

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

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

**ANNOUNCEMENT OF THE RESULTS
FOR THE THREE MONTHS ENDED 31 MARCH 2020**

The Board is pleased to announce the unaudited consolidated results of the Group for the three months ended 31 March 2020. 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

| | 31 March 2020 | 31 March 2019 | Year-on- year change | 31 December 2019 | Quarter- on-quarter change |
|--|------------------|------------------|-------------------------|---------------------|----------------------------------|
| (RMB in millions, unless specified) | | | | | |
| Revenues | 108,065 | 85,465 | 26% | 105,767 | 2% |
| Gross profit | 52,794 | 39,820 | 33% | 46,108 | 15% |
| Operating profit | 37,260 | 36,742 | 1% | 28,604 | 30% |
| Profit for the period | 29,403 | 27,856 | 6% | 22,372 | 31% |
| Profit attributable to equity holders of the Company | 28,896 | 27,210 | 6% | 21,582 | 34% |
| Non-IFRS profit attributable to equity holders of the Company | 27,079 | 20,930 | 29% | 25,484 | 6% |
| EPS (RMB per share) | | | | | |
| – basic | 3.049 | 2.877 | 6% | 2.278 | 34% |
| – diluted | 2.999 | 2.844 | 5% | 2.248 | 33% |
| Non-IFRS EPS (RMB per share) | | | | | |
| – basic | 2.858 | 2.213 | 29% | 2.690 | 6% |
| – diluted | 2.817 | 2.187 | 29% | 2.643 | 7% |

OPERATING INFORMATION

| | As at 31 March 2020 | As at 31 March 2019 | Year-on- year change | As at 31 December 2019 | Quarter- on-quarter change |
|---|---------------------------------|---------------------------|-------------------------|------------------------------|----------------------------------|
| | (in millions, unless specified) | | | | |
| Combined MAU of Weixin and WeChat | 1,202.5 | 1,111.7 | 8.2% | 1,164.8 | 3.2% |
| Smart device MAU of QQ | 693.5 | 700.4 | -1.0% | 647.0 | 7.2% |
| Fee-based VAS registered subscriptions | 197.4 | 165.5 | 19.3% | 180.1 | 9.6% |

BUSINESS REVIEW AND OUTLOOK

In the first quarter of 2020, we harnessed the power of technology to enable users to stay connected, informed and entertained, to help advertisers reach target audiences effectively, and to assist enterprises in achieving service continuity. During these challenging times, we allocated substantial time and resources, including charitable donations, in contribution to COVID-19 relief initiatives in China and globally. And, we delivered solid quarterly operating and financial metrics, demonstrating the resilience of our business model and the platform value of our Company. Looking forward, we expect in-game consumption activities to largely normalise as people return to work, and we see some headwinds for the online advertising industry. Here are some highlights of our key products and business lines:

Communication and Social

Weixin and QQ enabled our users to keep connected with their families and friends during the stay-at-home period, and their respective total daily messages and time spent increased at double-digit percentages on a year-on-year basis. Our communication platforms introduced new functionalities to fulfil evolving user needs in different verticals. For eLearning, teachers can now customise QQ group toolbar with relevant Mini Programs, such as online examination and homework collection tools, to better manage online classes. QQ School-plus-Home groups have become a primary eLearning platform serving tens of millions of teachers, students and parents every day. As users are structurally shifting their behavior from offline to online, Weixin deepened its penetration in daily services via Mini Programs, particularly for grocery shopping and municipal services. This contributed to the rapid growth of Mini Programs, DAU of which exceeded 400 million. Leveraging on our extensive reach to consumers and merchants, we assisted local governments and merchants in distributing eVouchers to expedite the recovery in consumption, especially for retailers and restaurants.

Online Games

Games serve important roles in keeping players entertained and connected, especially during the stay-at-home period. For mobile games, our studios released attractive content and our publishing teams ran compelling in-game events and activities, resulting in higher DAU. For example, our upgraded game engine for Honor of Kings enhanced audio and visual quality for in-game items and a new location-based teamplay system encouraged more user interactions. Peacekeeper Elite ran a successful collaboration with Rocket Girls 101 (an idol girl group managed by Tencent, which emerged from our popular variety show), driving user engagement to a new high and demonstrating cross-IP synergy within Tencent. For PC games, activity in China declined due to temporary closures of internet cafés and the soft performance of DnF. Internationally, PUBG Mobile celebrated its second anniversary and enhanced localisation capabilities to meet diverse user tastes in different regions. Brawl Stars' optimised player-matching algorithm enhanced its user experience. Riot Games released a Teamfight Tactics mobile app, contributing to higher user retention and extended playing time for the League of Legends franchise. It also launched a mobile card game, Legends of Runeterra, and started beta-testing Valorant in April this year. Looking forward, we expect game playing time and in-game consumption activity to largely normalise industry-wide as people return to work, but also believe that games have structurally expanded their long-term audiences and appeal.

Digital Content

Our fee-based VAS subscriptions increased 19% year-on-year to 197 million, reflecting robust growth in video and music subscriptions. This was driven by the popular self-commissioned video content, an expanding paid music library and more user time spent online during the stay-at-home period. Total video subscriptions rose 26% year-on-year to 112 million and music subscriptions grew 50% year-on-year to 43 million. Tencent Video DAU and traffic grew as users were attracted to our platform by the release of popular self-commissioned Chinese anime and drama series, such as The Land of Warriors Season 3 (《鬥羅大陸第三季》) and Sansheng Sanshi Pillow (《三生三世枕上書》). We strengthened our short-form video content, driving user traffic and consumption of short-form video across Weishi, news feed platforms and Mini Programs. With the appointment of a new management team at China Literature, we intend to deepen cooperation with our subsidiary company in adapting its literature IP into various media formats such as TV series, anime and games, leveraging our distribution capability to broaden its user reach, as well as exploring product innovation and new technologies to strengthen its content ecosystem.

Online Advertising

Our online advertising revenue grew year-on-year, reflecting increased consumer time spent on our key apps during the stay-at-home period and the attractive ROIs (return on investments) we delivered to advertisers. Revenue decreased sequentially as the first quarter is a low season for marketing activities. By industry, games, Internet services and online education advertising spending on our platforms increased as consumption of these services grew during the stay-at-home period; while FMCG, automobile and travel advertising spending declined.

Social and others advertising revenue increased year-on-year and quarter-on-quarter, driven by increases in advertisement impressions, particularly for Moments. Our mobile advertising network revenue expanded on more traffic and higher eCPMs as video advertisements represented over one-third of advertisement impressions. As for media advertising, sponsorship advertising revenue declined year-on-year and quarter-on-quarter due to budget cuts, delays in variety shows and suspension of NBA games. In-feed advertising revenue grew year-on-year and quarter-on-quarter across video and news properties, driven by the popularity of top-tier drama series and demand for reliable news and information during the stay-at-home period.

Looking forward, we see several likely industry-wide headwinds, including consumer time spent online normalising which will lead to lower advertisement impression growth, online services advertisers adjusting their customer acquisition budgets to reflect revised life time value assumptions, and multinational brands sharply reducing their global marketing budgets as they faced the pandemic in their home markets.

FinTech

Revenue of FinTech services decreased sequentially as payment activities, especially offline transactions, and cash withdrawals reduced during the Chinese New Year and stay-at-home period. Despite lower revenue, our FinTech services margins were stable as our higher-margin revenue streams such as wealth management and lending continued to grow, and as we controlled marketing and subsidy expenses. For the last week of April, our average daily commercial transactions value recovered to late 2019 levels. Our wealth management business expanded at a stable rate in the first quarter, achieving year-on-year and quarter-on-quarter growth in aggregated customer assets. WeiLiDai's loan book remained healthy, reflecting WeBank's prudent risk management.

