

Unaudited
Nine months ended

	30 September 2019	30 September 2018	Year- on-year change
	(RMB in millions, unless specified)		
Revenues	271,522	227,798	19%
Gross profit	121,425	106,968	14%
Operating profit	90,090	80,360	12%
Profit for the period	73,516	65,958	11%
Profit attributable to equity holders of the Company	71,728	64,490	11%
Non-IFRS profit attributable to equity holders of the Company	68,867	57,739	19%
EPS (RMB per share)			
– basic	7.578	6.832	11%
– diluted	7.486	6.741	11%
Non-IFRS EPS (RMB per share)			
– basic	7.276	6.116	19%
– diluted	7.188	6.035	19%

BUSINESS REVIEW AND OUTLOOK

1. Company Strategic Highlights

This quarter marked the first anniversary of our strategic organizational upgrade. While we believe that the upgrade will generate its desired results over the next several years, we are pleased to report some initial progress and results. For example:

- We consolidated our efforts to help various industries reap the benefits of digitalization, supporting important rapid revenue growth and reached substantial scale for our Cloud Services.
- We reinforced our historic leadership in long form content activities such as drama series, variety shows, anime series, music, literature and comics via upstream integration. We established significant market share in newsfeed services, where the competitive landscape has stabilized, and are seeking to similarly capture share in short and mini video, where the competitive landscape is still fast-changing.
- We pioneered and then proliferated Mini Programs, fostering a vibrant ecosystem with a large number of mid-to-long tail Mini Programs, as well as better online and offline integration. We have exceeded 300 million DAU for Mini Programs, and now feature vertical Mini Programs via Weixin Pay entry points for healthcare, mobility and smart retail services.
- We have made encouraging progress toward globalizing our activities, particularly for online games, where we created, published and/or operated some of the most popular mobile games outside China, such as PUBG MOBILE and Call of Duty Mobile; international markets contributed a teens percentage of our games revenue in the quarter.
- We have streamlined our operations for agility, resulting in, for example, a reduction in our selling and marketing expenses to revenue ratio in recent quarters.

Communication and Social

During the third quarter of 2019, combined MAU of Weixin and WeChat was 1,151.0 million, up 6% year-on-year. Smart device MAU of QQ was 653.4 million, down 6% year-on-year. We enhanced our security protocol and proactively cleaned up accounts that engaged in spamming, and bots activities.

In Weixin, we sought to enhance the Mini Programs ecosystem. For example, we launched Growth Program, which provides Mini Programs system integrators with the training and development tools to better support Mini Programs owners. We introduced Industry Assistant, a dashboard tool which enables Mini Programs owners to gain analytical insight into their operations and enhance efficiencies. Daily commercial transactions in mid-to-long tail Mini Programs more than doubled year-on-year.

In QQ, we released a feature which recommends ice-breaking topics in 5-minute chatrooms. We enhanced the core chat experience by enabling users to dedicate songs to their friends and to listen to synchronized music streaming together.

Online Games

Total online games revenues increased 11% year-on-year to RMB28.6 billion.

Total smart phone games revenues (including smart phone games revenues attributable to our social networks business) increased 25% year-on-year to RMB24.3 billion. The robust performance of key domestic titles and increasing contributions from overseas titles drove the growth.

Sequentially, smart phone games revenues grew 9%. In China, Peacekeeper Elite's summer content update enhanced user engagement. Peacekeeper Elite contributed to cash receipts for the full quarter, but is still in the early-stage of deferred revenue recognition. DAU of Honour of Kings remained healthy and more users purchased season passes. New role-playing and strategy games also contributed to the quarterly revenue growth. Internationally, PUBG MOBILE doubled its MAU year-on-year, and we co-developed the Call of Duty Mobile game with Activision Blizzard, which exceeded 100 million downloads within a month of launch, making it one of the biggest ever smart phone game launches.

Our PC client games revenues decreased 7% year-on-year and 2% quarter-on-quarter to RMB11.5 billion, due to reduced revenue from DnF, whose recent 11th anniversary content update resulted in fewer paying users than the year-ago update. League of Legends' (LoL's) auto-chess mode Teamfight Tactics (TFT) established global leadership in the emerging auto chess genre by leveraging the core MOBA's strong IP and engaged user base. TFT enhanced LoL's user time spent and increased its revenue internationally. In China, LoL's active users and cash receipts also grew year-on-year.

We have proactively implemented our Healthy Gameplay System since 2017 and upgraded it last year, in order to foster balanced game playing habits among younger players. As a result, we believe the recent regulations that limit younger players' game play will have limited additional impact to our business.

Digital Content

Fee-based VAS subscriptions increased 11% year-on-year to 170.6 million, mainly attributable to video and music subscriptions. Tencent Video subscriptions grew 22% year-on-year to 100.2 million. Music subscriptions increased 42% year-on-year to 35.4 million as our paid content library expanded.

Daily views of short and mini videos distributed via our Penguin Media Content Platform grew rapidly, benefitting from more sophisticated content curation and more targeted distribution to our high DAU platforms including Tencent Video, QQ KanDian and QQ Mobile Browser.

Online Advertising

Online advertising revenues were RMB18.4 billion, up 13% year-on-year. Strong advertiser demand from the games, education, and eCommerce verticals offset weakness from the automobile sector.

Media advertising revenues were RMB3.7 billion, down 28% year-on-year, and down 17% quarter-on-quarter due to uncertain content scheduling and lower sponsorship advertising revenues. Resilient mobile video DAU and higher advertising loads drove rapid growth of in-feed advertising in Tencent Video.

Social and others advertising revenues growth accelerated in the quarter, up 32% year-on-year and up 23% quarter-on-quarter to RMB14.7 billion. Weixin Moments advertising revenues grew on more inventories and increased impressions. Our mobile advertising network revenues increased as we streamlined our advertising formats and rolled out more video advertising inventories. Weixin Mini Programs advertising revenues climbed due to DAU and impressions growth, as well as new formats such as interstitial ads and pre-roll ads.

FinTech and Business Services

FinTech and Business Services revenues were RMB26.8 billion, up 36% year-on-year.

Within FinTech Services, our payment ecosystem is becoming more vibrant as user activities and money flows increase. We experienced robust growth in commercial payment transactions, especially offline, as well as commercial payments volume, due to more daily active consumers, number of transactions per user, and active merchants.

With increased loyalty, users were more willing to retain funds in our ecosystems and increasingly using more FinTech services on our platform, which resulted in improved margin for the business. For wealth management, in particular, the number of LiCaiTong users more than doubled year-on-year, boosting our aggregated customer assets.

Within Business Services, cloud revenues grew 80% year-on-year to RMB4.7 billion due to increased consumption from existing customers and an expanded customer base in the education, financial, municipal services and retail sectors. For example, Tencent Cloud contracted the digitalization of school operations in the Luohu district of Shenzhen, the largest software-only project for the education vertical in China. We also experienced rapid growth in Smart Industries solutions, notably our smart retail initiatives. We launched initiatives to foster more SaaS solutions, by facilitating collaboration between SaaS enterprises and tools from Tencent such as cloud services and WeChat Work. We enhanced our cloud services operating efficiency as our scale grew and we optimized our supply chain.

