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

ANNOUNCEMENT OF THE RESULTS
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2019

The Board is pleased to announce the unaudited consolidated results of the Group for the three and six months ended 30 June 2019. These interim results have been reviewed by the Auditor in accordance with International Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the International Auditing and Assurance Standards Board, and by the Audit Committee.

FINANCIAL PERFORMANCE HIGHLIGHTS

	Unaudited				
	30 June	Three months ended			Quarter-
	2019	30 June	Year-	31 March	on-quarter
		2018	on-year	2019	change
			change		
		(RMB in millions, unless specified)			
Revenues	88,821	73,675	21%	85,465	4%
Gross profit	39,126	34,446	14%	39,820	-2%
Operating profit	27,521	21,807	26%	36,742	-25%
Profit for the period	24,684	18,580	33%	27,856	-11%
Profit attributable to equity holders of the Company	24,136	17,867	35%	27,210	-11%
Non-GAAP profit attributable to equity holders of the Company	23,525	19,716	19%	20,930	12%
EPS (RMB per share)					
– basic	2.550	1.893	35%	2.877	-11%
– diluted	2.520	1.868	35%	2.844	-11%
Non-GAAP EPS (RMB per share)					
– basic	2.486	2.089	19%	2.213	12%
– diluted	2.456	2.062	19%	2.187	12%

Unaudited
Six months ended

	30 June	30 June	Year-
	2019	2018	on-year
	(RMB in millions, unless specified)		
			change
Revenues	174,286	147,203	18%
Gross profit	78,946	71,488	10%
Operating profit	64,263	52,499	22%
Profit for the period	52,540	42,553	23%
Profit attributable to equity holders of the Company	51,346	41,157	25%
Non-GAAP profit attributable to equity holders of the Company	44,455	38,029	17%
EPS (RMB per share)			
– basic	5.427	4.363	24%
– diluted	5.362	4.303	25%
Non-GAAP EPS (RMB per share)			
– basic	4.699	4.031	17%
– diluted	4.643	3.976	17%

BUSINESS REVIEW AND OUTLOOK

1. Company Strategic Highlights

During the second quarter, we sustained solid user, revenue, and profit growth, and executed on key initiatives amid the challenging business environment. In recent months, we enhanced our products, extended our key platforms, and deepened our relationships with large and small partners. For example:

- We accelerated our rate of innovation in games, successfully releasing new games in several different genres, introducing new modes within some of our key titles, and extending our season passes. Meanwhile, we continue to strengthen the Healthy Gameplay System for promoting balanced gameplay for young users.
- We widened merchant acceptance for our mobile payment services, contributing to rapid growth in average transaction volume and in total payment volume, as well as ongoing growth in commercial payment users.
- We extended and deepened our exclusive relationship with the National Basketball Association (“NBA”), the most-watched professional sports league in China, reinforcing our position as a leading digital entertainment platform.

Amid the evolving macro-economic and competitive challenges, we continue to invest in enhancing our platforms, services and technologies, for better supporting our users and enterprise customers.

2. Company Financial Performance

In the second quarter of 2019

Revenue increased by 21% year-on-year, primarily driven by commercial payment services and other FinTech services, smart phone games, and other digital content sales.

Operating profit increased by 26% year-on-year. Non-GAAP operating profit increased by 23% year-on-year.

Profit attributable to equity holders of the Company increased by 35% year-on-year. Non-GAAP profit attributable to equity holders of the Company increased by 19% year-on-year.

We launched a major version upgrade for Mobile QQ, which contributed to an increase in the number of daily messages and strengthened user engagement. To enrich the core chat experience, we enhanced functionalities for messages in different forms such as voice and video. To broaden user connections, we upgraded algorithms to recommend new friends based on common interests and shared contacts. We introduced QQ Mini Programs, with entertainment and games-related Mini Programs attaining particular popularity among QQ users.

Online Games

Total online games revenues increased 8% year-on-year to RMB27.3 billion.

Smart phone games revenues (including smart phone games revenues attributable to our social networks business) amounted to RMB22.2 billion, up 26% year-on-year due to the popularity of existing key titles and recent releases. Sequentially, smart phone games revenues were up 5% quarter-on-quarter as we launched more games following monetisation licence approval resumption, offsetting weak seasonality. During the quarter, we released 10 games including an in-house AR game, Catchya, and in-house RPGs, Fairy Tail and Raziel, compared with only one game in the first quarter. Honour of Kings revenue increased year-on-year. Perfect World Mobile, a licensed RPG that we launched in March, contributed substantially to our second quarter revenue. Our in-house tactical tournament game, Peacekeeper Elite, has exceeded 50 million DAU since its launch in May and begun monetisation with a successful season pass offering, although reported revenue was limited in the second quarter due to the deferral impact.

We are in the early stages of implementing season passes for several of our key titles, contributing to paying propensity within those games. Our data suggest that season pass spending is largely complementary to the existing item sales model, and also enhances player activity. In July, we released three smart phone games in different game genres, including racing game KartRider Rush, strategy game Game of Thrones: Winter is Coming, and RPG Dragon Raja. All three have achieved top 10 positions in the iOS Grossing Chart for games in China. Internationally, we expanded our user base via our hit title PUBG MOBILE (which has exceeded 50 million DAU) and new games such as Speed Drifter (the international version of QQ Speed) and Chess Rush.

Our PC client games revenues were RMB11.7 billion, down 9% year-on-year, despite increased cash receipts, and down 15% quarter-on-quarter due to weak seasonality. League of Legends cash receipts increased year-on-year driven by popular eSports-themed skins. In June, League of Legends introduced a new play mode, Teamfight Tactics, contributing to growth in its DAU and user time spent. Teamfight Tactics is the global leader in the emerging auto-chess category. DnF has reduced monetisation as we focus on enhancing its user experience.

Digital Content

Our fee-based VAS subscriptions increased 10% year-on-year to 168.9 million, mainly attributable to video and music subscriptions. Tencent Video subscription counts were 96.9 million, up 30% year-on-year, benefitting from joint membership promotions with our strategic partners and our popular self-commissioned Chinese anime series, The Land of Warriors Season 2. However, the growth in our video subscriber base slowed, due to the delay in scheduling of top-tier drama series content.

During the 2018-2019 season of the NBA, 490 million Internet users in China watched one or more games on our platforms, nearly tripling the number of Internet users who watched the NBA on Tencent platforms during the 2014-2015 season. Our partnership did not only increase fans engagement, brand power and monetisation capability for the NBA, but also reinforced Tencent Sports as the top Internet destination for sports fans in China, contributing to our advertising and subscription revenues. Recently, we announced a five-year partnership extension with the NBA. We will cooperate with the NBA in developing basketball-related smart phone games and eSports events.

Online Advertising

Our online advertising revenues were RMB16.4 billion, up 16% year-on-year, amid the challenging macro environment and increased supply of short video advertising inventories across the industry. We expect the negative impact from the current business environment will persist in the second half of 2019. Sequentially, revenues grew due to seasonal advertising demand from eCommerce and online education sectors. Social and others advertising revenues were RMB12.0 billion, up 28% year-on-year, driven by increased inventories and impressions for products such as Weixin Moments and QQ KanDian.

Media advertising revenues were RMB4.4 billion, down 7% year-on-year, as unexpected delays to airing certain top-tier drama series and the absence of the FIFA World Cup this year resulted in less sponsorship advertising revenues. Mobile video DAU remained stable, contributing to notable year-on-year and quarter-on-quarter growth from in-feed advertising within our Tencent Video app. In April, we released Season 2 of Produce 101, a highly popular self-commissioned variety show, which achieved record advertising billings for a program on Tencent Video.

FinTech and Business Services

FinTech and Business Services revenues were RMB22.9 billion, up 37% year-on-year. Excluding interest income on custodian cash balances, revenues were up 57% year-on-year. Within FinTech Services, commercial payments grew rapidly in terms of users, merchants, transaction volume and revenues, driving the segment revenue growth. Our wealth management platform, LiCaiTong, grew its aggregated customer assets to over RMB800 billion as of the end of the second quarter, indicating a trend that our users are increasingly keeping their money within our payment system. This trend brings down the frictional costs for users to use Weixin Pay, reducing our withdrawal fee revenue and bank charge expenses. We believe the overall impact will contribute to the vitality of our FinTech business in the long run. We remain focused on risk management of our FinTech businesses to sustain our long-term platform growth.