Cloud and Other Business Services

Project deployment and new accounts acquisition for our cloud business were delayed due to the pandemic, causing a sequential decline in revenue. However, Tencent Meeting achieved breakout success and became a leading video conference app in China. We strengthened its security measures and introduced functions to facilitate discussion and conference management. In March 2020, we launched an international version, VooV Meeting. WeChat Work enhanced its industry solutions and deepened integration with Weixin, helping us to sign up more key accounts, especially in the retail, education and public sectors, and driving its DAU to grow significantly. We invested heavily in promoting these remote work products and in maintaining a robust cloud infrastructure, to ensure secure and reliable services for our users. Looking forward, we expect the cloud industry to remain challenging in the short term. However, we will continue increasing our investment in these areas and expect to see accelerated cloud services and enterprise software adoption from offline industries and public sectors over the longer term.

MANAGEMENT DISCUSSION AND ANALYSIS

First Quarter of 2020 Compared to First Quarter of 2019

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

| | Unaudited Three months ended 31 March 2020 | 31 March 2019 |
|---|---|-------------------|
| | | (RMB in millions) |
| Revenues | 108,065 | 85,465 |
| Cost of revenues | (55,271) | (45,645) |
| Gross profit | 52,794 | 39,820 |
| Interest income | 1,636 | 1,408 |
| Other gains, net | 4,037 | 11,089 |
| Selling and marketing expenses | (7,049) | (4,244) |
| General and administrative expenses | (14,158) | (11,331) |
| Operating profit | 37,260 | 36,742 |
| Finance costs, net | (1,684) | (1,117) |
| Share of losses of associates and joint ventures | (281) | (2,957) |
| Profit before income tax | 35,295 | 32,668 |
| Income tax expense | (5,892) | (4,812) |
| Profit for the period | 29,403 | 27,856 |
| Attributable to: | | |
| Equity holders of the Company | 28,896 | 27,210 |
| Non-controlling interests | 507 | 646 |
| Non-IFRS profit attributable to equity holders of the Company | 29,403 | 27,856 |
| Non-IFRS profit attributable to equity holders of the Company | 27,079 | 20,930 |

Revenues. Revenues increased by 26% to RMB108.1 billion for the first quarter of 2020 on a year-on-year basis. The following table sets forth our revenues by line of business for the first quarter of 2020 and the first quarter of 2019:

| | Unaudited | | Three months ended | |
|-------------------------------|-----------------------|--------------------------------|-------------------------------------|--------------------------------|
| | 31 March 2020 | | 31 March 2019 | |
| | Amount | % of total revenues | Amount | % of total revenues |
| | | | (RMB in millions, unless specified) | |
| VAS | 62,429 | 58% | 48,974 | 57% |
| FinTech and Business Services | 26,475 | 25% | 21,789 | 25% |
| Online Advertising | 17,713 | 16% | 13,377 | 16% |
| Others | 1,448 | 1% | 1,325 | 2% |
| Total revenues | <u>108,065</u> | <u>100%</u> | <u>85,465</u> | <u>100%</u> |

- Revenues from VAS increased by 27% to RMB62,429 million for the first quarter of 2020 on a year-on-year basis. Online games revenues grew by 31% to RMB37,298 million. The increase primarily reflected revenue contributions from domestic smart phone games such as Peacekeeper Elite and Honour of Kings, as well as increased contributions from our overseas titles including PUBG Mobile and Clash of Clans, partly offset by lower revenues from PC client games such as DnF. Total smart phone games revenues (including smart phone games revenues attributable to our social networks business) were RMB34,756 million and PC client games revenues were RMB11,795 million for the first quarter of 2020. Social networks revenues increased by 23% to RMB25,131 million. The increase was primarily driven by greater contributions from in-game virtual item sales as well as digital content services including music streaming and video streaming subscriptions.
- Revenues from FinTech and Business Services increased by 22% to RMB26,475 million for the first quarter of 2020 on a year-on-year basis. The increase was primarily due to revenue growth from commercial payment and wealth management platform, as well as greater revenue contributions from cloud services capturing opportunities in verticals including video, education and retail sectors.

- Revenues from Online Advertising increased by 32% to RMB17,713 million for the first quarter of 2020 on a year-on-year basis. Social and others advertising revenues grew by 47% to RMB14,592 million. The increase mainly reflected higher advertising revenues derived from increased inventories and impressions from our mobile advertising network and Weixin Moments. Media advertising revenues decreased by 10% to RMB3,121 million. The decrease was primarily due to lower revenues from our video and news platforms as a result of weak macro-economic conditions and suspension of sports events.

Cost of revenues. Cost of revenues increased by 21% to RMB55,271 million for the first quarter of 2020 on a year-on-year basis. The increase was mainly driven by greater costs of FinTech services, channel costs as well as server and bandwidth costs. As a percentage of revenues, cost of revenues decreased to 51% for the first quarter of 2020 from 53% for the first quarter of 2019. The following table sets forth our cost of revenues by line of business for the first quarter of 2020 and the first quarter of 2019:

| | Unaudited | | |
|-------------------------------------|---------------------------|-------------------------|-------------------------|
| | Three months ended | | |
| | 31 March 2020 | 31 March 2019 | |
| | | % of segment | % of segment |
| | Amount | revenues | Amount |
| (RMB in millions, unless specified) | | | |
| VAS | 25,577 | 41% | 20,781 |
| FinTech and Business Services | 19,093 | 72% | 15,581 |
| Online Advertising | 9,003 | 51% | 7,776 |
| Others | 1,598 | 110% | 1,507 |
| Total cost of revenues | <u>55,271</u> | | <u>45,645</u> |

- Cost of revenues for VAS increased by 23% to RMB25,577 million for the first quarter of 2020 on a year-on-year basis. The increase was mainly due to greater content and channel costs for smart phone games as well as higher server and bandwidth costs, as our users consumed more entertainment services during the stay-at-home period.
- Cost of revenues for FinTech and Business Services increased by 23% to RMB19,093 million for the first quarter of 2020 on a year-on-year basis. The increase mainly reflected the greater scale of our commercial payment and cloud businesses.
- Cost of revenues for Online Advertising increased by 16% to RMB9,003 million for the first quarter of 2020 on a year-on-year basis. The increase was mainly driven by greater traffic acquisition costs, as well as server and bandwidth costs, partly offset by lower content costs for video advertising due to delays in airing of variety shows.

Other gains, net. We recorded net other gains of RMB4,037 million for the first quarter of 2020, which mainly comprised of non-IFRS adjustment items including net gains on disposals of certain investee companies, as well as net fair value gains on investee companies. Such gains were partially offset by RMB2,600 million donations we made primarily to combat the pandemic globally.

Selling and marketing expenses. Selling and marketing expenses increased by 66% to RMB7,049 million for the first quarter of 2020 on a year-on-year basis. The increase was mainly due to greater marketing spending for some of our newer services including Weishi, arising from its marketing campaigns during the Chinese New Year. As a percentage of revenues, selling and marketing expenses increased to 7% for the first quarter of 2020 from 5% for the first quarter of 2019.

General and administrative expenses. General and administrative expenses increased by 25% to RMB14,158 million for the first quarter of 2020 on a year-on-year basis. The increase mainly reflected greater R&D expenses and staff costs. As a percentage of revenues, general and administrative expenses were 13% for the first quarter of 2020, broadly stable year-on-year.

Finance costs, net. Net finance costs increased by 51% to RMB1,684 million for the first quarter of 2020 on a year-on-year basis. The increase was primarily driven by greater interest expenses as a result of higher amount of indebtedness.