MANAGEMENT DISCUSSION AND ANALYSIS

Third Quarter of 2019 Compared to Third Quarter of 2018

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

	Unaudited	
	Three months ended	
	30 September	30 September
	2019	2018
	(RMB in millions)	
Revenues	97,236	80,595
Cost of revenues	<u>(54,757)</u>	<u>(45,115)</u>
Gross profit	42,479	35,480
Interest income	1,674	1,082
Other gains, net	932	8,762
Selling and marketing expenses	(5,722)	(6,573)
General and administrative expenses	<u>(13,536)</u>	<u>(10,890)</u>
Operating profit	25,827	27,861
Finance costs, net	(1,747)	(1,492)
Share of profit of associates and joint ventures	<u>234</u>	<u>264</u>
Profit before income tax	24,314	26,633
Income tax expense	<u>(3,338)</u>	<u>(3,228)</u>
Profit for the period	<u><u>20,976</u></u>	<u><u>23,405</u></u>
Attributable to:		
Equity holders of the Company	20,382	23,333
Non-controlling interests	<u>594</u>	<u>72</u>
	<u><u>20,976</u></u>	<u><u>23,405</u></u>
Non-IFRS profit attributable to equity holders of the Company	<u><u>24,412</u></u>	<u><u>19,710</u></u>

Revenues. Revenues increased by 21% to RMB97,236 million for the third quarter of 2019 on a year-on-year basis. The following table sets forth our revenues by line of business for the third quarter of 2019 and the third quarter of 2018:

	Unaudited			
	Three months ended			
	30 September 2019		30 September 2018	
	Amount	% of total revenues	Amount	% of total revenues
			(Restated)	(Restated)
	(RMB in millions, unless specified)			
VAS	50,629	52%	44,049	55%
FinTech and Business Services	26,758	28%	19,693	24%
Online Advertising	18,366	19%	16,247	20%
Others	1,483	1%	606	1%
Total revenues	<u>97,236</u>	<u>100%</u>	<u>80,595</u>	<u>100%</u>

- Revenues from VAS increased by 15% to RMB50,629 million for the third quarter of 2019 on a year-on-year basis. Online games revenues grew by 11% to RMB28,604 million. The increase primarily reflected revenue growth from smart phone games in both domestic and overseas markets, including key titles such as Honour of Kings, PUBG MOBILE and Peacekeeper Elite, partly offset by lower revenues from PC client games such as DnF. Social networks revenues increased by 21% to RMB22,025 million. The increase was mainly driven by greater contributions from digital content services such as live streaming, video streaming subscriptions and music streaming services.
- Revenues from FinTech and Business Services increased by 36% to RMB26,758 million for the third quarter of 2019 on a year-on-year basis. The increase primarily reflected greater revenues from commercial payments due to both increased daily active consumers and number of transactions per user, as well as revenue growth from cloud services as a result of penetration in key verticals.

- Revenues from Online Advertising increased by 13% to RMB18,366 million for the third quarter of 2019 on a year-on-year basis. Social and others advertising revenues increased by 32% to RMB14,716 million. The increase was mainly due to advertising revenue growth from Weixin Moments as a result of its increased inventories and impressions, as well as contributions from our mobile advertising network. Media advertising revenues decreased by 28% to RMB3,650 million. The decrease was primarily driven by lower revenues from our media platforms including Tencent Video due to the challenging macro environment and unpredictability in scheduling major content releases.

Cost of revenues. Cost of revenues increased by 21% to RMB54,757 million for the third quarter of 2019 on a year-on-year basis. The increase was mainly due to greater content costs, costs of FinTech services and channel costs. As a percentage of revenues, cost of revenues was 56% for the third quarter of 2019, broadly stable compared to the third quarter of 2018. The following table sets forth our cost of revenues by line of business for the third quarter of 2019 and the third quarter of 2018:

	Unaudited			
	Three months ended			
	30 September 2019		30 September 2018	
	Amount	% of segment revenues	Amount (Restated)	% of segment revenues (Restated)
	(RMB in millions, unless specified)			
VAS	24,402	48%	19,158	43%
FinTech and Business Services	19,339	72%	14,740	75%
Online Advertising	9,411	51%	10,279	63%
Others	1,605	108%	938	155%
Total cost of revenues	<u>54,757</u>		<u>45,115</u>	

- Cost of revenues for VAS increased by 27% to RMB24,402 million for the third quarter of 2019 on a year-on-year basis. The increase mainly reflected greater content costs for services and products such as live streaming, video streaming subscriptions and online games, as well as higher channel costs for smart phone games.
- Cost of revenues for FinTech and Business Services increased by 31% to RMB19,339 million for the third quarter of 2019 on a year-on-year basis. The increase was primarily driven by the business growth of FinTech and cloud services.
- Cost of revenues for Online Advertising decreased by 8% to RMB9,411 million for the third quarter of 2019 on a year-on-year basis. The decrease was mainly due to lower content costs for our video advertising.

Other gains, net. We recorded net other gains of RMB932 million for the third quarter of 2019, which mainly comprised of non-IFRS adjustment items such as net deemed disposal gains arising from the capital activities of certain investee companies, partly offset by impairment provisions against certain investments in verticals such as connected automobile.

Selling and marketing expenses. Selling and marketing expenses decreased by 13% to RMB5,722 million for the third quarter of 2019 on a year-on-year basis. The decrease mainly reflected 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 6% for the third quarter of 2019 from 8% for the third quarter of 2018.

General and administrative expenses. General and administrative expenses increased by 24% to RMB13,536 million for the third quarter of 2019 on a year-on-year basis. The increase was mainly driven by greater R&D expenses and staff costs. As a percentage of revenues, general and administrative expenses were 14% for the third quarter of 2019, broadly stable compared to the third quarter of 2018.

Finance costs, net. Net finance costs increased by 17% to RMB1,747 million for the third quarter of 2019 on a year-on-year basis. The increase was primarily due to higher interest expenses resulting from greater indebtedness, partly offset by the recognition of foreign exchange gains.

Income tax expense. Income tax expense increased by 3% to RMB3,338 million for the third quarter of 2019 on a year-on-year basis. The increase mainly reflected higher taxable income.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company decreased by 13% to RMB20,382 million for the third quarter of 2019 on a year-on-year basis. Excluding a fair value gain from Meituan Dianping upon its IPO in the third quarter of 2018, impairment of investments and certain other items, non-IFRS profit attributable to equity holders of the Company increased by 24% to RMB24,412 million.

Third Quarter of 2019 Compared to Second Quarter of 2019

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

	Unaudited	
	Three months ended	
	30 September	30 June
	2019	2019
	(RMB in millions)	
Revenues	97,236	88,821
Cost of revenues	<u>(54,757)</u>	<u>(49,695)</u>
Gross profit	42,479	39,126
Interest income	1,674	1,652
Other gains, net	932	4,038
Selling and marketing expenses	(5,722)	(4,718)
General and administrative expenses	<u>(13,536)</u>	<u>(12,577)</u>
Operating profit	25,827	27,521
Finance costs, net	(1,747)	(1,982)
Share of profit of associates and joint ventures	<u>234</u>	<u>2,370</u>
Profit before income tax	24,314	27,909
Income tax expense	<u>(3,338)</u>	<u>(3,225)</u>
Profit for the period	<u>20,976</u>	<u>24,684</u>
Attributable to:		
Equity holders of the Company	20,382	24,136
Non-controlling interests	<u>594</u>	<u>548</u>
	<u>20,976</u>	<u>24,684</u>
Non-IFRS profit attributable to equity holders of the Company	<u>24,412</u>	<u>23,525</u>

Revenues. Revenues increased by 9% to RMB97,236 million for the third quarter of 2019 on a quarter-on-quarter basis.

