

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

Tencent 腾讯
TENCENT HOLDINGS LIMITED
騰訊控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 700)

ANNOUNCEMENT OF THE RESULTS
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2021

The Board is pleased to announce the unaudited consolidated results of the Group for the three and six months ended 30 June 2021. These interim results have been reviewed by the Auditor in accordance with International Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the International Auditing and Assurance Standards Board, and by the Audit Committee.

FINANCIAL PERFORMANCE HIGHLIGHTS

	30 June	Unaudited			Quarter-
		Three months ended			
	2021	30 June	Year-	31 March	on-quarter
		2020	on-year	2021	change
			change		
		(RMB in millions, unless specified)			
Revenues	138,259	114,883	20%	135,303	2%
Gross profit	62,745	53,210	18%	62,635	stable
Operating profit	52,487	39,311	34%	56,273	-7%
Profit for the period	43,022	32,454	33%	49,008	-12%
Profit attributable to equity holders of the Company	42,587	33,107	29%	47,767	-11%
Non-IFRS profit attributable to equity holders of the Company	34,039	30,153	13%	33,118	3%
EPS (RMB per share)					
– basic	4.472	3.491	28%	5.020	-11%
– diluted	4.387	3.437	28%	4.917	-11%
Non-IFRS EPS (RMB per share)					
– basic	3.574	3.180	12%	3.481	3%
– diluted	3.504	3.130	12%	3.415	3%

	Unaudited		
	Six months ended		
	30 June	30 June	Year-
	2021	2020	on-year
	(RMB in millions, unless specified)		
			change
Revenues	273,562	222,948	23%
Gross profit	125,380	106,004	18%
Operating profit	108,760	76,571	42%
Profit for the period	92,030	61,857	49%
Profit attributable to equity holders of the Company	90,354	62,003	46%
Non-IFRS profit attributable to equity holders of the Company	67,157	57,232	17%
EPS (RMB per share)			
– basic	9.492	6.541	45%
– diluted	9.299	6.440	44%
Non-IFRS EPS (RMB per share)			
– basic	7.055	6.038	17%
– diluted	6.916	5.945	16%

OPERATING INFORMATION

	As at 30 June 2021	As at 30 June 2020	Year- on-year change	As at 31 March 2021	Quarter- on-quarter change
(in millions, unless specified)					
Combined MAU of Weixin and WeChat	1,251.4	1,206.1	3.8%	1,241.6	0.8%
Mobile device MAU of QQ	590.9	647.6	-8.8%	606.4	-2.6%
Fee-based VAS registered subscriptions	229.4	203.4	12.8%	225.7	1.7%

BUSINESS REVIEW AND OUTLOOK

In the quarter, we enhanced our services and achieved healthy growth rates across our business lines, particularly Business Services and advertising, while our game revenue benefitted from international growth. We are increasingly deploying our technologies and expertise to help SMEs, public services and corporations collaborate internally and connect with their users externally, which we believe contributes to the real economy and to society at large. During the Henan floods, Tencent Docs, our cloud-based productivity solution, played a valuable role assisting people providing and seeking help, thanks to its collaborative data editing functionality. Here are some highlights of our key products and business lines for the quarter:

Communication and Social

For Weixin, the active user base and engagement further increased, underscoring the vibrancy of our service and commerce ecosystem. Transaction volume generated from Mini Programs more than doubled year-on-year as we helped businesses thrive by facilitating management of their own channels and user relationships, while also enabling them to achieve higher profit margins than on marketplaces. Brands and merchants can: 1) acquire customers for their Mini Programs offline via QR Codes and Weixin Pay; 2) create and distribute content via their own Official Accounts and Weixin Groups, engaging users and driving repeat visits to their Mini Programs; 3) convert visits into sales with Mini Programs' powerful shopping functionalities; and 4) deepen user connections via Video Accounts and live streaming as additional touchpoints.

For QQ, young users are increasingly active in consuming entertainment content such as anime and comics. To cater to young users' need for immersive social and entertainment experiences, we enriched QQ's Augmented Reality camera effects for video content production and video chat. We also automated the in-app video editing process with smart templates and multimedia tools to drive more appealing user-generated content.

Digital Content

Our fee-based VAS subscriptions grew 13% year-on-year to 229 million. Video subscriptions increased 9% year-on-year to 125 million, benefitting from diversified content across sports, animated series, drama series and movies. Music subscriptions increased 41% year-on-year to 66 million, driven by TME's effective marketing and by increased consumer willingness to subscribe for music services.

Games

We reinforced the IP of our key titles in China and overseas. We adapted Honour of Kings into the drama series, "You Are My Glory", which is the most-watched drama series on Tencent Video by video views per episode year-to-date. PUBG Mobile collaborated with internationally recognised brands such as Godzilla vs. Kong, McLaren and Line Friends to create crossover content. Clash of Clans released a major content upgrade in April 2021 and launched its ninth anniversary event in August 2021, retaining its ranking among the top 10 mobile games by DAU internationally. Valorant achieved 14 million MAU on its first anniversary.

We extended our presence in emerging genres through self-developed games. Alchemy Stars, developed by our Tourdog Studio, became Japan's most downloaded tactical RPG in July 2021, benefitting from its anime art style and unique tile-connecting gameplay. Light and Night, developed by our Aurora Studio, ranked as China's top dating simulation game by DAU in July 2021, enhancing our engagement with female players. Our first SOC game, Undawn, developed by our Lightspeed and Quantum Studios, has accumulated over 30 million pre-registrations in China to date.

We have sought to pioneer a healthy game playing environment in the game industry. In August 2021, we further tightened our game time and spending limits for Minors in China, beyond regulatory requirement. For Honour of Kings and Peacekeeper Elite, we reduced Minors' daily game time limit to 1 hour on non-statutory holidays and to 2 hours on statutory holidays, versus regulatory requirement of 1.5 hours and 3 hours respectively. We also prevented in-game spending by players aged under 12. These measures will be rolled out in all of our games gradually. We are also cracking down on Minors misusing adult accounts, and transactions of adult accounts on third-party platforms. During the second quarter of 2021, players aged under 16 accounted for 2.6% of our China game grossing receipts. Among which, players aged under 12 accounted for 0.3%.

Online Advertising

We expanded our overall advertiser base by enhancing industry solutions and enabling merchants to better manage their private domain operations within our Weixin ecosystem. More advertisers adopted Mini Programs as landing pages for their Moments advertisements, leading to higher sales conversion and revenue growth. Advertisers increasingly recognised Official Accounts' capability in generating sales leads.

During the Tokyo 2020 Olympic Games, we provided integrated marketing solutions across Weixin, QQ, Tencent Video, Tencent Sports, Tencent News and other properties. Leveraging our strengths in social, long-form and short-form video distribution, as well as in content management, we outperformed other online platforms in terms of video views and user sharing.

FinTech

Daily active users and payment frequency grew at healthy year-on-year rates. SMEs are important contributors to, and beneficiaries of our payment ecosystem growth; we will continue to help SMEs benefit from greater mobile payment acceptance, by charging very low or zero payment take rate in certain cases, and by providing complementary resources and services to support their growth.

Cloud and Other Business Services

We utilise our cloud infrastructure, PaaS and SaaS technologies to assist digitalisation for public services and traditional industries. Enhancements to our technology and product development supported broad customer adoption of our platform and software services such as security, AI and data analytic services. The videolisation trend offers more opportunities for our video cloud solutions, and according to IDC, we ranked first in China in terms of video cloud solution revenue. We deepened connections between our communication and productivity SaaS tools (WeCom, Tencent Meeting and Tencent Docs) to support better collaboration within enterprises, as well as between enterprises and their users.

