

	Unaudited		
	Six months ended		
	30 June	30 June	Year-
	2022	2021	on-year
	(RMB in millions, unless specified)		
			change
Revenues	269,505	273,562	-1%
Gross profit	114,941	125,380	-8%
Operating profit	67,284	108,760	-38%
Profit for the period	42,963	92,030	-53%
Profit attributable to equity holders of the Company	42,032	90,354	-53%
EPS (RMB per share)			
– basic	4.407	9.492	-54%
– diluted	4.320	9.299	-54%
Non-IFRS operating profit	73,205	85,560	-14%
Non-IFRS profit attributable to equity holders of the Company	53,684	67,157	-20%
Non-IFRS EPS (RMB per share)			
– basic	5.628	7.055	-20%
– diluted	5.516	6.916	-20%

OPERATING INFORMATION

	As at 30 June 2022	As at 30 June 2021	Year- on-year change	As at 31 March 2022	Quarter- on-quarter change
Combined MAU of Weixin and WeChat	1,299.1	1,251.4	3.8%	1,288.3	0.8%
Mobile device MAU of QQ	568.7	590.9	-3.8%	563.8	0.9%
Fee-based VAS registered subscriptions	234.7	229.4	2.3%	239.1	-1.8%

BUSINESS REVIEW AND OUTLOOK

During the second quarter, we actively exited non-core businesses, tightened our marketing spending, and trimmed operating expenses, enabling us to sequentially increase our non-IFRS earnings, despite difficult revenue conditions. Looking forward, we will focus on enhancing the efficiency of our businesses and launching new revenue initiatives, including in-feed advertisements in our popular Video Accounts, while continuing to drive innovation through R&D. We generate approximately half of our revenues from FinTech and Business Services as well as Online Advertising that directly contribute to, and benefit from, overall economic activity, which should position us for revenue growth as China's economy expands. Below are some highlights from our key products and business lines during the reporting quarter:

Communication and Social

For Weixin, Video Accounts established substantial user engagement, with their total user time spent exceeding 80% of Moments'. Video Accounts' total video views grew over 200% year-on-year, video views based on AI recommendation increased by over 400% year-on-year, and daily active creators and daily video uploads in Video Accounts rose by over 100% year-on-year. During the second quarter of 2022, we hosted a series of popular live concerts that each attracted tens of millions of viewers.

For QQ, we enriched the interactive experience by introducing shared virtual spaces, where users can make friends and engage in community activities, as well as live audio chat using Super QQ Show avatars.

Digital Content

Our fee-based VAS subscriptions increased by 2% year-on-year to 235 million. For Tencent Video, subscriptions amounted to 122 million. Our self-commissioned drama series, *A Dream of Splendor*, ranked first by video views industry-wide¹ in June 2022. According to QuestMobile, Tencent Video's mobile DAU was more than 20% higher than that of its closest peer in June 2022. For music, our subscriptions increased year-on-year to 83 million. In July 2022, TME sold over 6 million units of Jay Chou's digital album.

Domestic Games

The domestic game industry is facing transitional challenges including fewer big game releases, lower user spending and measures to protect Minors. During this period, we prioritised developing technical capabilities and reinforcing our leadership in terms of player engagement. *Honour of Kings* and *Peacekeeper Elite* were the top two highest-ranked games by total time spent across the industry², and each increased their total time spent by adult users year-on-year. In recent months, we released several new games which have achieved notable popularity, such as *Fight of The Golden Spatula* (ranked fourth by total time spent across all games²) and *Arena Breakout* (ranked eighth by total time spent across all games in July 2022²).

International Games

The international games market is experiencing a post-pandemic digestion period as players resume offline activities. However, we believe we are making progress against our strategic initiatives. For example, in terms of game operations, Riot Games' *VALORANT* achieved record-high MAU and quarterly grossing receipts in the crowded tactical shooter category. In terms of investments, in July 2022, our European developer Miniclip acquired SYBO, the developer of the endless runner game *Subway Surfers*, which ranked first in the mobile game industry by cumulative downloads globally over the past decade³, increasing Miniclip's DAU by 30 million to 70 million. In terms of new games, *V Rising*, a Survival-Open World-Crafting game developed by our Swedish studio Stunlock, sold 2 million copies in its first month of Early Access.

¹ According to Enlightent, *A Dream of Splendor* ranked number one by video views across all online platforms in China in June 2022.

² Source: QuestMobile, second quarter of 2022 (unless otherwise specified)

³ Source: data.ai, January 2012 to June 2022

Online Advertising

For Weixin Moments, we introduced a frame-breaking advertisement format, which is popular among brand advertisers. In July 2022, we began rolling out Video Accounts in-feed advertisements, which we believe represent a significant opportunity for expanding our market share and enhancing our profitability.

FinTech

COVID-19 resurgence temporarily dampened commercial payment activities during the second quarter of 2022. Commercial payment volume slowed to low-single-digit year-on-year growth in April 2022, but resumed to high-teens year-on-year growth in June 2022.

Cloud and Other Business Services

We focused on quality revenue growth, prioritising internally-developed products while reducing loss-making activities. Business Services' gross margin expanded quarter-on-quarter as we improved revenue mix and reduced costs. For PaaS, TDSQL database revenue grew over 30% year-on-year and represented over 5% of our cloud revenue in the second quarter of 2022. Frost & Sullivan named TDSQL the leading distributed database product in China⁴, citing its scalability and support for industry solution services. For SaaS, Tencent Meeting launched a marketplace with plug-ins to enrich meeting experiences.

⁴ Source: "2021 China Distributed Database Market Report" jointly released by Frost & Sullivan and LeadLeo Research Institution.

MANAGEMENT DISCUSSION AND ANALYSIS

Second Quarter of 2022 Compared to Second Quarter of 2021

The following table sets forth the comparative figures for the second quarter of 2022 and the second quarter of 2021:

	Unaudited	
	Three months ended	
	30 June	30 June
	2022	2021
	(RMB in millions)	
Revenues	134,034	138,259
Cost of revenues	(76,167)	(75,514)
Gross profit	57,867	62,745
Interest income	1,945	1,630
Other gains, net	4,420	20,763
Selling and marketing expenses	(7,932)	(10,013)
General and administrative expenses	(26,233)	(22,638)
Operating profit	30,067	52,487
Finance costs, net	(1,809)	(1,942)
Share of profit/(loss) of associates and joint ventures, net	(4,460)	(3,857)
Profit before income tax	23,798	46,688
Income tax expense	(4,568)	(3,666)
Profit for the period	19,230	43,022
Attributable to:		
Equity holders of the Company	18,619	42,587
Non-controlling interests	611	435
	19,230	43,022
Non-IFRS operating profit	36,667	42,802
Non-IFRS profit attributable to equity holders of the Company	28,139	34,039

Revenues. Revenues decreased by 3% to RMB134 billion for the second quarter of 2022 on a year-on-year basis. The following table sets forth our revenues by line of business for the second quarter of 2022 and the second quarter of 2021:

	Unaudited			
	Three months ended			
	30 June 2022		30 June 2021	
	Amount	% of total revenues	Amount	% of total revenues
(RMB in millions, unless specified)				
VAS	71,683	53%	72,013	52%
Online Advertising	18,638	14%	22,833	17%
FinTech and Business Services	42,208	32%	41,892	30%
Others	1,505	1%	1,521	1%
Total revenues	<u>134,034</u>	<u>100%</u>	<u>138,259</u>	<u>100%</u>

- Revenues from VAS⁵ were RMB71.7 billion for the second quarter of 2022, broadly stable compared to the second quarter of 2021. International Games revenues decreased by 1% to RMB10.7 billion, or broadly stable in constant currency terms, as the international game industry experienced a post-pandemic digestion period. By title, we saw decreased revenues from PUBG Mobile and Brawl Stars, a robust performance from VALORANT, and incremental revenue from newly launched V Rising. Domestic Games revenues decreased by 1% to RMB31.8 billion, as the domestic game industry experienced a similar digestion period due to transitional issues including relatively fewer big game releases, lower user spending, and the implementation of Minor protection measures. By title, we saw decreased revenues from Honour of Kings, Moonlight Blade Mobile and League of Legends, and incremental revenues from recently launched games, such as League of Legends: Wild Rift, Return to Empire and Fight of The Golden Spatula. Social Networks revenues grew by 1% to RMB29.2 billion, reflecting increased revenues from our Video Accounts live streaming service and digital content subscription services, and decreased revenues from music- and games-related live streaming services.