- Revenues from VAS grew by 5% to RMB50,629 million for the third quarter of 2019. Online games revenues increased by 5% to RMB28,604 million. The increase primarily reflected revenue contributions from recently launched domestic titles such as Peacekeeper Elite, as well as increasing overseas contributions from PUBG MOBILE. Social networks revenues increased by 6% to RMB22,025 million. The increase was primarily driven by revenue growth of in-game virtual item sales, as well as digital content services such as music and live streaming services.
- Revenues from FinTech and Business Services increased by 17% to RMB26,758 million for the third quarter of 2019. The increase mainly benefited from growth of commercial payment activity, as well as cloud services.
- Revenues from Online Advertising increased by 12% to RMB18,366 million for the third quarter of 2019. Social and others advertising revenues grew by 23% to RMB14,716 million. The increase was mainly due to greater advertising revenue from Weixin Moments and our mobile advertising network. Media advertising revenues decreased by 17% to RMB3,650 million. The decrease primarily reflected lower revenues from our media platforms such as Tencent Video due to lower sponsorship advertising revenues resulting from uncertain content broadcasting scheduling.

Cost of revenues. Cost of revenues increased by 10% to RMB54,757 million for the third quarter of 2019 on a quarter-on-quarter basis. The increase was primarily driven by greater content costs, costs of FinTech services and channel costs. As a percentage of revenues, cost of revenues was 56% for the third quarter of 2019, broadly stable compared to the second quarter of 2019.

- Cost of revenues for VAS increased by 7% to RMB24,402 million for the third quarter of 2019. The increase was mainly due to an increase in content costs for video streaming subscriptions as a result of the timing of new drama series, and higher channel costs for smart phone games due to greater revenues.

- Cost of revenues for FinTech and Business Services increased by 11% to RMB19,339 million for the third quarter of 2019. The increase primarily reflected greater costs of payment-related services, flowing from increased payment activity.
- Cost of revenues for Online Advertising increased by 12% to RMB9,411 million for the third quarter of 2019. The increase was primarily driven by higher traffic acquisition costs paid to media partners as a result of growth in our advertising network revenue, as well as higher content costs.

Selling and marketing expenses. Selling and marketing expenses increased by 21% to RMB5,722 million for the third quarter of 2019 on a quarter-on-quarter basis. The increase was mainly due to seasonally greater marketing spending on digital content, FinTech services and smart phone games.

General and administrative expenses. General and administrative expenses increased by 8% to RMB13,536 million for the third quarter of 2019 on a quarter-on-quarter basis. The increase primarily reflected greater R&D expenses and staff costs.

Share of profit of associates and joint ventures. Share of profit of associates and joint ventures decreased by 90% to RMB234 million for the third quarter of 2019 on a quarter-on-quarter basis, mainly reflecting certain associates booking non-cash fair value changes of their investment portfolios. Non-IFRS share of profit of associates and joint ventures decreased by 14% on a quarter-on-quarter basis.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company decreased by 16% to RMB20,382 million for the third quarter of 2019 on a quarter-on-quarter basis. Non-IFRS profit attributable to equity holders of the Company increased by 4% to RMB24,412 million.

Other Financial Information

	Unaudited Three months ended			Unaudited Nine months ended	
	30 September 2019	30 June 2019	30 September 2018	30 September 2019	30 September 2018
	(RMB in millions, unless specified)				
EBITDA (a)	35,378	32,649	27,568	101,593	83,224
Adjusted EBITDA (a)	38,123	35,102	29,577	108,823	88,572
Adjusted EBITDA margin (b)	39%	40%	37%	40%	39%
Interest and related expenses	2,086	1,757	1,298	5,342	3,553
Net debt (c)	(7,173)	(15,766)	(29,227)	(7,173)	(29,227)
Capital expenditures (d)	6,632	4,362	5,974	15,500	19,377

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			Nine months ended	
	30 September	30 June	30 September	30 September	30 September
	2019	2019	2018	2019	2018
(RMB in millions, unless specified)					
Operating profit	25,827	27,521	27,861	90,090	80,360
Adjustments:					
Interest income	(1,674)	(1,652)	(1,082)	(4,734)	(3,219)
Other (gains)/losses, net	(932)	(4,038)	(8,762)	(16,059)	(18,853)
Depreciation of property, plant and equipment and investment properties	3,232	2,989	2,321	9,025	5,903
Depreciation of right-of-use assets	806	748	–	2,156	–
Amortisation of intangible assets	8,119	7,081	7,230	21,115	19,033
EBITDA	35,378	32,649	27,568	101,593	83,224
Equity-settled share-based compensation	2,745	2,453	2,009	7,230	5,348
Adjusted EBITDA	<u>38,123</u>	<u>35,102</u>	<u>29,577</u>	<u>108,823</u>	<u>88,572</u>

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 third quarter of 2019 and 2018, the second quarter of 2019, and the first nine months of 2019 and 2018 to the nearest measures prepared in accordance with IFRS:

Unaudited three months ended 30 September 2019							
Adjustments							
	As reported	Share-based compensation	Net (gains)/ losses from investee companies	Amortisation of intangible assets	Impairment provision	Income tax effects	Non-IFRS
	(a)	(b)	(c)	(d)	(e)		
(RMB in millions, unless specified)							
Operating profit	25,827	2,745	(1,814)	118	1,668	-	28,544
Profit for the period	20,976	3,568	(2,509)	1,544	1,981	(474)	25,086
Profit attributable to equity holders	20,382	3,475	(2,444)	1,491	1,971	(463)	24,412
EPS (RMB per share)							
- basic	2.151						2.577
- diluted	2.127						2.548
Operating margin	27%						29%
Net margin	22%						26%

Unaudited three months ended 30 June 2019

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

Unaudited three months ended 30 September 2018

	Adjustments						Non-IFRS
	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	27,861	2,011	(20,949)	127	13,513	–	22,563
Profit for the period	23,405	3,531	(20,718)	943	13,511	(249)	20,423
Profit attributable to equity holders	23,333	3,458	(20,694)	892	12,935	(214)	19,710
EPS (RMB per share)							
– basic	2.469						2.085
– diluted	2.440						2.061
Operating margin	35%						28%
Net margin	29%						25%

Unaudited nine months ended 30 September 2019

	Adjustments						Non-IFRS
	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	90,090	7,231	(17,310)	350	3,934	–	84,295
Profit for the period	73,516	8,809	(19,406)	4,114	5,062	(1,145)	70,950
Profit attributable to equity holders	71,728	8,553	(19,317)	3,956	5,052	(1,105)	68,867
EPS (RMB per share)							
– basic	7.578						7.276
– diluted	7.486						7.188
Operating margin	33%						31%
Net margin	27%						26%

Unaudited nine months ended 30 September 2018

	Adjustments						Non-IFRS
	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	80,360	5,441	(32,747)	326	16,713	–	70,093
Profit for the period	65,958	7,775	(33,096)	2,324	16,803	288	60,052
Profit attributable to equity holders	64,490	7,521	(33,013)	2,188	16,225	328	57,739
EPS (RMB per share)							
– basic	6.832						6.116
– diluted	6.741						6.035
Operating margin	35%						31%
Net margin	29%						26%

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-IFRS adjustments

Liquidity and Financial Resources

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

	Unaudited 30 September 2019	Unaudited 30 June 2019
	(RMB in millions)	
Cash and cash equivalents	145,607	122,838
Term deposits and others	54,499	61,588
	200,106	184,426
Borrowings	(112,148)	(107,729)
Notes payable	(95,131)	(92,463)
Net debt	<u>(7,173)</u>	<u>(15,766)</u>
Fair value of our stakes in listed investee companies (excluding subsidiaries)	<u>352,656</u>	<u>329,012</u>

As at 30 September 2019, the Group had net debt of RMB7,173 million. The sequential decrease in indebtedness mainly reflected strong free cash flow generation, partially offset by payments for M&A initiatives and media content.