Within Business Services, cloud revenues grew robustly year-on-year as we expanded our sales team and product offerings to sign up more key accounts and large contracts. Meanwhile, we have deepened our penetration in small and medium businesses through close partnerships with Independent Software Vendors and resellers. We further strengthened the cloud-based development kits for Mini Programs developers to enable more efficient development processes, operations and maintenance. In the financial sector, we attained key contracts from insurance companies, banks and brokerage firms, including PICC, Bank of Communications and Haitong Securities. In July, we launched our “WeCity” cloud-based smart industry solutions for public services such as healthcare, transportation and education in various cities, including Changsha. According to the International Data Corporation, we ranked second in the public cloud IaaS market in China, and were among the top ten globally, in 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Second Quarter of 2019 Compared to Second Quarter of 2018

The following table sets forth the comparative figures for the second quarter of 2019 and the second quarter of 2018:

	Unaudited	
	Three months ended	
	30 June	30 June
	2019	2018
	(RMB in millions)	
Revenues	88,821	73,675
Cost of revenues	(49,695)	(39,229)
Gross profit	39,126	34,446
Interest income	1,652	1,072
Other gains, net	4,038	2,506
Selling and marketing expenses	(4,718)	(6,360)
General and administrative expenses	(12,577)	(9,857)
Operating profit	27,521	21,807
Finance costs, net	(1,982)	(1,151)
Share of profit of associates and joint ventures	2,370	1,526
Profit before income tax	27,909	22,182
Income tax expense	(3,225)	(3,602)
Profit for the period	<u>24,684</u>	<u>18,580</u>
Attributable to:		
Equity holders of the Company	24,136	17,867
Non-controlling interests	548	713
	<u>24,684</u>	<u>18,580</u>
Non-GAAP profit attributable to equity holders of the Company	<u>23,525</u>	<u>19,716</u>

Revenues. Revenues increased by 21% to RMB88,821 million for the second quarter of 2019 on a year-on-year basis. The following table sets forth our revenues by line of business for the second quarter of 2019 and the second quarter of 2018:

	Unaudited			
	Three months ended			
	30 June 2019		30 June 2018	
	Amount	% of total revenues	Amount	% of total revenues
			(Restated)	(Restated)
	(RMB in millions, unless specified)			
VAS	48,080	54%	42,069	57%
FinTech and Business Services	22,888	26%	16,666	23%
Online Advertising	16,409	18%	14,110	19%
Others	1,444	2%	830	1%
Total revenues	<u>88,821</u>	<u>100%</u>	<u>73,675</u>	<u>100%</u>

- Revenues from VAS increased by 14% to RMB48,080 million for the second quarter of 2019 on a year-on-year basis. Online games revenues grew by 8% to RMB27,307 million. The increase was primarily due to revenue growth from smart phone games, including existing titles such as Honour of Kings, PUBG MOBILE and Red Alert OL, and recently launched titles such as Perfect World Mobile, offset by a decline in revenues from PC client games. Social networks revenues grew by 23% to RMB20,773 million. The increase mainly reflected higher revenues from digital content services such as live broadcast services and video streaming subscriptions.
- Revenues from FinTech and Business Services increased by 37% to RMB22,888 million for the second quarter of 2019 on a year-on-year basis. The increase was primarily driven by revenue growth from commercial payment and cloud services, partly offset by the absence of interest income after transferring custodian cash balances to the People's Bank of China.
- Revenues from Online Advertising increased by 16% to RMB16,409 million for the second quarter of 2019 on a year-on-year basis. Social and others advertising revenues increased by 28% to RMB12,009 million, mainly benefiting from greater advertising revenue contributions from Weixin Moments and QQ KanDian. Media advertising revenues decreased by 7% to RMB4,400 million, primarily reflecting lower contributions from our media platforms due to the absence of the FIFA World Cup tournament.

Cost of revenues. Cost of revenues increased by 27% to RMB49,695 million for the second quarter of 2019 on a year-on-year basis. The increase mainly reflected greater content costs, costs of FinTech services and channel costs. As a percentage of revenues, cost of revenues increased to 56% for the second quarter of 2019 from 53% for the second quarter of 2018. The following table sets forth our cost of revenues by line of business for the second quarter of 2019 and the second quarter of 2018:

	Unaudited			
	Three months ended			
	30 June 2019		30 June 2018	
	Amount	% of segment revenues	Amount	% of segment revenues
			(Restated)	(Restated)
(RMB in millions, unless specified)				
VAS	22,783	47%	17,253	41%
FinTech and Business Services	17,391	76%	12,327	74%
Online Advertising	8,432	51%	8,838	63%
Others	1,089	75%	811	98%
Total cost of revenues	<u>49,695</u>		<u>39,229</u>	

- Cost of revenues for VAS increased by 32% to RMB22,783 million for the second quarter of 2019 on a year-on-year basis. The increase was mainly due to higher content costs for services and products including live broadcast and online games, as well as greater channel costs for smart phone games.
- Cost of revenues for FinTech and Business Services increased by 41% to RMB17,391 million for the second quarter of 2019 on a year-on-year basis. The increase mainly reflected the expanding scale of our FinTech and cloud services.
- Cost of revenues for Online Advertising decreased by 5% to RMB8,432 million for the second quarter of 2019 on a year-on-year basis. The decrease was mainly driven by lower content costs for video advertising due to delays in airing of certain drama series.

Other gains, net. We recorded net other gains of RMB4,038 million for the second quarter of 2019, which mainly comprised of non-GAAP adjustment items such as net deemed disposal gains arising from the capital activities of certain investee companies in verticals including transportation network, as well as fair value gains benefiting from increased valuations for certain investee companies in verticals such as healthcare and media, partly offset by impairment provisions against certain investments.

Selling and marketing expenses. Selling and marketing expenses decreased by 26% to RMB4,718 million for the second quarter of 2019 on a year-on-year basis. The decrease was mainly driven by the reduction of advertising and promotion expenses as a result of internal initiatives to reduce less effective marketing campaigns. As a percentage of revenues, selling and marketing expenses decreased to 5% for the second quarter of 2019 from 9% for the second quarter of 2018.

General and administrative expenses. General and administrative expenses increased by 28% to RMB12,577 million for the second quarter of 2019 on a year-on-year basis. The increase primarily reflected greater R&D expenses and staff costs. As a percentage of revenues, general and administrative expenses increased to 14% for the second quarter of 2019 from 13% for the second quarter of 2018.

Finance costs, net. Net finance costs increased by 72% to RMB1,982 million for the second quarter of 2019 on a year-on-year basis. The increase was primarily driven by greater interest expenses arising from the issuance of USD6 billion notes in April 2019, as well as the recognition of foreign exchange losses for the second quarter of 2019 resulting from the depreciation of RMB against USD.

Income tax expense. Income tax expense decreased by 10% to RMB3,225 million for the second quarter of 2019 on a year-on-year basis. The decrease was mainly driven by entitlements of preferential tax treatments and benefits.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 35% to RMB24,136 million for the second quarter of 2019 on a year-on-year basis. Non-GAAP profit attributable to equity holders of the Company increased by 19% to RMB23,525 million.

Second Quarter of 2019 Compared to First Quarter of 2019

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

	Unaudited	
	Three months ended	
	30 June	31 March
	2019	2019
	(RMB in millions)	
Revenues	88,821	85,465
Cost of revenues	<u>(49,695)</u>	<u>(45,645)</u>
Gross profit	39,126	39,820
Interest income	1,652	1,408
Other gains, net	4,038	11,089
Selling and marketing expenses	(4,718)	(4,244)
General and administrative expenses	<u>(12,577)</u>	<u>(11,331)</u>
Operating profit	27,521	36,742
Finance costs, net	(1,982)	(1,117)
Share of profit/(loss) of associates and joint ventures	<u>2,370</u>	<u>(2,957)</u>
Profit before income tax	27,909	32,668
Income tax expense	<u>(3,225)</u>	<u>(4,812)</u>
Profit for the period	<u>24,684</u>	<u>27,856</u>
Attributable to:		
Equity holders of the Company	24,136	27,210
Non-controlling interests	<u>548</u>	<u>646</u>
	<u>24,684</u>	<u>27,856</u>
Non-GAAP profit attributable to equity holders of the Company	<u>23,525</u>	<u>20,930</u>

Revenues. Revenues increased by 4% to RMB88,821 million for the second quarter of 2019 on a quarter-on-quarter basis.