⁵ Mobile games VAS revenues (including mobile games revenues attributable to our Social Networks business) decreased by 2% year-on-year to RMB40 billion, while PC client games revenues grew by 5% year-on-year to RMB11.6 billion for the second quarter of 2022.

- Revenues from Online Advertising decreased by 18% to RMB18.6 billion for the second quarter of 2022 on a year-on-year basis, reflecting notable weakness in the Internet services, education and finance sectors, especially in April and May, partly offset by our consolidation of Sogou’s advertising revenue. Social and Others Advertising revenues decreased by 17% to RMB16.1 billion as weak ad demand led to subdued bidding density and consequently lower eCPMs. Media Advertising revenues decreased by 25% to RMB2.5 billion, attributable to lower advertising revenues from Tencent Video and Tencent News.
- Revenues from FinTech and Business Services grew by 1% to RMB42.2 billion for the second quarter of 2022 on a year-on-year basis. FinTech Services revenue growth was slower relative to prior quarters as COVID-19 resurgence temporarily impacted commercial payment activities in April and May. Business Services revenues decreased slightly year-on-year reflecting our proactive efforts to scale back loss-making activities.

Cost of revenues. Cost of revenues increased by 1% to RMB76.1 billion for the second quarter of 2022 on a year-on-year basis. We saw decreased channel and distribution costs, cloud project deployment costs, as well as content costs, versus increased server and bandwidth costs including those associated with the growth of our Video Accounts services. As a percentage of revenues, cost of revenues increased to 57% for the second quarter of 2022 from 55% for the second quarter of 2021, reflecting total costs growing mildly while revenues were broadly stable or declined in certain businesses, and our continued investments in key strategic areas, most notably Video Accounts services. The following table sets forth our cost of revenues by line of business for the second quarter of 2022 and the second quarter of 2021:

	Unaudited			
	Three months ended			
	30 June 2022		30 June 2021	
	Amount	% of segment revenues	Amount	% of segment revenues
	(RMB in millions, unless specified)			
VAS	35,380	49%	33,890	47%
Online Advertising	11,072	59%	11,697	51%
FinTech and Business Services	28,133	67%	28,472	68%
Others	1,582	105%	1,455	96%
	<hr/>		<hr/>	
Total cost of revenues	76,167		75,514	
	<hr/> <hr/>		<hr/> <hr/>	

- Cost of revenues for VAS increased by 4% to RMB35.4 billion for the second quarter of 2022 on a year-on-year basis, reflecting increases in revenue sharing costs associated with our Video Accounts live streaming service, VALORANT eSports events production costs, bandwidth and server costs, partly offset by decreased revenue sharing costs associated with music- and games-related live streaming services.
- Cost of revenues for Online Advertising decreased by 5% to RMB11 billion for the second quarter of 2022 on a year-on-year basis, reflecting lower channel and distribution costs associated with our mobile advertising network, more tightly managed content costs, partly offset by increased server and bandwidth costs including those associated with our Video Accounts.
- Cost of revenues for FinTech and Business Services decreased by 1% to RMB28.1 billion for the second quarter of 2022 on a year-on-year basis, reflecting decreased cloud project deployment costs as we scaled back loss-making activities.

Other gains, net. We recorded net other gains of RMB4.4 billion for the second quarter of 2022, substantially attributable to non-IFRS adjustment items such as net gains on deemed disposals, disposals and revaluation of certain investments, partly offset by impairment provisions against certain domestic investees.

Selling and marketing expenses. Selling and marketing expenses decreased by 21% to RMB7.9 billion for the second quarter of 2022 on a year-on-year basis, reflecting more disciplined spending on marketing activities across our organisation, particularly for our digital content services. As a percentage of revenues, selling and marketing expenses decreased to 6% for the second quarter of 2022 from 7% for the second quarter of 2021.

General and administrative expenses. General and administrative expenses increased by 16% to RMB26.2 billion for the second quarter of 2022 on a year-on-year basis, driven by higher R&D expenses, staff costs, office expenses, as well as incremental expenses from our acquisitions completed over the last year.

Finance costs, net. Net finance costs decreased by 7% to RMB1.8 billion for the second quarter of 2022 on a year-on-year basis, mainly due to foreign exchange gains recognised this quarter compared to losses for the second quarter of 2021, partly offset by the increase in interest expenses as a result of increased indebtedness.

Share of profit/(loss) of associates and joint ventures, net. We recorded share of losses of associates and joint ventures of RMB4.5 billion for the second quarter of 2022, compared to share of losses of RMB3.9 billion for the second quarter of 2021. Non-IFRS share of losses of associates and joint ventures was RMB1 billion for the second quarter of 2022, compared to non-IFRS share of losses of RMB0.4 billion for the second quarter of 2021. The change primarily reflected the impact from JD.com ceasing to be an associate.

Income tax expense. Income tax expense increased by 25% to RMB4.6 billion for the second quarter of 2022 on a year-on-year basis, primarily driven by low base effect attributable to a one-off deferred tax adjustment associated with an investee last year, as well as the provision of withholding tax during the quarter.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company decreased by 56% to RMB18.6 billion for the second quarter of 2022 on a year-on-year basis. Non-IFRS profit attributable to equity holders of the Company decreased by 17% to RMB28.1 billion for the second quarter of 2022, reflecting the flow-through effect of year-on-year movements in revenues and expenses cited above.

Second Quarter of 2022 Compared to First Quarter of 2022

The following table sets forth the comparative figures for the second quarter of 2022 and the first quarter of 2022:

	Unaudited	
	Three months ended	
	30 June	31 March
	2022	2022
	(RMB in millions)	
Revenues	134,034	135,471
Cost of revenues	(76,167)	(78,397)
Gross profit	57,867	57,074
Interest income	1,945	1,737
Other gains, net	4,420	13,133
Selling and marketing expenses	(7,932)	(8,058)
General and administrative expenses	(26,233)	(26,669)
Operating profit	30,067	37,217
Finance costs, net	(1,809)	(1,935)
Share of profit/(loss) of associates and joint ventures, net	(4,460)	(6,280)
Profit before income tax	23,798	29,002
Income tax expense	(4,568)	(5,269)
Profit for the period	19,230	23,733
Attributable to:		
Equity holders of the Company	18,619	23,413
Non-controlling interests	611	320
	19,230	23,733
Non-IFRS operating profit	36,667	36,538
Non-IFRS profit attributable to equity holders of the Company	28,139	25,545

Revenues. Revenues decreased by 1% to RMB134 billion for the second quarter of 2022 on a quarter-on-quarter basis.

- Revenues from VAS decreased by 1% to RMB71.7 billion for the second quarter of 2022. Domestic Games revenues decreased by 4% to RMB31.8 billion. By title, we saw seasonally lower revenues from several of our existing games such as PeaceKeeper Elite, CrossFire Mobile and DnF, initial revenue contributions from newly released Return to Empire, and increased revenue from League of Legends: Wild Rift. International Games revenues increased by 1% to RMB10.7 billion, reflecting the launch of V Rising, increased revenue from VALORANT, and decreased revenue from PUBG Mobile. Social Networks revenues were RMB29.2 billion, broadly stable compared to the first quarter of 2022, reflecting increased revenue from our Video Accounts live streaming service, and decreased revenues from music- and games-related live streaming services.
- Revenues from Online Advertising increased by 4% to RMB18.6 billion for the second quarter of 2022. Ad spend was severely impacted by COVID-19 resurgence in April and May, then gradually recovered in June as large eCommerce platforms increased ad spend for 618 promotions, and underlying ad demand improved moderately. Social and Others Advertising revenues increased by 3% to RMB16.1 billion for the reasons above. Media Advertising revenues increased by 8% to RMB2.5 billion driven by stronger content releases and positive seasonality.
- Revenues from FinTech and Business Services decreased by 1% to RMB42.2 billion for the second quarter of 2022, reflecting a Fintech Services revenue decrease as COVID-19 resurgence impacted commercial payment activities in April and May, and a Business Services single-digit revenue increase due to end customer demand for our internally-developed products.