For the third quarter of 2019, the Group had free cash flow of RMB37,732 million. This was a result of net cash flow generated from operating activities of RMB44,182 million, offset by payments for capital expenditure of RMB6,450 million.

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2019

	Note	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2019 RMB'Million	2018 RMB'Million	2019 RMB'Million	2018 RMB'Million
Revenues					
Value-added Services		50,629	44,049	147,683	132,995
FinTech and Business Services		26,758	19,693	71,435	51,541
Online Advertising		18,366	16,247	48,152	41,046
Others		1,483	606	4,252	2,216
		<u>97,236</u>	<u>80,595</u>	<u>271,522</u>	<u>227,798</u>
Cost of revenues	4	<u>(54,757)</u>	<u>(45,115)</u>	<u>(150,097)</u>	<u>(120,830)</u>
Gross profit		42,479	35,480	121,425	106,968
Interest income		1,674	1,082	4,734	3,219
Other gains, net	3	932	8,762	16,059	18,853
Selling and marketing expenses	4	(5,722)	(6,573)	(14,684)	(18,503)
General and administrative expenses	4	(13,536)	(10,890)	(37,444)	(30,177)
Operating profit		25,827	27,861	90,090	80,360
Finance costs, net		(1,747)	(1,492)	(4,846)	(3,297)
Share of profit/(loss) of associates and joint ventures		234	264	(353)	1,471
Profit before income tax		24,314	26,633	84,891	78,534
Income tax expense	5	<u>(3,338)</u>	<u>(3,228)</u>	<u>(11,375)</u>	<u>(12,576)</u>
Profit for the period		<u>20,976</u>	<u>23,405</u>	<u>73,516</u>	<u>65,958</u>
Attributable to:					
Equity holders of the Company		20,382	23,333	71,728	64,490
Non-controlling interests		594	72	1,788	1,468
		<u>20,976</u>	<u>23,405</u>	<u>73,516</u>	<u>65,958</u>
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)					
– basic	6(a)	<u>2.151</u>	<u>2.469</u>	<u>7.578</u>	<u>6.832</u>
– diluted	6(b)	<u>2.127</u>	<u>2.440</u>	<u>7.486</u>	<u>6.741</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2019

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2019	2018	2019	2018
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Profit for the period	20,976	23,405	73,516	65,958
Other comprehensive income, net of tax:				
<i>Items that may be subsequently reclassified to profit or loss</i>				
Share of other comprehensive (loss)/income of associates and joint ventures	(21)	41	(49)	13
Transfer of share of other comprehensive income to profit or loss upon deemed disposal of associates	(3)	–	(3)	–
Currency translation differences	2,069	4,462	3,129	4,662
Other fair value (losses)/gains	(475)	223	(2,511)	1,416
<i>Items that will not be subsequently reclassified to profit or loss</i>				
Net (losses)/gains from changes in fair value of financial assets at fair value through other comprehensive income	(3,213)	(7,864)	13,634	(7,329)
Other fair value (losses)/gains	(96)	22	(167)	(91)
	(1,739)	(3,116)	14,033	(1,329)
Total comprehensive income for the period	19,237	20,289	87,549	64,629
Attributable to:				
Equity holders of the Company	18,885	19,761	85,456	62,541
Non-controlling interests	352	528	2,093	2,088
	19,237	20,289	87,549	64,629

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

		Unaudited 30 September 2019 RMB'Million	Audited 31 December 2018 RMB'Million
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment		43,104	35,091
Right-of-use assets	1	10,820	–
Land use rights		7,136	7,106
Construction in progress		2,702	4,879
Investment properties		890	725
Intangible assets		54,422	56,650
Investments in associates	8	230,009	219,215
Investments in joint ventures		8,478	8,575
Financial assets at fair value through profit or loss	9	122,249	91,702
Financial assets at fair value through other comprehensive income	10	68,332	43,519
Prepayments, deposits and other assets		30,167	21,531
Other financial assets		116	1,693
Deferred income tax assets		17,832	15,755
		<u>596,257</u>	<u>506,441</u>
Current assets			
Inventories		412	324
Accounts receivable	11	32,069	28,427
Prepayments, deposits and other assets		24,110	18,493
Other financial assets		377	339
Financial assets at fair value through profit or loss	9	5,748	6,175
Term deposits		49,596	62,918
Restricted cash		2,046	2,590
Cash and cash equivalents		145,607	97,814
		<u>259,965</u>	<u>217,080</u>
Total assets		<u>856,222</u>	<u>723,521</u>

		Unaudited 30 September 2019 RMB'Million	Audited 31 December 2018 RMB'Million
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		–	–
Share premium		32,811	27,294
Treasury shares		(66)	–
Shares held for share award schemes		(3,988)	(4,173)
Other reserves		12,078	729
Retained earnings		<u>363,147</u>	<u>299,660</u>
		403,982	323,510
Non-controlling interests		<u>37,555</u>	<u>32,697</u>
Total equity		<u>441,537</u>	<u>356,207</u>
LIABILITIES			
Non-current liabilities			
Borrowings	14	90,013	87,437
Notes payable	15	84,474	51,298
Long-term payables		3,172	4,797
Other financial liabilities		2,597	3,306
Deferred income tax liabilities		9,461	10,964
Lease liabilities	1	8,534	–
Deferred revenue		<u>4,910</u>	<u>7,077</u>
		203,161	164,879
Current liabilities			
Accounts payable	13	71,212	73,735
Other payables and accruals		37,464	33,312
Borrowings	14	22,135	26,834
Notes payable	15	10,657	13,720
Current income tax liabilities		10,175	10,210
Other tax liabilities		1,279	1,049
Other financial liabilities		1,141	1,200
Lease liabilities	1	2,989	–
Deferred revenue		<u>54,472</u>	<u>42,375</u>
		211,524	202,435
Total liabilities		<u>414,685</u>	<u>367,314</u>
Total equity and liabilities		<u>856,222</u>	<u>723,521</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