- Revenues from VAS decreased by 2% to RMB48,080 million for the second quarter of 2019. Online games revenues decreased by 4% to RMB27,307 million, primarily driven by seasonally lower revenues from our PC client games, partly offset by revenue growth contributed by our smart phone games including existing titles such as PUBG MOBILE, as well as recently launched titles such as Perfect World Mobile, Catchya and Peacekeeper Elite. Social networks revenues increased by 2% to RMB20,773 million. The increase mainly benefited from growth of our digital content services such as live broadcast services.
- Revenues from FinTech and Business Services increased by 5% to RMB22,888 million for the second quarter of 2019. The increase was primarily due to revenue contributions from our commercial payment and cloud services.
- Revenues from Online Advertising increased by 23% to RMB16,409 million for the second quarter of 2019. Social and others advertising revenues increased by 21% to RMB12,009 million, mainly driven by advertising revenue growth from Weixin Moments, as well as our mobile advertising network. Media advertising revenues increased by 26% to RMB4,400 million, primarily reflecting greater contributions from our media platforms including Tencent Video due to positive seasonality and the airing of more drama series and self-commissioned variety shows in the second quarter compared to the previous quarter.

Cost of revenues. Cost of revenues increased by 9% to RMB49,695 million for the second quarter of 2019 on a quarter-on-quarter basis. The increase primarily reflected greater content costs, costs of FinTech services and channel costs. As a percentage of revenues, cost of revenues increased to 56% for the second quarter of 2019 from 53% for the first quarter of 2019.

- Cost of revenues for VAS increased by 10% to RMB22,783 million for the second quarter of 2019. The increase was mainly driven by greater content costs for services including video streaming subscriptions and live broadcast, as well as higher channel costs for smart phone games.
- Cost of revenues for FinTech and Business Services increased by 12% to RMB17,391 million for the second quarter of 2019. The increase primarily reflected greater costs of FinTech services, resulting from the growth in commercial payment services.
- Cost of revenues for Online Advertising increased by 8% to RMB8,432 million for the second quarter of 2019. The increase was primarily due to greater content costs for video advertising resulting from the airing of more drama series and self-commissioned variety shows in the second quarter compared to the preceding quarter.

Selling and marketing expenses. Selling and marketing expenses increased by 11% to RMB4,718 million for the second quarter of 2019 on a quarter-on-quarter basis. The increase primarily reflected greater advertising and promotion expenses, resulting from more games launched in the second quarter versus the preceding quarter.

General and administrative expenses. General and administrative expenses increased by 11% to RMB12,577 million for the second quarter of 2019 on a quarter-on-quarter basis. The increase was primarily due to greater R&D expenses and staff costs.

Share of profit/loss of associates and joint ventures. We recorded share of profit of associates and joint ventures of RMB2,370 million for the second quarter of 2019, compared to share of losses of RMB2,957 million for the first quarter of 2019. The movement was mainly resulted from the improved performance of certain investee companies, especially those in the eCommerce and online game sectors.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company decreased by 11% to RMB24,136 million for the second quarter of 2019 on a quarter-on-quarter basis. Non-GAAP profit attributable to equity holders of the Company increased by 12% to RMB23,525 million.

Other Financial Information

	Unaudited			Unaudited	
	Three months ended			Six months ended	
	30 June	31 March	30 June	30 June	30 June
	2019	2019	2018	2019	2018
	(RMB in millions, unless specified)				
EBITDA (a)	32,649	33,566	26,409	66,215	55,656
Adjusted EBITDA (a)	35,102	35,598	28,139	70,700	58,995
Adjusted EBITDA margin (b)	40%	42%	38%	41%	40%
Interest and related expenses	1,757	1,499	1,188	3,256	2,255
Net debt (c)	(15,766)	(9,595)	(35,301)	(15,766)	(35,301)
Capital expenditures (d)	4,362	4,506	7,085	8,868	13,403

Note:

- (a) EBITDA is calculated as operating profit less interest income and other gains/losses, net, and adding back depreciation of property, plant and equipment, investment properties as well as right-of-use assets, and amortisation of intangible assets. Adjusted EBITDA is calculated as EBITDA plus equity-settled share-based compensation expenses.
- (b) Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by revenues.
- (c) Net debt represents period end balance and is calculated as cash and cash equivalents, plus term deposits and others, minus borrowings and notes payable.
- (d) Capital expenditures consist of additions (excluding business combinations) to property, plant and equipment, construction in progress, investment properties, land use rights and intangible assets (excluding media contents, game licences and other contents).

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

	Unaudited			Unaudited	
	Three months ended			Six months ended	
	30 June	31 March	30 June	30 June	30 June
	2019	2019	2018	2019	2018
	(RMB in millions, unless specified)				
Operating profit	27,521	36,742	21,807	64,263	52,499
Adjustments:					
Interest income	(1,652)	(1,408)	(1,072)	(3,060)	(2,137)
Other (gains)/losses, net	(4,038)	(11,089)	(2,506)	(15,127)	(10,091)
Depreciation of property, plant and equipment and investment properties	2,989	2,804	1,918	5,793	3,582
Depreciation of right-of-use assets	748	602	–	1,350	–
Amortisation of intangible assets	7,081	5,915	6,262	12,996	11,803
EBITDA	32,649	33,566	26,409	66,215	55,656
Equity-settled share-based compensation	2,453	2,032	1,730	4,485	3,339
Adjusted EBITDA	<u>35,102</u>	<u>35,598</u>	<u>28,139</u>	<u>70,700</u>	<u>58,995</u>

Non-GAAP Financial Measures

To supplement the consolidated results of the Group prepared in accordance with IFRS, certain additional non-GAAP financial measures (in terms of operating profit, operating margin, profit for the period, net margin, profit attributable to equity holders of the Company, basic EPS and diluted EPS) have been presented in this announcement. These unaudited non-GAAP financial measures should be considered in addition to, not as a substitute for, measures of the Group's financial performance prepared in accordance with IFRS. In addition, these non-GAAP financial measures may be defined differently from similar terms used by other companies.

The Company's management believes that the non-GAAP financial measures provide investors with useful supplementary information to assess the performance of the Group's core operations by excluding certain non-cash items and certain impact of M&A transactions. In addition, non-GAAP adjustments include relevant non-GAAP adjustments for the Group's 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-GAAP financial measures for the second quarter of 2019 and 2018, the first quarter of 2019, and the first half of 2019 and 2018 to the nearest measures prepared in accordance with IFRS:

Unaudited three months ended 30 June 2019							
		Adjustments					
		Net (gains)/		Amortisation			
		losses from		of intangible		Income tax	
As reported	Share-based	investee	assets	Impairment	effects	Non-GAAP	
	compensation	companies		provision			
(a)	(b)	(c)	(d)	(e)			
(RMB in millions, unless specified)							
Operating profit	27,521	2,453	(4,950)	118	2,139	-	27,281
Profit for the period	24,684	2,373	(6,523)	1,486	2,492	(321)	24,191
Profit attributable to equity holders	24,136	2,296	(6,522)	1,432	2,492	(309)	23,525
EPS (RMB per share)							
- basic	2.550						2.486
- diluted	2.520						2.456
Operating margin	31%						31%
Net margin	28%						27%

Unaudited three months ended 31 March 2019

	Adjustments						Non-GAAP
	As reported	Share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provision (d)	Income tax effects (e)	
	(RMB in millions, unless specified)						
Operating profit	36,742	2,033	(10,546)	114	127	–	28,470
Profit for the period	27,856	2,868	(10,374)	1,084	589	(350)	21,673
Profit attributable to equity holders	27,210	2,782	(10,351)	1,033	589	(333)	20,930
EPS (RMB per share)							
– basic	2.877						2.213
– diluted	2.844						2.187
Operating margin	43%						33%
Net margin	33%						25%

Unaudited three months ended 30 June 2018

	Adjustments						Non-GAAP
	As reported	Share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provision (d)	Income tax effects (e)	
	(RMB in millions, unless specified)						
Operating profit	21,807	1,798	(4,010)	99	2,564	–	22,258
Profit for the period	18,580	2,562	(4,232)	831	2,578	180	20,499
Profit attributable to equity holders	17,867	2,478	(4,170)	790	2,578	173	19,716
EPS (RMB per share)							
– basic	1.893						2.089
– diluted	1.868						2.062
Operating margin	30%						30%
Net margin	25%						28%