Share of losses of associates and joint ventures. We recorded share of losses of associates and joint ventures of RMB281 million for the first quarter of 2020, compared to share of losses of RMB2,957 million for the first quarter of 2019. The change was mainly due to non-IFRS adjustment items of certain associates.

Income tax expense. Income tax expense was RMB5,892 million and RMB4,812 million for the first quarter of 2020 and 2019 respectively.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 6% to RMB28,896 million for the first quarter of 2020 on a year-on-year basis. Non-IFRS profit attributable to equity holders of the Company increased by 29% year-on-year to RMB27,079 million for the first quarter of 2020.

First Quarter of 2020 Compared to Fourth Quarter of 2019

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

| | Unaudited Three months ended | |
|--|---|-------------------------|
| | 31 March 2020 | 31 December 2019 |
| | (RMB in millions) | |
| Revenues | 108,065 | 105,767 |
| Cost of revenues | (55,271) | (59,659) |
| Gross profit | 52,794 | 46,108 |
| Interest income | 1,636 | 1,580 |
| Other gains, net | 4,037 | 3,630 |
| Selling and marketing expenses | (7,049) | (6,712) |
| General and administrative expenses | (14,158) | (16,002) |
| Operating profit | 37,260 | 28,604 |
| Finance costs, net | (1,684) | (2,767) |
| Share of losses of associates and joint ventures | (281) | (1,328) |
| Profit before income tax | 35,295 | 24,509 |
| Income tax expense | (5,892) | (2,137) |
| Profit for the period | 29,403 | 22,372 |
| Attributable to: | | |
| Equity holders of the Company | 28,896 | 21,582 |
| Non-controlling interests | 507 | 790 |
| | 29,403 | 22,372 |
| Non-IFRS profit attributable to equity holders of the Company | 27,079 | 25,484 |

Revenues. Revenues increased by 2% to RMB108.1 billion for the first quarter of 2020 on a quarter-on-quarter basis.

- Revenues from VAS increased by 19% to RMB62,429 million for the first quarter of 2020. Online games revenues grew by 23% to RMB37,298 million. The increase was primarily driven by revenue growth of smart phone games such as Honour of Kings and Peacekeeper Elite, as well as revenue contributions from our PC games including League of Legends. Social networks revenues increased by 14% to RMB25,131 million, due to more spending on in-game virtual items by users during the stay-at-home period as well as positive seasonality.
- Revenues from FinTech and Business Services decreased by 12% to RMB26,475 million for the first quarter of 2020. The decrease was mainly due to lower revenues from payment-related services and cloud services, resulting from fewer commercial payment transactions during the stay-at-home period and delays in cloud project deployment caused by the pandemic.
- Revenues from Online Advertising decreased by 12% to RMB17,713 million for the first quarter of 2020. Social and others advertising revenues decreased by 10% to RMB14,592 million, mainly reflecting advertisers seasonally reducing spending during the low season for eCommerce activities. Media advertising revenues decreased by 21% to RMB3,121 million. The decrease was mainly driven by lower advertising revenues from video and news platforms as a result of negative seasonality.

Cost of revenues. Cost of revenues decreased by 7% to RMB55,271 million for the first quarter of 2020 on a quarter-on-quarter basis. The decrease was primarily due to lower content costs and costs of FinTech services, partially offset by greater server and bandwidth costs. As a percentage of revenues, cost of revenues decreased to 51% for the first quarter of 2020 from 56% for the fourth quarter of 2019.

- Cost of revenues for VAS decreased by 2% to RMB25,577 million for the first quarter of 2020. The decrease primarily reflected lower content costs for live streaming services and video streaming subscriptions due to video production delays caused by the pandemic, partly offset by greater channel costs due to increased smart phone game revenues.

- Cost of revenues for FinTech and Business Services decreased by 11% to RMB19,093 million for the first quarter of 2020. The decrease was primarily driven by lower costs of payment-related services during the stay-at-home period, and lower costs of cloud services due to the pandemic.
- Cost of revenues for Online Advertising decreased by 3% to RMB9,003 million for the first quarter of 2020. The decrease was mainly due to lower content costs, partly offset by greater server and bandwidth costs.

Selling and marketing expenses. Selling and marketing expenses increased by 5% to RMB7,049 million for the first quarter of 2020 on a quarter-on-quarter basis. The increase mainly reflected greater marketing spending for content services including Weishi.

General and administrative expenses. General and administrative expenses decreased by 12% to RMB14,158 million for the first quarter of 2020 on a quarter-on-quarter basis. The decrease primarily reflected lower R&D expenses due to reduced outsourcing activities for R&D projects as a consequence of the pandemic, as well as reduced travel and entertainment activities during the stay-at-home period.

Share of losses of associates and joint ventures. We recorded share of losses of associates and joint ventures of RMB281 million for the first quarter of 2020, compared to share of losses of RMB1,328 million for the previous quarter. The change was mainly due to non-IFRS adjustment items of certain associates.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 34% to RMB28,896 million for the first quarter of 2020 on a quarter-on-quarter basis. Non-IFRS profit attributable to equity holders of the Company increased by 6% to RMB27,079 million.

Other Financial Information

| | Unaudited Three months ended | | |
|-------------------------------------|---|-----------------------------|--------------------------|
| | 31 March 2020 | 31 December 2019 | 31 March 2019 |
| (RMB in millions, unless specified) | | | |
| EBITDA (a) | 42,228 | 35,675 | 33,566 |
| Adjusted EBITDA (a) | 45,190 | 38,572 | 35,598 |
| Adjusted EBITDA margin (b) | 42% | 36% | 42% |
| Interest and related expenses | 2,006 | 2,348 | 1,499 |
| Net debt (c) | (5,716) | (15,552) | (9,595) |
| Capital expenditures (d) | 6,151 | 16,869 | 4,506 |

Note:

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

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

| | Unaudited Three months ended | | |
|---|---|-----------------------------------|--------------------------------|
| | 31 March 2020 | 31 December 2019 | 31 March 2019 |
| (RMB in millions, unless specified) | | | |
| Operating profit | 37,260 | 28,604 | 36,742 |
| Adjustments: | | | |
| Interest income | (1,636) | (1,580) | (1,408) |
| Other (gains)/losses, net | (4,037) | (3,630) | (11,089) |
| Depreciation of property, plant and equipment and investment properties | 3,889 | 3,549 | 2,804 |
| Depreciation of right-of-use assets | 874 | 893 | 602 |
| Amortisation of intangible assets | 5,878 | 7,839 | 5,915 |
| EBITDA | 42,228 | 35,675 | 33,566 |
| Equity-settled share-based compensation | 2,962 | 2,897 | 2,032 |
| Adjusted EBITDA | 45,190 | 38,572 | 35,598 |

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 first quarter of 2020 and 2019, the fourth quarter of 2019 to the nearest measures prepared in accordance with IFRS:

| | Unaudited three months ended 31 March 2020 | | | | | | |
|---------------------------------------|--|--------------------------|--|-----------------------------------|-----------------------------------|--------------------|----------|
| | Adjustments | | | | | | |
| | As reported | Share-based compensation | Net (gains)/losses from investee companies | Amortisation of intangible assets | Impairment provisions/(reversals) | Income tax effects | Non-IFRS |
| | (a) | (b) | (c) | (d) | (e) | | |
| (RMB in millions, unless specified) | | | | | | | |
| Operating profit | 37,260 | 3,435 | (5,272) | 639 | (487) | - | 35,575 |
| Profit for the period | 29,403 | 4,198 | (6,992) | 1,572 | (18) | (179) | 27,984 |
| Profit attributable to equity holders | 28,896 | 3,957 | (6,976) | 1,338 | (18) | (118) | 27,079 |
| EPS (RMB per share) | | | | | | | |
| - basic | | 3.049 | | | | | 2.858 |
| - diluted | | 2.999 | | | | | 2.817 |
| Operating margin | | 34% | | | | | 33% |
| Net margin | | 27% | | | | | 26% |