	Unaudited								
	Attributable to equity holders of the Company								
	Share capital	Share premium	Treasury shares	Shares held for share award schemes	Other reserves	Retained earnings	Total	Non- controlling interests	Total equity
	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Balance at 1 January 2019	-	27,294	-	(4,173)	729	299,660	323,510	32,697	356,207
Comprehensive income									
Profit for the period	-	-	-	-	-	71,728	71,728	1,788	73,516
Other comprehensive income, net of tax:									
- share of other comprehensive loss of associates and joint ventures	-	-	-	-	(48)	-	(48)	(1)	(49)
- transfer of share of other comprehensive income to profit or loss upon deemed disposal of associates	-	-	-	-	(3)	-	(3)	-	(3)
- net gains from changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	13,657	-	13,657	(23)	13,634
- currency translation differences	-	-	-	-	2,800	-	2,800	329	3,129
- other fair value losses, net	-	-	-	-	(2,678)	-	(2,678)	-	(2,678)
Total comprehensive income for the period	-	-	-	-	13,728	71,728	85,456	2,093	87,549
Transfer of gains on deemed disposal of financial assets at fair value through other comprehensive income to retained earnings	-	-	-	-	(76)	76	-	-	-
Share of other changes in net assets of associates	-	-	-	-	1,630	-	1,630	-	1,630
Transfer of share of other changes in net assets of associates to profit or loss upon deemed disposal of associates	-	-	-	-	(149)	-	(149)	-	(149)

Unaudited

Attributable to equity holders of the Company									
	Share capital	Share premium	Shares held for share			Retained earnings	Total	Non-controlling interests	Total equity
			Treasury shares	award schemes	Other reserves				
	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	
Transactions with equity holders									
Capital injection	-	-	-	-	-	-	-	273	273
Employee share option schemes:									
– value of employee services	-	1,564	-	-	40	-	1,604	41	1,645
– proceeds from shares issued	-	169	-	-	-	-	169	-	169
Employee share award schemes:									
– value of employee services	-	5,063	-	-	304	-	5,367	217	5,584
– shares withheld for share award schemes	-	-	-	(1,117)	-	-	(1,117)	-	(1,117)
– vesting of awarded shares	-	(1,302)	-	1,302	-	-	-	-	-
Repurchase and cancellation of shares	-	(740)	-	-	-	-	(740)	-	(740)
Repurchase of shares (not yet cancelled)	-	-	(66)	-	-	-	(66)	-	(66)
Tax benefit from share-based payments	-	-	-	-	578	-	578	-	578
Profit appropriations to statutory reserves	-	-	-	-	12	(12)	-	-	-
Dividends	-	-	-	-	-	(8,305)	(8,305)	(25)	(8,330)
Non-controlling interests arising from business combination	-	-	-	-	-	-	-	29	29
Acquisition of additional equity interests in non-wholly owned subsidiaries	-	275	-	-	(504)	-	(229)	(790)	(1,019)
Dilution of interests in subsidiaries	-	-	-	-	(282)	-	(282)	306	24
Transfer of equity interests of subsidiaries to non-controlling interests	-	488	-	-	(3,932)	-	(3,444)	2,714	(730)
Total transactions with equity holders at their capacity as equity holders for the period	-	5,517	(66)	185	(3,784)	(8,317)	(6,465)	2,765	(3,700)
Balance at 30 September 2019	-	32,811	(66)	(3,988)	12,078	363,147	403,982	37,555	441,537

Unaudited

	Attributable to equity holders of the Company								
	Share capital	Share premium	Treasury shares	Shares held for share award schemes	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Balance at 31 December 2017, as previously reported	<u>-</u>	<u>22,204</u>	<u>-</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>-</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>-</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	-	-	-	-	-	64,490	64,490	1,468	65,958
Other comprehensive income, net of tax:									
- share of other comprehensive income of associates and joint ventures	-	-	-	-	13	-	13	-	13
- net (losses)/gains from changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	(7,483)	-	(7,483)	154	(7,329)
- currency translation differences	-	-	-	-	4,196	-	4,196	466	4,662
- other fair value gains, net	-	-	-	-	1,325	-	1,325	-	1,325
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,949)</u>	<u>64,490</u>	<u>62,541</u>	<u>2,088</u>	<u>64,629</u>
Transfer of gains on disposal of financial assets at fair value through other comprehensive income to retained earnings	-	-	-	-	(9,381)	9,381	-	-	-
Share of other changes in net assets of associates	-	-	-	-	1,936	-	1,936	-	1,936

Unaudited

	Attributable to equity holders of the Company								
	Share capital	Share premium	Treasury shares	Shares held for share award schemes	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Transactions with equity holders									
Capital injection	-	-	-	-	-	-	-	76	76
Employee share option schemes:									
– value of employee services	-	1,434	-	-	50	-	1,484	44	1,528
– proceeds from shares issued	-	461	-	-	-	-	461	-	461
Employee share award schemes:									
– value of employee services	-	3,303	-	-	333	-	3,636	185	3,821
– shares withheld for share award schemes	-	-	-	(1,887)	-	-	(1,887)	-	(1,887)
– vesting of awarded shares	-	(1,558)	-	1,558	-	-	-	-	-
Repurchase and cancellation of shares	-	(368)	-	-	-	-	(368)	-	(368)
Repurchase of shares (not yet cancelled)	-	-	(102)	-	-	-	(102)	-	(102)
Tax benefit from share-based payments	-	-	-	-	153	-	153	-	153
Profit appropriations to statutory reserves	-	-	-	-	35	(35)	-	-	-
Dividends	-	-	-	-	-	(6,776)	(6,776)	(453)	(7,229)
Non-controlling interests arising from business combinations	-	-	-	-	-	-	-	988	988
Acquisition of additional equity interests in non-wholly owned subsidiaries	-	291	-	-	(515)	-	(224)	(60)	(284)
Partial disposal of a subsidiary	-	-	-	-	-	-	-	(34)	(34)
Dilution of interests in subsidiaries	-	-	-	-	478	-	478	1,909	2,387
Transfer of equity interests of subsidiaries to non-controlling interests	-	-	-	-	(2,619)	-	(2,619)	2,619	-
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>3,563</u>	<u>(102)</u>	<u>(329)</u>	<u>(2,491)</u>	<u>(6,811)</u>	<u>(6,170)</u>	<u>5,274</u>	<u>(896)</u>
Balance at 30 September 2018	<u>-</u>	<u>25,767</u>	<u>(102)</u>	<u>(4,299)</u>	<u>7,063</u>	<u>285,952</u>	<u>314,381</u>	<u>28,381</u>	<u>342,762</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

	Unaudited	
	Nine months ended	
	30 September	
	2019	2018
	RMB'Million	RMB'Million
		(Restated)
		(Note 1)
Net cash flows generated from operating activities	97,986	76,545
Net cash flows used in investing activities	(56,382)	(102,224)
Net cash flows generated from financing activities	<u>4,207</u>	<u>23,010</u>
Net increase/(decrease) in cash and cash equivalents	45,811	(2,669)
Cash and cash equivalents at beginning of the period	97,814	105,697
Exchange gains on cash and cash equivalents	<u>1,982</u>	<u>2,366</u>
Cash and cash equivalents at end of the period	<u>145,607</u>	<u>105,394</u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	53,329	38,671
Term deposits and highly liquid investments with initial terms within three months	<u>92,278</u>	<u>66,723</u>
	<u>145,607</u>	<u>105,394</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 September 2019, the consolidated income statement and the consolidated statement of comprehensive income for the three and nine months then ended, the consolidated statement of changes in equity and the consolidated statement of cash flows for nine months then ended, and a summary of significant accounting policies and other explanatory notes (the “Interim Financial Information”). The Interim Financial Information is presented in RMB, unless otherwise stated.

The Interim Financial Information has 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 assets 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.

