36,619 underlying shares in respect of the Awarded Shares granted pursuant to the 2013 Share Award Scheme and the 2019 Share Award Scheme. Details of the Awarded Shares granted to this director are set out below under “Share Award Schemes”.
7. The interest comprises 11,984 underlying shares in respect of the Awarded Shares granted pursuant to the 2013 Share Award Scheme and the 2019 Share Award Scheme. Details of the Awarded Shares granted to this director are set out below under “Share Award Schemes”.

* Interests of beneficial owner

+ Interests of spouse or child under 18 as beneficial owner

(B) Long position in the shares of associated corporations of the Company

Name of director	Name of associated corporation	Nature of interest	Number of shares and class of shares held	Approximate % of shareholding
Ma Huateng	Tencent Computer	Personal	RMB35,285,705 (registered capital)	54.29%
	Shiji Kaixuan	Personal	RMB5,971,427 (registered capital)	54.29%

Save as disclosed above, none of the directors or chief executive of the Company and their associates, had interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations as at 30 June 2020.

Other Information

SHARE OPTION SCHEMES

The Company has adopted five share option schemes, namely, the Pre-IPO Option Scheme, the Post-IPO Option Scheme I, the Post-IPO Option Scheme II, the Post-IPO Option Scheme III and the Post-IPO Option Scheme IV. The Pre-IPO Option Scheme, the Post-IPO Option Scheme I, the Post-IPO Option Scheme II and the Post-IPO Option Scheme III expired on 31 December 2011, 23 March 2014, 16 May 2017 and 13 May 2019 respectively. In respect of the Post-IPO Option Scheme IV, the Board may, at its discretion, grant options to any qualifying participants to subscribe for shares in the Company, subject to the terms and conditions stipulated therein. Movements of the options under the Post-IPO Option Scheme II and the Post-IPO Option Scheme IV during the six months ended 30 June 2020 are detailed in Note 24 to the Interim Financial Information as included in this interim report.

As at 30 June 2020, there were a total of 25,122,195 outstanding share options granted to a director of the Company, details of which are as follows:

Name of director	Date of grant	Number of share options			As at 30 June 2020	Exercise price HKD	Exercise period
		As at 1 January 2020	Granted during the period	Exercised during the period			
Lau Chi Ping Martin	25 March 2014	5,000,000	–	–	5,000,000	114.52	25 March 2015 to 24 March 2021 (Note 1)
	21 March 2016	3,750,000	–	–	3,750,000	158.10	21 March 2017 to 20 March 2023 (Note 2)
	24 March 2017	5,250,000	–	–	5,250,000	225.44	24 March 2018 to 23 March 2024 (Note 2)
	9 April 2018	3,215,800	–	–	3,215,800	410.00	9 April 2019 to 8 April 2025 (Note 2)
	4 April 2019	3,506,580	–	–	3,506,580	376.00	4 April 2020 to 3 April 2026 (Note 2)
	20 March 2020	–	4,399,815 (Note 3)	–	4,399,815	359.60	20 March 2021 to 19 March 2027 (Note 2)
Total:		<u>20,722,380</u>	<u>4,399,815</u>	<u>–</u>	<u>25,122,195</u>		

Other Information

Note:

1. For options granted with exercisable date determined based on the grant date of options, the first 20% of the total options can be exercised 1 year after the grant date, and each 20% of the total options will become exercisable in each subsequent year.
2. For options granted with exercisable date determined based on the grant date of options, the first 25% of the total options can be exercised 1 year after the grant date, and each 25% of the total options will become exercisable in each subsequent year.
3. The closing price immediately before the date on which the options were granted on 20 March 2020 was HKD343 per share.
4. No options were cancelled or lapsed during the period.

Other Information

Details of movements of share options granted to employees of the Group (apart from director(s) of the Company) during the six months ended 30 June 2020 are as follows:

Date of grant	Number of share options				As at 30 June 2020	Exercise price HKD	Exercise period
	As at 1 January 2020	Granted during the period	Exercised during the period (Note 15)	Lapsed/ forfeited during the period			
25 Mar 2014	2,500,000	–	–	–	2,500,000	114.52	25 Mar 2015 to 24 Mar 2021 (Note 2)
25 Mar 2014	2,795,000	–	220,000	–	2,575,000	114.52	25 Mar 2015 to 24 Mar 2021 (Note 3)
22 May 2014	32,500	–	32,500	–	–	112.30	22 May 2015 to 21 May 2021 (Note 2)
10 Jul 2014	518,714	–	88,938	–	429,776	124.30	10 Jul 2015 to 9 Jul 2021 (Note 4)
12 Dec 2014	40,350	–	–	–	40,350	116.40	12 Dec 2016 to 11 Dec 2021 (Note 5)
2 Apr 2015	525,000	–	75,000	–	450,000	149.80	2 Apr 2016 to 1 Apr 2022 (Note 4)
10 Jul 2015	442,434	–	37,539	–	404,895	148.90	10 Jul 2016 to 9 Jul 2022 (Note 4)
21 Mar 2016	6,125,000	–	85,000	–	6,040,000	158.10	21 Mar 2017 to 20 Mar 2023 (Note 4)
6 Jul 2016	1,032,757	–	167,198	4,425	861,134	174.86	6 Jul 2017 to 5 Jul 2023 (Note 4)
24 Mar 2017	1,093,295	–	150,905	–	942,390	225.44	24 Mar 2018 to 23 Mar 2024 (Note 1)
24 Mar 2017	21,253,750	–	656,000	–	20,597,750	225.44	24 Mar 2018 to 23 Mar 2024 (Note 4)
10 Jul 2017	13,405	–	–	–	13,405	272.36	10 Jul 2018 to 9 Jul 2024 (Note 2)
10 Jul 2017	7,814,593	–	700,736	96,146	7,017,711	272.36	10 Jul 2018 to 9 Jul 2024 (Note 4)
10 Jul 2017	25,140	–	1,480	–	23,660	272.36	10 Jul 2019 to 9 Jul 2024 (Note 5)
23 Nov 2017	89,565	–	–	18,375	71,190	419.60	23 Nov 2018 to 22 Nov 2024 (Note 2)
16 Jan 2018	155,050	–	1,000	–	154,050	444.20	16 Jan 2019 to 15 Jan 2025 (Note 2)
9 Apr 2018	2,077,635	–	12,340	–	2,065,295	410.00	9 Apr 2019 to 8 Apr 2025 (Note 1)
9 Apr 2018	235,515	–	–	–	235,515	410.00	9 Apr 2019 to 8 Apr 2025 (Note 2)
9 Apr 2018	16,692,585	–	7,997	7,998	16,676,590	410.00	9 Apr 2019 to 8 Apr 2025 (Note 4)
24 May 2018	26,390	–	–	–	26,390	407.00	24 May 2019 to 23 May 2025 (Note 2)