Unaudited six months ended 30 June 2019

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

Unaudited six months ended 30 June 2018

	Adjustments						Non-GAAP
	As reported	Share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provision (d)	Income tax effects (e)	
	(RMB in millions, unless specified)						
Operating profit	52,499	3,430	(11,798)	199	3,200	–	47,530
Profit for the period	42,553	4,244	(12,378)	1,381	3,292	537	39,629
Profit attributable to equity holders	41,157	4,063	(12,319)	1,296	3,290	542	38,029
EPS (RMB per share)							
– basic	4.363						4.031
– diluted	4.303						3.976
Operating margin	36%						32%
Net margin	29%						27%

Note:

- (a) Including put options granted to employees of investee companies on their shares and shares to be issued under investee companies' share-based incentive plans which can be acquired by the Group, and other incentives
- (b) Including net (gains)/losses on deemed disposals/disposals of investee companies, fair value changes arising from investee companies, and other expenses in relation to equity transactions of investee companies
- (c) Amortisation of intangible assets resulting from acquisitions
- (d) Impairment provisions for associates, joint ventures and intangible assets arising from acquisitions
- (e) Income tax effects of non-GAAP adjustments

Liquidity and Financial Resources

Our cash positions as at 30 June 2019 and 31 March 2019 are as follows:

	Unaudited 30 June 2019	Unaudited 31 March 2019
	(RMB in millions)	
Cash and cash equivalents	122,838	109,692
Term deposits and others	61,588	64,985
	184,426	174,677
Borrowings	(107,729)	(120,475)
Notes payable	(92,463)	(63,797)
Net debt	<u>(15,766)</u>	<u>(9,595)</u>
Fair value of our stakes in listed investee companies (excluding subsidiaries)	<u>329,012</u>	<u>310,712</u>

As at 30 June 2019, the Group had net debt of RMB15,766 million. The sequential increase in indebtedness mainly reflected payment of our final dividend for the year ended 31 December 2018.

For the second quarter of 2019, the Group had free cash flow of RMB20,698 million. This was a result of net cash flow generated from operating activities of RMB25,005 million, offset by payments for capital expenditure of RMB4,307 million.

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2019

	Note	Unaudited		Unaudited	
		Three months ended 30 June		Six months ended 30 June	
		2019	2018	2019	2018
		RMB'Million	RMB'Million	RMB'Million	RMB'Million
Revenues					
Value-added Services		48,080	42,069	97,054	88,946
FinTech and Business Services		22,888	16,666	44,677	31,848
Online Advertising		16,409	14,110	29,786	24,799
Others		1,444	830	2,769	1,610
		<u>88,821</u>	<u>73,675</u>	<u>174,286</u>	<u>147,203</u>
Cost of revenues	4	<u>(49,695)</u>	<u>(39,229)</u>	<u>(95,340)</u>	<u>(75,715)</u>
Gross profit		39,126	34,446	78,946	71,488
Interest income		1,652	1,072	3,060	2,137
Other gains, net	3	4,038	2,506	15,127	10,091
Selling and marketing expenses	4	(4,718)	(6,360)	(8,962)	(11,930)
General and administrative expenses	4	(12,577)	(9,857)	(23,908)	(19,287)
Operating profit		27,521	21,807	64,263	52,499
Finance costs, net		(1,982)	(1,151)	(3,099)	(1,805)
Share of profit/(loss) of associates and joint ventures		2,370	1,526	(587)	1,207
Profit before income tax		27,909	22,182	60,577	51,901
Income tax expense	5	<u>(3,225)</u>	<u>(3,602)</u>	<u>(8,037)</u>	<u>(9,348)</u>
Profit for the period		<u>24,684</u>	<u>18,580</u>	<u>52,540</u>	<u>42,553</u>
Attributable to:					
Equity holders of the Company		24,136	17,867	51,346	41,157
Non-controlling interests		548	713	1,194	1,396
		<u>24,684</u>	<u>18,580</u>	<u>52,540</u>	<u>42,553</u>
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)					
- basic	6	<u>2,550</u>	<u>1,893</u>	<u>5,427</u>	<u>4,363</u>
- diluted	6	<u>2,520</u>	<u>1,868</u>	<u>5,362</u>	<u>4,303</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2019**

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Profit for the period	<u>24,684</u>	<u>18,580</u>	<u>52,540</u>	<u>42,553</u>
Other comprehensive income, net of tax:				
<i>Items that may be subsequently reclassified to profit or loss</i>				
Share of other comprehensive				
loss of associates and joint ventures	(2)	(123)	(28)	(28)
Currency translation differences	3,059	5,579	1,060	200
Other fair value (losses)/gains	(1,388)	332	(2,036)	1,193
<i>Items that will not be subsequently reclassified to profit or loss</i>				
Net gains/(losses) from changes in fair value				
of financial assets at fair value through				
other comprehensive income	2,582	(535)	16,847	535
Other fair value losses	<u>(70)</u>	<u>(72)</u>	<u>(71)</u>	<u>(113)</u>
	<u>4,181</u>	<u>5,181</u>	<u>15,772</u>	<u>1,787</u>
Total comprehensive income for the period	<u>28,865</u>	<u>23,761</u>	<u>68,312</u>	<u>44,340</u>
Attributable to:				
Equity holders of the Company	28,080	22,636	66,571	42,780
Non-controlling interests	<u>785</u>	<u>1,125</u>	<u>1,741</u>	<u>1,560</u>
	<u>28,865</u>	<u>23,761</u>	<u>68,312</u>	<u>44,340</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

		Unaudited 30 June 2019 RMB'Million	Audited 31 December 2018 RMB'Million
ASSETS			
Non-current assets			
Property, plant and equipment		40,157	35,091
Right-of-use assets	1	10,816	–
Land use rights		7,180	7,106
Construction in progress		2,318	4,879
Investment properties		909	725
Intangible assets		56,256	56,650
Investments in associates	8	227,187	219,215
Investments in joint ventures		8,560	8,575
Financial assets at fair value through profit or loss	9	107,575	91,702
Financial assets at fair value through other comprehensive income	10	69,068	43,519
Prepayments, deposits and other assets		26,491	21,531
Other financial assets		187	1,693
Deferred income tax assets		16,883	15,755
		<u>573,587</u>	<u>506,441</u>
Current assets			
Inventories		312	324
Accounts receivable	11	32,199	28,427
Prepayments, deposits and other assets		23,504	18,493
Other financial assets		714	339
Financial assets at fair value through profit or loss	9	4,659	6,175
Term deposits		57,037	62,918
Restricted cash		2,014	2,590
Cash and cash equivalents		122,838	97,814
		<u>243,277</u>	<u>217,080</u>
Total assets		<u><u>816,864</u></u>	<u><u>723,521</u></u>