Cost of revenues. Cost of revenues decreased by 3% to RMB76.1 billion for the second quarter of 2022 on a quarter-on-quarter basis. We saw decreased content costs, channel and distribution costs, transaction costs of FinTech Services, versus increased server and bandwidth costs including those associated with the growth of our Video Accounts services. As a percentage of revenues, cost of revenues decreased to 57% for the second quarter of 2022 from 58% for the first quarter of 2022 as a result of our efficiency initiatives implemented during the quarter.

- Cost of revenues for VAS decreased by 2% to RMB35.4 billion for the second quarter of 2022, reflecting lower channel and distribution costs, as well as optimised revenue sharing cost structure associated with our live streaming services.

- Cost of revenues for Online Advertising decreased by 3% to RMB11 billion for the second quarter of 2022, reflecting decreased content costs, partly offset by increased server and bandwidth costs including those associated with our Video Accounts.
- Cost of revenues for FinTech and Business Services decreased by 4% to RMB28.1 billion for the second quarter of 2022, due to decreased transaction costs of FinTech Services as a result of lower payment volumes, and lower staff costs attributable to Business Services.

Selling and marketing expenses. Selling and marketing expenses decreased by 2% to RMB7.9 billion for the second quarter of 2022 on a quarter-on-quarter basis, reflecting more disciplined spending on marketing activities.

General and administrative expenses. General and administrative expenses decreased by 2% to RMB26.2 billion for the second quarter of 2022 on a quarter-on-quarter basis, as we optimised our workforce and controlled staff costs.

Share of profit/(loss) of associates and joint ventures, net. We recorded share of losses of associates and joint ventures of RMB4.5 billion for the second quarter of 2022, compared to share of losses of RMB6.3 billion for the first quarter of 2022. Non-IFRS share of losses of associates and joint ventures was RMB1 billion for the second quarter of 2022, compared to non-IFRS share of losses of RMB2.2 billion for the first quarter of 2022, reflecting sequentially improved profitability at certain domestic associates as a result of their expense optimisation measures.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company decreased by 20% to RMB18.6 billion for the second quarter of 2022 on a quarter-on-quarter basis. Non-IFRS profit attributable to equity holders of the Company increased by 10% to RMB28.1 billion for the second quarter of 2022, reflecting our business rationalisation and cost efficiency initiatives, as well as lower associates' losses.

Other Financial Information

	Unaudited			Unaudited	
	Three months ended			Six months ended	
	30 June 2022	31 March 2022	30 June 2021	30 June 2022	30 June 2021
	(RMB in millions, unless specified)				
EBITDA (a)	38,628	38,283	44,567	76,911	93,922
Adjusted EBITDA (a)	44,668	46,102	50,347	90,770	103,274
Adjusted EBITDA margin (b)	33%	34%	36%	34%	38%
Interest and related expenses	2,327	2,103	1,912	4,430	3,638
Net (debt)/cash (c)	(20,429)	(11,035)	(20,972)	(20,429)	(20,972)
Capital expenditures (d)	3,015	6,971	6,936	9,986	14,670

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 (debt)/cash represents period end balance and is calculated as cash and cash equivalents, plus term deposits and others, minus borrowings and notes payable.
- (d) Capital expenditures consist of additions (excluding business combinations) to property, plant and equipment, construction in progress, investment properties, land use rights and intangible assets (excluding 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 Three months ended			Unaudited Six months ended	
	30 June 2022	31 March 2022	30 June 2021	30 June 2022	30 June 2021
	(RMB in millions, unless specified)				
Operating profit	30,067	37,217	52,487	67,284	108,760
Adjustments:					
Interest income	(1,945)	(1,737)	(1,630)	(3,682)	(3,244)
Other gains, net	(4,420)	(13,133)	(20,763)	(17,553)	(40,284)
Depreciation of property, plant and equipment and investment properties	5,589	5,686	5,374	11,275	10,677
Depreciation of right-of-use assets	1,673	1,636	1,089	3,309	2,144
Amortisation of intangible assets and land use rights	7,664	8,614	8,010	16,278	15,869
EBITDA	38,628	38,283	44,567	76,911	93,922
Equity-settled share-based compensation	6,040	7,819	5,780	13,859	9,352
Adjusted EBITDA	44,668	46,102	50,347	90,770	103,274

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 2022 and 2021, the first quarter of 2022, as well as the first half of 2022 and 2021 to the nearest measures prepared in accordance with IFRS:

Unaudited three months ended 30 June 2022									
Adjustments									
	As reported	Share-based compensation	Net (gains)/ losses from investee companies	Amortisation of intangible assets	Impairment provisions/ (reversals)	SSV& CPP	Others	Income tax effects	Non-IFRS
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	
(RMB in millions, unless specified)									
Operating profit	30,067	6,507	(5,539)	1,255	2,831	1,370	176	-	36,667
Profit for the period	19,230	8,439	(6,085)	2,989	3,189	1,370	176	(321)	28,987
Profit attributable to equity holders	18,619	8,257	(5,968)	2,767	3,189	1,370	176	(271)	28,139
EPS (RMB per share)									
- basic	1.951								2.949
- diluted	1.915								2.896
Operating margin	22%								27%
Net margin	14%								22%

Unaudited three months ended 31 March 2022									
Adjustments									
	As reported	Share-based compensation	Net (gains)/ losses from investee companies	Amortisation of intangible assets	Impairment provisions/ (reversals)	SSV& CPP	Others	Income tax effects	Non-IFRS
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	
(RMB in millions, unless specified)									
Operating profit	37,217	8,136	(18,559)	1,388	7,003	1,348	5	-	36,538
Profit for the period	23,733	9,635	(18,552)	3,163	7,832	1,348	5	(868)	26,296
Profit attributable to equity holders	23,413	9,452	(18,542)	2,857	7,827	1,348	5	(815)	25,545
EPS (RMB per share)									
- basic	2.455								2.678
- diluted	2.404								2.620
Operating margin	27%								27%
Net margin	18%								19%

Unaudited three 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 (g)		
	(RMB in millions, unless specified)							
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 six months ended 30 June 2022

	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)	SSV& CPP (e)	Others (f)	Income tax effects (g)	
	(RMB in millions, unless specified)								
Operating profit	67,284	14,643	(24,098)	2,643	9,834	2,718	181	–	73,205
Profit for the period	42,963	18,074	(24,637)	6,152	11,021	2,718	181	(1,189)	55,283
Profit attributable to equity holders	42,032	17,709	(24,510)	5,624	11,016	2,718	181	(1,086)	53,684
EPS (RMB per share)									
– basic	4.407								5.628
– diluted	4.320								5.516
Operating margin	25%								27%
Net margin	16%								21%

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 (g)	
	(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%

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) Mainly including donations and expenses incurred for the Group's SSV & CPP initiatives (excluding share-based compensation expenses)
- (f) Mainly including expenses incurred for regulatory fines in the Mainland of China and certain litigation settlements
- (g) Income tax effects of non-IFRS adjustments

Liquidity and Financial Resources

Our cash and debt positions as at 30 June 2022 and 31 March 2022 were as follows:

	Unaudited 30 June 2022	Unaudited 31 March 2022
	(RMB in millions)	
Cash and cash equivalents	184,658	188,826
Term deposits and others	131,257	115,242
	315,915	304,068
Borrowings	(183,050)	(170,123)
Notes payable	(153,294)	(144,980)
Net debt	<u>(20,429)</u>	<u>(11,035)</u>

As at 30 June 2022, the Group had net debt of RMB20.4 billion, compared to net debt of RMB11 billion as at 31 March 2022. The sequential change was mainly due to a cash outflow for payments of our dividend for the year ended 31 December 2021 and repurchase of shares by the Company, largely funded by free cash flow generation.

For the second quarter of 2022, the Group had free cash flow of RMB22.5 billion. This was a result of net cash flow generated from operating activities of RMB35.7 billion, offset by payments for capital expenditures of RMB5.6 billion, payments for media content of RMB5.8 billion, and payments for lease liabilities of RMB1.8 billion.

As at 30 June 2022, the fair value of our shareholdings⁶ in listed investee companies (excluding subsidiaries) was RMB601.9 billion.