Unaudited three months ended 31 December 2019

| | Adjustments | | | | | | |
|---------------------------------------|-------------|--------------------------|---|-----------------------------------|------------------------------------|--------------------|----------|
| | As reported | Share-based compensation | Net (gains)/ losses from investee companies | Amortisation of intangible assets | Impairment provisions/ (reversals) | Income tax effects | Non-IFRS |
| | (a) | (b) | (c) | (d) | (e) | | |
| (RMB in millions, unless specified) | | | | | | | |
| Operating profit | 28,604 | 3,269 | (2,340) | 701 | 72 | - | 30,306 |
| Profit for the period | 22,372 | 3,965 | (1,412) | 1,667 | 140 | (93) | 26,639 |
| Profit attributable to equity holders | 21,582 | 3,756 | (1,403) | 1,406 | 133 | 10 | 25,484 |
| EPS (RMB per share) | | | | | | | |
| - basic | 2.278 | | | | | | 2.690 |
| - diluted | 2.248 | | | | | | 2.643 |
| Operating margin | 27% | | | | | | 29% |
| Net margin | 21% | | | | | | 25% |

Unaudited three months ended 31 March 2019

| | Adjustments | | | | | | |
|---------------------------------------|-------------|--------------------------|---|-----------------------------------|------------------------------------|--------------------|----------|
| | As reported | Share-based compensation | Net (gains)/ losses from investee companies | Amortisation of intangible assets | Impairment provisions/ (reversals) | Income tax effects | Non-IFRS |
| | (a) | (b) | (c) | (d) | (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% |

Note:

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

Liquidity and Financial Resources

Our cash positions as at 31 March 2020 and 31 December 2019 were as follows:

| | Unaudited 31 March 2020 | Audited 31 December 2019 |
|--|--|---|
| | (RMB in millions) | |
| Cash and cash equivalents | 135,270 | 132,991 |
| Term deposits and others | 85,314 | <u>72,270</u> |
| | 220,584 | 205,261 |
| Borrowings | (140,566) | (126,952) |
| Notes payable | (85,734) | <u>(93,861)</u> |
| Net debt | (5,716) | <u>(15,552)</u> |
| Fair value of our stakes in listed investee companies (excluding subsidiaries) | 410,299 | <u>419,818</u> |

As at 31 March 2020, the Group had net debt of RMB5,716 million, compared to net debt of RMB15,552 million as at 31 December 2019. The sequential improvement in our net debt position mainly reflected strong free cash flow generation, partly offset by payments for M&A initiatives.

For the first quarter of 2020, the Group had free cash flow⁽¹⁾ of RMB39,210 million. This was a result of net cash flow generated from operating activities of RMB54,661 million, offset by payments for capital expenditure of RMB9,442 million, payments for media content of RMB5,185 million, and payments for lease liabilities of RMB824 million.

⁽¹⁾ Starting from 2020, free cash flow was adjusted by subtracting payments for media content and lease liabilities, in addition to subtracting payments for capital expenditure from the operating cash flow.

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2020

| | | Unaudited Three months ended 31 March 2020 | 2019 |
|---|------|---|-----------------|
| | Note | RMB'Million | RMB'Million |
| Revenues | | | |
| Value-added Services | | 62,429 | 48,974 |
| FinTech and Business Services | | 26,475 | 21,789 |
| Online Advertising | | 17,713 | 13,377 |
| Others | | 1,448 | 1,325 |
| | | 108,065 | 85,465 |
| Cost of revenues | 4 | (55,271) | (45,645) |
| Gross profit | | 52,794 | 39,820 |
| Interest income | | 1,636 | 1,408 |
| Other gains, net | 3 | 4,037 | 11,089 |
| Selling and marketing expenses | 4 | (7,049) | (4,244) |
| General and administrative expenses | 4 | (14,158) | (11,331) |
| Operating profit | | 37,260 | 36,742 |
| Finance costs, net | | (1,684) | (1,117) |
| Share of losses of associates and joint ventures | | (281) | (2,957) |
| Profit before income tax | | 35,295 | 32,668 |
| Income tax expense | 5 | (5,892) | (4,812) |
| Profit for the period | | 29,403 | 27,856 |
| Attributable to: | | | |
| Equity holders of the Company | | 28,896 | 27,210 |
| Non-controlling interests | | 507 | 646 |
| | | 29,403 | 27,856 |
| Earnings per share for profit attributable to equity holders of the Company (in RMB per share) | | | |
| – basic | 6(a) | 3.049 | 2.877 |
| – diluted | 6(b) | 2.999 | 2.844 |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2020**

| | Unaudited Three months ended 31 March 2020 RMB'Million | 2019 RMB'Million |
|---|--|---------------------|
| Profit for the period | 29,403 | 27,856 |
| 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 | (30) | (26) |
| Currency translation differences | 1,315 | (1,999) |
| Other fair value losses | (1,357) | (648) |
| <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 | (7,850) | 14,265 |
| Other fair value losses | (54) | (1) |
| | (7,976) | 11,591 |
| Total comprehensive income for the period | 21,427 | 39,447 |
| Attributable to: | | |
| Equity holders of the Company | 21,020 | 38,491 |
| Non-controlling interests | 407 | 956 |
| | 21,427 | 39,447 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020**

| | Note | Unaudited 31 March 2020 | Audited 31 December 2019 |
|---|------|--|---|
| | | RMB'Million | RMB'Million |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 48,557 | 46,824 |
| Land use rights | | 15,685 | 15,609 |
| Right-of-use assets | | 10,677 | 10,847 |
| Construction in progress | | 4,371 | 3,935 |
| Investment properties | | 641 | 855 |
| Intangible assets | | 127,718 | 128,860 |
| Investments in associates | 8 | 224,505 | 213,614 |
| Investments in joint ventures | | 7,485 | 8,280 |
| Financial assets at fair value through profit or loss | 9 | 149,929 | 128,822 |
| Financial assets at fair value through other comprehensive income | 10 | 80,176 | 81,721 |
| Prepayments, deposits and other assets | | 22,265 | 23,442 |
| Deferred income tax assets | | 20,928 | 18,209 |
| Term deposits | | 21,210 | 19,000 |
| | | 734,147 | 700,018 |
| Current assets | | | |
| Inventories | | 601 | 718 |
| Accounts receivable | 11 | 42,869 | 35,839 |
| Prepayments, deposits and other assets | | 34,856 | 27,840 |
| Other financial assets | | 489 | 375 |
| Financial assets at fair value through profit or loss | 9 | 6,571 | 7,114 |
| Term deposits | | 57,968 | 46,911 |
| Restricted cash | | 2,174 | 2,180 |
| Cash and cash equivalents | | 135,270 | 132,991 |
| | | 280,798 | 253,968 |
| Total assets | | 1,014,945 | 953,986 |