		Unaudited	Audited
		30 June	31 December
		2019	2018
	Note	RMB'Million	RMB'Million
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		–	–
Share premium		31,667	27,294
Shares held for share award schemes		(3,936)	(4,173)
Other reserves		16,038	729
Retained earnings		<u>342,687</u>	<u>299,660</u>
		386,456	323,510
Non-controlling interests		<u>34,576</u>	<u>32,697</u>
Total equity		<u>421,032</u>	<u>356,207</u>
LIABILITIES			
Non-current liabilities			
Borrowings	14	82,038	87,437
Notes payable	15	82,096	51,298
Long-term payables		2,873	4,797
Other financial liabilities		2,025	3,306
Deferred income tax liabilities		10,547	10,964
Lease liabilities	1	8,662	–
Deferred revenue		<u>5,643</u>	<u>7,077</u>
		193,884	164,879
Current liabilities			
Accounts payable	13	67,764	73,735
Other payables and accruals		32,314	33,312
Borrowings	14	25,691	26,834
Notes payable	15	10,367	13,720
Current income tax liabilities		9,711	10,210
Other tax liabilities		1,248	1,049
Other financial liabilities		1,228	1,200
Lease liabilities	1	2,778	–
Deferred revenue		<u>50,847</u>	<u>42,375</u>
		201,948	202,435
Total liabilities		<u>395,832</u>	<u>367,314</u>
Total equity and liabilities		<u>816,864</u>	<u>723,521</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Unaudited							
	Attributable to equity holders of the Company							
	Share capital	Share premium	Shares held for share award schemes	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Balance at 1 January 2019	-	27,294	(4,173)	729	299,660	323,510	32,697	356,207
Comprehensive income								
Profit for the period	-	-	-	-	51,346	51,346	1,194	52,540
Other comprehensive income, net of tax:								
– share of other comprehensive loss of associates and joint ventures	-	-	-	(27)	-	(27)	(1)	(28)
– net gains from changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	16,373	-	16,373	474	16,847
– currency translation differences	-	-	-	986	-	986	74	1,060
– other fair value losses, net	-	-	-	(2,107)	-	(2,107)	-	(2,107)
Total comprehensive income for the period	-	-	-	15,225	51,346	66,571	1,741	68,312
Share of other changes in net assets of associates	-	-	-	881	-	881	-	881
Transactions with equity holders								
Capital injection	-	-	-	-	-	-	237	237
Employee share option schemes:								
– value of employee services	-	1,090	-	22	-	1,112	22	1,134
– proceeds from shares issued	-	110	-	-	-	110	-	110
Employee share award schemes:								
– value of employee services	-	3,018	-	209	-	3,227	144	3,371
– shares withheld for share award schemes	-	-	(369)	-	-	(369)	-	(369)
– vesting of awarded shares	-	(606)	606	-	-	-	-	-
Profit appropriations to statutory reserves	-	-	-	14	(14)	-	-	-
Dividends	-	-	-	-	(8,305)	(8,305)	(23)	(8,328)
Non-controlling interests arising from business combination	-	-	-	-	-	-	51	51
Acquisition of additional equity interests in non-wholly owned subsidiaries	-	273	-	(258)	-	15	(628)	(613)
Dilution of interests in subsidiaries	-	-	-	(212)	-	(212)	267	55
Transfer of equity interests of subsidiaries to non-controlling interests	-	488	-	(572)	-	(84)	68	(16)
Total transactions with equity holders at their capacity as equity holders for the period	-	4,373	237	(797)	(8,319)	(4,506)	138	(4,368)
Balance at 30 June 2019	-	31,667	(3,936)	16,038	342,687	386,456	34,576	421,032

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 31 December 2017, as previously reported	<u>-</u>	<u>22,204</u>	<u>(3,970)</u>	<u>35,158</u>	<u>202,682</u>	<u>256,074</u>	<u>21,019</u>	<u>277,093</u>
Adjustment on adoption of IFRS 9	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,210)</u>	<u>16,210</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 1 January 2018	<u>-</u>	<u>22,204</u>	<u>(3,970)</u>	<u>18,948</u>	<u>218,892</u>	<u>256,074</u>	<u>21,019</u>	<u>277,093</u>
Comprehensive income								
Profit for the period	-	-	-	-	41,157	41,157	1,396	42,553
Other comprehensive income, net of tax:								
- share of other comprehensive loss of associates and joint ventures	-	-	-	(28)	-	(28)	-	(28)
- net gains from changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	520	-	520	15	535
- currency translation differences	-	-	-	51	-	51	149	200
- other fair value gains, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,080</u>	<u>-</u>	<u>1,080</u>	<u>-</u>	<u>1,080</u>
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,623</u>	<u>41,157</u>	<u>42,780</u>	<u>1,560</u>	<u>44,340</u>
Transfer of gains on disposal of financial assets at fair value through other comprehensive income to retained earnings	-	-	-	(3,313)	3,313	-	-	-
Share of other changes in net assets of associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>577</u>	<u>-</u>	<u>577</u>	<u>-</u>	<u>577</u>

Unaudited

	Attributable to equity holders of the Company							Total equity RMB'Million
	Share capital RMB'Million	Share premium RMB'Million	Shares held for share award schemes RMB'Million	Other reserves RMB'Million	Retained earnings RMB'Million	Total RMB'Million	Non-controlling interests RMB'Million	
Transactions with equity holders								
Capital injection	-	-	-	-	-	-	76	76
Employee share option schemes:								
– value of employee services	-	884	-	38	-	922	35	957
– proceeds from shares issued	-	336	-	-	-	336	-	336
Employee share award schemes:								
– value of employee services	-	2,035	-	226	-	2,261	121	2,382
– shares withheld for share award schemes	-	-	(701)	-	-	(701)	-	(701)
– vesting of awarded shares	-	(487)	487	-	-	-	-	-
Tax benefit from share-based payments of a subsidiary	-	-	-	140	-	140	-	140
Profit appropriations to statutory reserves	-	-	-	35	(35)	-	-	-
Dividends	-	-	-	-	(6,776)	(6,776)	(432)	(7,208)
Non-controlling interests arising from business combination	-	-	-	-	-	-	988	988
Acquisition of additional equity interests in non-wholly owned subsidiaries	-	243	-	(234)	-	9	(110)	(101)
Partial disposal of a subsidiary	-	-	-	-	-	-	(34)	(34)
Dilution of interests in subsidiaries	-	-	-	474	-	474	1,829	2,303
Transfer of equity interests of subsidiaries to non-controlling interests	-	-	-	(904)	-	(904)	904	-
Recognition of the financial liabilities in respect of the put option from business combinations	-	-	-	(406)	-	(406)	-	(406)
Total transactions with equity holders at their capacity as equity holders for the period	<u>-</u>	<u>3,011</u>	<u>(214)</u>	<u>(631)</u>	<u>(6,811)</u>	<u>(4,645)</u>	<u>3,377</u>	<u>(1,268)</u>
Balance at 30 June 2018	<u><u>-</u></u>	<u><u>25,215</u></u>	<u><u>(4,184)</u></u>	<u><u>17,204</u></u>	<u><u>256,551</u></u>	<u><u>294,786</u></u>	<u><u>25,956</u></u>	<u><u>320,742</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'Million	RMB'Million
		(Restated)
		(Note 1)
Net cash flows generated from operating activities	53,804	43,265
Net cash flows used in investing activities	(36,300)	(72,896)
Net cash flows generated from financing activities	<u>7,252</u>	<u>28,261</u>
Net increase/(decrease) in cash and cash equivalents	24,756	(1,370)
Cash and cash equivalents at beginning of the period	97,814	105,697
Exchange gains on cash and cash equivalents	<u>268</u>	<u>296</u>
Cash and cash equivalents at end of the period	<u><u>122,838</u></u>	<u><u>104,623</u></u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	53,244	44,058
Term deposits and highly liquid investments with initial terms within three months	<u>69,594</u>	<u>60,565</u>
	<u><u>122,838</u></u>	<u><u>104,623</u></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, FinTech and Business Services and Online Advertising services.

The condensed consolidated interim financial information comprises the consolidated statement of financial position as at 30 June 2019, 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 six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the “Interim Financial Information”). The Interim Financial Information is presented in RMB, unless otherwise stated.

The Interim Financial Information has 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 2018, which have been prepared in accordance with IFRS, as set out in the 2018 annual report of the Company dated 21 March 2019 (the “2018 Financial Statements”).

Except as described below, the accounting policies and method of computation used in the preparation of the Interim Financial Information are consistent with those used in the 2018 Financial Statements, which have been prepared in accordance with IFRS under the historical cost convention, as modified by the revaluation of FVPL, FVOCI, 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 Group has adopted IFRS 16 on 1 January 2019, which results in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provision under IFRS 16, the Group has applied the simplified transition approach, and all right-of-use assets were measured at the amount of the lease liabilities on adoption (adjusted for any prepaid or accrued lease expenses). Comparative figures for the 2018 financial year have not been restated.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019.

All right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. The impact on transition is summarised as below:

	1 January 2019
	RMB' Million
Right-of-use assets	9,688
Lease liabilities	(9,955)
Prepayments, deposits and other assets	(23)
Other payables and accruals	290

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term within 12 months as at 1 January 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

Upon adoption of IFRS 16, principal elements of lease payments and related interest portion have been classified within financing activities.

In addition, starting from the first quarter of 2019, the Group has reclassified interest paid in cash flow presentation from operating activities to financing activities in order to reflect the nature of business. Comparative figures have been reclassified to conform with the current period presentation.

2 Segment information

In view of the increased scale and business importance of payments, financial and enterprise-facing activities, and to help investors better understand the Group's revenue structure and margin trends, a new segment named "FinTech and Business Services" has been separated from "Others" segment from the first quarter of 2019 onwards, both in the internal reports to the chief operating decision makers and in the consolidated financial statements of the Group. The new "FinTech and Business Services" segment primarily consists of the financials of: (a) payment, wealth management and other FinTech services, previously classified under the "Others" segment; and (b) cloud services and other enterprise-facing activities such as our Smart Retail initiative, previously classified under the "Others" segment. The comparative figures have been restated to conform with the new presentation. The Board believes that the above changes in segment information better reflect current market trends, as well as resource allocation and future business development of the Group.