Other Information

Date of grant	Number of share options				As at 30 June 2020	Exercise price HKD	Exercise period
	As at 1 January 2020	Granted during the period	Exercised during the period (Note 15)	Lapsed/ forfeited during the period			
22 Jun 2018	13,055	–	–	–	13,055	403.16	22 Jun 2019 to 21 Jun 2025 (Note 1)
22 Jun 2018	70,525	–	–	–	70,525	403.16	22 Jun 2019 to 21 Jun 2025 (Note 2)
6 Jul 2018	5,020,050	–	210,001	130,428	4,679,621	386.60	6 Jul 2019 to 5 Jul 2025 (Note 4)
6 Jul 2018	8,050	–	–	–	8,050	386.60	6 Jul 2020 to 5 Jul 2025 (Note 5)
6 Jul 2018	34,230	–	–	–	34,230	386.60	6 Jul 2021 to 5 Jul 2025 (Note 6)
24 Aug 2018	17,780	–	–	–	17,780	354.00	24 Aug 2019 to 23 Aug 2025 (Note 2)
24 Aug 2018	2,660	–	–	–	2,660	354.00	6 Jul 2019 to 23 Aug 2025 (Note 9)
4 Apr 2019	406,875	–	103,549	–	303,326	376.00	4 Apr 2020 to 3 Apr 2026 (Note 1)
4 Apr 2019	2,283,120	–	–	–	2,283,120	376.00	4 Apr 2020 to 3 Apr 2026 (Note 4)
4 Apr 2019	17,500,000	–	–	–	17,500,000	376.00	4 Apr 2024 to 3 Apr 2026 (Note 7)
8 Jul 2019	665	–	–	–	665	359.04	8 Jul 2020 to 7 Jul 2026 (Note 1)
8 Jul 2019	2,152,780	–	–	27,615	2,125,165	359.04	8 Jul 2020 to 7 Jul 2026 (Note 4)
8 Jul 2019	12,005	–	–	–	12,005	359.04	8 Jul 2021 to 7 Jul 2026 (Note 5)
23 Aug 2019	29,610	–	–	–	29,610	334.20	15 Aug 2020 to 22 Aug 2026 (Note 11)
23 Aug 2019	67,795	–	–	–	67,795	334.20	15 Aug 2020 to 22 Aug 2026 (Note 9)
23 Aug 2019	213,990	–	–	–	213,990	334.20	15 Aug 2020 to 22 Aug 2026 (Note 8)
2 Dec 2019	52,745	–	–	–	52,745	335.84	15 Nov 2020 to 1 Dec 2026 (Note 11)
8 Jan 2020	–	111,510	–	–	111,510	382.00	15 Dec 2020 to 7 Jan 2027 (Note 11 and Note 12)
8 Jan 2020	–	26,250	–	–	26,250	382.00	15 Jan 2021 to 7 Jan 2027 (Note 11 and Note 12)
20 Mar 2020	–	391,909	–	1,218	390,691	359.60	21 Jan 2021 to 19 Mar 2027 (Note 10 and Note 13)
20 Mar 2020	–	2,584,820	–	–	2,584,820	359.60	20 Mar 2021 to 19 Mar 2027 (Note 9 and Note 13)
22 May 2020	–	49,840	–	–	49,840	429.52	15 May 2021 to 21 May 2027 (Note 11 and Note 14)
Total:	<u>91,374,613</u>	<u>3,164,329</u>	<u>2,550,183</u>	<u>286,205</u>	<u>91,702,554</u>		

Other Information

Note:

1. For options granted with exercisable date determined based on the grant date of options, the first 50% of the total options can be exercised 1 year after the grant date, and the remaining 50% of the total options will become exercisable in the subsequent year.
2. For options granted with exercisable date determined based on the grant date of options, the first 33.33% (one-third) of the total options can be exercised 1 year after the grant date, and each 33.33% of the total options will become exercisable in each subsequent year.
3. For options granted with exercisable date determined based on the grant date of options, the first 20% of the total options can be exercised 1 year after the grant date, and each 20% of the total options will become exercisable in each subsequent year.
4. For options granted with exercisable date determined based on the grant date of options, the first 25% of the total options can be exercised 1 year after the grant date, and each 25% of the total options will become exercisable in each subsequent year.
5. For options granted with exercisable date determined based on the grant date of options, the first 25% of the total options can be exercised 2 years after the grant date, and each 25% of the total options will become exercisable in each subsequent year.
6. For options granted with exercisable date determined based on the grant date of options, the first 25% of the total options can be exercised 3 years after the grant date, and each 25% of the total options will become exercisable in each subsequent year.
7. For options granted with exercisable date determined based on the grant date of options, 100% of the total options can be exercised 5 years after the grant date.
8. Subject to the satisfaction of certain conditions, the first 25% of the total options can be exercised on the dates as specified in the relevant grant letters, and each 25% of the total options will become exercisable in each subsequent year.
9. The first 25% of the total options can be exercised on the dates as specified in the relevant grant letters, and each 25% of the total options will become exercisable in each subsequent year.
10. The first 50% of the total options can be exercised on the dates as specified in the relevant grant letters, and the remaining 50% of the total options will become exercisable in the subsequent year.
11. The first 33.33% (one-third) of the total options can be exercised on the dates as specified in the relevant grant letters, and each 33.33% of the total options will become exercisable in each subsequent year.
12. The closing price immediately before the date on which the options were granted on 8 January 2020 was HKD385.6 per share.
13. The closing price immediately before the date on which the options were granted on 20 March 2020 was HKD343 per share.
14. The closing price immediately before the date on which the options were granted on 22 May 2020 was HKD433.4 per share.
15. The weighted average closing price immediately before the date on which the options were exercised was HKD425.65 per share.