Since the first quarter of 2019, the Group has reclassified interest paid in cash flow presentation from operating activities to financing activities, which better 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2019 and 2018 is as follows:

	Unaudited				
	Three months ended 30 September 2019				
	VAS	FinTech and Business Services	Online Advertising	Others	Total
	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Segment revenues	<u>50,629</u>	<u>26,758</u>	<u>18,366</u>	<u>1,483</u>	<u>97,236</u>
Gross profit/(loss)	<u>26,227</u>	<u>7,419</u>	<u>8,955</u>	<u>(122)</u>	<u>42,479</u>
Depreciation	897	1,744	528	26	3,195
Amortisation	<u>4,349</u>	<u>–</u>	<u>2,948</u>	<u>594</u>	<u>7,891</u>

	Unaudited				
	Three months ended 30 September 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>44,049</u>	<u>19,693</u>	<u>16,247</u>	<u>606</u>	<u>80,595</u>
Gross profit/(loss)	<u>24,891</u>	<u>4,953</u>	<u>5,968</u>	<u>(332)</u>	<u>35,480</u>
Depreciation	521	1,007	395	45	1,968
Amortisation	<u>3,504</u>	<u>–</u>	<u>3,413</u>	<u>56</u>	<u>6,973</u>

	Unaudited				
	Nine months ended 30 September 2019				
	VAS	FinTech and Business Services	Online Advertising	Others	Total
	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Segment revenues	<u>147,683</u>	<u>71,435</u>	<u>48,152</u>	<u>4,252</u>	<u>271,522</u>
Gross profit	<u>79,717</u>	<u>19,124</u>	<u>22,533</u>	<u>51</u>	<u>121,425</u>
Depreciation	2,474	4,727	1,481	79	8,761
Amortisation	<u>11,036</u>	<u>–</u>	<u>8,081</u>	<u>1,313</u>	<u>20,430</u>

	Unaudited				
	Nine months ended 30 September 2018				
	VAS	FinTech and Business Services	Online Advertising	Others	Total
	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
		(Restated)		(Restated)	
Segment revenues	<u>132,995</u>	<u>51,541</u>	<u>41,046</u>	<u>2,216</u>	<u>227,798</u>
Gross profit/(loss)	<u>79,364</u>	<u>13,253</u>	<u>14,573</u>	<u>(222)</u>	<u>106,968</u>
Depreciation	1,412	2,472	924	85	4,893
Amortisation	<u>8,668</u>	<u>–</u>	<u>9,555</u>	<u>129</u>	<u>18,352</u>

3 Other gains, net

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2019 RMB'Million	2018 RMB'Million	2019 RMB'Million	2018 RMB'Million
Net gains on disposals and deemed disposals of investee companies (a)	1,899	528	8,416	2,825
Net fair value gains on FVPL (b)	33	20,146	7,032	29,134
Impairment provision for investee companies and intangible assets arising from acquisitions (c)	(1,668)	(13,513)	(3,934)	(16,713)
Subsidies and tax rebates	1,214	692	3,075	2,620
Net fair value (losses)/gains on other financial instruments	(118)	275	1,862	788
Donations to Tencent Charity Funds	(150)	–	(850)	(570)
Dividends income	209	299	751	618
Others	(487)	335	(293)	151
	<u>932</u>	<u>8,762</u>	<u>16,059</u>	<u>18,853</u>

Note:

- (a) The disposal and deemed disposal gains of approximately RMB8,416 million recognised during the nine months ended 30 September 2019 mainly comprised the following:
- net gains of approximately RMB4,813 million (nine months ended 30 September 2018: RMB1,517 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 RMB3,603 million (nine months ended 30 September 2018: RMB1,308 million) on disposals, partial disposals or deemed disposals of various investments of the Group.

- (b) Net fair value gains on FVPL of approximately RMB7,032 million (Note 9) recognised during the nine months ended 30 September 2019 mainly comprised the following:
- aggregate fair value gains of RMB1,886 million (nine months ended 30 September 2018: RMB22,215 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 IPO; and
 - net gains of approximately RMB5,146 million (nine months ended 30 September 2018: RMB6,919 million) arising from fair value changes as a result of changes in valuations of FVPL.
- (c) The impairment provision for investee companies and intangible assets arising from acquisitions mainly comprised the following:

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Investments in associates and joint ventures (Note 8(d))	1,648	12,337	3,914	15,533
Intangible assets arising from acquisitions	<u>20</u>	<u>1,176</u>	<u>20</u>	<u>1,180</u>
	<u>1,668</u>	<u>13,513</u>	<u>3,934</u>	<u>16,713</u>

4 Expenses by nature

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2019 RMB'Million	2018 RMB'Million	2019 RMB'Million	2018 RMB'Million
Transaction costs (a)	22,260	18,810	60,933	50,112
Employee benefits expenses (b)	13,580	11,251	37,839	31,189
Content costs (excluding amortisation of intangible assets)	12,226	9,799	34,778	26,277
Amortisation of intangible assets (c)	8,119	7,230	21,115	19,033
Bandwidth and server custody fees (excluding depreciation of right-of-use assets)	3,946	4,365	12,015	11,513
Depreciation of property, plant and equipment, investment properties and right-of-use assets	4,038	2,321	11,181	5,903
Promotion and advertising expenses	4,422	5,409	11,404	15,159
Travelling and entertainment expenses	454	400	1,175	1,007

Note:

- (a) Transaction costs primarily consist of bank handling fees, channel and distribution costs.
- (b) During the three and nine months ended 30 September 2019, the Group incurred expenses for the purpose of R&D of approximately RMB7,924 million and RMB21,530 million, respectively (three and nine months ended 30 September 2018: approximately RMB6,254 million and RMB16,982 million, respectively), which mainly comprised employee benefits expenses of approximately RMB6,268 million and RMB17,483 million, respectively (three and nine months ended 30 September 2018: approximately RMB5,149 million and RMB14,239 million respectively).

During the three and nine months ended 30 September 2019, employee benefits expenses included the share-based compensation expenses of approximately RMB2,745 million and RMB7,231 million, respectively (three and nine months ended 30 September 2018: approximately RMB2,011 million and RMB5,441 million, respectively).

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

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

During the three and nine months ended 30 September 2019, amortisation of intangible assets included the amortisation of intangible assets resulting from acquisitions of approximately RMB118 million and RMB350 million, respectively (three and nine months ended 30 September 2018: approximately RMB127 million and RMB326 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 nine months ended 30 September 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 nine months ended 30 September 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 the Mainland China for the three and nine months ended 30 September 2019 and 2018. The general PRC CIT rate is 25% for the three and nine months ended 30 September 2019 and 2018.

Certain subsidiaries of the Group in the Mainland China were approved as High and New Technology Enterprises, and accordingly, they were subject to a preferential corporate income tax rate of 15% for the three and nine months ended 30 September 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 corporate income tax rate of 10%.