The Group has the following reportable segments for the three and six months ended 30 June 2019 and 2018:

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

Subsequent to the change, the “Others” business segment now consists of the financials of investments 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 2019 and 2018. 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 2019 and 2018 is as follows:

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

Unaudited					
Three months ended 30 June 2018					
	VAS	FinTech and Business Services	Online Advertising	Others	Total
	RMB'Million	RMB'Million (Restated)	RMB'Million	RMB'Million (Restated)	RMB'Million
Segment revenues	<u>42,069</u>	<u>16,666</u>	<u>14,110</u>	<u>830</u>	<u>73,675</u>
Gross profit	<u>24,816</u>	<u>4,339</u>	<u>5,272</u>	<u>19</u>	<u>34,446</u>
Depreciation	457	810	294	20	1,581
Amortisation	<u>2,854</u>	<u>–</u>	<u>3,178</u>	<u>15</u>	<u>6,047</u>

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

	Unaudited				Total RMB'Million
	Six months ended 30 June 2018				
	VAS RMB'Million	FinTech and Business Services RMB'Million (Restated)	Online Advertising RMB'Million	Others RMB'Million (Restated)	
Segment revenues	<u>88,946</u>	<u>31,848</u>	<u>24,799</u>	<u>1,610</u>	<u>147,203</u>
Gross profit	<u>54,473</u>	<u>8,300</u>	<u>8,605</u>	<u>110</u>	<u>71,488</u>
Depreciation	891	1,465	529	40	2,925
Amortisation	<u>5,164</u>	<u>–</u>	<u>6,142</u>	<u>73</u>	<u>11,379</u>

3 Other gains, net

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2019 RMB'Million	2018 RMB'Million	2019 RMB'Million	2018 RMB'Million
Net fair value gains on FVPL (a)	1,816	2,946	6,999	8,988
Net gains on disposals and deemed disposals of investee companies (b)	2,850	725	6,517	2,297
Impairment provision for investee companies and intangible assets arising from acquisitions (c)	(2,139)	(2,564)	(2,266)	(3,200)
Net fair value gains on other financial instruments	284	339	1,980	513
Subsidies and tax rebates	978	704	1,861	1,928
Dividends income	300	274	542	319
Donations to Tencent Charity Funds	–	–	(700)	(570)
Others	(51)	82	194	(184)
	<u>4,038</u>	<u>2,506</u>	<u>15,127</u>	<u>10,091</u>

Note:

- (a) Net fair value gains on FVPL of approximately RMB6,999 million (Note 9) recognised during the six months ended 30 June 2019 mainly comprised the following:
- aggregate fair value gains of RMB1,886 million (six months ended 30 June 2018: RMB1,745 million) arising from reclassification of several investments principally engaged in Internet-related business from FVPL to investments in associates due to the conversion of redeemable instruments or preferred shares into ordinary shares with board representation upon their respective IPOs; and
 - net gains of approximately RMB5,113 million (six months ended 30 June 2018: RMB7,243 million) arising from fair value changes as a result of changes in valuations of FVPL.
- (b) The disposal and deemed disposal gains of approximately RMB6,517 million recognised during the six months ended 30 June 2019 mainly comprised the following:
- net gains of approximately RMB4,011 million (six months ended 30 June 2018: RMB1,185 million) on dilution of the Group's equity interests in certain associates due to new equity interests being issued by these associates (Note 8). These investee companies are principally engaged in Internet-related business; and
 - aggregate net gains of approximately RMB2,506 million (six months ended 30 June 2018: RMB984 million) on disposals, partial disposals or deemed disposals of various investments of the Group.
- (c) The impairment provision for investee companies and intangible assets arising from acquisitions mainly comprised the following:

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Investments in associates and joint ventures (Note 8(d))	2,139	2,564	2,266	3,196
Others	–	–	–	4
	<u>2,139</u>	<u>2,564</u>	<u>2,266</u>	<u>3,200</u>

4 Expenses by nature

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Transaction costs (a)	20,210	16,419	38,673	31,302
Employee benefits expenses (b)	12,643	10,363	24,259	19,938
Content costs (excluding amortisation of intangible assets)	11,295	8,647	22,552	16,478
Amortisation of intangible assets (c)	7,081	6,262	12,996	11,803
Bandwidth and server custody fees (excluding depreciation of right-of-use assets)	3,991	3,737	8,069	7,148
Depreciation of property, plant and equipment, investment properties and right-of-use assets	3,737	1,918	7,143	3,582
Promotion and advertising expenses	3,661	5,176	6,982	9,750
Travelling and entertainment expenses	387	334	721	607

Note:

- (a) Transaction costs primarily consist of bank handling fees, channel and distribution costs.
- (b) During the three and six months ended 30 June 2019, the Group incurred expenses for the purpose of R&D of approximately RMB7,117 million and RMB13,606 million, respectively (three and six months ended 30 June 2018: approximately RMB5,722 million and RMB10,728 million, respectively), which mainly comprised employee benefits expenses of approximately RMB5,786 million and RMB11,215 million, respectively (three and six months ended 30 June 2018: approximately RMB4,697 million and RMB9,090 million respectively).

During the three and six months ended 30 June 2019, employee benefits expenses included the share-based compensation expenses of approximately RMB2,453 million and RMB4,486 million, respectively (three and six months ended 30 June 2018: approximately RMB1,798 million and RMB3,430 million, respectively).

No significant development expenses had been capitalised for the three and six months ended 30 June 2019 and 2018.

- (c) Included the amortisation charges of intangible assets mainly in respect of media contents and game licences.

During the three and six months ended 30 June 2019, amortisation of intangible assets included the amortisation of intangible assets resulting from acquisitions of approximately RMB118 million and RMB232 million, respectively (three and six months ended 30 June 2018: approximately RMB99 million and RMB199 million, respectively).

5 Income tax expense

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

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

The Group was not subject to any taxation in the Cayman Islands and the British Virgin Islands for the three and six months ended 30 June 2019 and 2018.

(b) Hong Kong profits tax

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profit for the three and six months ended 30 June 2019 and 2018.

(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 Mainland China for the three and six months ended 30 June 2019 and 2018. The general PRC CIT rate is 25% for the three and six months ended 30 June 2019 and 2018.

Certain subsidiaries of the Group in Mainland China were approved as High and New Technology Enterprises, and accordingly, they were subject to a preferential CIT rate of 15% for the three and six months ended 30 June 2019 and 2018. Moreover, according to announcement and circular issued by relevant government authorities, certain subsidiaries that qualified as national key software enterprises were subject to a preferential CIT rate of 10%.

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

(d) Corporate income tax in other jurisdictions

Income tax on profit arising from other jurisdictions, including the United States, Europe, East Asia and South America, has been calculated on the estimated assessable profit for the three and six months ended 30 June 2019 and 2018 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 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 China and Hong Kong, the relevant withholding tax rate applicable to such foreign investor will be reduced from 10% to 5% subject to the fulfilment of certain conditions.

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

The income tax expense of the Group for the three and six months ended 30 June 2019 and 2018 are analysed as follows:

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Current income tax	4,354	4,049	8,796	8,538
Deferred income tax	(1,129)	(447)	(759)	810
	<u>3,225</u>	<u>3,602</u>	<u>8,037</u>	<u>9,348</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 Three months ended 30 June		Unaudited Six months ended 30 June	
	2019	2018	2019	2018
Profit attributable to equity holders of the Company (RMB Million)	<u>24,136</u>	<u>17,867</u>	<u>51,346</u>	<u>41,157</u>
Weighted average number of ordinary shares in issue (million shares)	<u>9,464</u>	<u>9,438</u>	<u>9,461</u>	<u>9,434</u>
Basic EPS (RMB per share)	<u>2.550</u>	<u>1.893</u>	<u>5.427</u>	<u>4.363</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). No adjustment is made to earnings (numerator).

In addition, the share options and restricted shares granted by the Company's non-wholly owned subsidiaries and associates should also have potential dilutive effect on the EPS. During the three and six months ended 30 June 2019 and 2018, these share options and restricted shares had either anti-dilutive effect or insignificant dilutive effect to the Group's diluted EPS.