We intend to conduct buyback of the shares of the Company after this earnings release in accordance with the Listing Rules' requirements.

⁶ Including those held via special purpose vehicles, on an attributable basis.

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2022

	Note	Unaudited		Unaudited	
		Three months ended 30 June 2022	2021	Six months ended 30 June 2022	2021
		RMB'Million	RMB'Million	RMB'Million	RMB'Million
Revenues					
Value-added Services		71,683	72,013	144,421	144,456
Online Advertising		18,638	22,833	36,626	44,653
FinTech and Business Services		42,208	41,892	84,976	80,920
Others		1,505	1,521	3,482	3,533
	2	<u>134,034</u>	138,259	<u>269,505</u>	273,562
Cost of revenues	4	<u>(76,167)</u>	(75,514)	<u>(154,564)</u>	(148,182)
Gross profit		57,867	62,745	114,941	125,380
Interest income		1,945	1,630	3,682	3,244
Other gains, net	3	4,420	20,763	17,553	40,284
Selling and marketing expenses	4	(7,932)	(10,013)	(15,990)	(18,543)
General and administrative expenses	4	(26,233)	(22,638)	(52,902)	(41,605)
Operating profit		30,067	52,487	67,284	108,760
Finance costs, net		(1,809)	(1,942)	(3,744)	(3,309)
Share of profit/(loss) of associates and joint ventures, net		(4,460)	(3,857)	(10,740)	(2,509)
Profit before income tax		23,798	46,688	52,800	102,942
Income tax expense	5	(4,568)	(3,666)	(9,837)	(10,912)
Profit for the period		19,230	43,022	42,963	92,030
Attributable to:					
Equity holders of the Company		18,619	42,587	42,032	90,354
Non-controlling interests		611	435	931	1,676
		<u>19,230</u>	43,022	<u>42,963</u>	92,030
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)					
– basic	6(a)	<u>1.951</u>	4.472	<u>4.407</u>	9.492
– diluted	6(b)	<u>1.915</u>	4.387	<u>4.320</u>	9.299

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2022**

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Profit for the period	19,230	43,022	42,963	92,030
Other comprehensive income, net of tax:				
<i>Items that may be subsequently reclassified to profit or loss</i>				
Share of other comprehensive income of associates and joint ventures	292	(11)	242	277
Transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	(14)	5	(14)	2
Transfer to profit or loss upon disposal of financial assets at fair value through other comprehensive income	2	–	2	–
Net losses from changes in fair value of financial assets at fair value through other comprehensive income	(8)	–	(24)	–
Currency translation differences	6,989	(1,428)	2,528	(7,336)
Other fair value gains	865	92	4,082	1,255
<i>Items that will not be subsequently reclassified to profit or loss</i>				
Share of other comprehensive income of associates and joint ventures	(379)	53	(192)	434
Loss from changes in fair value of assets held for distribution	–	–	(17,130)	–
Net (losses)/gains from changes in fair value of financial assets at fair value through other comprehensive income	(61,581)	46,522	(120,431)	65,005
Currency translation differences	2,219	(305)	2,077	(98)
	(51,615)	44,928	(128,860)	59,539
Total comprehensive income for the period	(32,385)	87,950	(85,897)	151,569
Attributable to:				
Equity holders of the Company	(32,083)	87,511	(84,360)	151,267
Non-controlling interests	(302)	439	(1,537)	302
	(32,385)	87,950	(85,897)	151,569

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022**

		Unaudited 30 June 2022	Audited 31 December 2021
	Note	RMB' Million	RMB' Million
ASSETS			
Non-current assets			
Property, plant and equipment		59,073	61,914
Land use rights		18,321	17,728
Right-of-use assets		22,622	20,468
Construction in progress		6,691	5,923
Investment properties		569	517
Intangible assets		177,718	171,376
Investments in associates	8	310,209	316,574
Investments in joint ventures		6,676	6,614
Financial assets at fair value through profit or loss	9	204,398	192,184
Financial assets at fair value through other comprehensive income	10	143,563	250,257
Prepayments, deposits and other assets		37,335	37,177
Other financial assets		5,366	1,261
Deferred income tax assets		28,864	26,068
Term deposits		24,945	19,491
		1,046,350	1,127,552
Current assets			
Inventories		2,939	1,063
Accounts receivable	11	49,446	49,331
Prepayments, deposits and other assets		66,155	65,390
Other financial assets		1,095	1,749
Financial assets at fair value through profit or loss	9	14,762	10,573
Term deposits		91,670	83,813
Restricted cash		2,594	2,476
Cash and cash equivalents		184,658	167,966
Assets held for distribution		–	102,451
		413,319	484,812
Total assets		1,459,669	1,612,364

		Unaudited	Audited
		30 June	31 December
		2022	2021
	Note	RMB' Million	RMB' Million
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		–	–
Share premium		73,700	67,330
Treasury shares		(776)	–
Shares held for share award schemes		(4,745)	(4,843)
Other reserves		(40,210)	73,901
Retained earnings		708,525	669,911
		736,494	806,299
Non-controlling interests		67,387	70,394
Total equity		803,881	876,693
LIABILITIES			
Non-current liabilities			
Borrowings	14	162,577	136,936
Notes payable	15	143,232	145,590
Long-term payables		9,971	9,966
Other financial liabilities		5,470	5,912
Deferred income tax liabilities		11,401	13,142
Lease liabilities		18,372	16,501
Deferred revenue		4,558	4,526
		355,581	332,573
Current liabilities			
Accounts payable	13	105,119	109,470
Other payables and accruals		53,326	60,582
Borrowings	14	20,473	19,003
Notes payable	15	10,062	–
Current income tax liabilities		9,656	12,506
Other tax liabilities		2,353	2,240
Other financial liabilities		3,909	3,554
Lease liabilities		6,086	5,446
Deferred revenue		89,223	87,846
Dividends payable for distribution in specie	7(b)	–	102,451
		300,207	403,098
Total liabilities		655,788	735,671
Total equity and liabilities		1,459,669	1,612,364

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Unaudited								
	Attributable to equity holders of the Company								
	Share capital RMB'Million	Share premium RMB'Million	Treasury shares 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 2022	-	67,330	-	(4,843)	73,901	669,911	806,299	70,394	876,693
Comprehensive income									
Profit for the period	-	-	-	-	-	42,032	42,032	931	42,963
Other comprehensive income, net of tax:									
- share of other comprehensive income of associates and joint ventures	-	-	-	-	8	-	8	42	50
- loss from changes in fair value of assets held for distribution	-	-	-	-	(17,130)	-	(17,130)	-	(17,130)
- transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	-	-	-	-	(14)	-	(14)	-	(14)
- net losses from changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	(118,329)	-	(118,329)	(2,126)	(120,455)
- transfer to profit or loss upon disposal of financial assets at fair value through other comprehensive income	-	-	-	-	2	-	2	-	2
- currency translation differences	-	-	-	-	5,069	-	5,069	(464)	4,605
- other fair value gains, net	-	-	-	-	4,002	-	4,002	80	4,082
Total comprehensive income for the period	-	-	-	-	(126,392)	42,032	(84,360)	(1,537)	(85,897)
Transfer of losses on disposal and deemed disposal of financial instruments to retained earnings	-	-	-	-	8,264	(8,264)	-	-	-
Share of other changes in net assets of associates and joint ventures	-	-	-	-	3,349	-	3,349	-	3,349
Transfer of share of other changes in net assets of associates and joint ventures to profit or loss upon disposal and deemed disposal	-	-	-	-	(341)	-	(341)	-	(341)
Transactions with equity holders									
Capital injection	-	-	-	-	-	-	-	3	3
Employee share option schemes:									
- value of employee services	-	1,072	-	-	37	-	1,109	35	1,144
- proceeds from shares issued	-	219	-	-	-	-	219	-	219
Employee share award schemes:									
- value of employee services	-	11,787	-	-	683	-	12,470	212	12,682
- shares withheld for share award schemes	-	-	-	(1,248)	-	-	(1,248)	-	(1,248)
- vesting of awarded shares	-	(1,346)	-	1,346	-	-	-	-	-
Tax benefit from share-based payments	-	-	-	-	9	-	9	-	9
Profit appropriations to statutory reserves	-	-	-	-	13	(13)	-	-	-
Repurchase and cancellation of shares	-	(5,362)	-	-	-	-	(5,362)	-	(5,362)
Repurchase of shares (to be cancelled)	-	-	(776)	-	-	-	(776)	-	(776)
Cash dividends	-	-	-	-	-	(12,950)	(12,950)	(374)	(13,324)
Dividends distribution in specie (Note 7(b))	-	-	-	-	-	17,809	17,809	-	17,809
Non-controlling interests arising from business combinations	-	-	-	-	-	-	-	747	747
Acquisition of additional equity interests in non wholly-owned subsidiaries	-	-	-	-	123	-	123	(1,856)	(1,733)
Dilution of interests in subsidiaries	-	-	-	-	(265)	-	(265)	240	(25)
Disposal of subsidiaries	-	-	-	-	-	-	-	(2)	(2)
Changes in put option liabilities in respect of non-controlling interests	-	-	-	-	83	-	83	26	109
Recognition of put option liabilities arising from business combinations	-	-	-	-	(175)	-	(175)	-	(175)
Transfer of equity interests of subsidiaries to non-controlling interests	-	-	-	-	501	-	501	(501)	-
Total transactions with equity holders at their capacity as equity holders for the period	-	6,370	(776)	98	1,009	4,846	11,547	(1,470)	10,077
Balance at 30 June 2022	-	73,700	(776)	(4,745)	(40,210)	708,525	736,494	67,387	803,881