MANAGEMENT DISCUSSION AND ANALYSIS

Second Quarter of 2021 Compared to Second Quarter of 2020

The following table sets forth the comparative figures for the second quarter of 2021 and the second quarter of 2020:

	Unaudited	
	Three months ended	
	30 June	30 June
	2021	2020
	(RMB in millions)	
Revenues	138,259	114,883
Cost of revenues	(75,514)	(61,673)
Gross profit	62,745	53,210
Interest income	1,630	1,749
Other gains, net	20,763	8,607
Selling and marketing expenses	(10,013)	(7,756)
General and administrative expenses	(22,638)	(16,499)
Operating profit	52,487	39,311
Finance costs, net	(1,942)	(2,005)
Share of losses of associates and joint ventures	(3,857)	(295)
Profit before income tax	46,688	37,011
Income tax expense	(3,666)	(4,557)
Profit for the period	43,022	32,454
Attributable to:		
Equity holders of the Company	42,587	33,107
Non-controlling interests	435	(653)
	43,022	32,454
Non-IFRS profit attributable to equity holders of the Company	34,039	30,153

Revenues. Revenues increased by 20% to RMB138.3 billion for the second quarter of 2021 on a year-on-year basis. The following table sets forth our revenues by line of business for the second quarter of 2021 and the second quarter of 2020:

	Unaudited			
	Three months ended			
	30 June 2021		30 June 2020	
	Amount	% of total revenues	Amount	% of total revenues
	(RMB in millions, unless specified)			
VAS	72,013	52%	65,002	57%
Online Advertising	22,833	17%	18,552	16%
FinTech and Business Services	41,892	30%	29,862	26%
Others	1,521	1%	1,467	1%
Total revenues	<u>138,259</u>	<u>100%</u>	<u>114,883</u>	<u>100%</u>

- Revenues from VAS increased by 11% to RMB72.0 billion for the second quarter of 2021 on a year-on-year basis. Games revenues increased by 12% to RMB43.0 billion, primarily driven by the increase in revenues from games such as Honour of Kings, PUBG Mobile, Valorant, Clash of Clans and Moonlight Blade Mobile, partly offset by the decrease in revenues from Peacekeeper Elite. Mobile games VAS revenues (including mobile games revenues attributable to our social networks business) increased by 13% to RMB40.8 billion, while PC client games revenues grew by 1% to RMB11.0 billion for the second quarter of 2021. Social networks revenues grew by 9% to RMB29.0 billion, mainly due to revenue growth from digital content services, as well as in-game virtual item sales.
- Revenues from Online Advertising increased by 23% to RMB22.8 billion for the second quarter of 2021, reflecting rising demand from advertiser categories such as Internet services and consumer staples, as well as consolidation of Bitauto’s advertising revenue, which outweighed weakness in education. Social and others advertising revenues grew by 28% to RMB19.5 billion, due to increased adoption of Mini Programs as landing pages, more video advertising inventories inside Weixin Moments, as well as revenue growth from our mobile advertising network. Media advertising revenues were RMB3.3 billion, broadly stable compared to the second quarter of 2020, as greater advertising revenues from our music apps offset lower news advertising revenues.

- Revenues from FinTech and Business Services increased by 40% to RMB41.9 billion for the second quarter of 2021 on a year-on-year basis. FinTech Services revenue growth primarily reflected increasing digital payment transactions. Business Services revenues increased rapidly year-on-year, due to digitalisation of public services and traditional industries, as well as consolidation of Bitauto’s Business Services revenue.

Cost of revenues. Cost of revenues increased by 22% to RMB75.5 billion for the second quarter of 2021 on a year-on-year basis, reflecting increased bank charges, content costs, server and bandwidth costs, as well as channel and distribution costs. As a percentage of revenues, cost of revenues was 55% for the second quarter of 2021, broadly stable compared to the same quarter of last year. The following table sets forth our cost of revenues by line of business for the second quarter of 2021 and the second quarter of 2020:

	Unaudited			
	Three months ended			
	30 June 2021		30 June 2020	
	Amount	% of segment revenues	Amount	% of segment revenues
(RMB in millions, unless specified)				
VAS	33,890	47%	30,100	46%
Online Advertising	11,697	51%	9,008	49%
FinTech and Business Services	28,472	68%	21,222	71%
Others	1,455	96%	1,343	92%
	<u>75,514</u>		<u>61,673</u>	
Total cost of revenues	<u>75,514</u>		<u>61,673</u>	

- Cost of revenues for VAS increased by 13% to RMB33.9 billion for the second quarter of 2021 on a year-on-year basis, mainly due to increased content costs for digital content services, as well as channel and content costs for games.
- Cost of revenues for Online Advertising increased by 30% to RMB11.7 billion for the second quarter of 2021 on a year-on-year basis, primarily driven by increased server and bandwidth costs, content costs, and traffic acquisition costs associated with revenue growth from our mobile advertising network.
- Cost of revenues for FinTech and Business Services increased by 34% to RMB28.5 billion for the second quarter of 2021 on a year-on-year basis, reflecting increased bank charges for payment services due to payment volume growth, and project deployment costs for Cloud services.

Other gains, net. We recorded net other gains of RMB20.8 billion for the second quarter of 2021, which were primarily non-IFRS adjustments such as net fair value gains due to increased valuations of investee companies in sectors such as transportation, FinTech and local services, as well as net gains on deemed disposals and disposals of certain investee companies, partly offset by fair value losses or impairment against certain investee companies.

Selling and marketing expenses. Selling and marketing expenses increased by 29% to RMB10.0 billion for the second quarter of 2021 on a year-on-year basis, reflecting increased marketing spending on Business Services, digital content services, and games, including marketing spending associated with our consolidation of subsidiaries acquired over the past year. As a percentage of revenues, selling and marketing expenses were 7% for the second quarter of 2021, broadly stable compared to the second quarter of 2020.

General and administrative expenses. General and administrative expenses increased by 37% to RMB22.6 billion for the second quarter of 2021 on a year-on-year basis, primarily driven by increased staff costs, including higher share-based compensation expenses. As a percentage of revenues, general and administrative expenses increased to 16% for the second quarter of 2021 from 14% for the second quarter of 2020.

Finance costs, net. Net finance costs decreased by 3% to RMB1.9 billion for the second quarter of 2021 on a year-on-year basis, reflecting the decrease in foreign exchange losses recognised this quarter compared to the same quarter of last year, partly offset by the increase in interest expenses as a result of increased indebtedness.

Share of losses of associates and joint ventures. We recorded share of losses of associates and joint ventures of RMB3.9 billion for the second quarter of 2021, compared to share of losses of RMB0.3 billion for the second quarter of 2020. The change mainly reflected non-IFRS adjustments of certain associates, and increased investments in community group buying initiatives by certain associates, as well as losses recognised from certain associates.

Income tax expense. Income tax expense decreased by 20% to RMB3.7 billion for the second quarter of 2021 on a year-on-year basis.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 29% to RMB42.6 billion for the second quarter of 2021 on a year-on-year basis. Non-IFRS profit attributable to equity holders of the Company increased by 13% to RMB34.0 billion for the second quarter of 2021.