| | Note | RMB'Million | Unaudited 31 March 2020 | Audited 31 December 2019 |
|---|------|-------------|-------------------------------|--------------------------------|
| EQUITY | | | | |
| Equity attributable to equity holders of the Company | | | | |
| Share capital | | | — | — |
| Share premium | | | 38,687 | 35,271 |
| Shares held for share award schemes | | | (3,873) | (4,002) |
| Other reserves | | | 9,129 | 16,786 |
| Retained earnings | | | 413,881 | 384,651 |
| | | | <u>457,824</u> | <u>432,706</u> |
| Non-controlling interests | | | <u>55,719</u> | <u>56,118</u> |
| Total equity | | | <u>513,543</u> | <u>488,824</u> |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Borrowings | 14 | | 124,125 | 104,257 |
| Notes payable | 15 | | 84,640 | 83,327 |
| Long-term payables | | | 3,958 | 3,577 |
| Other financial liabilities | | | 6,538 | 5,242 |
| Deferred income tax liabilities | | | 13,512 | 12,841 |
| Lease liabilities | | | 8,274 | 8,428 |
| Deferred revenue | | | 6,961 | 7,334 |
| | | | <u>248,008</u> | <u>225,006</u> |
| Current liabilities | | | | |
| Accounts payable | 13 | | 88,176 | 80,690 |
| Other payables and accruals | | | 40,619 | 45,174 |
| Borrowings | 14 | | 16,441 | 22,695 |
| Notes payable | 15 | | 1,094 | 10,534 |
| Current income tax liabilities | | | 12,911 | 9,733 |
| Other tax liabilities | | | 1,048 | 1,245 |
| Other financial liabilities | | | 6,006 | 5,857 |
| Lease liabilities | | | 3,383 | 3,279 |
| Deferred revenue | | | 83,716 | 60,949 |
| | | | <u>253,394</u> | <u>240,156</u> |
| Total liabilities | | | <u>501,402</u> | <u>465,162</u> |
| Total equity and liabilities | | | <u>1,014,945</u> | <u>953,986</u> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2020

| Unaudited | | | | | | | | |
|---|------------------------------|------------------------------|---|----------------------------------|-------------------------------------|----------------------|---|--------------------------------|
| Attributable to equity holders of the Company | | | | | | | | |
| | Share capital RMB'Million | Share premium RMB'Million | Shares held for share award schemes RMB'Million | Other reserves RMB'Million | Retained earnings RMB'Million | Total RMB'Million | Non- controlling interests RMB'Million | Total equity RMB'Million |
| Balance at 1 January 2020 | - | <u>35,271</u> | <u>(4,002)</u> | <u>16,786</u> | <u>384,651</u> | <u>432,706</u> | <u>56,118</u> | <u>488,824</u> |
| Comprehensive income | | | | | | | | |
| Profit for the period | - | - | - | - | 28,896 | 28,896 | 507 | 29,403 |
| Other comprehensive income, net of tax: | | | | | | | | |
| - share of other comprehensive loss of associates and joint ventures | - | - | - | - | (31) | - | (31) | 1 |
| - net losses from changes in fair value of financial assets at fair value through other comprehensive income | - | - | - | - | (7,423) | - | (7,423) | (427) |
| - currency translation differences | - | - | - | - | 965 | - | 965 | 350 |
| - other fair value losses, net | - | - | - | - | (1,387) | - | (1,387) | (24) |
| Total comprehensive income for the period | - | - | - | (7,876) | 28,896 | 21,020 | 407 | 21,427 |
| Transfer of gains on disposal of financial assets at fair value through other comprehensive income to retained earnings | - | - | - | - | (268) | 268 | - | - |
| Share of other changes in net assets of associates and joint ventures | - | - | - | - | 749 | - | 749 | (5) |
| Transfer of share of other changes in net assets of associates to profit or loss upon deemed disposal of associates | - | - | - | - | (3) | - | (3) | (3) |
| Transactions with equity holders | | | | | | | | |
| Employee share option schemes: | | | | | | | | |
| - value of employee services | - | 494 | - | 17 | - | 511 | 18 | 529 |
| - proceeds from shares issued | - | 127 | - | - | - | 127 | - | 127 |
| Employee share award schemes: | | | | | | | | |
| - value of employee services | - | 2,293 | - | 84 | - | 2,377 | 69 | 2,446 |
| - shares withheld for share award schemes | - | - | (64) | - | - | (64) | - | (64) |
| - vesting of awarded shares | - | (75) | 75 | - | - | - | - | - |
| Tax benefit from share-based payments | - | - | - | 30 | - | 30 | - | 30 |
| Profit appropriations to statutory reserves | - | - | - | (66) | 66 | - | - | - |
| Dividends | - | - | - | - | - | - | (296) | (296) |
| Acquisition of additional equity interests in non-wholly owned subsidiaries | - | - | - | (32) | - | (32) | (118) | (150) |
| Dilution of interests in subsidiaries | - | - | - | (76) | - | (76) | 62 | (14) |
| Transfer of equity interests of subsidiaries to non-controlling interests | - | <u>577</u> | <u>118</u> | <u>(216)</u> | - | <u>479</u> | <u>(536)</u> | <u>(57)</u> |
| Total transactions with equity holders at their capacity as equity holders for the period | - | <u>3,416</u> | <u>129</u> | <u>(259)</u> | <u>66</u> | <u>3,352</u> | <u>(801)</u> | <u>2,551</u> |
| Balance at 31 March 2020 | - | <u>38,687</u> | <u>(3,873)</u> | <u>9,129</u> | <u>413,881</u> | <u>457,824</u> | <u>55,719</u> | <u>513,543</u> |

Unaudited

| | Attributable to equity holders of the Company | | | | | | | |
|---|---|---------------------------------|---------------------------------|----------------------------------|-------------------------------------|----------------------|-----------------------------|----------------|
| | Shares held for share | | | | Non- controlling interests | | | |
| | Share capital RMB'Million | Share premium RMB'Million | award schemes RMB'Million | Other reserves RMB'Million | Retained earnings RMB'Million | Total RMB'Million | Total equity RMB'Million | |
| Balance at 1 January 2019 | <u>—</u> | <u>27,294</u> | <u>(4,173)</u> | <u>729</u> | <u>299,660</u> | <u>323,510</u> | <u>32,697</u> | <u>356,207</u> |
| Comprehensive income | | | | | | | | |
| Profit for the period | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>27,210</u> | <u>27,210</u> | <u>646</u> | <u>27,856</u> |
| Other comprehensive income, net of tax: | | | | | | | | |
| - share of other comprehensive loss of associates and joint ventures | <u>—</u> | <u>—</u> | <u>—</u> | <u>(26)</u> | <u>—</u> | <u>(26)</u> | <u>—</u> | <u>(26)</u> |
| - net gains from changes in fair value of financial assets at fair value through other comprehensive income | <u>—</u> | <u>—</u> | <u>—</u> | <u>13,903</u> | <u>—</u> | <u>13,903</u> | <u>362</u> | <u>14,265</u> |
| - currency translation differences | <u>—</u> | <u>—</u> | <u>—</u> | <u>(1,947)</u> | <u>—</u> | <u>(1,947)</u> | <u>(52)</u> | <u>(1,999)</u> |
| - other fair value losses, net | <u>—</u> | <u>—</u> | <u>—</u> | <u>(649)</u> | <u>—</u> | <u>(649)</u> | <u>—</u> | <u>(649)</u> |
| Total comprehensive income for the period | <u>—</u> | <u>—</u> | <u>—</u> | <u>11,281</u> | <u>27,210</u> | <u>38,491</u> | <u>956</u> | <u>39,447</u> |
| Share of other changes in net assets of associates | <u>—</u> | <u>—</u> | <u>—</u> | <u>695</u> | <u>—</u> | <u>695</u> | <u>—</u> | <u>695</u> |
| Transactions with equity holders | | | | | | | | |
| Capital injection | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>170</u> | <u>170</u> |
| Employee share option schemes: | | | | | | | | |
| - value of employee services | <u>—</u> | <u>567</u> | <u>—</u> | <u>10</u> | <u>—</u> | <u>577</u> | <u>10</u> | <u>587</u> |
| - proceeds from shares issued | <u>—</u> | <u>22</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>22</u> | <u>—</u> | <u>22</u> |
| Employee share award schemes: | | | | | | | | |
| - value of employee services | <u>—</u> | <u>1,263</u> | <u>—</u> | <u>122</u> | <u>—</u> | <u>1,385</u> | <u>80</u> | <u>1,465</u> |
| - shares withheld for share award schemes | <u>—</u> | <u>—</u> | <u>(176)</u> | <u>—</u> | <u>—</u> | <u>(176)</u> | <u>—</u> | <u>(176)</u> |
| - vesting of awarded shares | <u>—</u> | <u>(253)</u> | <u>253</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Tax benefit from share-based payments | <u>—</u> | <u>—</u> | <u>—</u> | <u>2</u> | <u>—</u> | <u>2</u> | <u>—</u> | <u>2</u> |
| Profit appropriations to statutory reserves | <u>—</u> | <u>—</u> | <u>—</u> | <u>14</u> | <u>(14)</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Dividends | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>3</u> | <u>3</u> | <u>(23)</u> | <u>(20)</u> |
| Non-controlling interests arising from business combination | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>(4)</u> | <u>(4)</u> |
| Acquisition of additional equity interests in non-wholly owned subsidiaries | <u>—</u> | <u>12</u> | <u>—</u> | <u>(50)</u> | <u>—</u> | <u>(38)</u> | <u>(20)</u> | <u>(58)</u> |
| Dilution of interests in subsidiaries | <u>—</u> | <u>—</u> | <u>—</u> | <u>(49)</u> | <u>—</u> | <u>(49)</u> | <u>31</u> | <u>(18)</u> |
| Transfer of equity interests of subsidiaries to non-controlling interests | <u>—</u> | <u>488</u> | <u>—</u> | <u>(948)</u> | <u>—</u> | <u>(460)</u> | <u>444</u> | <u>(16)</u> |
| Total transactions with equity holders at their capacity as equity holders for the period | <u>—</u> | <u>2,099</u> | <u>77</u> | <u>(899)</u> | <u>(11)</u> | <u>1,266</u> | <u>688</u> | <u>1,954</u> |
| Balance at 31 March 2019 | <u>—</u> | <u>29,393</u> | <u>(4,096)</u> | <u>11,806</u> | <u>326,859</u> | <u>363,962</u> | <u>34,341</u> | <u>398,303</u> |