	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 and deemed disposal of financial instruments 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)
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)	–	–	–
Cash 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 liabilities in respect of non-controlling interests	–	–	–	762	–	762	25	787
Lapses of put option liabilities in respect of non-controlling interests	–	–	–	783	–	783	–	783
Recognition of put option liabilities arising from business combinations	–	–	–	(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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'Million	RMB'Million
Net cash flows generated from operating activities	69,523	82,956
Net cash flows used in investing activities	(47,731)	(101,938)
Net cash flows (used in)/generated from financing activities	(9,213)	9,584
Net increase/(decrease) in cash and cash equivalents	12,579	(9,398)
Cash and cash equivalents at beginning of the period	167,966	152,798
Exchange gains/(losses) on cash and cash equivalents	4,113	(1,679)
Cash and cash equivalents at end of the period	<u>184,658</u>	<u>141,721</u>

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 2022, the consolidated income statement and the consolidated statement of comprehensive income for the three-month and six-month periods then ended, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory 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 2021, which have been prepared in accordance with IFRS, as set out in the 2021 annual report of the Company dated 23 March 2022 (the “2021 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 2021 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 FVPL, FVOCI, dividends payable for distribution in specie, 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 2022:

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018–2020 Cycle

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 2022 and 2021:

- 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 2022 and 2021. 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 2022 and 2021 is as follows:

	Unaudited Three months ended 30 June 2022				
	VAS RMB'Million	Online Advertising RMB'Million	FinTech and Business Services RMB'Million	Others RMB'Million	Total RMB'Million
Segment revenues	<u>71,683</u>	<u>18,638</u>	<u>42,208</u>	<u>1,505</u>	<u>134,034</u>
Gross profit/(loss)	<u>36,303</u>	<u>7,566</u>	<u>14,075</u>	<u>(77)</u>	<u>57,867</u>
Cost of revenues					
Depreciation	<u>1,534</u>	<u>1,738</u>	<u>2,395</u>	<u>6</u>	<u>5,673</u>
Amortisation	<u>4,574</u>	<u>1,682</u>	<u>39</u>	<u>532</u>	<u>6,827</u>

	Unaudited Three months ended 30 June 2021				
	VAS RMB'Million	Online Advertising RMB'Million	FinTech and Business Services RMB'Million	Others RMB'Million	Total 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	<u>1,442</u>	<u>1,255</u>	<u>2,654</u>	<u>27</u>	<u>5,378</u>
Amortisation	<u>4,833</u>	<u>1,911</u>	<u>17</u>	<u>494</u>	<u>7,255</u>

	Unaudited Six months ended 30 June 2022				
	FinTech and Business				Total
	VAS RMB'Million	Online Advertising RMB'Million	Services RMB'Million	Others RMB'Million	RMB'Million
Segment revenues	<u>144,421</u>	<u>36,626</u>	<u>84,976</u>	<u>3,482</u>	<u>269,505</u>
Gross profit	<u>72,986</u>	<u>14,160</u>	<u>27,574</u>	<u>221</u>	<u>114,941</u>
Cost of revenues					
Depreciation	3,248	3,296	4,896	33	11,473
Amortisation	<u>9,520</u>	<u>4,041</u>	<u>103</u>	<u>980</u>	<u>14,644</u>

	Unaudited Six months ended 30 June 2021				
	FinTech and Business				Total
	VAS RMB'Million	Online Advertising RMB'Million	Services RMB'Million	Others RMB'Million	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>

3 Other gains, net

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Net gains on disposals and deemed				
disposals of investee companies (a)	4,971	6,106	23,863	9,590
Subsidies and tax rebates	2,890	2,221	5,810	4,751
Net fair value gains on FVPL ((b) and Note 9)	1,432	14,580	1,077	29,320
Dividend income	702	390	745	540
Impairment provision for investee companies, goodwill and other intangible assets arising from acquisitions (c)	(2,831)	(3,372)	(9,834)	(3,422)
Donations (d)	(1,265)	–	(2,538)	(1,600)
Net fair value losses on other financial instruments	(733)	(282)	(658)	(173)
Others	(746)	1,120	(912)	1,278
	<u>4,420</u>	<u>20,763</u>	<u>17,553</u>	<u>40,284</u>

Note:

- (a) The disposal and deemed disposal gains of approximately RMB23,863 million recognised during the six months ended 30 June 2022 mainly comprised the following:
- gain of approximately RMB18,481 million arising from partial divestment of Sea Limited (NYSE: SE), an existing associate of the Group, details of which are explained in Note 8(b); and
 - aggregate net gains of approximately RMB2,570 million (six months ended 30 June 2021: approximately RMB3,254 million) on disposals, partial disposals or deemed disposals of various investments of the Group, and net gains of approximately RMB2,812 million (six months ended 30 June 2021: approximately RMB6,336 million) on dilution of the Group's equity interests due to new equity interests being issued by certain associates and a joint venture. These investee companies are principally engaged in games development, insurance and Internet-related businesses.
- (b) During the three and six months ended 30 June 2022, the net fair value gains on FVPL comprised net gains of approximately RMB1,301 million and RMB893 million as a result of increases in valuations of certain investee companies (three and six months ended 30 June 2021: approximately RMB14,559 million and RMB29,297 million, respectively), and net gains of approximately RMB131 million and RMB184 million associated with treasury investments (three and six months ended 30 June 2021: approximately RMB21 million and RMB23 million, respectively).

- (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	
	2022	2021	2022	2021
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Investments in associates (Note 8(c))	2,743	3,194	9,743	3,194
Investments in joint ventures and others	88	27	91	27
Goodwill and other intangible assets arising from acquisitions	–	151	–	201
	<u>2,831</u>	<u>3,372</u>	<u>9,834</u>	<u>3,422</u>

- (d) During the three and six months ended 30 June 2022, donations mainly included approximately RMB1,251 million and RMB2,504 million for SSV & CPP of the Group (three and six months ended 30 June 2021: nil).

4 Expenses by nature

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Transaction costs (a)	29,976	30,960	60,875	62,613
Employee benefits expenses (b)	27,550	23,987	56,779	44,388
Content costs (excluding amortisation of intangible assets)	16,157	16,091	31,890	30,910
Amortisation of intangible assets (c)	7,644	7,995	16,241	15,838
Bandwidth and server custody fees (excluding depreciation of right-of-use assets)	7,906	6,552	15,382	12,767
Depreciation of property, plant and equipment, investment properties and right-of-use assets	7,262	6,463	14,584	12,821
Promotion and advertising expenses	5,290	7,694	10,629	14,175

Note:

- (a) Transaction costs primarily consist of bank handling fees, channel and distribution costs.
- (b) During the three and six months ended 30 June 2022, the Group had incurred expenses for the purpose of R&D of approximately RMB15,010 million and RMB30,393 million, respectively (three and six months ended 30 June 2021: approximately RMB12,828 million and RMB24,129 million, respectively), which mainly comprised employee benefits expenses of approximately RMB12,191 million and RMB25,258 million, respectively (three and six months ended 30 June 2021: approximately RMB10,528 million and RMB19,970 million, respectively).