Second Quarter of 2021 Compared to First Quarter of 2021

The following table sets forth the comparative figures for the second quarter of 2021 and the first quarter of 2021:

	Unaudited	
	Three months ended	
	30 June	31 March
	2021	2021
	(RMB in millions)	
Revenues	138,259	135,303
Cost of revenues	(75,514)	(72,668)
Gross profit	62,745	62,635
Interest income	1,630	1,614
Other gains, net	20,763	19,521
Selling and marketing expenses	(10,013)	(8,530)
General and administrative expenses	(22,638)	(18,967)
Operating profit	52,487	56,273
Finance costs, net	(1,942)	(1,367)
Share of (loss)/profit of associates and joint ventures	(3,857)	1,348
Profit before income tax	46,688	56,254
Income tax expense	(3,666)	(7,246)
Profit for the period	43,022	49,008
Attributable to:		
Equity holders of the Company	42,587	47,767
Non-controlling interests	435	1,241
	43,022	49,008
Non-IFRS profit attributable to equity holders of the Company	34,039	33,118

Revenues. Revenues increased by 2% to RMB138.3 billion for the second quarter of 2021 on a quarter-on-quarter basis.

- Revenues from VAS were RMB72.0 billion for the second quarter of 2021, broadly stable compared to the last quarter, as a revenue decline from games and privileges subscriptions was offset by revenue growth from live broadcast and music subscription services.
- Revenues from Online Advertising increased by 5% to RMB22.8 billion for the second quarter of 2021. Social and others advertising revenues increased by 5% to RMB19.5 billion, mainly reflecting advertising revenue growth from Weixin properties, partly offset by decreased revenues from our mobile advertising network, which was affected by reduced spending by companies providing after-school tutoring due to regulatory changes. Media advertising revenues were RMB3.3 billion, broadly stable compared to the first quarter of 2021.
- Revenues from FinTech and Business Services increased by 7% to RMB41.9 billion for the second quarter of 2021, driven by higher revenues from commercial payment services and Business Services.

Cost of revenues. Cost of revenues increased by 4% to RMB75.5 billion for the second quarter of 2021 on quarter-on-quarter basis, mainly reflecting increased content costs, bank charges and Cloud services project deployment costs, partly offset by lower channel and distribution costs. As a percentage of revenues, cost of revenues was 55% for the second quarter of 2021, broadly stable compared to the first quarter of 2021.

- Cost of revenues for VAS increased by 4% to RMB33.9 billion for the second quarter of 2021, due to increased content costs for digital content services, as well as games.
- Cost of revenues for Online Advertising decreased by 2% to RMB11.7 billion for the second quarter of 2021, reflecting decreased traffic acquisition costs for our mobile advertising network, partly offset by increased content costs and server and bandwidth costs.
- Cost of revenues for FinTech and Business Services increased by 8% to RMB28.5 billion for the second quarter of 2021, reflecting increased bank charges costs for payment services due to payment volume growth and project deployment costs for Cloud services.

Selling and marketing expenses. Selling and marketing expenses increased by 17% to RMB10.0 billion for the second quarter of 2021 on a quarter-on-quarter basis, primarily driven by seasonality and increased marketing spending on digital content services, games and Business Services.

General and administrative expenses. General and administrative expenses increased by 19% to RMB22.6 billion for the second quarter of 2021 on a quarter-on-quarter basis, reflecting increased staff costs, including higher share-based compensation expenses.

Share of loss/profit of associates and joint ventures. We recorded share of losses of associates and joint ventures of RMB3.9 billion for the second quarter of 2021, compared to share of profits of RMB1.3 billion for the first quarter of 2021. The change mainly reflected non-IFRS adjustments including non-recurring fair value gains on investments recognised by certain associates in the first quarter of 2021.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company decreased by 11% to RMB42.6 billion for the second quarter of 2021 on a quarter-on-quarter basis. Non-IFRS profit attributable to equity holders of the Company increased by 3% to RMB34.0 billion for the second quarter of 2021.

Other Financial Information

	Unaudited			Unaudited	
	Three months ended			Six months ended	
	30 June 2021	31 March 2021	30 June 2020	30 June 2021	30 June 2020
	(RMB in millions, unless specified)				
EBITDA (a)	44,567	49,355	40,525	93,922	82,753
Adjusted EBITDA (a)	50,347	52,927	43,742	103,274	88,932
Adjusted EBITDA margin (b)	36%	39%	38%	38%	40%
Interest and related expenses	1,912	1,726	1,822	3,638	3,828
Net (debt)/cash (c)	(20,972)	5,581	7,212	(20,972)	7,212
Capital expenditures (d)	6,936	7,734	9,466	14,670	15,617

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 and land use rights. 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	
	30 June 2021	31 March 2021	30 June 2020	30 June 2021	30 June 2020
	(RMB in millions, unless specified)				
Operating profit	52,487	56,273	39,311	108,760	76,571
Adjustments:					
Interest income	(1,630)	(1,614)	(1,749)	(3,244)	(3,385)
Other gains, net	(20,763)	(19,521)	(8,607)	(40,284)	(12,644)
Depreciation of property, plant and equipment and investment properties	5,374	5,303	4,257	10,677	8,146
Depreciation of right-of-use assets	1,089	1,055	899	2,144	1,773
Amortisation of intangible assets and land use rights	8,010	7,859	6,414	15,869	12,292
EBITDA	44,567	49,355	40,525	93,922	82,753
Equity-settled share-based compensation	5,780	3,572	3,217	9,352	6,179
Adjusted EBITDA	50,347	52,927	43,742	103,274	88,932

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 announcement. 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 2021 and 2020, the first quarter of 2021, as well as the first half of 2021 and 2020 to the nearest measures prepared in accordance with IFRS:

	Unaudited three months ended 30 June 2021						
	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)	Non-IFRS
Operating profit	52,487	6,202	(20,383)	1,124	3,372	-	42,802
Profit for the period	43,022	7,658	(20,413)	3,140	3,338	(1,605)	35,140
Profit attributable to equity holders	42,587	7,376	(20,537)	2,767	3,331	(1,485)	34,039
EPS (RMB per share)							
– basic	4.472						3.574
– diluted	4.387						3.504
Operating margin	38%						31%
Net margin	31%						25%

Unaudited three months ended 31 March 2021

	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	56,273	3,704	(18,331)	1,062	50	–	42,758
Profit for the period	49,008	5,036	(22,231)	2,699	178	(187)	34,503
Profit attributable to equity holders	47,767	4,855	(21,829)	2,352	178	(205)	33,118
EPS (RMB per share)							
– basic	5.020						3.481
– diluted	4.917						3.415
Operating margin	42%						32%
Net margin	36%						26%

Unaudited three 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	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%

Unaudited six months ended 30 June 2021

	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	108,760	9,906	(38,714)	2,186	3,422	–	85,560
Profit for the period	92,030	12,694	(42,644)	5,839	3,516	(1,792)	69,643
Profit attributable to equity holders	90,354	12,231	(42,366)	5,119	3,509	(1,690)	67,157
EPS (RMB per share)							
– basic	9.492						7.055
– diluted	9.299						6.916
Operating margin	40%						31%
Net margin	34%						25%

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%

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 other intangible assets arising from acquisitions
- (e) Income tax effects of non-IFRS adjustments

Liquidity and Financial Resources

Our cash and debt positions as at 30 June 2021 and 31 March 2021 were as follows:

	Unaudited 30 June 2021	Unaudited 31 March 2021
	(RMB in millions)	
Cash and cash equivalents	141,721	148,621
Term deposits and others	113,481	110,197
	255,202	258,818
Borrowings	(128,693)	(130,295)
Notes payable	(147,481)	(122,942)
Net (debt)/cash	<u>(20,972)</u>	<u>5,581</u>
Fair value of our stakes in listed investee companies (excluding subsidiaries)	<u>1,445,978</u>	<u>1,362,324</u>

As at 30 June 2021, the Group had net debt of RMB21.0 billion, compared to net cash of RMB5.6 billion as at 31 March 2021. The sequential change was mainly due to a net cash outflow for M&A activities and payment of our dividend for the year ended 31 December 2020, partly offset by free cash flow generated.