Other Information

Details of movements of share options granted to employees and certain external consultants under the share option schemes adopted by TME, a subsidiary of the Group, during the six months ended 30 June 2020 are as follows:

Date of grant	Number of share options				As at 30 June 2020	Exercise price USD	Exercise period
	As at 1 January 2020	Granted during the period (Note 6)	Exercised during the period (Note 5)	Lapsed/ forfeited during the period			
Employees							
1 Mar 2015	1,407,820	–	596,620	–	811,200	0.000076	1 Mar 2016 to 28 Feb 2025 (Note 1)
1 Mar 2015	1,409,162	–	546,352	–	862,810	0.27	1 Mar 2016 to 28 Feb 2025 (Note 1)
30 Mar 2015	1,953,472	–	814,630	–	1,138,842	0.27	30 Mar 2016 to 29 Mar 2025 (Note 1)
1 Oct 2015	245,826	–	118,726	–	127,100	0.27	1 Oct 2016 to 30 Sep 2025 (Note 1)
31 Dec 2015	1,529,224	–	673,808	10,508	844,908	0.27	31 Dec 2016 to 30 Dec 2025 (Note 1)
31 Dec 2015	90,302	–	52,302	–	38,000	0.000076	31 Dec 2016 to 30 Dec 2025 (Note 1)
1 Mar 2016	255,377	–	93,162	–	162,215	0.27	1 Mar 2017 to 28 Feb 2026 (Note 1)
31 Mar 2016	156,498	–	19,466	–	137,032	0.27	31 Mar 2017 to 30 Mar 2026 (Note 1)
30 Jun 2016	163,272	–	81,634	–	81,638	0.000076	30 Jun 2017 to 29 Jun 2026 (Note 1)
30 Jun 2016	5,952,880	–	1,939,290	36,474	3,977,116	0.27	30 Jun 2017 to 29 Jun 2026 (Note 1)
16 Jun 2017	1,346,498	–	–	–	1,346,498	2.32	5 Jul 2017 to 15 Jun 2027 (Note 2)
16 Jun 2017	6,543,470	–	944,374	–	5,599,096	2.32	31 Mar 2018 to 15 Jun 2027 (Note 2)
31 Aug 2017	4,513,508	–	1,161,400	29,352	3,322,756	0.27	31 Aug 2018 to 30 Aug 2027 (Note 1)
20 Dec 2017	5,551,752	–	543,734	–	5,008,018	2.32	20 Dec 2018 to 19 Dec 2027 (Note 2)
16 Apr 2018	975,000	–	325,000	–	650,000	4.04	16 Apr 2019 to 15 Apr 2028 (Note 2)
17 Oct 2018	2,319,000	–	–	135,000	2,184,000	7.14	12 Jul 2019 to 16 Oct 2028 (Note 2)
17 Oct 2018	3,397,500	–	–	–	3,397,500	7.14	12 Jul 2020 to 16 Oct 2028 (Note 3)
14 Jun 2019	1,993,780	–	23,074	–	1,970,706	7.05	14 Jun 2020 to 13 Jun 2029 (Note 2)
12 Jun 2020	–	4,333,800	–	–	4,333,800	6.20	12 Jun 2021 to 11 Jun 2030 (Note 2 and Note 4)
Sub-total:	<u>39,804,341</u>	<u>4,333,800</u>	<u>7,933,572</u>	<u>211,334</u>	<u>35,993,235</u>		
External consultants							
1 Mar 2015	339,001	–	40,200	–	298,801	0.000076	1 Mar 2016 to 28 Feb 2025 (Note 1)
1 Mar 2015	394,470	–	–	–	394,470	0.27	1 Mar 2016 to 28 Feb 2025 (Note 1)
Sub-total:	<u>733,471</u>	<u>–</u>	<u>40,200</u>	<u>–</u>	<u>693,271</u>		
Total:	<u>40,537,812</u>	<u>4,333,800</u>	<u>7,973,772</u>	<u>211,334</u>	<u>36,686,506</u>		

Other Information

Note:

1. The first 25% of the total options can be exercised 1 year after the commencement dates as specified in the relevant grant letters, and each 12.5% of the total options will become exercisable in each subsequent six months.
2. Subject to the satisfaction of certain conditions, the first 25% of the total options can be exercised on the dates as specified in the relevant grant letters, and each 25% of the total options will become exercisable in each subsequent year.
3. The first 25% of the total options can be exercised 2 years after the commencement date as specified in the relevant grant letters, and each 25% of the total options will become exercisable in each subsequent year.
4. The closing price immediately before the date on which the options were granted on 12 June 2020 was USD6.2 per share.
5. The weighted average closing price immediately before the date on which the options were exercised was USD5.94 per share.
6. The fair value of the options as at the respective grant dates was determined using the “Enhanced FAS 123” binomial model which is to be expensed over the relevant vesting period. The weighted average fair value of options granted during the six months ended 30 June 2020 was USD5.33 per share. Other than the exercise price mentioned above, significant assumptions (which are subject to subjectivity and uncertainty) used to estimate the fair value of the options include risk free rate (0.71%), dividend yield (nil) and expected volatility*(40%).