No significant development expenses had been capitalised for the three and six months ended 30 June 2022 and 2021.

During the three and six months ended 30 June 2022, employee benefits expenses included the share-based compensation expenses of approximately RMB6,507 million and RMB14,643 million, respectively (three and six months ended 30 June 2021: approximately RMB6,202 million and RMB9,906 million, respectively), which contained those incurred for employees related to SSV & CPP of approximately RMB18 million and RMB34 million, respectively (three and six months ended 30 June 2021: nil).

- (c) Amortisation charges of intangible assets are 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 2022, amortisation of media content was approximately RMB6,670 million and RMB14,308 million, respectively (three and six months ended 30 June 2021: approximately RMB7,274 million and RMB14,429 million, respectively).

During the three and six months ended 30 June 2022, amortisation of intangible assets included the amortisation of intangible assets arising from business combinations of approximately RMB1,255 million and RMB2,643 million, respectively (three and six months ended 30 June 2021: approximately RMB1,124 million and RMB2,186 million, respectively).

- (d) During the three and six months ended 30 June 2022, expenses incurred related to SSV & CPP (excluding share-based compensation expenses) were approximately RMB119 million and RMB214 million, respectively (three and six months ended 30 June 2021: nil).
- (e) During the three and six months ended 30 June 2022, expenses incurred for regulatory fines in the Mainland of China and certain litigation settlements were approximately RMB176 million and RMB181 million, respectively (three and six months ended 30 June 2021: nil), of which approximately RMB12 million and RMB17 million (three and six months ended 30 June 2021: nil) were included in “Other gains, net”.

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 2022 and 2021.

(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 2022 and 2021.

(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 2022 and 2021. The general PRC CIT rate is 25% for the three and six months ended 30 June 2022 and 2021.

Certain subsidiaries of the Group in the Mainland of China were approved as High and New Technology Enterprise, and they were subject to a preferential corporate income tax rate of 15% for the three and six months ended 30 June 2022 and 2021. Moreover, according to announcement and circular issued by relevant government authorities, a subsidiary which was qualified as a 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 tax rate of 15% applicable to some subsidiaries located in certain areas of the Mainland of China upon fulfillment 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, Asia and South America, had been calculated on the estimated assessable profit for the three and six months ended 30 June 2022 and 2021 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 fulfillment 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 2022 and 2021 is analysed as follows:

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Current income tax	5,709	4,272	12,727	12,651
Deferred income tax	(1,141)	(606)	(2,890)	(1,739)
	<u>4,568</u>	<u>3,666</u>	<u>9,837</u>	<u>10,912</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	
	2022	2021	2022	2021
Profit attributable to equity holders of the Company (RMB'Million)	<u>18,619</u>	<u>42,587</u>	<u>42,032</u>	<u>90,354</u>
Weighted average number of ordinary shares in issue (million shares)	<u>9,542</u>	<u>9,523</u>	<u>9,538</u>	<u>9,519</u>
Basic EPS (RMB per share)	<u>1.951</u>	<u>4.472</u>	<u>4.407</u>	<u>9.492</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 on the Group's diluted EPS.

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
Profit attributable to equity holders of the Company (RMB' Million)	18,619	42,587	42,032	90,354
Dilution effect arising from share-based awards issued by non wholly-owned subsidiaries and associates (RMB' Million)	(88)	(57)	(191)	(206)
Profit attributable to equity holders of the Company for the calculation of diluted EPS (RMB' Million)	18,531	42,530	41,841	90,148
Weighted average number of ordinary shares in issue (million shares)	9,542	9,523	9,538	9,519
Adjustments for share options and awarded shares (million shares)	133	172	147	175
Weighted average number of ordinary shares for the calculation of diluted EPS (million shares)	9,675	9,695	9,685	9,694
Diluted EPS (RMB per share)	1.915	4.387	4.320	9.299

7 Dividends

(a) Final dividends

A final dividend in respect of the year ended 31 December 2021 of HKD1.60 per share (2020: HKD1.60 per share) was proposed pursuant to a resolution passed by the Board on 23 March 2022 and approved by the shareholders at the 2022 AGM. Such dividend amounting to HKD15,260 million (2021: HKD15,238 million) was paid during the six months ended 30 June 2022.

(b) Interim dividend by way of distribution in specie

On 23 December 2021, the Board resolved to declare a distribution of a special interim dividend by the Company in the form of a distribution in specie of approximately 457 million Class A ordinary shares of JD.com to the shareholders. The share certificates of the relevant shares of JD.com in respect of the distribution to qualifying shareholders under the Distribution in Specie were dispatched to qualifying shareholders on 25 March 2022 (the “Share Certificate Dispatch Date”).

Dividends payable for distribution in specie was approximately RMB84.6 billion right before the Share Certificate Dispatch Date, measured at fair value using the market price of the JD.com Shares to be distributed. Fair value changes on the dividends payable amounting to approximately RMB17.1 billion from 1 January 2022 to the Share Certificate Dispatch Date were recognised in equity as a result of the changes in the fair value of the JD.com Shares to be distributed. Upon the dispatch of the share certificates of the JD.com Shares to be distributed, the assets held for distribution and dividends payable for distribution in specie were derecognised and the cumulated fair value losses of assets held for distribution amounting to approximately RMB11.8 billion were transferred from other reserves to retained earnings.

The Board did not declare any interim dividend for the six months ended 30 June 2022 and 2021.

8 Investments in associates

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'Million	RMB'Million
Investments in associates		
– Listed entities (Note)	179,853	200,785
– Unlisted entities	130,356	115,789
	310,209	316,574

Note:

As at 30 June 2022, the fair value of the investments in associates consisting of directly and indirectly held listed equity interests was approximately RMB470,031 million (31 December 2021: RMB634,661 million).

Movement of investments in associates is analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'Million	RMB'Million
At beginning of period	316,574	297,609
Additions (a)	6,988	26,413
Transfers	398	32,710
Dilution gains on deemed disposals	2,782	6,336
Share of profit/(loss) of associates, net	(10,822)	(2,580)
Share of other comprehensive income of associates	51	710
Share of other changes in net assets of associates	3,349	2,650
Dividends	(263)	(155)
Disposals (b)	(1,203)	(2,468)
Impairment provision ((c) and Note 3(c))	(9,743)	(3,194)
Currency translation differences	2,098	(1,344)
	<hr/>	<hr/>
At end of period	310,209	356,687
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (a) During the six months ended 30 June 2022, the Group's additions to investments in associates comprised certain new associates and additional investments in existing associates with an aggregate amount of approximately RMB6,988 million. These associates are principally engaged in games development, FinTech, High-tech manufacturing, comic development and other Internet-related businesses.
- (b) On 4 January 2022, the Group entered into a transaction to divest an aggregate of 14,492,751 Class A ordinary shares of Sea Limited with a carrying value of approximately RMB825 million, and to convert all its supervoting Class B ordinary shares to Class A ordinary shares (collectively, the "Transaction"). Upon the completion of the Transaction, the Group's equity interest in Sea Limited was reduced from 21.3% to 18.7% with its voting power reduced to less than 10%, and a disposal gain of approximately RMB18,481 million was recognised in "Other gains, net" (Note 3(a)). Since the Group still has a board representative after the completion of the Transaction and has significant influence on Sea Limited, this investment continues to be accounted for as an associate.
- (c) During the six months ended 30 June 2022, an aggregate impairment loss of approximately RMB9,743 million (six months ended 30 June 2021: RMB3,194 million) had been recognised for associates with impairment indicators, and the majority of these associates' recoverable amounts were determined using fair value less costs of disposal.