For the second quarter of 2021, the Group had free cash flow of RMB17.3 billion. This was a result of net cash flow generated from operating activities of RMB32.0 billion, offset by payments for capital expenditures of RMB7.1 billion, payments for media content of RMB6.4 billion, and payments for lease liabilities of RMB1.2 billion.

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2021

	Note	Unaudited		Unaudited	
		Three months ended 30 June		Six months ended 30 June	
		2021	2020	2021	2020
		RMB'Million	RMB'Million	RMB'Million	RMB'Million
Revenues					
Value-added Services		72,013	65,002	144,456	127,431
Online Advertising		22,833	18,552	44,653	36,265
FinTech and Business Services		41,892	29,862	80,920	56,337
Others		1,521	1,467	3,533	2,915
		<u>138,259</u>	<u>114,883</u>	<u>273,562</u>	<u>222,948</u>
Cost of revenues	4	<u>(75,514)</u>	<u>(61,673)</u>	<u>(148,182)</u>	<u>(116,944)</u>
Gross profit		62,745	53,210	125,380	106,004
Interest income		1,630	1,749	3,244	3,385
Other gains, net	3	20,763	8,607	40,284	12,644
Selling and marketing expenses	4	(10,013)	(7,756)	(18,543)	(14,805)
General and administrative expenses	4	(22,638)	(16,499)	(41,605)	(30,657)
Operating profit		52,487	39,311	108,760	76,571
Finance costs, net		(1,942)	(2,005)	(3,309)	(3,689)
Share of losses of associates and joint ventures		(3,857)	(295)	(2,509)	(576)
Profit before income tax		46,688	37,011	102,942	72,306
Income tax expense	5	<u>(3,666)</u>	<u>(4,557)</u>	<u>(10,912)</u>	<u>(10,449)</u>
Profit for the period		<u>43,022</u>	<u>32,454</u>	<u>92,030</u>	<u>61,857</u>
Attributable to:					
Equity holders of the Company		42,587	33,107	90,354	62,003
Non-controlling interests		435	(653)	1,676	(146)
		<u>43,022</u>	<u>32,454</u>	<u>92,030</u>	<u>61,857</u>
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)					
– basic	6(a)	<u>4.472</u>	<u>3.491</u>	<u>9.492</u>	<u>6.541</u>
– diluted	6(b)	<u>4.387</u>	<u>3.437</u>	<u>9.299</u>	<u>6.440</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2021**

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Profit for the period	43,022	32,454	92,030	61,857
Other comprehensive income, net of tax:				
<i>Items that may be subsequently reclassified to profit or loss</i>				
Share of other comprehensive (loss)/ income of associates and joint ventures	(11)	159	277	129
Transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	5	(2)	2	(2)
Currency translation differences	(1,428)	2,358	(7,336)	3,673
Other fair value gains/(losses)	92	(687)	1,255	(2,044)
<i>Items that will not be subsequently reclassified to profit or loss</i>				
Share of other comprehensive income of associates and joint ventures	53	–	434	–
Net gains from changes in fair value of financial assets at fair value through other comprehensive income	46,522	56,797	65,005	48,947
Currency translation differences	(305)	–	(98)	–
Other fair value gains	–	102	–	48
	<u>44,928</u>	<u>58,727</u>	<u>59,539</u>	<u>50,751</u>
Total comprehensive income for the period	<u>87,950</u>	<u>91,181</u>	<u>151,569</u>	<u>112,608</u>
Attributable to:				
Equity holders of the Company	87,511	89,242	151,267	110,262
Non-controlling interests	439	1,939	302	2,346
	<u>87,950</u>	<u>91,181</u>	<u>151,569</u>	<u>112,608</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

		Unaudited	Audited
		30 June	31 December
		2021	2020
	Note	RMB'Million	RMB'Million
ASSETS			
Non-current assets			
Property, plant and equipment		61,141	59,843
Land use rights		15,953	16,091
Right-of-use assets		13,769	12,929
Construction in progress		5,805	4,939
Investment properties		559	583
Intangible assets		161,904	159,437
Investments in associates	8	356,687	297,609
Investments in joint ventures		7,743	7,649
Financial assets at fair value through profit or loss	9	178,915	165,944
Financial assets at fair value through other comprehensive income	10	291,500	213,091
Prepayments, deposits and other assets		29,936	24,630
Other financial assets		385	4
Deferred income tax assets		22,971	21,348
Term deposits		39,219	31,681
		<u>1,186,487</u>	<u>1,015,778</u>
Current assets			
Inventories		1,020	814
Accounts receivable	11	53,523	44,981
Prepayments, deposits and other assets		57,481	40,321
Other financial assets		471	1,133
Financial assets at fair value through profit or loss	9	9,417	6,593
Term deposits		65,330	68,487
Restricted cash		2,322	2,520
Cash and cash equivalents		141,721	152,798
		<u>331,285</u>	<u>317,647</u>
Total assets		<u><u>1,517,772</u></u>	<u><u>1,333,425</u></u>

		Unaudited	Audited
		30 June	31 December
		2021	2020
	Note	RMB'Million	RMB'Million
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		–	–
Share premium		58,013	48,793
Shares held for share award schemes		(4,674)	(4,412)
Other reserves		172,666	121,139
Retained earnings		620,202	538,464
		<u>846,207</u>	<u>703,984</u>
Non-controlling interests		80,764	74,059
		<u>926,971</u>	<u>778,043</u>
LIABILITIES			
Non-current liabilities			
Borrowings	14	114,007	112,145
Notes payable	15	147,481	122,057
Long-term payables		10,876	9,910
Other financial liabilities		8,102	9,254
Deferred income tax liabilities		15,228	16,061
Lease liabilities		10,962	10,198
Deferred revenue		6,540	6,678
		<u>313,196</u>	<u>286,303</u>
Current liabilities			
Accounts payable	13	99,279	94,030
Other payables and accruals		49,637	54,308
Borrowings	14	14,686	14,242
Current income tax liabilities		8,599	12,134
Other tax liabilities		1,404	2,149
Other financial liabilities		3,735	5,567
Lease liabilities		4,013	3,822
Deferred revenue		96,252	82,827
		<u>277,605</u>	<u>269,079</u>
Total liabilities		590,801	555,382
Total equity and liabilities		1,517,772	1,333,425