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2020**

| | Unaudited | |
|--|---------------------------|----------------|
| | Three months ended | |
| | 31 March | |
| | 2020 | 2019 |
| | RMB'Million | RMB'Million |
| Net cash flows generated from operating activities | 54,661 | 28,799 |
| Net cash flows used in investing activities | (52,253) | (21,376) |
| Net cash flows (used in)/generated from financing activities | (761) | 5,580 |
| Net increase in cash and cash equivalents | 1,647 | 13,003 |
| Cash and cash equivalents at beginning of the period | 132,991 | 97,814 |
| Exchange gains/(losses) on cash and cash equivalents | 632 | (1,125) |
| Cash and cash equivalents at end of the period | 135,270 | 109,692 |
| Analysis of balances of cash and cash equivalents: | | |
| Bank balances and cash | 65,625 | 45,066 |
| Term deposits and highly liquid investments with initial terms within three months | 69,645 | 64,626 |
| | 135,270 | 109,692 |

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 31 March 2020, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for three months then ended, and a summary of significant accounting policies and other explanatory notes (the “Interim Financial Information”). The Interim Financial Information is presented in RMB, unless otherwise stated.

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

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

Except as described below, the accounting policies and method of computation used in the preparation of the Interim Financial Information are generally consistent with those used in the 2019 Financial Statements in all material aspects, which have been prepared in accordance with IFRS under the historical cost convention, as modified by the revaluation of FVPL, FVOCI, certain other financial liabilities and derivative financial instruments, which are carried at fair values.

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

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

| | |
|-------------------------------|--|
| Amendments to IAS 1 and IAS 8 | Definition of material |
| Amendments to IFRS 3 | Definition of a business |
| Conceptual Framework | Revised Conceptual Framework for Financial Reporting |

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

2 Segment information

The Group has the following reportable segments for the three months ended 31 March 2020 and 2019:

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

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

There were no material inter-segment sales during the three months ended 31 March 2020 and 2019. The revenues from external customers reported to the chief operating decision-makers are measured in a manner consistent with that applied in the consolidated income statement.

The segment information provided to the chief operating decision-makers for the reportable segments for the three months ended 31 March 2020 and 2019 is as follows:

| | Unaudited Three months ended 31 March 2020 | | | | |
|----------------------------|---|---------------|---------------|--------------|----------------|
| | FinTech and | | Online | | |
| | Business | Online | Others | Total | |
| | VAS | Services | Advertising | RMB' Million | RMB' Million |
| | RMB' Million | RMB' Million | RMB' Million | RMB' Million | RMB' Million |
| Segment revenues | 62,429 | 26,475 | 17,713 | 1,448 | 108,065 |
| Gross profit/(loss) | 36,852 | 7,382 | 8,710 | (150) | 52,794 |
| Cost of revenues | | | | | |
| Depreciation | 1,055 | 2,015 | 748 | 26 | 3,844 |
| Amortisation | <u>3,478</u> | <u>–</u> | <u>1,450</u> | <u>486</u> | <u>5,414</u> |

| | Unaudited Three months ended 31 March 2019 | | | | |
|---------------------|---|--------------------------|-----------------------------|------------------------|---------------|
| | FinTech and Business | | Online | | Total |
| | VAS RMB' Million | Services RMB' Million | Advertising RMB' Million | Others RMB' Million | RMB' Million |
| Segment revenues | <u>48,974</u> | <u>21,789</u> | <u>13,377</u> | <u>1,325</u> | <u>85,465</u> |
| Gross profit/(loss) | <u>28,193</u> | <u>6,208</u> | <u>5,601</u> | <u>(182)</u> | <u>39,820</u> |
| Cost of revenues | | | | | |
| Depreciation | 731 | 1,398 | 484 | 25 | 2,638 |
| Amortisation | <u>3,107</u> | <u>–</u> | <u>2,237</u> | <u>341</u> | <u>5,685</u> |

3 Other gains, net

| | Unaudited Three months ended 31 March | |
|--|--|----------------------|
| | 2020 RMB'Million | 2019 RMB'Million |
| Net gains on disposals and deemed disposals | | |
| of investee companies (a) | 3,647 | 3,667 |
| Net fair value gains on FVPL (b) | 1,317 | 5,183 |
| Impairment reversal/(provision) for investee companies (c) | 487 | (127) |
| Subsidies and tax rebates | 2,115 | 883 |
| Net fair value gains on other financial instruments | 308 | 1,696 |
| Donations (d) | (2,600) | (700) |
| Dividends income | 408 | 242 |
| Others (e) | (1,645) | 245 |
| | <u>4,037</u> | <u>11,089</u> |

Note:

- (a) The disposal and deemed disposal gains of approximately RMB3,647 million recognised during the three months ended 31 March 2020 mainly comprised aggregate net gains of approximately RMB2,577 million on deemed disposals and net gains of approximately RMB1,070 million on disposals.

(b) Net fair value gains on FVPL during the three months ended 31 March 2020 comprised net gains of approximately RMB1,317 million as a result of increases in valuations of certain FVPL.

(c) The impairment reversal/(provision) for investee companies mainly comprised the following:

| | Unaudited | |
|-------------------------------|------------------------------------|--------------------|
| | Three months ended 31 March | |
| | 2020 | 2019 |
| | RMB'Million | RMB'Million |
| Investments in associates | 1,345 | (127) |
| Investments in joint ventures | (858) | — |
| | 487 | (127) |

(d) The donations mainly included emergency funds to offer the support to pandemic-related programs and medical research.