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2019	2018	2019	2018
Profit attributable to equity holders of the Company (RMB' Million)	<u>24,136</u>	<u>17,867</u>	<u>51,346</u>	<u>41,157</u>
Weighted average number of ordinary shares in issue (million shares)	9,464	9,438	9,461	9,434
Adjustments for share options and awarded shares (million shares)	<u>113</u>	<u>125</u>	<u>114</u>	<u>130</u>
Weighted average number of ordinary shares for the calculation of diluted EPS (million shares)	<u>9,577</u>	<u>9,563</u>	<u>9,575</u>	<u>9,564</u>
Diluted EPS (RMB per share)	<u>2.520</u>	<u>1.868</u>	<u>5.362</u>	<u>4.303</u>

7 Dividends

A final dividend in respect of the year ended 31 December 2018 of HKD1.00 per share (2017: HKD0.88 per share) was proposed pursuant to a resolution passed by the Board on 21 March 2019 and approved by the shareholders at the 2019 AGM. Such dividend amounting to RMB8,305 million (final dividend for 2017: RMB6,776 million) was paid during three months ended 30 June 2019.

A special dividend of approximately HKD250 million (equivalent to approximately RMB219 million) was declared in December 2018 to the shareholders of the Company by way of a distribution in respect of the separate listing of TME, a non-wholly owned subsidiary of the Group on the New York Stock Exchange. Such dividend was settled by the Group with cash and TME shares in February 2019.

The Board did not declare any interim dividend for the six months ended 30 June 2019 and 2018.

8 Investments in associates

	Unaudited	Audited
	30 June	31 December
	2019	2018
	RMB'Million	RMB'Million
Investments in associates		
– Listed entities (Note)	136,532	130,633
– Unlisted entities	90,655	88,582
	<u>227,187</u>	<u>219,215</u>

Note:

As at 30 June 2019, the fair value of the investments in associates which are listed entities was RMB252,670 million (31 December 2018: RMB187,339 million).

Movement of investments in associates is analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'Million	RMB'Million
At beginning of period	219,215	113,779
Additions (a)	8,459	31,976
Transfers (b)	823	5,020
Deemed disposal gains (Note 3(b))	4,011	1,185
Share of (loss)/profit of associates	(538)	1,127
Share of other comprehensive loss of associates	(22)	(26)
Share of other changes in net assets of associates	881	577
Dividends	(100)	(226)
Disposals (c)	(3,549)	(661)
Impairment provision (d)	(2,266)	(959)
Currency translation differences	273	1,010
	<u>227,187</u>	<u>152,802</u>
At end of period	<u>227,187</u>	<u>152,802</u>

Note:

- (a) The Group acquired certain new associates and made additional investments in existing associates with an aggregate amount of approximately RMB8,459 million during the six months ended 30 June 2019. These associates are principally engaged in transportation network, retail and other Internet-related business.
- (b) During the six months ended 30 June 2019, transfers comprised of associates achieved in stages of an aggregate amount of approximately RMB5,309 million, which included investment in associates of approximately RMB3,202 million transferred from FVPL due to the conversion of redeemable instruments or preferred shares into ordinary shares upon their IPOs. In addition, investment in associates of an aggregate amount of approximately RMB4,486 million were transferred to financial instruments as a result of changes in nature of these investments.
- (c) During the six months ended 30 June 2019, an A share listed company completed its substantial assets reorganisation to acquire the entire equity interest in an associate held by the Group through share swap. Upon completion of the aforesaid reorganisation, the Group received approximately 5% of ordinary shares issued by the listed company valued at approximately RMB3,526 million. Since the Group has no board seat in the listed company and the investment in ordinary shares is not held for trading, management designated this investment as FVOCI.
- (d) During the six months ended 30 June 2019, the Group made an aggregate impairment provision of approximately RMB2,266 million (six months ended 30 June 2018: RMB959 million) against the carrying amounts of certain investments in associates based on the respective assessed recoverable amounts.

9 Financial assets at fair value through profit or loss

FVPL include the following:

	Unaudited 30 June 2019 RMB'Million	Audited 31 December 2018 RMB'Million
Included in non-current assets:		
Investments in listed entities	10,806	9,123
Investments in unlisted entities	90,056	78,234
Others	<u>6,713</u>	<u>4,345</u>
	<u>107,575</u>	<u>91,702</u>
Included in current assets:		
Treasury investments and others	<u>4,659</u>	<u>6,175</u>
	<u><u>112,234</u></u>	<u><u>97,877</u></u>

Movement of FVPL is analysed as follows:

	Unaudited Six months ended 30 June 2019 RMB'Million	2018 RMB'Million
At beginning of period	97,877	–
Adjustment on adoption of IFRS 9	–	95,497
Additions (a)	16,801	33,444
Transfers ((b) and Note 8(b))	(2,952)	(5,205)
Changes in fair value (Note 3(a))	6,999	8,988
Disposals	(6,953)	(7,434)
Currency translation differences	<u>462</u>	<u>2,147</u>
At end of period	<u><u>112,234</u></u>	<u><u>127,437</u></u>

Note:

- (a) During the six months ended 30 June 2019, the Group made a number of new investments and additional investments with an aggregate amount of approximately RMB16,801 million in listed and unlisted entities mainly operating in the United States, the PRC and other Asian countries. These companies are principally engaged in social networks, Internet platform, technology and other Internet-related business.
- (b) During the six months ended 30 June 2019, except as described above in Note 8(b), transfers also comprised an equity investment designated as FVOCI due to the conversion of the redeemable instruments into ordinary shares amounting to approximately RMB1,395 million upon its IPO.

10 Financial assets at fair value through other comprehensive income

FVOCI include the following:

	Unaudited 30 June 2019 RMB'Million	Audited 31 December 2018 RMB'Million
Equity investments in listed entities		
– United States	52,528	33,120
– Mainland China	9,561	5,365
– France	3,009	3,093
– Hong Kong	438	–
	<u>65,536</u>	<u>41,578</u>
Equity investments in unlisted entities	<u>3,532</u>	<u>1,941</u>
	<u>69,068</u>	<u>43,519</u>

Movement of FVOCI is analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'Million	RMB'Million
At beginning of period	43,519	–
Adjustment on adoption of IFRS 9	–	58,515
Additions ((a) and Note 8(c))	6,001	14,044
Transfers	2,129	–
Changes in fair value	16,920	438
Disposals	–	(6,341)
Currency translation differences	499	300
	<hr/>	<hr/>
At end of period	69,068	66,956
	<hr/> <hr/>	<hr/> <hr/>

Note:

During the six months ended 30 June 2019, except as described above in Note 8(c), the Group also made certain new investments and additional investments with an aggregate amount of approximately RMB2,475 million, in the companies which are principally engaged in Internet-related business.

11 Accounts receivable

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

	Unaudited	Audited
	30 June	31 December
	2019	2018
	RMB'Million	RMB'Million
0 ~ 30 days	11,807	11,200
31 ~ 60 days	10,554	7,695
61 ~ 90 days	4,561	4,201
Over 90 days	5,277	5,331
	<hr/>	<hr/>
	32,199	28,427
	<hr/> <hr/>	<hr/> <hr/>

Receivable balances as at 30 June 2019 and 31 December 2018 mainly represented amounts due from online advertising customers and agencies, FinTech and cloud customers, third party platform providers and content production related customers.

Some online advertising customers and agencies are usually granted with a credit period within 90 days immediately following the month-end in which the relevant obligation 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 and the Post-IPO Option Scheme II expired on 31 December 2011, 23 March 2014 and 16 May 2017, 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.

In respect of the Post-IPO Option Scheme III and the Post-IPO Option Scheme IV which continue 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 10-year period for the Post-IPO Option Scheme III and a 7-year period for the Post-IPO Option Scheme IV after the date of grant of option.