In addition, according to relevant tax circulars issued by the Mainland China tax authorities, certain subsidiaries of the Company are entitled to other tax concessions, mainly including the preferential policy of "2-year exemption and 3-year half rate concession" and the preferential tax rate of 15% applicable for some subsidiaries located in certain areas of Mainland 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, East Asia and South America, has been calculated on the estimated assessable profit for the three and nine months ended 30 September 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 nine months ended 30 September 2019 and 2018 are analysed as follows:

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Current income tax	3,521	4,056	12,317	12,594
Deferred income tax	(183)	(828)	(942)	(18)
	<u>3,338</u>	<u>3,228</u>	<u>11,375</u>	<u>12,576</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 September		Unaudited Nine months ended 30 September	
	2019	2018	2019	2018
Profit attributable to equity holders of the Company (RMB' Million)	<u>20,382</u>	<u>23,333</u>	<u>71,728</u>	<u>64,490</u>
Weighted average number of ordinary shares in issue (million shares)	<u>9,475</u>	<u>9,452</u>	<u>9,465</u>	<u>9,440</u>
Basic EPS (RMB per share)	<u>2.151</u>	<u>2.469</u>	<u>7.578</u>	<u>6.832</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 nine months ended 30 September 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		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
Profit attributable to equity holders of the Company (RMB' Million)	<u>20,382</u>	<u>23,333</u>	<u>71,728</u>	<u>64,490</u>
Weighted average number of ordinary shares in issue (million shares)	9,475	9,452	9,465	9,440
Adjustments for share options and awarded shares (million shares)	<u>107</u>	<u>109</u>	<u>116</u>	<u>127</u>
Weighted average number of ordinary shares for the calculation of diluted EPS (million shares)	<u>9,582</u>	<u>9,561</u>	<u>9,581</u>	<u>9,567</u>
Diluted EPS (RMB per share)	<u>2.127</u>	<u>2.440</u>	<u>7.486</u>	<u>6.741</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 nine months ended 30 September 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 shares of TME in February 2019.

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

8 Investments in associates

	Unaudited	Audited
	30 September	31 December
	2019	2018
	RMB'Million	RMB'Million
Investments in associates		
– Listed entities (Note)	140,561	130,633
– Unlisted entities	89,448	88,582
	<u>230,009</u>	<u>219,215</u>

Note:

As at 30 September 2019, the fair value of the investments in associates which are listed entities was RMB278,908 million (31 December 2018: RMB187,339 million).

Movement of investments in associates is analysed as follows:

	Unaudited	
	Nine months ended	
	30 September	
	2019	2018
	RMB'Million	RMB'Million
At beginning of period	219,215	113,779
Additions (a)	11,966	38,765
Transfers (b)	(1,202)	68,656
Deemed disposal gains (Note 3(a))	4,813	1,517
Share of (loss)/profit of associates	(285)	1,318
Share of other comprehensive (loss)/income of associates	(43)	15
Share of other changes in net assets of associates	1,630	1,936
Dividends	(443)	(908)
Disposals (c)	(3,555)	(661)
Impairment provision (d)	(3,914)	(13,207)
Currency translation differences	1,827	2,968
	<u>230,009</u>	<u>214,178</u>
At end of period	<u>230,009</u>	<u>214,178</u>

Note:

- (a) The Group acquired certain new associates and made additional investments in existing associates with an aggregate amount of approximately RMB11,966 million during the nine months ended 30 September 2019. These associates are principally engaged in transportation network, retail and other Internet-related business.
- (b) During the nine months ended 30 September 2019, transfers comprised associates achieved in stages of an aggregate amount of approximately RMB6,127 million, which mainly included investments 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, and approximately RMB2,874 million transferred from financial instruments due to acquiring board representatives or converting the convertible promissory note. In addition, investments in associates of an aggregate amount of approximately RMB7,329 million were transferred to financial instruments as a result of changes in nature of these investments.
- (c) During the nine months ended 30 September 2019, a company listed in the PRC 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 representative in the listed company and the investments in ordinary shares is not held for trading, this investment was recognised as FVOCI.
- (d) During the nine months ended 30 September 2019, the Group made an aggregate impairment provision of approximately RMB3,914 million (nine months ended 30 September 2018: RMB13,207 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 September 2019 RMB'Million	Audited 31 December 2018 RMB'Million
Included in non-current assets:		
Investments in listed entities	9,344	9,123
Investments in unlisted entities	105,912	78,234
Others	6,993	4,345
	<u>122,249</u>	<u>91,702</u>
Included in current assets:		
Treasury investments and others	5,748	6,175
	<u>127,997</u>	<u>97,877</u>

Movement of FVPL is analysed as follows:

	Unaudited Nine months ended 30 September 2019 RMB'Million	2018 RMB'Million
At beginning of period	97,877	–
Adjustment on adoption of IFRS 9	–	95,497
Additions (a)	34,545	50,625
Transfers ((b) and Note 8(b))	(998)	(70,632)
Changes in fair value (Note 3(b))	7,032	29,134
Disposals	(13,644)	(13,081)
Currency translation differences	3,185	6,823
At end of period	<u>127,997</u>	<u>98,366</u>

Note:

- (a) During the nine months ended 30 September 2019, the Group's additions to FVPL mainly comprised the following:
- (i) an investment in a retail company of approximately USD500 million (equivalent to approximately RMB3,550 million) to subscribe for approximately 21% of its equity interests in form of preferred shares, on an outstanding basis; and
 - (ii) new investments and additional investments with an aggregate amount of approximately RMB30,995 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 nine months ended 30 September 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 RMB1,395 million upon its IPO.

10 Financial assets at fair value through other comprehensive income

FVOCI include the following:

	Unaudited	Audited
	30 September	31 December
	2019	2018
	RMB'Million	RMB'Million
Equity investments in listed entities		
– United States	53,111	33,120
– Mainland China	7,949	5,365
– France	2,876	3,093
– Hong Kong	468	–
	<u>64,404</u>	<u>41,578</u>
Equity investments in unlisted entities	<u>3,928</u>	<u>1,941</u>
	<u>68,332</u>	<u>43,519</u>

Movement of FVOCI is analysed as follows:

	Unaudited	
	Nine months ended	
	30 September	
	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))	6,769	14,619
Transfers	2,228	1,791
Changes in fair value	13,538	(7,457)
Disposals	–	(21,581)
Currency translation differences	2,278	2,590
	<u>68,332</u>	<u>48,477</u>
At end of period	68,332	48,477

Note:

- (a) During the nine months ended 30 September 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 RMB3,243 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 September	31 December
	2019	2018
	RMB'Million	RMB'Million
0 ~ 30 days	12,118	11,200
31 ~ 60 days	9,636	7,695
61 ~ 90 days	5,134	4,201
Over 90 days	5,181	5,331
	<u>32,069</u>	<u>28,427</u>

Receivable balances as at 30 September 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, 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.

In respect of 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 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
	Average exercise price	No. of options	Average exercise price	No. of options	Average exercise price	No. of options	No. of options
At 1 January 2019	HKD185.25	51,499,010	–	–	HKD374.52	36,277,234	87,776,244
Granted	–	–	–	–	HKD374.09	26,196,870	26,196,870
Exercised	HKD163.40	(776,424)	–	–	HKD272.36	(243,955)	(1,020,379)
Lapsed/forfeited	HKD148.90	(1,225)	–	–	HKD317.51	(203,365)	(204,590)
At 30 September 2019	HKD185.59	<u>50,721,361</u>	–	–	HKD374.92	<u>62,026,784</u>	<u>112,748,145</u>
Exercisable as at 30 September 2019	HKD172.07	<u>34,198,270</u>	–	–	HKD361.69	<u>11,208,862</u>	<u>45,407,132</u>
At 1 January 2018	HKD179.90	55,510,248	HKD31.70	2,500,000	HKD273.80	9,155,860	67,166,108
Granted	–	–	–	–	HKD405.73	27,723,850	27,723,850
Exercised	HKD107.28	(3,629,242)	HKD31.70	(2,500,000)	HKD272.36	(341,207)	(6,470,449)
Lapsed/forfeited	HKD131.47	(37,139)	–	–	HKD282.21	(111,992)	(149,131)
At 30 September 2018	HKD185.02	<u>51,843,867</u>	–	–	HKD374.20	<u>36,426,511</u>	<u>88,270,378</u>
Exercisable as at 30 September 2018	HKD160.37	<u>22,736,587</u>	–	–	HKD272.36	<u>1,814,266</u>	<u>24,550,853</u>