(e) Others mainly comprised provision on accounts receivable and other receivables.

4 Expenses by nature

| | Unaudited | |
|---|------------------------------------|--------------------|
| | Three months ended 31 March | |
| | 2020 | 2019 |
| | RMB'Million | RMB'Million |
| Transaction costs (a) | 21,733 | 18,463 |
| Employee benefits expenses (b) | 15,143 | 11,616 |
| Content costs (excluding amortisation of intangible assets) | 12,262 | 11,257 |
| Amortisation of intangible assets (c) | 5,878 | 5,915 |
| Promotion and advertising expenses | 5,549 | 3,321 |
| Bandwidth and server custody fees (excluding depreciation of right-of-use assets) | 5,121 | 4,078 |
| Depreciation of property, plant and equipment, investment properties and right-of-use assets | 4,763 | 3,406 |
| Travelling and entertainment expenses | 159 | 334 |

Note:

- (a) Transaction costs primarily consist of bank handling fees, channel and distribution costs.
- (b) During the three months ended 31 March 2020, the Group incurred expenses for the purpose of R&D of approximately RMB8,005 million (three months ended 31 March 2019: approximately RMB6,489 million), which mainly comprised employee benefits expenses of approximately RMB6,800 million (three months ended 31 March 2019: approximately RMB5,429 million).

During the three months ended 31 March 2020, employee benefits expenses included the share-based compensation expenses of approximately RMB3,435 million (three months ended 31 March 2019: approximately RMB2,033 million).

No significant development expenses had been capitalised for the three months ended 31 March 2020 and 2019.

- (c) Amortisation charges of intangible assets is mainly in respect of media content including game licenses, video and music contents, and literature copyrights. During the three months ended 31 March 2020, amortisation of media content was approximately RMB5,408 million (three months ended 31 March 2019: approximately RMB5,677 million).

During the three months ended 31 March 2020, amortisation of intangible assets included the amortisation of intangible assets resulting from business combinations of approximately RMB639 million (three months ended 31 March 2019: approximately RMB114 million).

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 months ended 31 March 2020 and 2019.

(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 months ended 31 March 2020 and 2019.

(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 months ended 31 March 2020 and 2019. The general PRC CIT rate is 25% for the three months ended 31 March 2020 and 2019.

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 months ended 31 March 2020 and 2019. 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 the 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 months ended 31 March 2020 and 2019 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 months ended 31 March 2020 and 2019 are analysed as follows:

| | Unaudited | |
|---------------------|------------------------------------|--------------------|
| | Three months ended 31 March | |
| | 2020 | 2019 |
| | RMB’Million | RMB’Million |
| Current income tax | 7,330 | 4,442 |
| Deferred income tax | (1,438) | 370 |
| | 5,892 | 4,812 |

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 31 March | |
| | 2020 | 2019 |
| Profit attributable to equity holders of the Company (RMB'Million) | <u>28,896</u> | <u>27,210</u> |
| Weighted average number of ordinary shares in issue (million shares) | <u>9,476</u> | <u>9,457</u> |
| Basic EPS (RMB per share) | <u>3.049</u> | <u>2.877</u> |

(b) Diluted

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

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

Unaudited
Three months ended 31 March
2020 **2019**

| | | |
|--|----------------------|---------------|
| Profit attributable to equity holders of the Company (RMB'Million) | 28,896 | 27,210 |
| Dilution effect arising from share-based awards issued by non-wholly owned subsidiaries and associates (RMB'Million) | <u>(90)</u> | — |
| Profit attributable to equity holders of the Company for the calculation of diluted EPS (RMB'Million) | <u>28,806</u> | <u>27,210</u> |
| Weighted average number of ordinary shares in issue (million shares) | 9,476 | 9,457 |
| Adjustments for share options and awarded shares (million shares) | <u>128</u> | <u>111</u> |
| Weighted average number of ordinary shares for the calculation of diluted EPS (million shares) | <u>9,604</u> | <u>9,568</u> |
| Diluted EPS (RMB per share) | <u>2.999</u> | <u>2.844</u> |

7 Dividends

A final dividend in respect of the year ended 31 December 2019 of HKD1.20 per share (2018: HKD1.00 per share) was proposed pursuant to a resolution passed by the Board on 18 March 2020 and subject to the approval of the shareholders at the 2020 AGM. This proposed dividend is not reflected as dividend payable in the Interim Financial Information.

The Board did not declare any interim dividend for the three months ended 31 March 2020 and 2019.

8 Investments in associates

| | Unaudited | Audited |
|---------------------------|-----------------------|-----------------------|
| | 31 March | 31 December |
| | 2020 | 2019 |
| | RMB'Million | RMB'Million |
| Investments in associates | | |
| – Listed entities (Note) | 143,121 | 141,350 |
| – Unlisted entities | <u>81,384</u> | <u>72,264</u> |
| | <u>224,505</u> | <u>213,614</u> |

Note:

As at 31 March 2020, the fair value of the investments in associates which were listed entities was RMB327,959 million (31 December 2019: RMB334,688 million).

Movement of investments in associates is analysed as follows:

| | Unaudited | |
|--|------------------------------------|-----------------------|
| | Three months ended 31 March | |
| | 2020 | 2019 |
| | RMB'Million | RMB'Million |
| At beginning of period | 213,614 | 219,215 |
| Additions (a) | 12,125 | 5,700 |
| Transfers (b) | (2,710) | 3,303 |
| Deemed disposal gains | – | 3,609 |
| Share of profit/(loss) of associates | 22 | (2,771) |
| Share of other comprehensive loss of associates | (25) | (26) |
| Share of other changes in net assets of associates | 736 | 695 |
| Dividends | (4) | (33) |
| Disposals | (1,320) | (68) |
| Impairment reversal/(provision), net (c) | 1,345 | (127) |
| Currency translation differences | <u>722</u> | <u>(1,115)</u> |
| At end of period | <u>224,505</u> | <u>228,382</u> |

Note:

- (a) During the three months ended 31 March 2020, the Group's additions to investments in associates mainly comprised the following:
 - (i) a consortium (the "Consortium") formed together with TME, a non-wholly owned subsidiary of the Company, and certain global financial investors to acquire 10% equity interests in Universal Music Group from its parent company, Vivendi S.A.. According to the subscription agreements, the Group has significant influence on the Consortium. The Group's investment in the Consortium amounts to approximately EUR1,182 million (equivalent to approximately RMB9,093 million). As a result, the investment in the Consortium has been accounted for as an associate by the Group; and
 - (ii) new associates and additional investments in existing associates with an aggregate amount of approximately RMB3,032 million during the three months ended 31 March 2020. These associates are principally engaged in software, digital medical and other Internet-related business.
- (b) During the three months ended 31 March 2020, transfers comprised an aggregate amount of approximately RMB2,710 million, which mainly included investment in an associate of an aggregate amount of approximately RMB2,349 million transferred to FVOCI as a result of retirement of a board representative, and investments in associates of approximately RMB361 million transferred to FVPL as a result of changes in nature of these investments.
- (c) During the three months ended 31 March 2020, the Group made an aggregate net impairment reversal of approximately RMB1,345 million (three months ended 31 March 2019: aggregate impairment provision of approximately RMB127 million) against the carrying amounts of certain investments in associates, which includes impairment loss of approximately RMB1,139 million recognised and approximately RMB2,484 million reversed. The impairment reversal/provision mainly resulted from revisions of financial/business outlook of the associates and changes in the market environment of the underlying business.