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

	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 2021	-	48,793	(4,412)	121,139	538,464	703,984	74,059	778,043
Comprehensive income								
Profit for the period	-	-	-	-	90,354	90,354	1,676	92,030
Other comprehensive income, net of tax:								
- share of other comprehensive income of associates and joint ventures	-	-	-	706	-	706	5	711
- transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	-	-	-	2	-	2	-	2
- net gains/(losses) from changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	65,587	-	65,587	(582)	65,005
- currency translation differences	-	-	-	(6,588)	-	(6,588)	(846)	(7,434)
- other fair value gains, net	-	-	-	1,206	-	1,206	49	1,255
Total comprehensive income for the period	-	-	-	60,913	90,354	151,267	302	151,569
Transfer of gains on disposal of financial assets at fair value through other comprehensive income to retained earnings	-	-	-	(4,098)	4,098	-	-	-
Transfer of share of other comprehensive income to retained earnings upon disposal of associates and joint ventures	-	-	-	(2)	2	-	-	-
Share of other changes in net assets of associates and joint ventures	-	-	-	2,649	-	2,649	1	2,650
Transfer of share of other changes in net assets of associates and joint ventures to profit or loss upon disposal and deemed disposal	-	-	-	(96)	-	(96)	5	(91)

Unaudited

	Attributable to equity holders of the Company							Total equity RMB'Million
	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	
Transactions with equity holders								
Capital injection	-	-	-	-	-	-	136	136
Employee share option schemes:								
– value of employee services	-	851	-	24	-	875	24	899
– proceeds from shares issued	-	410	-	-	-	410	-	410
Employee share award schemes:								
– value of employee services	-	7,866	-	288	-	8,154	258	8,412
– shares withheld for share award schemes	-	-	(1,268)	-	-	(1,268)	-	(1,268)
– vesting of awarded shares	-	(863)	863	-	-	-	-	-
Tax benefit from share-based payments	-	-	-	228	-	228	-	228
Profit appropriations to statutory reserves	-	-	-	33	(33)	-	-	-
Dividends	-	-	-	-	(12,683)	(12,683)	(102)	(12,785)
Distributions from a non wholly-owned subsidiary	-	-	-	-	-	-	(1,401)	(1,401)
Non-controlling interests arising from business combinations	-	-	-	-	-	-	806	806
Acquisition of additional equity interests in non wholly-owned subsidiaries	-	-	-	(709)	-	(709)	(1,406)	(2,115)
Dilution of interests in subsidiaries	-	-	-	141	-	141	554	695
Disposal of subsidiaries	-	-	-	-	-	-	(16)	(16)
Changes in put option liability in respect of non-controlling interests	-	-	-	762	-	762	25	787
Lapses of put option liability in respect of non-controlling interests	-	-	-	783	-	783	-	783
Recognition of put option liabilities arising from business combination	-	-	-	(638)	-	(638)	-	(638)
Transfer of equity interests of subsidiaries to non-controlling interests	-	956	143	(8,751)	-	(7,652)	7,519	(133)
Total transactions with equity holders at their capacity as equity holders for the period	-	9,220	(262)	(7,839)	(12,716)	(11,597)	6,397	(5,200)
Balance at 30 June 2021	-	58,013	(4,674)	172,666	620,202	846,207	80,764	926,971

Unaudited

	Attributable to equity holders of the Company							Total equity RMB'Million
	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	
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)

Unaudited

	Attributable to equity holders of the Company							Total equity RMB'Million
	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	
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	<u>-</u>	<u>6,430</u>	<u>43</u>	<u>(4,945)</u>	<u>(10,389)</u>	<u>(8,861)</u>	<u>12,405</u>	<u>3,544</u>
Balance at 30 June 2020	<u>-</u>	<u>41,701</u>	<u>(3,959)</u>	<u>61,056</u>	<u>436,611</u>	<u>535,409</u>	<u>70,864</u>	<u>606,273</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'Million	RMB'Million
Net cash flows generated from operating activities	82,956	98,725
Net cash flows used in investing activities	(101,938)	(92,927)
Net cash flows generated from financing activities	9,584	34,498
Net (decrease)/increase in cash and cash equivalents	(9,398)	40,296
Cash and cash equivalents at beginning of the period	152,798	132,991
Exchange (losses)/gains on cash and cash equivalents	(1,679)	431
Cash and cash equivalents at end of the period	141,721	173,718

Note:

1 General information, basis of preparation and presentation

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

The Company is an investment holding company. The Group is principally engaged in the provision of VAS, Online Advertising services and FinTech and Business Services.

The condensed consolidated interim financial information comprises the consolidated statement of financial position as at 30 June 2021, 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 “Interim Financial Information”). The Interim Financial Information is presented in RMB, unless otherwise stated.

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

The Interim Financial Information has been prepared in accordance with IAS 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2020, which have been prepared in accordance with IFRS, as set out in the 2020 annual report of the Company dated 24 March 2021 (the “2020 Financial Statements”).

Except as described below, the accounting policies and method of computation used in the preparation of the Interim Financial Information are generally consistent with those used in the 2020 Financial Statements in all material aspects, which have been prepared in accordance with IFRS under the historical cost convention, as modified by the revaluation of financial assets at FVPL, FVOCI, certain other financial assets and liabilities, which are carried at fair values.

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

The following amendments to standards have been adopted by the Group for the financial year beginning on 1 January 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate benchmark (IBOR) reform – phase 2
---	---

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

2 Segment information

The Group has the following reportable segments for the three and six months ended 30 June 2021 and 2020:

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

There were no material inter-segment sales during the three and six months ended 30 June 2021 and 2020. The revenues from external customers reported to the chief operating decision-makers are measured in a manner consistent with that applied in the consolidated income statement.

The segment information provided to the chief operating decision-makers for the reportable segments for the three and six months ended 30 June 2021 and 2020 is as follows:

	Unaudited Three months ended 30 June 2021				
	VAS	Online	FinTech and	Others	Total
	RMB'Million	Advertising	Business	RMB'Million	RMB'Million
		RMB'Million	Services		
			RMB'Million		
Segment revenues	<u>72,013</u>	<u>22,833</u>	<u>41,892</u>	<u>1,521</u>	<u>138,259</u>
Gross profit	<u>38,123</u>	<u>11,136</u>	<u>13,420</u>	<u>66</u>	<u>62,745</u>
Cost of revenues					
Depreciation	1,442	1,255	2,654	27	5,378
Amortisation	<u>4,833</u>	<u>1,911</u>	<u>17</u>	<u>494</u>	<u>7,255</u>

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

	Unaudited Six months ended 30 June 2021				Total RMB'Million
	VAS RMB'Million	Online Advertising RMB'Million	FinTech and Business Services RMB'Million	Others RMB'Million	
Segment revenues	<u>144,456</u>	<u>44,653</u>	<u>80,920</u>	<u>3,533</u>	<u>273,562</u>
Gross profit	<u>78,033</u>	<u>20,970</u>	<u>26,018</u>	<u>359</u>	<u>125,380</u>
Cost of revenues					
Depreciation	2,856	2,480	5,288	50	10,674
Amortisation	<u>9,518</u>	<u>3,803</u>	<u>30</u>	<u>1,101</u>	<u>14,452</u>

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

3 Other gains, net

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Net gains on disposals and deemed disposals of investee companies (a)	6,106	8,325	9,590	11,972
Net fair value gains on FVPL ((b) and Note 9)	14,580	3,717	29,320	5,034
Impairment provision for investee companies, goodwill and other intangible assets arising from acquisitions (c)	(3,372)	(8,613)	(3,422)	(8,126)
Subsidies and tax rebates	2,221	1,657	4,751	3,772
Net fair value (losses)/gains on other financial instruments	(282)	2,630	(173)	2,938
Donations	–	–	(1,600)	(2,600)
Dividends income	390	386	540	794
Others	1,120	505	1,278	(1,140)
	<u>20,763</u>	<u>8,607</u>	<u>40,284</u>	<u>12,644</u>

Note:

- (a) The disposal and deemed disposal gains of approximately RMB9,590 million recognised during the six months ended 30 June 2021 mainly comprised the following:
- net gains of approximately RMB6,336 million (six months ended 30 June 2020: RMB5,585 million) on dilution of the Group's equity interests in certain associates due to new equity interests being issued by these associates (Note 8). These investee companies are principally engaged in games developing, finance, online video-sharing platform, eCommerce and Internet-related business; and
 - aggregate net gains of approximately RMB3,254 million (six months ended 30 June 2020: RMB6,387 million) on disposals, partial disposals or deemed disposals of various investments of the Group.
- (b) During the six months ended 30 June 2021, the net fair value gains on FVPL comprised net gains of approximately RMB29,297 million as a result of increases in valuations of certain FVPL, and approximately RMB23 million associated with treasury investments (six months ended 30 June 2020: RMB5,034 million and nil).