* The expected volatility was estimated based on the historical volatility of share prices of similar United States and Hong Kong public companies for a period equal to expected life preceding the grant date.

Other Information

Details of movements of share options granted to employees under the share option schemes adopted by Supercell, a subsidiary of the Group, during the six months ended 30 June 2020 are as follows:

Date of grant	Number of share options				As at 30 June 2020	Exercise price EUR	Exercise period
	As at 1 January 2020	Granted during the period	Exercised during the period	Lapsed/ forfeited during the period			
31 May 2012	10,505	–	10,505	–	–	0.14	Till 31 Mar 2021 (Note 1)
11 Apr 2013	3	–	–	–	3	1.64	Till 31 Mar 2021 (Note 1)
7 Oct 2013	2,644	–	1,637	–	1,007	3.59	Till 31 Mar 2021 (Note 1)
5 Dec 2013	4,998	–	1,212	–	3,786	3.59	Till 31 Mar 2021 (Note 1)
1 Apr 2014	393	–	–	–	393	29.39	Till 31 Mar 2021 (Note 1)
Total:	<u>18,543</u>	<u>–</u>	<u>13,354</u>	<u>–</u>	<u>5,189</u>		

Note:

- All outstanding options were granted, vested and exercisable before Supercell became our subsidiary.

Other Information

Details of movements of share options granted to employees under the share option schemes adopted by HUYA, a subsidiary of the Group, during the six months ended 30 June 2020 are as follows:

Date of grant	As the date of completion of the business combination (Note 1)	Number of share options			As at 30 June 2020	Exercise price USD	Exercise period
		Granted during the period	Exercised during the period (Note 3)	Lapsed/ forfeited during the period			
9 Aug 2017	758,088	–	362,100	–	395,988	2.55	Till 9 Aug 2027 (Note 2)
9 Aug 2017	8,507,220	–	1,209,552	–	7,297,668	2.55	Till 9 Aug 2027 (Note 2)
9 Aug 2017	25,000	–	–	–	25,000	0.01	Till 9 Aug 2027 (Note 2)
1 Mar 2018	18,000	–	100	–	17,900	2.55	Till 1 Mar 2028 (Note 2)
15 Mar 2018	5,882,353	–	–	–	5,882,353	2.55	Till 15 Mar 2028 (Note 2)
1 Jul 2018	9,000	–	–	–	9,000	2.55	Till 1 Jul 2028 (Note 2)
Total:	<u>15,199,661</u>	<u>–</u>	<u>1,571,752</u>	<u>–</u>	<u>13,627,909</u>		

Note:

1. HUYA became our subsidiary in April 2020.
2. All outstanding options were granted before HUYA became our subsidiary, and became vested and exercisable prior to or upon HUYA becoming our subsidiary.
3. The weighted average closing price immediately before the date on which the options were exercised was USD18.14 per share.

Other Information

SHARE AWARD SCHEMES

The Company has adopted three share award schemes, namely, the 2007 Share Award Scheme, the 2013 Share Award Scheme and the 2019 Share Award Scheme, in which eligible participants (including any director) of the Group will be entitled to participate.

2007 Share Award Scheme

Unless terminated earlier by the Board, the 2007 Share Award Scheme shall be valid and effective for a term of 15 years commencing on the Adoption Date I. The maximum number of shares which can be awarded under the 2007 Share Award Scheme and to a Selected Participant are limited to 2% (i.e. 178,776,160 shares) and 1% (i.e. 89,388,080 shares) of the issued shares of the Company respectively as at the Adoption Date I.

Pursuant to the 2007 Share Award Scheme, the Board shall select the Eligible Person(s) for participation in the 2007 Share Award Scheme and determine the number of shares to be awarded.

The Awarded Shares and the related income derived therefrom are subject to a vesting scale to be determined by the Board at the date of grant of the award. Vesting of the Awarded Shares will be conditional on the Selected Participants satisfying all vesting conditions specified by the Board at the time of making the award and, for the majority of the Selected Participants, the relevant Awarded Shares will be transferred to the Selected Participants on or after the relevant vesting dates.

2013 Share Award Scheme

The 2013 Share Award Scheme shall be valid and effective unless and until being terminated on the earlier of: (i) the 15th anniversary date of the Adoption Date II; and (ii) such date of early termination as determined by the Board provided that such termination does not affect any subsisting rights of any Selected Participant. The maximum number of shares which can be awarded under the 2013 Share Award Scheme and to a Selected Participant are limited to 3% (i.e. 278,937,260 shares) and 1% (i.e. 92,979,085 shares) of the issued shares of the Company respectively as at the Adoption Date II.

Pursuant to the 2013 Share Award Scheme, the Board may, from time to time, at its absolute discretion select any Eligible Person to be a Selected Participant and grant to such Selected Participant Awarded Shares.

Subject to the rules of the 2013 Share Award Scheme, the vesting of the Awarded Shares is subject to the Selected Participant remaining at all times after the Grant Date and on the date of vesting an Eligible Person. Subject to the satisfaction of all vesting conditions as prescribed in the 2013 Share Award Scheme, the Selected Participants will be entitled to receive the Awarded Shares.

Other Information

2019 Share Award Scheme

The 2019 Share Award Scheme shall be valid and effective unless and until being terminated on the earlier of: (i) the 15th anniversary date of the Adoption Date III; and (ii) such date of early termination as determined by the Board provided that such termination does not affect any subsisting rights of any Selected Participant. The maximum number of shares which can be awarded under the 2019 Share Award Scheme and to a Selected Participant are limited to 2% (i.e. 191,047,317 shares) and 1% (i.e. 95,523,658 shares) of the issued shares of the Company respectively as at the Adoption Date III.

Pursuant to the 2019 Share Award Scheme, the Board may, from time to time, at its absolute discretion select any Eligible Person to be a Selected Participant and grant to such Selected Participant Awarded Shares.