9 Financial assets at fair value through profit or loss

FVPL include the following:

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'Million	RMB'Million
Included in non-current assets:		
Investments in listed entities	12,434	19,802
Investments in unlisted entities	181,695	163,382
Treasury investments and others	10,269	9,000
	204,398	192,184
Included in current assets:		
Investments in listed entities	3	4
Treasury investments and others	14,759	10,569
	14,762	10,573
	219,160	202,757

Movement of FVPL is analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'Million	RMB'Million
At beginning of period	202,757	172,537
Additions and transfers (a)	19,289	3,469
Changes in fair value (Note 3(b))	1,077	29,320
Disposals and others	(12,102)	(14,488)
Currency translation differences	8,139	(2,506)
At end of period	219,160	188,332

Note:

- (a) During the six months ended 30 June 2022, the Group's additions and transfers mainly comprised the following:
- (i) new investments and additional investments with an aggregate amount of approximately RMB23,909 million made in listed entities, unlisted entities and treasury investments. These companies are principally engaged in social media platforms and other Internet-related businesses; and
 - (ii) an existing investee company engaged in Online-To-Offline service platform with an amount of approximately RMB4,390 million had been redesignated as FVOCI upon the conversion of its preferred shares into ordinary shares upon its IPO.

10 Financial assets at fair value through other comprehensive income

FVOCI include the following:

	Unaudited 30 June 2022 RMB'Million	Audited 31 December 2021 RMB'Million
Equity investments in listed entities	119,255	227,788
Equity investments in unlisted entities	23,134	22,392
Treasury investments	1,174	77
	<u>143,563</u>	<u>250,257</u>

Movement of FVOCI is analysed as follows:

	Unaudited Six months ended 30 June 2022 RMB'Million	2021 RMB'Million
At beginning of period	250,257	213,091
Additions and transfers (a)	12,158	21,900
Changes in fair value	(120,864)	64,758
Disposals	(4,495)	(6,647)
Currency translation differences	6,507	(1,602)
At end of period	<u>143,563</u>	<u>291,500</u>

Note:

- (a) During the six months ended 30 June 2022, except as described in Note 9(a)(ii), the Group's additions and transfers mainly comprised the following:
- (i) additional investment in a listed entity engaged in social network platform of approximately USD392 million (equivalent to approximately RMB2,521 million);
 - (ii) new investments and additional investments with an aggregate amount of approximately RMB4,175 million made in listed entities, unlisted entities and treasury investments. These companies are principally engaged in FinTech services and other Internet-related businesses;
 - (iii) an existing investee company with a carrying value of approximately RMB1,757 million had been transferred from investment in an associate to FVOCI as a result of resignation of the board of directors representative in that associate; and
 - (iv) an existing investee company engaged in games development with a carrying value of approximately RMB657 million had been transferred from investment in FVOCI to a subsidiary upon completion of a business combination.

11 Accounts receivable

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

	Unaudited 30 June 2022 RMB' Million	Audited 31 December 2021 RMB' Million
0 ~ 30 days	20,299	21,639
31 ~ 60 days	12,507	13,255
61 ~ 90 days	6,220	6,105
Over 90 days	10,420	8,332
	49,446	49,331

Receivable balances as at 30 June 2022 and 31 December 2021 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 30 to 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 2022, 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 allowed 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 exercised their options.

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

	Post-IPO Option		Unaudited Post-IPO Option		Total No. of options
	Scheme II		Scheme IV		
	Average exercise price	No. of options	Average exercise price	No. of options	
At 1 January 2022 (Note)	HKD191.64	35,146,117	HKD402.75	81,689,281	116,835,398
Granted	-	-	HKD384.08	7,261,887	7,261,887
Exercised	HKD146.42	(550,305)	HKD292.18	(625,939)	(1,176,244)
Lapsed/forfeited/waived	HKD135.50	(19,476)	HKD584.78	(1,009,372)	(1,028,848)
At 30 June 2022	HKD192.39	34,576,336	HKD399.88	87,315,857	121,892,193
Exercisable as at 30 June 2022	HKD192.34	34,464,261	HKD374.06	39,696,325	74,160,586
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	36,520,108	HKD408.39	75,151,857	111,671,965
Exercisable as at 30 June 2021	HKD206.56	36,398,295	HKD383.52	27,658,828	64,057,123

Note:

As a result of the Distribution in Specie (Note 7(b)), pursuant to the scheme rules of the Post-IPO Option Scheme II and the Post-IPO Option Scheme IV, adjustments had been made to the exercise price of the outstanding share options thereunder as at the Ex-dividend Date, and was reflected in the average exercise price of related outstanding share options listed above.

During the six months ended 30 June 2022, no options were granted to any executive director of the Company (six months ended 30 June 2021: 3,374,630 options were granted to an executive director of the Company) and 843,657 options previously granted were voluntarily waived.

(b) Share award schemes

The Company has adopted the Share Award Schemes as of 30 June 2022, 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 2022 and 2021 are as follows:

	Number of awarded shares	
	Unaudited	
	Six months ended 30 June	
	2022	2021
At beginning of period	121,314,396	82,594,936
Granted (Note)	22,260,612	34,514,780
Lapsed/forfeited	(3,993,977)	(2,252,506)
Vested and transferred	(19,437,812)	(13,236,489)
At end of period	120,143,219	101,620,721
Vested but not transferred as at the end of period	18,243	12,131

Note:

As a result of the Distribution in Specie (Note 7(b)), pursuant to the scheme rules of the 2013 Share Award Scheme and the 2019 Share Award Scheme, adjustments had been made to the number of shares subject to share awards which remained unvested as at Ex-dividend Date. The number of awarded shares granted during the six months ended 30 June 2022 included a total of 3,606,234 additional awarded shares which were awarded pursuant to such adjustments.

During the six months ended 30 June 2022, 52,000 awarded shares were granted to four independent non-executive directors of the Company (six months ended 30 June 2021: 40,500 awarded shares were granted to four 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
	2022	2021
	RMB'Million	RMB'Million
0 ~ 30 days	101,114	102,396
31 ~ 60 days	1,327	2,999
61 ~ 90 days	245	1,329
Over 90 days	2,433	2,746
	105,119	109,470

14 Borrowings

	Unaudited 30 June 2022 RMB'Million	Audited 31 December 2021 RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD bank borrowings, unsecured (a)	143,007	136,874
Non-current portion of long-term RMB bank borrowings, unsecured (a)	19,512	–
Non-current portion of long-term JPY bank borrowings, unsecured (a)	38	47
Non-current portion of long-term JPY bank borrowings, secured (a)	3	4
Non-current portion of long-term EUR bank borrowings, unsecured (a)	9	–
Non-current portion of long-term EUR bank borrowings, secured (a)	8	11
	<u>162,577</u>	<u>136,936</u>
Included in current liabilities:		
RMB bank borrowings, unsecured (b)	16,894	13,340
RMB bank borrowings, secured (b)	200	200
GBP bank borrowings, secured (b)	163	–
USD bank borrowings, secured (b)	39	–
Current portion of long-term USD bank borrowings, unsecured (a)	3,154	4,061
Current portion of long-term JPY bank borrowings, unsecured (a)	15	16
Current portion of long-term JPY bank borrowings, secured (a)	1	1
Current portion of long-term EUR bank borrowings, unsecured (a)	4	1,083
Current portion of long-term EUR bank borrowings, secured (a)	3	2
Current portion of long-term RMB bank borrowings, unsecured (a)	–	300
	<u>20,473</u>	<u>19,003</u>
	<u><u>183,050</u></u>	<u><u>155,939</u></u>

Note:

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

	Unaudited 30 June 2022		Audited 31 December 2021	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
USD bank borrowings	USD21,718	LIBOR + 0.80% ~ 1.27%	USD22,045	LIBOR + 0.80% ~ 1.27%
USD bank borrowings	USD60	1.41%	USD60	1.41%
RMB bank borrowings	RMB19,512	2.93% ~ 4.80%	RMB300	5.70%
JPY bank borrowings	JPY1,111	0.00% ~ 1.86%	JPY1,234	0.00% ~ 2.50%
JPY bank borrowings	JPY44	TIBOR + 1.70%	–	–
EUR bank borrowings	EUR3	1.00% ~ 2.54%	EUR152	0.52% ~ 1.00%

The zero interest rate of JPY borrowings was due to the special interest exemption for COVID-19 by Tokyo Metropolitan Government.