- (c) The impairment provision for investee companies, goodwill and other intangible assets arising from acquisitions mainly comprised the following:

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Goodwill and other intangible assets arising from acquisitions	151	4,384	201	4,384
Investments in associates (Note 8(c))	3,194	3,777	3,194	2,432
Others	27	452	27	1,310
	<u>3,372</u>	<u>8,613</u>	<u>3,422</u>	<u>8,126</u>

4 Expenses by nature

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Transaction costs (a)	30,960	25,570	62,613	47,303
Employee benefits expenses (b)	23,987	16,821	44,388	31,964
Content costs (excluding amortisation of intangible assets)	16,091	14,600	30,910	26,862
Amortisation of intangible assets (c)	7,995	6,414	15,838	12,292
Promotion and advertising expenses	7,694	6,048	14,175	11,597
Depreciation of property, plant and equipment, investment properties and right-of-use assets	6,463	5,156	12,821	9,919
Bandwidth and server custody fees (excluding depreciation of right-of-use assets)	6,552	5,652	12,767	10,773

Note:

- (a) Transaction costs primarily consist of bank handling fees, channel and distribution costs.
- (b) During the three and six months ended 30 June 2021, the Group had incurred expenses for the purpose of R&D of approximately RMB12,828 million and RMB24,129 million (three and six months ended 30 June 2020: approximately RMB9,880 million and RMB17,885 million, respectively), which mainly comprised employee benefits expenses of approximately RMB10,528 million and RMB19,970 million (three and six months ended 30 June 2020: approximately RMB7,771 million and RMB14,571 million, respectively).

During the three and six months ended 30 June 2021, employee benefits expenses included the share-based compensation expenses of approximately RMB6,202 million and RMB9,906 million (three and six months ended 30 June 2020: approximately RMB3,507 million and RMB6,942 million, respectively).

No significant development expenses had been capitalised for the three and six months ended 30 June 2021 and 2020.

- (c) Amortisation charges of intangible assets is mainly in respect of media content including video and music content, game licenses, and other content. During the three and six months ended 30 June 2021, amortisation of media content was approximately RMB7,274 million and RMB14,429 million (three and six months ended 30 June 2020: approximately RMB5,800 million and RMB11,208 million, respectively).

During the three and six months ended 30 June 2021, amortisation of intangible assets included the amortisation of intangible assets resulting from business combinations of approximately RMB1,124 million and RMB2,186 million (three and six months ended 30 June 2020: approximately RMB870 million and RMB1,509 million, respectively).

5 Income tax expense

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

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

The Group was not subject to any taxation in the Cayman Islands and the British Virgin Islands for the three and six months ended 30 June 2021 and 2020.

(b) Hong Kong profits tax

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the three and six months ended 30 June 2021 and 2020.

(c) PRC CIT

PRC CIT has been provided for at applicable tax rates under the relevant regulations of the PRC after considering the available preferential tax benefits from refunds and allowances, and on the estimated assessable profit of entities within the Group established in the Mainland of China for the three and six months ended 30 June 2021 and 2020. The general PRC CIT rate is 25% for the three and six months ended 30 June 2021 and 2020.

Certain subsidiaries of the Group in the Mainland of China were approved as High and New Technology Enterprise, and accordingly, they were subject to a preferential corporate income tax rate of 15% for the three and six months ended 30 June 2021 and 2020. Moreover, according to announcement and circular issued by relevant government authorities, a subsidiary which was qualified as national key software enterprise was subject to a preferential corporate income tax rate of 10%.

In addition, 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 to some subsidiaries located in certain areas of the Mainland of China upon fulfilment of certain requirements of the respective local governments.

(d) 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 2021 and 2020 at the respective rates prevailing in the relevant jurisdictions, ranging from 12.5% to 35%.

(e) Withholding tax

According to applicable tax regulations prevailing in the PRC, dividends distributed by a company established in the 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.

The income tax expense of the Group for the three and six months ended 30 June 2021 and 2020 are analysed as follows:

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Current income tax	4,272	4,730	12,651	12,060
Deferred income tax	(606)	(173)	(1,739)	(1,611)
	<u>3,666</u>	<u>4,557</u>	<u>10,912</u>	<u>10,449</u>

6 Earnings per share

(a) Basic

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

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
Profit attributable to equity holders of the Company (RMB'Million)	<u>42,587</u>	<u>33,107</u>	<u>90,354</u>	<u>62,003</u>
Weighted average number of ordinary shares in issue (million shares)	<u>9,523</u>	<u>9,482</u>	<u>9,519</u>	<u>9,479</u>
Basic EPS (RMB per share)	<u>4.472</u>	<u>3.491</u>	<u>9.492</u>	<u>6.541</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).

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 Three months ended 30 June		Unaudited Six months ended 30 June	
	2021	2020	2021	2020
Profit attributable to equity holders of the Company (RMB'Million)	42,587	33,107	90,354	62,003
Dilution effect arising from share-based awards issued by non wholly-owned subsidiaries and associates (RMB'Million)	<u>(57)</u>	<u>(49)</u>	<u>(206)</u>	<u>(86)</u>
Profit attributable to equity holders of the Company for the calculation of diluted EPS (RMB'Million)	<u>42,530</u>	<u>33,058</u>	<u>90,148</u>	<u>61,917</u>
Weighted average number of ordinary shares in issue (million shares)	9,523	9,482	9,519	9,479
Adjustments for share options and awarded shares (million shares)	<u>172</u>	<u>136</u>	<u>175</u>	<u>135</u>
Weighted average number of ordinary shares for the calculation of diluted EPS (million shares)	<u>9,695</u>	<u>9,618</u>	<u>9,694</u>	<u>9,614</u>
Diluted EPS (RMB per share)	<u>4.387</u>	<u>3.437</u>	<u>9.299</u>	<u>6.440</u>

7 Dividends

A final dividend in respect of the year ended 31 December 2020 of HKD1.60 per share (2019: HKD1.20 per share) was proposed pursuant to a resolution passed by the Board on 24 March 2021 and approved by the shareholders at the 2021 AGM. Such dividend amounting to HKD15,238 million (2020: HKD11,378 million) was paid during the six months ended 30 June 2021.

The Board did not declare any interim dividend for the six months ended 30 June 2021 and 2020.

8 Investments in associates

	Unaudited 30 June 2021 RMB'Million	Audited 31 December 2020 RMB'Million
Investments in associates		
– Listed entities (Note)	234,480	171,048
– Unlisted entities	122,207	126,561
	356,687	297,609

Note:

As at 30 June 2021, the fair value of the investments in associates which are listed entities was RMB1,145,427 million (31 December 2020: RMB981,902 million).