Subject to the rules of the 2019 Share Award Scheme, the vesting of the Awarded Shares is subject to the Selected Participant remaining at all times after the Grant Date and on the date of vesting an Eligible Person. Subject to the satisfaction of all vesting conditions as prescribed in the 2019 Share Award Scheme, the Selected Participants will be entitled to receive the Awarded Shares.

For the above three share award schemes, upon granting of the Awarded Shares, shares will be acquired by the Trustee at the cost of the Company or shares will be allotted to the Trustee under the general mandate granted or to be granted by the shareholders of the Company at general meetings from time to time (except for those shares granted to the directors or substantial shareholders of the Company), and will be held in trust for the Selected Participants until the end of each vesting period. Vested shares will be transferred at no cost to the Selected Participants.

During the six months ended 30 June 2020, a total of 2,577,104 and 10,849,764 Awarded Shares were granted under the 2013 Share Award Scheme and the 2019 Share Award Scheme respectively and out of which, 59,500 Awarded Shares were granted to the independent non-executive directors of the Company under the 2019 Share Award Scheme. Details of the movements in the Share Award Schemes during the six months ended 30 June 2020 are set out in Note 24 to the Interim Financial Information as included in this interim report.

Other Information

As at 30 June 2020, there were a total of 143,228 outstanding Awarded Shares granted to the directors of the Company, details of which are as follows:

Name of director	Date of grant	Number of Awarded Shares			As at 30 June 2020	Vesting period
		As at 1 January 2020	Granted during the period	Vested during the period		
Iain Ferguson Bruce	21 March 2016	5,000	–	5,000	–	21 March 2017 to 21 March 2020
	24 March 2017	10,000	–	5,000	5,000	24 March 2018 to 24 March 2021
	9 April 2018	7,500	–	2,500	5,000	9 April 2019 to 9 April 2022
	4 April 2019	13,000	–	3,250	9,750	4 April 2020 to 4 April 2023
	20 March 2020	–	13,000	–	13,000	20 March 2021 to 20 March 2024
	Total:	<u>35,500</u>	<u>13,000</u>	<u>15,750</u>	<u>32,750</u>	
Ian Charles Stone	21 March 2016	5,000	–	5,000	–	21 March 2017 to 21 March 2020
	24 March 2017	10,000	–	5,000	5,000	24 March 2018 to 24 March 2021
	9 April 2018	9,750	–	3,250	6,500	9 April 2019 to 9 April 2022
	4 April 2019	17,000	–	4,250	12,750	4 April 2020 to 4 April 2023
	20 March 2020	–	17,000	–	17,000	20 March 2021 to 20 March 2024
	Total:	<u>41,750</u>	<u>17,000</u>	<u>17,500</u>	<u>41,250</u>	

Other Information

Name of director	Date of grant	Number of Awarded Shares			As at 30 June 2020	Vesting period
		As at 1 January 2020	Granted during the period	Vested during the period		
Li Dong Sheng	21 March 2016	2,500	–	2,500	–	21 March 2017 to 21 March 2020
	24 March 2017	5,000	–	2,500	2,500	24 March 2018 to 24 March 2021
	9 April 2018	4,875	–	1,625	3,250	9 April 2019 to 9 April 2022
	4 April 2019	8,500	–	2,125	6,375	4 April 2020 to 4 April 2023
	20 March 2020	–	8,500	–	8,500	20 March 2021 to 20 March 2024
	Total:	<u>20,875</u>	<u>8,500</u>	<u>8,750</u>	<u>20,625</u>	
Yang Siu Shun	6 July 2016	2,869	–	–	2,869	6 July 2017 to 6 July 2020
	24 March 2017	5,000	–	2,500	2,500	24 March 2018 to 24 March 2021
	9 April 2018	7,500	–	2,500	5,000	9 April 2019 to 9 April 2022
	4 April 2019	15,000	–	3,750	11,250	4 April 2020 to 4 April 2023
	20 March 2020	–	15,000	–	15,000	20 March 2021 to 20 March 2024
	Total:	<u>30,369</u>	<u>15,000</u>	<u>8,750</u>	<u>36,619</u>	
Ke Yang	23 August 2019	5,984	–	–	5,984	23 August 2020 to 23 August 2023
	20 March 2020	–	6,000	–	6,000	20 March 2021 to 20 March 2024
	Total:	<u>5,984</u>	<u>6,000</u>	<u>–</u>	<u>11,984</u>	
Grand Total:	<u>134,478</u>	<u>59,500</u>	<u>50,750</u>	<u>143,228</u>		

Other Information

BIOGRAPHICAL DETAILS AND OTHER INFORMATION OF DIRECTORS

Ma Huateng, age 48, is an executive director, Chairman of the Board and Chief Executive Officer of the Company. Mr Ma has overall responsibilities for strategic planning and positioning and management of the Group. Mr Ma is one of the core founders and has been employed by the Group since 1999. Prior to his current employment, Mr Ma was in charge of research and development for Internet paging system development at China Motion Telecom Development Limited, a supplier of telecommunications services and products in China. Mr Ma is a deputy to the 13th National People's Congress. Mr Ma has a Bachelor of Science degree specialising in Computer and its Application obtained in 1993 from Shenzhen University and more than 26 years of experience in the telecommunications and Internet industries. He is a director of Advance Data Services Limited, which has an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. Mr Ma also serves as a director of certain subsidiaries of the Company. Mr Ma is entitled to an annual base salary of RMB7,850,180 in 2020 which was covered by the current service contract with the Company and the basis of determining his emoluments including the base salary and bonus as set out in the service contract remained the same.