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

	Unaudited 30 June 2022		Audited 31 December 2021	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
RMB bank borrowings	RMB17,094	2.45% ~ 4.50%	RMB13,540	2.45% ~ 5.10%
GBP bank borrowings	GBP20	SONIA + 1.75%	–	–
USD bank borrowings	USD6	SOFR + 1.75% ~ 3.19%	–	–

15 Notes payable

	Unaudited 30 June 2022 RMB'Million	Audited 31 December 2021 RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD notes payable	<u>143,232</u>	<u>145,590</u>
Included in current liabilities:		
Current portion of long-term USD notes payable	<u>10,062</u>	<u>–</u>
	<u>153,294</u>	<u>145,590</u>

Note:

The aggregate principal amounts of notes payable and applicable interest rates are as follows:

	Unaudited 30 June 2022		Audited 31 December 2021	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
USD notes payable	USD1,250	LIBOR + 0.605% ~ 0.910%	USD1,250	LIBOR + 0.605% ~ 0.910%
USD notes payable	USD21,700	1.375% ~ 4.700%	USD21,700	1.375% ~ 4.700%

16 Business combination

Privatisation of Sumo Group PLC (“Sumo”)

On 17 January 2022, the Group completed the privatisation of Sumo, a then-existing listed investee classified as FVOCI (LSE: SUMO; with equity interests held of approximately 9%) of the Group, at a cash consideration of approximately GBP847 million (equivalent to approximately RMB7,289 million) for all of the remaining interest (“Privatisation”). As a result of the Privatisation, Sumo became a wholly-owned subsidiary of the Group upon the closing of the transaction and ceased to be a publicly traded company.

Goodwill of approximately RMB6,705 million was recognised as a result of the transaction. It was mainly attributable to the operating synergies and economies of scale expected to be derived from combining the operations. None of the goodwill is expected to be deductible for income tax purpose.

The Group’s revenue for the six months ended 30 June 2022 would be increased by not more than 5% and results for the six months ended 30 June 2022 would not be materially different should the transaction had occurred on 1 January 2022.

The related transaction costs of the transaction are not material to the Group’s consolidated financial information.

17 Subsequent events

There were no material subsequent events during the period from 1 July 2022 to the approval date of the Interim Financial Information.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2022, the Company repurchased 18,604,400 shares on the Stock Exchange for an aggregate consideration of approximately HKD7,304 million before expenses. The repurchased shares were subsequently cancelled. The repurchase was effected by the Board for the enhancement of shareholder value in the long term. Details of the shares repurchased are as follows:

Month of purchase in the six months ended 30 June 2022	No. of shares purchased	Purchase consideration per share		Aggregate consideration paid HKD
		Highest price paid HKD	Lowest price paid HKD	
January	4,831,400	477.40	421.00	2,196,128,575
March	4,033,000	388.20	352.80	1,500,840,680
April	7,240,000	390.00	353.20	2,701,808,700
June	2,500,000	370.00	354.00	905,252,360
Total	<u>18,604,400</u>			<u>7,304,030,315</u>

Save as disclosed above and in the “Financial Information” section, 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 2022.

Employee and Remuneration Policies

As at 30 June 2022, the Group had 110,715 employees (30 June 2021: 94,182). 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 2022 was RMB56,779 million (for the six months ended 30 June 2021: RMB44,388 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 2022. 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 B.2.2 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 Li Dong Sheng and Ian Charles Stone retired and were re-elected at the 2022 AGM. As the re-election of Mr Jacobus Petrus (Koos) Bekker, who was re-elected in 2019, was not considered at the 2022 AGM, there is a deviation from code provision B.2.2 of the CG Code. Considering that the re-election of Mr Jacobus Petrus (Koos) Bekker will be considered at the subsequent annual general meeting, the Board believes that such deviation from code provision B.2.2 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 2021 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 2022 to 30 June 2022.

As to the deviation from code provisions B.2.2 and C.2.1 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 thank wholeheartedly our staff and management team for their continued professionalism, perseverance and dedication to the Group, which forms the cornerstone of the Group's sustainable development, amid all recent challenges. I would also like to express our gratitude to all our shareholders and stakeholders for their continuous support and trust.

With our belief in “Value for Users, Tech for Good”, we are committed to creating user value and integrating corporate social responsibilities into our products and services. We will continue to adhere to our strategy of fostering sustainable innovations for social value and promoting common prosperity initiatives, while nurturing the field of consumer Internet and embracing the industrial Internet.

By Order of the Board
Ma Huateng
Chairman

Hong Kong, 17 August 2022

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
“2013 Share Award Scheme”	the share award scheme adopted by the Company on 13 November 2013, as amended from time to time
“2019 Share Award Scheme”	the share award scheme adopted by the Company on 25 November 2019, as amended from time to time
“2022 AGM”	the annual general meeting of the Company held on 18 May 2022
“AI”	artificial intelligence
“Articles of Association”	the third amended and restated articles of association of the Company adopted by special resolution passed on 18 May 2022
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the auditor of the Company
“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

“Distribution in Specie”	the distribution of a special interim dividend by the Company in the form of a distribution in specie of the JD.com Shares held by the Group to the shareholders whose names appeared on the register of members of the Company on 25 January 2022 in proportion to their then respective shareholdings in the Company on the basis of 1 Class A ordinary share of JD.com for every 21 shares of the Company held by the shareholders
“DnF”	Dungeon and Fighter
“Domestic Games”	for the purpose of preparing financial and operating information, Domestic Games refers to our games business in the PRC, excluding the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan, China
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“eCPM”	effective cost per mille
“EPS”	earnings per share
“EUR”	the lawful currency of European Union
“Ex-dividend Date”	20 January 2022, being the date of commencement of dealing in the shares of the Company on an ex-entitlement basis following the declaration of interim dividend by way of the Distribution in Specie as announced by the Company on 23 December 2021
“FinTech”	financial technology
“FVOCI”	financial assets at fair value through other comprehensive income
“FVPL”	financial assets at fair value through profit or loss
“GBP”	the lawful currency of the United Kingdom of Great Britain and Northern Ireland
“Group”	the Company and its subsidiaries

“HKD”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region, the PRC
“IAS”	International Accounting Standards
“IFRS”	International Financial Reporting Standards
“Interim Financial Information”	the condensed consolidated interim financial information, comprising the consolidated statement of financial position as at 30 June 2022, the consolidated income statement and the consolidated statement of comprehensive income for the three-month and six-month periods then ended, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information
“International Games”	for the purpose of preparing financial and operating information, International Games refers to our games business other than our Domestic Games business
“IPO”	initial public offering
“JD.com”	JD.com, Inc., a company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability, whose American depositary shares are listed on NASDAQ (stock symbol: JD, ISIN Code: US47215P1066) and whose Class A ordinary shares are listed on the Stock Exchange (stock code: 9618)
“JD.com Shares”	the approximately 457 million Class A ordinary shares in the share capital of JD.com with a par value of USD0.00002 each, held by the Group conferring a holder of a Class A ordinary share to one vote per share on any resolution tabled at JD.com’s general meeting and which were distributed pursuant to the Distribution in Specie
“JPY”	the lawful currency of Japan
“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
“Miniclip”	Miniclip Group SA, a limited liability company incorporated in Switzerland
“Minor(s)”	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
“R&D”	research and development
“Riot Games”	Riot Games, Inc., a company established in the US
“RMB”	the lawful currency of the PRC

“SaaS”	Software-as-a-Service
“Share Award Schemes”	the share award scheme adopted by the Company on 13 December 2007, the 2013 Share Award Scheme and the 2019 Share Award Scheme, as amended from time to time
“SOFR”	Secured Overnight Financing Rate
“Sogou”	Sogou Inc., a company incorporated in the Cayman Islands with limited liability, which became a wholly-owned subsidiary of the Company following completion of its privatisation in September 2021
“SONIA”	Sterling Overnight Index Average
“SSV & CPP”	Sustainable Social Value and Common Prosperity Programme
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stunlock”	Stunlock Studios AB, a limited liability company incorporated in Sweden
“SYBO”	Sybo ApS, a limited liability company incorporated in Denmark
“TDSQL”	Tencent Database SQL
“TIBOR”	Tokyo InterBank Offered Rate
“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” or “US”	the United States of America
“USD”	the lawful currency of the United States
“VAS”	value-added services