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

	Post-IPO Option Scheme II		Post-IPO Option Scheme III		Post-IPO Option Scheme IV		Total No. of options
	Average	No. of options	Average	No. of options	Average	No. of options	
	exercise price		exercise price		exercise price		
At 1 January 2019	HKD185.25	51,499,010	-	-	HKD374.52	36,277,234	87,776,244
Granted	-	-	-	-	HKD376.00	23,696,575	23,696,575
Exercised	HKD168.17	(509,236)	-	-	HKD272.36	(154,184)	(663,420)
Lapsed/forfeited	HKD148.90	<u>(1,225)</u>	-	-	HKD325.28	<u>(158,662)</u>	<u>(159,887)</u>
At 30 June 2019	HKD185.42	<u>50,988,549</u>	-	-	HKD375.50	<u>59,660,963</u>	<u>110,649,512</u>
Exercisable as at 30 June 2019	HKD172.04	<u>33,919,512</u>	-	-	HKD382.40	<u>7,793,394</u>	<u>41,712,906</u>
At 1 January 2018	HKD179.90	55,510,248	HKD31.70	2,500,000	HKD273.80	9,155,860	67,166,108
Granted	-	-	-	-	HKD410.21	22,491,840	22,491,840
Exercised	HKD106.48	(3,170,239)	HKD31.70	(2,500,000)	-	-	(5,670,239)
Lapsed/forfeited	HKD131.47	<u>(37,139)</u>	-	-	HKD272.36	<u>(91,490)</u>	<u>(128,629)</u>
At 30 June 2018	HKD184.38	<u>52,302,870</u>	-	-	HKD371.03	<u>31,556,210</u>	<u>83,859,080</u>
Exercisable as at 30 June 2018	HKD160.05	<u>22,212,605</u>	-	-	-	-	<u>22,212,605</u>

During the six months ended 30 June 2019, 3,506,580 options were granted to one director of the Company (six months ended 30 June 2018: 3,215,800 options were granted to one director of the Company).

(b) Share award schemes

The Company has adopted the Share Award Schemes as of 30 June 2019, 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 2019 and 2018 are as follows:

	Number of awarded shares	
	Six months ended 30 June	
	2019	2018
At beginning of period	50,247,895	63,636,254
Granted	28,190,873	3,766,965
Lapsed/forfeited	(1,359,202)	(1,181,802)
Vested and transferred	(8,726,893)	<u>(7,806,084)</u>
At end of period	<u>68,352,673</u>	<u>58,415,333</u>
Vested but not transferred as at the end of period	<u>34,630</u>	<u>89,313</u>

During the six months ended 30 June 2019, 53,500 awarded shares were granted to four independent non-executive directors of the Company (six months ended 30 June 2018: 39,500 awarded shares were granted to four independent non-executive directors of the Company).

13 Accounts payable

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

	Unaudited	Audited
	30 June	31 December
	2019	2018
	RMB'Million	RMB'Million
0 ~ 30 days	47,329	56,506
31 ~ 60 days	7,012	6,264
61 ~ 90 days	1,077	1,557
Over 90 days	12,346	<u>9,408</u>
	<u>67,764</u>	<u>73,735</u>

14 Borrowings

	Unaudited	Audited
	30 June	31 December
	2019	2018
	RMB'Million	RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD bank borrowings, unsecured (a)	65,832	70,938
Non-current portion of long-term EUR bank borrowings, unsecured (a)	1,172	–
Non-current portion of long-term RMB bank borrowings, unsecured (a)	10,578	11,189
Non-current portion of long-term HKD bank borrowings, unsecured (a)	4,456	5,310
	<u>82,038</u>	<u>87,437</u>
Included in current liabilities:		
USD bank borrowings, unsecured (b)	–	16,403
HKD bank borrowings, unsecured (b)	16,294	3,368
RMB bank borrowings, unsecured (b)	503	628
Current portion of long-term USD bank borrowings, unsecured (a)	2,543	5,628
Current portion of long-term RMB bank borrowings, – unsecured (a)	5,472	332
– secured (a)	–	475
Current portion of long-term HKD bank borrowings, unsecured (a)	879	–
	<u>25,691</u>	<u>26,834</u>
	<u>107,729</u>	<u>114,271</u>

Note:

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

	Unaudited 30 June 2019		Audited 31 December 2018	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
USD bank borrowings	USD9,946	LIBOR + 0.70% ~ 1.27% or a fixed interest rate of 1.875%	USD11,156	LIBOR + 0.70% ~ 1.51% or a fixed interest rate of 1.875%
EUR bank borrowings	EUR150	0.520%	–	–
HKD bank borrowings	HKD6,070	HIBOR + 0.70% ~ 0.80%	HKD6,070	HIBOR + 0.70% ~ 0.85%
RMB bank borrowings	RMB16,050	4.18% ~ 5.70%	RMB11,996	4.18% ~ 9.00%

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

	Unaudited 30 June 2019		Audited 31 December 2018	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
USD bank borrowings	–	–	USD2,390	LIBOR + 0.50% ~ 0.55%
HKD bank borrowings	HKD18,540	HIBOR + 0.45% ~ 0.55%	HKD3,850	HIBOR + 0.50% ~ 0.55%
RMB bank borrowings	RMB503	3.92% ~ 5.44%	RMB628	5.22% ~ 5.44%

15 Notes payable

	Unaudited 30 June 2019 RMB'Million	Audited 31 December 2018 RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD notes payable	82,096	48,501
Non-current portion of long-term HKD notes payable	—	2,797
	<u>82,096</u>	<u>51,298</u>
Included in current liabilities:		
Current portion of long-term USD notes payable	7,556	13,720
Current portion of long-term HKD notes payable	2,811	—
	<u>10,367</u>	<u>13,720</u>
	<u><u>92,463</u></u>	<u><u>65,018</u></u>

Note:

The aggregate principal amounts of USD notes payable and HKD notes payable were USD13,100 million (31 December 2018: USD9,100 million) and HKD3,200 million (31 December 2018: HKD3,200 million), respectively. Applicable interest rates are at 2.875% ~ 4.70% and 3-month USD LIBOR + 0.605% ~ 0.910% (31 December 2018: 2.875% ~ 4.70% and 3-month USD LIBOR + 0.605%) per annum.

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

On 11 April 2019, the Company issued five tranches of senior notes under the Global Medium Term Note Programme with an aggregate principal amount of USD6 billion as set out below.

	Amount (USD'Million)	Interest Rate (per annum)	Due
2024 Notes	1,250	3.280%	2024
2024 Floating Rate Notes	750	3-month USD LIBOR + 0.910%	2024
2026 Notes	500	3.575%	2026
2029 Notes	3,000	3.975%	2029
2049 Notes	500	4.525%	2049
	<u>6,000</u>		

OTHER INFORMATION

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2019.

Employee and Remuneration Policies

As at 30 June 2019, the Group had 56,310 employees (30 June 2018: 48,684). 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 2019 was RMB24,259 million (for the six months ended 30 June 2018: RMB19,938 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 2019. 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

Save as disclosed in the corporate governance report in the 2018 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 2019 to 30 June 2019.

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

APPRECIATION

On behalf of the Board, I would like to thank our staff and management team for their commitment, great determination and professionalism. I would also like to express our appreciation to our shareholder and stakeholders for their strong support. Together, we are confident that our commitment to building an ecosystem that prioritise our users' needs in both Consumer Internet and Industry Internet will create long-term value for our shareholders.

By Order of the Board
Ma Huateng
Chairman

Hong Kong, 14 August 2019

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, Iain Ferguson Bruce, Ian Charles Stone and Yang Siu Shun.

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 future. Underlying these forward-looking statements are a large number 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
“2019 AGM”	the annual general meeting of the Company held on 15 May 2019
“AR”	augmented reality
“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
“CIT”	corporate income tax
“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
“DnF”	Dungeon and Fighter
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“EPS”	earnings per share
“EUR”	the lawful currency of European Union
“FIFA”	International Federation of Association Football
“FinTech”	financial technology

“FVOCI”	financial assets at fair value through other comprehensive income
“FVPL”	financial assets at fair value through profit or loss
“GAAP”	Generally Accepted Accounting Principles
“Group”	the Company and its subsidiaries
“HIBOR”	Hong Kong InterBank Offered Rate
“HKD”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region, the PRC
“IaaS”	Infrastructure-as-a-Service
“IAS”	International Accounting Standards
“IFRS”	International Financial Reporting Standards
“IPO”	initial public offering
“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
“PC”	personal computer
“PICC”	the People’s Insurance Company (Group) of China Limited
“PRC CIT”	PRC corporate income tax as defined in the “Corporate Income Tax Law of the People’s Republic of China”

“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
“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
“RMB”	the lawful currency of the PRC
“RPG”	role playing game
“Share Award Schemes”	the share award scheme adopted by the Company on 13 December 2007, as amended, and the share award scheme adopted by the Company on 13 November 2013, as amended
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tencent Charity Funds”	charity funds established by the Group
“TME”	Tencent Music Entertainment Group, a limited liability company incorporated under the laws of the Cayman Islands and listed on the New York Stock Exchange
“United States”	the United States of America
“USD”	the lawful currency of the United States
“VAS”	value-added services