Movement of investments in associates is analysed as follows:

	Unaudited Six months ended 30 June	
	2021 RMB'Million	2020 RMB'Million
At beginning of period	297,609	213,614
Additions (a)	26,413	15,521
Transfers (b)	32,710	(8,138)
Dilution gains on deemed disposal (Note 3(a))	6,336	5,585
Share of loss of associates	(2,580)	(241)
Share of other comprehensive income of associates	710	148
Share of other changes in net assets of associates	2,650	1,443
Dividends	(155)	(71)
Disposals	(2,468)	(1,621)
Impairment provision (c)	(3,194)	(2,432)
Currency translation differences	(1,344)	945
At end of period	356,687	224,753

Note:

(a) During the six months ended 30 June 2021, the Group's additions to investments in associates mainly comprised the following:

- (i) a consortium (the "UMG Consortium") formed together with TME and certain global financial investors to acquire additional 10% equity interests in Universal Music Group ("UMG") from its parent company, Vivendi S.A.. The Group's additional investment in the UMG Consortium amounted to approximately EUR975 million (equivalent to approximately RMB7,792 million), and the investment remained as an associate;

- (ii) the Group made additional investment in the ordinary shares of an existing investee engaged in games developing at a cash consideration of approximately RMB2,795 million. Upon completion of the additional investment, the Group's equity interests in the investee have been increased from 5% to 10%. Since there is no change in the assessment of significant influence, this investment continues to be considered as an associate of the Group; and
- (iii) new associates and additional investments in existing associates with an aggregate amount of approximately RMB15,826 million during the six months ended 30 June 2021. These associates are principally engaged in games developing, online medical platform and other Internet-related business.
- (b) During the six months ended 30 June 2021, transfers mainly comprised investments in associates of approximately RMB33,374 million transferred from FVPL mainly due to conversion of the redeemable instruments into ordinary shares upon their IPOs or obtaining board representatives.
- (c) During the six months ended 30 June 2021, the Group had made an aggregate net impairment provision of approximately RMB3,194 million (six months ended 30 June 2020: RMB2,432 million) against the carrying amounts of certain investments in associates. The impairment provision mainly resulted from revisions of financial/business outlook of the associates and changes in the market environment.

9 Financial assets at fair value through profit or loss

FVPL include the following:

	Unaudited 30 June 2021 RMB'Million	Audited 31 December 2020 RMB'Million
Included in non-current assets:		
Investments in listed entities	22,481	23,554
Investments in unlisted entities	145,519	133,506
Treasury investments and others	10,915	8,884
	<u>178,915</u>	<u>165,944</u>
Included in current assets:		
Investments in listed entities	–	10
Treasury investments and others	9,417	6,583
	<u>9,417</u>	<u>6,593</u>
	<u><u>188,332</u></u>	<u><u>172,537</u></u>

Movement of FVPL is analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'Million	RMB'Million
At beginning of period	172,537	135,936
Additions and transfers ((a) and Note 8 (b))	3,469	30,167
Changes in fair value (Note 3)	29,320	5,034
Disposals and others	(14,488)	(5,123)
Currency translation differences	(2,506)	2,704
	<hr/>	<hr/>
At end of period	<u>188,332</u>	<u>168,718</u>

Note:

- (a) During the six months ended 30 June 2021, the Group's additions and transfers mainly comprised the following:
- (i) new investments and additional investments with an aggregate amount of approximately RMB41,977 million in listed and unlisted entities. These companies are principally engaged in express delivery, eCommerce, Internet platform, technology and other Internet-related businesses; and
 - (ii) except as described in Note 8(b), transfers also mainly comprised certain FVPL of an aggregate amount of approximately RMB5,089 million redesignated to FVOCI upon their IPOs.

10 Financial assets at fair value through other comprehensive income

FVOCI include the following:

	Unaudited 30 June 2021 RMB'Million	Audited 31 December 2020 RMB'Million
Equity investments in listed entities	278,070	199,465
Equity investments in unlisted entities	13,430	13,626
	291,500	213,091

Movement of FVOCI is analysed as follows:

	Unaudited Six months ended 30 June	
	2021 RMB'Million	2020 RMB'Million
At beginning of period	213,091	81,721
Additions and transfers ((a) and Note 9(a))	21,900	9,091
Changes in fair value	64,758	49,817
Disposals	(6,647)	(2,905)
Currency translation differences	(1,602)	1,297
At end of period	291,500	139,021

Note:

- (a) During the six months ended 30 June 2021, the Group's additions mainly comprised the following:
- (i) an additional investment in an eCommerce entity of approximately JPY72,406 million (equivalent to approximately RMB4,294 million); and
 - (ii) new investments and additional investments with an aggregate amount of approximately RMB11,920 million in listed and unlisted entities. These companies are principally engaged in Internet platform, technology and other Internet-related businesses.

11 Accounts receivable

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

	Unaudited	Audited
	30 June	31 December
	2021	2020
	RMB'Million	RMB'Million
0 ~ 30 days	18,597	19,708
31 ~ 60 days	14,853	10,867
61 ~ 90 days	6,896	4,506
Over 90 days	13,177	9,900
	<u>53,523</u>	<u>44,981</u>

Receivable balances as at 30 June 2021 and 31 December 2020 mainly represented amounts due from online advertising customers and agencies, FinTech and cloud customers, content production related 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 content production related customers and FinTech and cloud customers, are usually granted with a credit period within 90 days.

12 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 2021, 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 Listing Rules. In addition, the option vesting period is determined by the Board provided that it is not later than the last day of a 7-year period for the Post-IPO Option Scheme IV after the date of grant of option.

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.

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 No. of options
	Average exercise price	No. of options	Average exercise price	No. of options	
At 1 January 2021	HKD205.36	37,435,134	HKD380.50	67,806,750	105,241,884
Granted	–	–	HKD617.78	8,592,228	8,592,228
Exercised	HKD156.24	(915,026)	HKD324.73	(1,072,270)	(1,987,296)
Lapsed/forfeited	–	–	HKD393.63	(174,851)	(174,851)
At 30 June 2021	HKD206.60	<u>36,520,108</u>	HKD408.39	<u>75,151,857</u>	<u>111,671,965</u>
Exercisable as at 30 June 2021	HKD206.56	<u>36,398,295</u>	HKD383.52	<u>27,658,828</u>	<u>64,057,123</u>
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	(4,425)	HKD347.62	(281,780)	(286,205)
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>

During the six months ended 30 June 2021, 3,374,630 options (six months ended 30 June 2020: 4,399,815 options) were granted to an executive director of the Company.

(b) Share award schemes

The Company has adopted the Share Award Schemes as of 30 June 2021, 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 2021 and 2020 are as follows:

	Number of awarded shares	
	Six months ended 30 June	
	2021	2020
At beginning of period	82,594,936	76,615,755
Granted	34,514,780	13,426,868
Lapsed/forfeited	(2,252,506)	(1,617,473)
Vested and transferred	<u>(13,236,489)</u>	<u>(8,360,461)</u>
At end of period	<u>101,620,721</u>	<u>80,064,689</u>
Vested but not transferred as at the end of period	<u>12,131</u>	<u>32,554</u>

During the six months ended 30 June 2021, 40,500 awarded shares were granted to four independent non-executive directors of the Company (six months ended 30 June 2020: 59,500 awarded shares had been granted to five independent non-executive directors of the Company).