During the nine months ended 30 September 2019, 3,506,580 options were granted to one director of the Company (nine months ended 30 September 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 September 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 nine months ended 30 September 2019 and 2018 are as follows:

	Number of awarded shares	
	Nine months ended 30 September	
	2019	2018
At beginning of period	50,247,895	63,636,254
Granted	50,811,743	17,385,515
Lapsed/forfeited	(2,427,590)	(2,144,043)
Vested and transferred	(22,479,105)	<u>(26,384,636)</u>
At end of period	<u>76,152,943</u>	<u>52,493,090</u>
Vested but not transferred as at the end of period	<u>145,090</u>	<u>296,324</u>

During the nine months ended 30 September 2019, 59,484 awarded shares were granted to five independent non-executive directors of the Company (nine months ended 30 September 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 September	31 December
	2019	2018
	RMB'Million	RMB'Million
0 ~ 30 days	48,586	56,506
31 ~ 60 days	7,291	6,264
61 ~ 90 days	2,210	1,557
Over 90 days	13,125	<u>9,408</u>
	<u>71,212</u>	<u>73,735</u>

14 Borrowings

	Unaudited	Audited
	30 September	31 December
	2019	2018
	RMB'Million	RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD bank borrowings, unsecured (a)	74,089	70,938
Non-current portion of long-term EUR bank borrowings, unsecured (a)	1,163	–
Non-current portion of long-term RMB bank borrowings, unsecured (a)	10,196	11,189
Non-current portion of long-term HKD bank borrowings, unsecured (a)	4,565	5,310
	<u>90,013</u>	<u>87,437</u>
Included in current liabilities:		
USD bank borrowings, unsecured (b)	1,415	16,403
HKD bank borrowings, unsecured (b)	14,614	3,368
RMB bank borrowings, unsecured (b)	211	628
RMB bank borrowings, secured (b)	65	–
Current portion of long-term USD bank borrowings, unsecured (a)	141	5,628
Current portion of long-term RMB bank borrowings, – unsecured (a)	4,733	332
– secured (a)	56	475
Current portion of long-term HKD bank borrowings, unsecured (a)	900	–
	<u>22,135</u>	<u>26,834</u>
	<u>112,148</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 September 2019		Audited 31 December 2018	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
USD bank borrowings	USD10,495	LIBOR + 0.70% ~ 1.27%	USD11,156	LIBOR + 0.70% ~ 1.51% or a fixed interest rate of 1.875%
EUR bank borrowings	EUR150	0.52%	–	–
HKD bank borrowings	HKD6,070	HIBOR + 0.70% ~ 0.80%	HKD6,070	HIBOR + 0.70% ~ 0.85%
RMB bank borrowings	RMB14,985	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 September 2019		Audited 31 December 2018	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
USD bank borrowings	USD200	LIBOR + 0.50%	USD2,390	LIBOR + 0.50% ~ 0.55%
HKD bank borrowings	HKD16,230	HIBOR + 0.45% ~ 0.50%	HKD3,850	HIBOR + 0.50% ~ 0.55%
RMB bank borrowings	RMB276	3.92% ~ 5.44%	RMB628	5.22% ~ 5.44%

15 Notes payable

	Unaudited 30 September 2019 RMB'Million	Audited 31 December 2018 RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD notes payable	84,474	48,501
Non-current portion of long-term HKD notes payable	<u>—</u>	<u>2,797</u>
	<u>84,474</u>	<u>51,298</u>
Included in current liabilities:		
Current portion of long-term USD notes payable	7,776	13,720
Current portion of long-term HKD notes payable	<u>2,881</u>	<u>—</u>
	<u>10,657</u>	<u>13,720</u>
	<u><u>95,131</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	<u>500</u>	4.525%	2049
	<u><u>6,000</u></u>		

16 Subsequent event

The acquisition of additional equity voting interest in an associate holding a majority interest in Supercell Oy (“Supercell”)

Subsequent to 30 September 2019, the Group obtained additional 44,000 ordinary voting shares in an associate, Halti S.A. (“Halti”), by converting the entire principal outstanding and relevant interest under the USD40 million convertible bond issued by Halti into ordinary voting shares (“Conversion”). Halti is a Luxembourg Société Anonyme, which held majority interests in and control a mobile game developer Supercell. After the Conversion, the Group increased its equity voting interest in Halti from 50% to 51.2%, and the Group considered it has sufficient power to control Halti. As a result, Halti was accounted for as a subsidiary of the Group upon the Conversion (“Step-up Acquisition”) and the existing carrying amount of investment in associates was accounted for as deemed disposal.

Following the Step-up Acquisition, the operating results and assets and liabilities of Halti will be consolidated by the Group, and the Group expects to further increase its market share in mobile game worldwide.

Due to the timing of the completion of the Step-up Acquisition, the Group is in the process of finalising the related valuation for accounting purpose, accordingly, certain disclosures in relation to the business combination as at the date of completion such as the purchase price allocation and pro forma sales and earnings have not been presented.

OTHER INFORMATION

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

During the three months ended 30 September 2019, the Company repurchased 2,656,700 shares on the Stock Exchange for an aggregate consideration of approximately HKD892.4 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 three months ended 30 September 2019	No. of shares purchased	Purchase consideration per share		Aggregate consideration paid HKD
		Highest price paid HKD	Lowest price paid HKD	
August	362,200	327.00	312.40	116,330,916
September	<u>2,294,500</u>	351.00	323.60	<u>776,104,729</u>
Total	<u>2,656,700</u>			<u>892,435,645</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 shares during the three months ended 30 September 2019.

Employee and Remuneration Policies

As at 30 September 2019, the Group had 60,860 employees (30 September 2018: 52,612). 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 three months ended 30 September 2019 was RMB13,580 million (for the three months ended 30 September 2018: RMB11,251 million).

Audit Committee

The Audit Committee, together with the Auditor, has reviewed the Group's unaudited Interim Financial Information for the three and nine months ended 30 September 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 2019 interim report and 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 July 2019 to 30 September 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 shareholders and stakeholders for their strong support. Together, we are confident that our commitment to building an ecosystem that prioritises 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, 13 November 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, 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 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
“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
“DnF”	Dungeon and Fighter
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“EPS”	earnings per share
“EUR”	the lawful currency of European Union
“FinTech”	financial technology
“FVOCI”	financial assets at fair value through other comprehensive income

“FVPL”	financial assets at fair value through profit or loss
“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
“IAS”	International Accounting Standards
“IFRS”	International Financial Reporting Standards
“IP”	intellectual property
“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
“Meituan Dianping”	Meituan Dianping, an exempted company with limited liability incorporated under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange
“MOBA”	Multiplayer Online Battle Arena
“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
“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, 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 the shares of which are listed on the New York Stock Exchange
“United States”	the United States of America
“USD”	the lawful currency of the United States
“VAS”	value-added services