Lau Chi Ping Martin, age 47, is an executive director and President of the Company. Mr Lau joined the Company in 2005 as the Chief Strategy and Investment Officer and was responsible for corporate strategies, investments, mergers and acquisitions and investor relations. In 2006, Mr Lau was promoted to President of the Company to manage the day-to-day operation of the Company. In 2007, he was appointed as an executive director of the Company. Prior to joining the Company, Mr Lau was an executive director at Goldman Sachs (Asia) L.L.C.'s investment banking division and the Chief Operating Officer of its Telecom, Media and Technology Group. Prior to that, he worked at McKinsey & Company, Inc. as a management consultant. Mr Lau received a Bachelor of Science degree in Electrical Engineering from University of Michigan, a Master of Science degree in Electrical Engineering from Stanford University and an MBA degree from Kellogg Graduate School of Management, Northwestern University. Mr Lau is currently a non-executive director of Kingsoft Corporation Limited, an Internet based software developer, distributor and software service provider, and Meituan Dianping, a leading eCommerce platform for services in China; both of these companies are publicly listed on the Stock Exchange. Mr Lau is also a director of Vipshop Holdings Limited, an online discount retailer company, and TME, an online music entertainment platform in China; both of these companies are listed on the New York Stock Exchange. Mr Lau is also a director of JD.com, Inc., an online direct sales company in China, that is listed on NASDAQ and the Stock Exchange. Mr Lau was a director of Leju Holdings Limited, an online-to-offline real estate services provider in China that is listed on the New York Stock Exchange, up to 18 August 2020. Mr Lau also serves as a director/corporate representative of certain subsidiaries of the Company. Mr Lau is entitled to an annual base salary of USD1,176,000 in 2020 which was covered by the current service contract with the Company and the basis of determining his emoluments including the base salary and bonus as set out in the service contract remained the same.

Other Information

Jacobus Petrus (Koos) Bekker, age 67, has been a non-executive director since November 2012. Koos led the founding team of the M-Net/MultiChoice pay-television business in 1985. He was also a founder director of MTN in cellular telephony. Koos headed the MIH group in its international and Internet expansions until 1997, when he became chief executive of Naspers. He serves on the boards of other companies within the group and associates, as well as other bodies. In April 2015, he became non-executive chair. On 14 August 2019, he was appointed as non-executive director of Prosus N.V., which is listed on Euronext Amsterdam and on the Main Board of the Johannesburg Stock Exchange. Academic qualifications include BA Hons and honorary doctorate in commerce (Stellenbosch University), LLB (University of the Witwatersrand) and MBA (Columbia University, New York). Koos as a non-executive director is not entitled to any director's fee or emoluments.

Charles St Leger Searle, age 56, has been a non-executive director since June 2001. Mr Searle is currently the Chief Executive Officer of Naspers Internet Listed Assets. He serves on the board of a number of companies associated with the Naspers Group, including Mail.ru Group Limited that is listed on the London Stock Exchange. Mr Searle was a director of MakeMyTrip Limited that is listed on NASDAQ up to 30 August 2019. Prior to joining the Naspers Group, he held positions at Cable & Wireless plc and at Deloitte & Touche in London and Sydney. Mr Searle is a graduate of the University of Cape Town and a member of the Institute of Chartered Accountants in Australia and New Zealand. Mr Searle has more than 26 years of international experience in the telecommunications and Internet industries. Mr Searle also serves as a director of certain subsidiaries of the Company. Mr Searle as a non-executive director is not entitled to any director's fee or emoluments.

Li Dong Sheng, age 63, has been an independent non-executive director since April 2004. Mr Li is the Chairman and Chief Executive Officer of TCL Technology Group Corporation (formerly known as TCL Corporation) that is listed on the Shenzhen Stock Exchange, and the Chairman and an executive director of TCL Electronics Holdings Limited that is listed on the Stock Exchange, both of which produce consumer electronic products. Mr Li graduated from South China University of Technology in 1982 with a Bachelor degree in radio technology and has more than 25 years of experience in the information technology field. Mr Li was an independent director of Legrand that is listed on the New York Stock Exchange Euronext up to 30 May 2018, and was also a non-executive director of Fantasia Holdings Group Co., Limited, a leading property developer and property related service provider in China that is listed on the Stock Exchange, up to 29 May 2020. Mr Li is entitled to a director's fee of HK\$900,000 per annum for the year 2020, which is determined with reference to his duties and responsibilities with the Company.

Other Information

Iain Ferguson Bruce, age 79, has been an independent non-executive director since April 2004. Mr Bruce joined KPMG in Hong Kong in 1964 and was elected to its partnership in 1971. He was the Senior Partner of KPMG from 1991 until his retirement in 1996, and served as Chairman of KPMG Asia Pacific from 1993 to 1997. Since 1964, Mr Bruce has been a member of the Institute of Chartered Accountants of Scotland, and is a fellow of the Hong Kong Institute of Certified Public Accountants, with over 55 years of international experience in accounting and consulting. He is also a fellow of The Hong Kong Institute of Directors and the Hong Kong Securities and Investment Institute. Mr Bruce is currently an independent non-executive director of Goodbaby International Holdings Limited, a manufacturer of durable juvenile products, South Shore Holdings Limited (formerly known as The 13 Holdings Limited), a construction, engineering services and hotel development company, and Wing On Company International Limited, a department store operating and real property investment company; all of these companies are publicly listed on the Stock Exchange. Mr Bruce was an independent non-executive director of Yingli Green Energy Holding Company Limited, a China-based vertically integrated photovoltaic product manufacturer that is listed on the New York Stock Exchange, up to 6 March 2020. Mr Bruce was an independent non-executive director of Citibank (Hong Kong) Limited, up to 2 August 2017, and was also an independent non-executive director of MSIG Insurance (Hong Kong) Limited, up to 1 July 2018. Mr Bruce is entitled to a director's fee of HK\$1,200,000 per annum for the year 2020, which is determined with reference to his duties and responsibilities with the Company.