13 Accounts payable

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

	Unaudited	Audited
	30 June	31 December
	2021	2020
	RMB'Million	RMB'Million
0 ~ 30 days	90,531	82,916
31 ~ 60 days	2,606	2,196
61 ~ 90 days	2,808	665
Over 90 days	<u>3,334</u>	<u>8,253</u>
	<u>99,279</u>	<u>94,030</u>

14 Borrowings

	Unaudited 30 June 2021 RMB' Million	Audited 31 December 2020 RMB' Million
Included in non-current liabilities:		
Non-current portion of long-term USD bank borrowings, unsecured (a)	113,879	110,629
Non-current portion of long-term EUR bank borrowings, unsecured (a)	–	1,204
Non-current portion of long-term EUR bank borrowings, secured (a)	12	12
Non-current portion of long-term JPY bank borrowings, unsecured (a)	11	–
Non-current portion of long-term JPY bank borrowings, secured (a)	5	–
Non-current portion of long-term RMB bank borrowings, unsecured (a)	100	300
	<u>114,007</u>	<u>112,145</u>
Included in current liabilities:		
USD bank borrowings, unsecured (b)	9,690	9,135
HKD bank borrowings, secured (b)	–	144
RMB bank borrowings, unsecured (b)	813	4,079
RMB bank borrowings, secured (b)	–	100
KRW bank borrowings, unsecured (b)	2	–
Current portion of long-term USD bank borrowings, unsecured (a)	2,823	783
Current portion of long-term RMB bank borrowings, unsecured (a)	200	–
Current portion of long-term JPY bank borrowings, unsecured (a)	2	–
Current portion of long-term JPY bank borrowings, secured (a)	1	–
Current portion of long-term EUR bank borrowings, secured (a)	2	1
Current portion of long-term EUR bank borrowings, unsecured (a)	1,153	–
	<u>14,686</u>	<u>14,242</u>
	<u><u>128,693</u></u>	<u><u>126,387</u></u>

Note:

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

	Unaudited 30 June 2021		Audited 31 December 2020	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
USD bank borrowings	USD18,065	LIBOR + 0.70% ~ 1.27%	USD17,075	LIBOR + 0.70% ~ 1.27%
EUR bank borrowings	EUR152	0.52%~1.00%	EUR151	0.52%~1.00%
JPY bank borrowings	JPY334	0.60%~2.50%	–	–
RMB bank borrowings	RMB300	5.70%	RMB300	5.70%

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

	Unaudited 30 June 2021		Audited 31 December 2020	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
USD bank borrowings	USD1,500	LIBOR + 0.45% ~ 0.50%	USD1,400	LIBOR + 0.45% ~ 0.50%
HKD bank borrowings	–	–	HKD171	HIBOR + 0.90% ~ 3.90%
RMB bank borrowings	RMB813	3.85% ~ 5.10%	RMB4,179	3.55% ~ 5.22%
KRW bank borrowings	KRW300	2.68%	–	–

15 Notes payable

	Unaudited	Audited
	30 June	31 December
	2021	2020
	RMB'Million	RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD notes payable	<u>147,481</u>	<u>122,057</u>

Note:

The aggregate principal amounts of USD notes payable were USD22,950 million (31 December 2020: USD18,800 million). Applicable interest rates were at 1.375% ~ 4.70% and 3-month USD LIBOR + 0.605% ~ 0.910% (31 December 2020: rates were at 1.375% ~ 4.70% and 3-month USD LIBOR + 0.605% ~ 0.910%) per annum.

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

In April 2021, the Company issued four tranches of senior notes under the Global Medium Term Note Programme with an aggregate principal amount of USD4.15 billion from 10 years to 40 years, with interest rate ranging from 2.88% to 3.94%.

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 listed securities during the six months ended 30 June 2021.

Employee and Remuneration Policies

As at 30 June 2021, the Group had 94,182 employees (30 June 2020: 70,756). 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 2021 was RMB44,388 million (for the six months ended 30 June 2020: RMB31,964 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 2021. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

Compliance with the Corporate Governance Code

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, Messrs Iain Ferguson Bruce and Yang Siu Shun retired at the 2021 AGM and Mr Yang Siu Shun was re-elected whilst Mr Iain Ferguson Bruce did not offer himself for re-election. As the re-election of Mr Li Dong Sheng, who was re-elected in 2018, was not considered at the 2021 AGM, there is a deviation from code provision A.4.2 of the CG Code. Considering that the re-election of Mr Li Dong Sheng 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 2020 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 2021 to 30 June 2021.

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

APPRECIATION

On behalf of the Board, I would like to express our heartfelt appreciation to our staff and management team for their dedication and contribution to accomplish our corporate mission statement of “Value for Users, Tech for Good”. Further, I would like to extend our gratitude to all our shareholders and stakeholders for the unwavering support and trust in us throughout this period. Through our products and services, we will continue to strive towards building a sustainable ecosystem in the Consumer Internet and Industrial Internet sectors, contributing more to the common good and value in our society.

By Order of the Board
Ma Huateng
Chairman

Hong Kong, 18 August 2021

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

Executive Directors:

Ma Huateng and Lau Chi Ping Martin;

Non-Executive Directors:

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

Independent Non-Executive Directors:

Li Dong Sheng, Ian Charles Stone, Yang Siu Shun and Ke Yang.

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

DEFINITION

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

Term	Definition
“2021 AGM”	the annual general meeting of the Company held on 20 May 2021
“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
“Auditor”	PricewaterhouseCoopers, the auditor of the Company
“Bitauto”	Bitauto Holdings Limited, a company incorporated in the Cayman Islands with limited liability, which became a non wholly-owned subsidiary of the Company following completion of its privatisation in November 2020
“Board”	the board of directors of the Company
“CG Code”	the corporate governance code as set out in Appendix 14 to the Listing Rules
“Company”	Tencent Holdings Limited, a limited liability company organised and existing under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange
“DAU”	daily active user accounts
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“EPS”	earnings per share
“EUR”	the lawful currency of European Union
“FinTech”	financial technology

“FVOCI”	financial assets at fair value through other comprehensive income
“FVPL”	financial assets at fair value through profit or loss
“Group”	the Company and its subsidiaries
“HIBOR”	Hong Kong InterBank Offered Rate
“HKD”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region, the PRC
“IAS”	International Accounting Standards
“IDC”	International Data Corporation
“IFRS”	International Financial Reporting Standards
“IP”	intellectual property
“IPO”	initial public offering
“JPY”	the lawful currency of Japan
“KRW”	the lawful currency of the Republic of Korea
“LIBOR”	London InterBank Offered Rate
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“M&A”	mergers and acquisitions
“MAU”	monthly active user accounts
“Minors”	players who are aged under 18
“PaaS”	Platform-as-a-Service
“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
“PUBG”	PlayerUnknown’s Battlegrounds
“QR Codes”	Quick Response Codes
“R&D”	research and development
“RMB”	the lawful currency of the PRC
“RPG”	role playing game
“SaaS”	Software-as-a-Service
“Share Award Schemes”	the share award scheme adopted by the Company on 13 December 2007, the share award scheme adopted by the Company on 13 November 2013, and the share award scheme adopted by the Company on 25 November 2019, as amended from time to time
“SMEs”	small and medium enterprises
“SOC”	Survival, Open World, Crafting

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TME”	Tencent Music Entertainment Group, 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 New York Stock Exchange
“United States”	the United States of America
“USD”	the lawful currency of the United States
“VAS”	value-added services