Ian Charles Stone, age 69, has been an independent non-executive director since April 2004. Mr Stone is currently an independent advisor on Technology, Media and Telecoms after retiring from PCCW in Hong Kong in 2011. His career in the last 30 years has been primarily in leading mobile telecoms businesses, and new wireless and Internet technology, during which time he held senior roles in PCCW, SmarTone, First Pacific, Hong Kong Telecom and CSL, as Chief Executive or at Director level, primarily in Hong Kong, and also in London and Manila. Since 2011, Mr Stone has provided telecoms advisory services to telecom companies and investors in Hong Kong (China), the Mainland of China, South East Asia and the Middle East. Mr Stone has more than 49 years of experience in the telecom and mobile industries. Mr Stone is a fellow member of The Hong Kong Institute of Directors. Mr Stone also serves as an independent non-executive director of a subsidiary of the Company. Mr Stone is entitled to a director's fee of HK\$1,200,000 per annum for the year 2020, which is determined with reference to his duties and responsibilities with the Company.

Other Information

Yang Siu Shun, age 64, has been an independent non-executive director since July 2016. Mr Yang is currently serving as a Member of the 13th National Committee of the Chinese People's Political Consultative Conference, a Justice of the Peace in Hong Kong, a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority, a Steward of the Hong Kong Jockey Club, and an independent non-executive director of Industrial and Commercial Bank of China Limited which is publicly listed on the Stock Exchange and the Shanghai Stock Exchange. Mr Yang retired from PricewaterhouseCoopers ("PwC") on 30 June 2015. Before his retirement, he served as the Chairman and Senior Partner of PwC Hong Kong, the Executive Chairman and Senior Partner of PwC China and Hong Kong, one of the five members of the Global Network Leadership Team of PwC and the PwC Asia Pacific Chairman. Mr Yang also served as a Board Member and the Audit Committee Chairman of the Hang Seng Management College, up to 30 September 2018 and the Deputy Chairman of the Council of The Open University of Hong Kong ("OUHK"), up to 19 June 2019. Mr Yang graduated from the London School of Economics and Political Science in 1978. Mr Yang was awarded the degree of Honorary Doctor of Social Sciences by OUHK. Mr Yang is a Fellow Member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants. Mr Yang is entitled to a director's fee of HK\$1,100,000 per annum for the year 2020, which is determined with reference to his duties and responsibilities with the Company.

Ke Yang, age 65, has been an independent non-executive director since August 2019. Professor Ke is currently the Director of Laboratory of Genetics of Peking University Cancer Hospital and an international member of the United States National Academy of Medicine. Professor Ke is also Vice-president of the Peking University Alumni Association, President of the Peking University Health Science Center Alumni Association, Vice-president of the Chinese Medical Association, President of the Health Professional Education Committee of the Chinese Association of Higher Education, and Vice-chairperson of the Steering Committee of Clinical Medicine of the Committee of Academic Degrees of the State Council. Professor Ke's research focus is on the upper gastrointestinal tumors, including the cloning of gastric cancer related genes and the functional study of such genes. Together with her team, she has also established the population cohort in esophageal cancer high incidence regions in China, studied the etiology of esophageal cancer, and evaluated the effects and economic efficacy of early screening of the disease. She has published more than 100 papers and had registered patents and been granted awards at national and provincial levels for technological and educational achievements. Professor Ke was a member of the 11th and 12th National Committee of the Chinese People's Political Consultative Conference, an executive Vice-president of Peking University and of the Peking University Health Science Center (formerly known as Beijing Medical College), a member of the Committee of Academic Degrees of the State Council, a member of the Healthcare Reform Advisory Committee of the State Council and the Chairperson of the Working Committee for Graduate Medical and Pharmaceutical Education of the Office of Academic Degrees of the State Council. Professor Ke graduated from the Peking University Health Science Center in 1982. From 1985 to 1988, Professor Ke worked at the National Cancer Institute of the National Institutes of Health of the United States as a postdoctoral fellow. Professor Ke is entitled to a director's fee of HK\$900,000 per annum for the year 2020, which is determined with reference to her duties and responsibilities with the Company.

Other Information

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2020, the following persons, other than the directors or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the shares of the Company:

Long/ short position in the shares of the Company

Name of shareholder	Long/ short position	Nature of interest/ capacity	Number of shares/ underlying shares held	Approximate % of shareholding
MIH TC	Long position	Corporate (Note 1)	2,961,223,600	30.99%
Advance Data Services Limited	Long position	Corporate (Note 2)	804,859,700	8.42%

Note:

1. MIH TC is controlled by Naspers Limited indirectly through its non wholly-owned intermediary companies, Prosus N.V. and MIH Services FZ LLC. As such, Naspers Limited, Prosus N.V. and MIH Services FZ LLC are deemed to be interested in the same block of 2,961,223,600 shares under Part XV of the SFO.
2. Advance Data Services Limited holds 709,859,700 shares directly and 95,000,000 shares indirectly through its wholly-owned subsidiary, Ma Huateng Global Foundation. As Advance Data Services Limited is wholly-owned by Ma Huateng, Mr Ma has an interest in these shares as disclosed under the section of "Directors' Interests in Securities".

Save as disclosed above, the Company had not been notified of any other persons (other than the directors or chief executive of the Company) who, as at 30 June 2020, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Other Information

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2020.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2020, the Group had 70,756 employees (30 June 2019: 56,310). The number of employees employed by the Group varies from time to time depending on needs and employees are remunerated based on industry practice.

The remuneration policy and package of the Group's employees are periodically reviewed. Apart from pension funds and in-house training programmes, discretionary bonuses, share awards and share options may be awarded to employees according to the assessment of individual performance.

The total remuneration cost incurred by the Group for the six months ended 30 June 2020 was RMB31,964 million (for the six months ended 30 June 2019: RMB24,259 million).

AUDIT COMMITTEE

The Audit Committee, together with the Auditor, has reviewed the Group's unaudited Interim Financial Information for the three and six months ended 30 June 2020. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

ADOPTION OF CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. The directors of the Company have complied with such code of conduct throughout the accounting period covered by this interim report.

Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Code provision A.4.2 of the CG Code provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to the Articles of Association, one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation, provided that the chairman of the Board shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. In compliance with the provisions in the Articles of Association, at the 2020 AGM, two directors retired and were re-elected while one director who was appointed to the Board in August 2019 was re-elected pursuant to Article 86(3) of the Articles of Association. As the re-election of Yang Siu Shun, who was re-elected in 2017, was not considered at the 2020 AGM, code provision A.4.2 of the CG Code is deviated. Considering that the re-election of Yang Siu Shun will be considered at the subsequent annual general meeting, the Board believes that such deviation from code provision A.4.2 of the CG Code does not have a material impact on the operation of the Company as a whole.

Save as disclosed above and those disclosed in the corporate governance report in the 2019 annual report of the Company, none of the directors of the Company is aware of any information which would reasonably indicate that the Company has not complied with the code provisions as set out in the CG Code during the period from 1 January 2020 to 30 June 2020.

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

Definition

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

Term	Definition
“2007 Share Award Scheme”	the share award scheme adopted by the Company on Adoption Date I, as amended
“2013 Share Award Scheme”	the share award scheme adopted by the Company on Adoption Date II, as amended
“2019 Share Award Scheme”	the share award scheme adopted by the Company on Adoption Date III, as amended
“2020 AGM”	the annual general meeting of the Company held on 13 May 2020
“Adoption Date I”	13 December 2007, being the date on which the Company adopted the 2007 Share Award Scheme
“Adoption Date II”	13 November 2013, being the date on which the Company adopted the 2013 Share Award Scheme
“Adoption Date III”	25 November 2019, being the date on which the Company adopted the 2019 Share Award Scheme
“AI”	artificial intelligence
“Articles of Association”	the second amended and restated articles of association of the Company adopted by special resolution passed on 13 May 2020
“Audit Committee”	the audit committee of the Company

Definition

Term	Definition
“Auditor”	PricewaterhouseCoopers, the auditor of the Company
“Awarded Share(s)”	the share(s) of the Company awarded under the Share Award Schemes
“Board”	the board of directors of the Company
“CG Code”	the corporate governance code as set out in Appendix 14 to the Listing Rules
“China Literature”	China Literature Limited, a non wholly-owned subsidiary of the Company, which is incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“Company”	Tencent Holdings Limited, a limited liability company organised and existing under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange
“DnF”	Dungeon and Fighter
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“eCPM”	effective cost per mille
“Eligible Person(s)”	any person(s) eligible to participate in the respective Share Award Schemes
“EPS”	earnings per share
“EUR”	the lawful currency of the European Union
“FinTech”	financial technology

Definition

Term	Definition
“Grant Date”	in relation to any Awarded Share, the date on which the Awarded Share is, was or is to be granted
“Group”	the Company and its subsidiaries
“HKD”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region, the PRC
“HUYA”	HUYA Inc., a limited liability company incorporated under the laws of the Cayman Islands and the shares of which are listed on the New York Stock Exchange
“IFRS”	International Financial Reporting Standards
“IP”	intellectual property
“IPO”	initial public offering
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“M&A”	mergers and acquisitions
“MAU”	monthly active user accounts
“Meituan Dianping”	Meituan Dianping, a limited liability company incorporated under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange
“MIH TC”	MIH TC Holdings Limited
“MOBA”	Multiplayer Online Battle Arena

Definition

Term	Definition
“mobile RPG”	mobile role-playing games
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“NASDAQ”	NASDAQ Global Select Market
“O2O”	online-to-offline, or offline-to-online
“PC”	personal computer
“Post-IPO Option Scheme I”	the Post-IPO Share Option Scheme adopted by the Company on 24 March 2004
“Post-IPO Option Scheme II”	the Post-IPO Share Option Scheme adopted by the Company on 16 May 2007
“Post-IPO Option Scheme III”	the Post-IPO Share Option Scheme adopted by the Company on 13 May 2009
“Post-IPO Option Scheme IV”	the Post-IPO Share Option Scheme adopted by the Company on 17 May 2017
“PRC” or “China”	the People’s Republic of China
“PRC CIT”	PRC corporate income tax as defined in the “Corporate Income Tax Law of the People’s Republic of China”
“Pre-IPO Option Scheme”	the Pre-IPO Share Option Scheme adopted by the Company on 27 July 2001
“R&D”	research and development

Definition

Term	Definition
“RMB”	the lawful currency of the PRC
“Selected Participant(s)”	any Eligible Person(s) selected by the Board to participate in the Share Award Schemes
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share Award Schemes”	the 2007 Share Award Scheme, the 2013 Share Award Scheme and the 2019 Share Award Scheme
“Shiji Kaixuan”	Shenzhen Shiji Kaixuan Technology Company Limited
“SMEs”	small and medium enterprises
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supercell”	Supercell Oy, a private company incorporated in Finland
“Tencent Computer”	Shenzhen Tencent Computer Systems Company Limited
“TME”	Tencent Music Entertainment Group, a limited liability company incorporated under the laws of the Cayman Islands and the shares of which are listed on the New York Stock Exchange
“Trustee”	an independent trustee appointed by the Company for managing the Share Award Schemes

Definition

Term	Definition
“United States”	the United States of America
“USD”	the lawful currency of the United States
“VAS”	value-added services

Tencent 腾讯

Website: www.tencent.com

Tencent Group Head Office
Tencent Binhai Towers, No. 33 Haitian 2nd Road
Nanshan District, Shenzhen, the PRC

Zipcode : 518054
Telephone : 86-755-86013388
Facsimile : 86-755-86013399

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

Telephone : 852-21795122
Facsimile : 852-25201148

Weixin Official Account for Investor Relations : Tencent_IR