9 Financial assets at fair value through profit or loss

FVPL include the following:

| | Unaudited 31 March 2020 RMB'Million | Audited 31 December 2019 RMB'Million |
|--|--|---|
| Included in non-current assets: | | |
| Investments in listed entities | 10,553 | 10,408 |
| Investments in unlisted entities | 132,523 | 111,761 |
| Treasury investments and others | <u>6,853</u> | <u>6,653</u> |
| | <u>149,929</u> | <u>128,822</u> |
| Included in current assets: | | |
| Investment in a listed entity | 14 | 15 |
| Treasury investments and others | <u>6,557</u> | <u>7,099</u> |
| | <u>6,571</u> | <u>7,114</u> |
| | <u>156,500</u> | <u>135,936</u> |

Movement of FVPL is analysed as follows:

| | Unaudited Three months ended 31 March 2020 RMB'Million | 2019 RMB'Million |
|-----------------------------------|---|-----------------------------------|
| At beginning of period | | |
| At beginning of period | 135,936 | 97,877 |
| Additions and transfers (a) | 19,360 | 5,946 |
| Changes in fair value (Note 3(b)) | 1,317 | 5,183 |
| Disposals and others | (2,671) | (3,316) |
| Currency translation differences | <u>2,558</u> | <u>(1,918)</u> |
| At end of period | <u>156,500</u> | <u>103,772</u> |

Note:

- (a) During the three months ended 31 March 2020, the Group's additions and transfers to FVPL mainly comprised the following:
- (i) an additional investment in an online video-sharing services platform of approximately USD1,499 million (equivalent to approximately RMB10,343 million). As at 31 March 2020, the Group's equity interests in this investee company are approximately 19% on an outstanding basis;
 - (ii) new investments and additional investments with an aggregate amount of approximately RMB8,656 million in listed and unlisted entities. These companies are principally engaged in eCommerce, online education, Internet platform, technology and other Internet-related businesses; and
 - (iii) an investee company of approximately RMB361 million transferred from investment in an associate (Note 8(b)).

10 Financial assets at fair value through other comprehensive income

FVOCI include the following:

| | Unaudited 31 March 2020 | Audited 31 December 2019 |
|---|--|---|
| | RMB'Million | RMB'Million |
| Equity investments in listed entities | 71,773 | 74,707 |
| Equity investments in unlisted entities | 8,403 | 7,014 |
| | <u>80,176</u> | <u>81,721</u> |

Movement of FVOCI is analysed as follows:

| | Unaudited | |
|----------------------------------|------------------------------------|----------------------|
| | Three months ended 31 March | |
| | 2020 | 2019 |
| | RMB'Million | RMB'Million |
| At beginning of period | 81,721 | 43,519 |
| Additions and transfers (a) | 6,215 | 1,132 |
| Changes in fair value | (7,511) | 14,354 |
| Disposals | (1,539) | – |
| Currency translation differences | <u>1,290</u> | <u>(798)</u> |
| At end of period | <u>80,176</u> | <u>58,207</u> |

Note:

- (a) It comprised transfers of approximately RMB2,349 million (Note 8(b)), step down gains due to an investee company transferred from investment in an associate of approximately RMB2,592 million and new and additional investments of approximately RMB1,274 million.

11 Accounts receivable

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

| | Unaudited | Audited |
|--------------|----------------------|----------------------|
| | 31 March | 31 December |
| | 2020 | 2019 |
| | RMB'Million | RMB'Million |
| 0 ~ 30 days | 16,462 | 15,582 |
| 31 ~ 60 days | 12,145 | 10,222 |
| 61 ~ 90 days | 5,928 | 5,035 |
| Over 90 days | <u>8,334</u> | <u>5,000</u> |
| | <u>42,869</u> | <u>35,839</u> |

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

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

12 Share-based payments

(a) Share option schemes

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

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

In respect of the Post-IPO Option Scheme IV which continues to be in force, the Board may, at its discretion, grant options to any qualifying participants to subscribe for shares in the Company, subject to the terms and conditions stipulated therein. The exercise price must be in compliance with the requirement under the 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 IV | | Total No. of options |
|--|------------------------------|-------------------|------------------------------|-------------------|----------------------------|
| | Average exercise price | No. of options | Average exercise price | No. of options | |
| At 1 January 2020 | HKD185.86 | 50,358,800 | HKD375.36 | 61,738,193 | 112,096,993 |
| Granted | – | – | HKD360.01 | 7,514,304 | 7,514,304 |
| Exercised | HKD197.35 | (230,019) | HKD294.12 | (331,936) | (561,955) |
| Lapsed/forfeited | – | – | HKD344.14 | (169,442) | (169,442) |
| At 31 March 2020 | HKD185.81 | 50,128,781 | HKD374.15 | 68,751,119 | 118,879,900 |
| Exercisable as at 31 March 2020 | HKD179.67 | 43,000,228 | HKD366.22 | 10,717,055 | 53,717,283 |
| At 1 January 2019 | HKD185.25 | 51,499,010 | HKD374.52 | 36,277,234 | 87,776,244 |
| Exercised | HKD164.33 | (63,087) | HKD272.36 | (55,513) | (118,600) |
| Lapsed/forfeited | – | – | HKD342.83 | (82,218) | (82,218) |
| At 31 March 2019 | HKD185.28 | 51,435,923 | HKD374.75 | 36,139,503 | 87,575,426 |
| Exercisable as at 31 March 2019 | HKD172.08 | 34,234,411 | HKD279.92 | 1,756,195 | 35,990,606 |

During the three months ended 31 March 2020, 4,399,815 options were granted to one director of the Company (three months ended 31 March 2019: Nil).

(b) Share award schemes

The Company has adopted the Share Award Schemes as of 31 March 2020, which are administered by an independent trustee appointed by the Group. The vesting period of the awarded shares is determined by the Board.

Movements in the number of awarded shares for the three months ended 31 March 2020 and 2019 are as follows:

| | Number of awarded shares | |
|---|----------------------------------|-------------------|
| | Three months ended 31 March 2020 | 2019 |
| At beginning of period | 76,615,755 | 50,247,895 |
| Granted | 10,658,234 | 2,937,998 |
| Lapsed/forfeited | (826,918) | (702,568) |
| Vested and transferred | (3,689,645) | (3,713,496) |
| At end of period | 82,757,426 | 48,769,829 |
| Vested but not transferred as at the end of period | 77,227 | 992,996 |

During the three months ended 31 March 2020, 59,500 awarded shares were granted to five independent non-executive directors of the Company (three months ended 31 March 2019: Nil).

13 Accounts payable

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

| | Unaudited 31 March 2020 RMB'Million | Audited 31 December 2019 RMB'Million |
|--------------|--|---|
| 0 ~ 30 days | 80,036 | 67,054 |
| 31 ~ 60 days | 1,278 | 2,975 |
| 61 ~ 90 days | 1,036 | 1,442 |
| Over 90 days | 5,826 | <u>9,219</u> |
| | <u>88,176</u> | <u>80,690</u> |

14 Borrowings

| | Unaudited 31 March 2020 RMB'Million | Audited 31 December 2019 RMB'Million |
|--|--|---|
| Included in non-current liabilities: | | |
| Non-current portion of long-term USD bank borrowings, unsecured (a) | 112,759 | 88,354 |
| Non-current portion of long-term EUR bank borrowings, unsecured (a) | 1,172 | 1,172 |
| Non-current portion of long-term RMB bank borrowings, unsecured (a) | 10,194 | 10,196 |
| Non-current portion of long-term HKD bank borrowings, unsecured (a) | — | <u>4,535</u> |
| | <u>124,125</u> | <u>104,257</u> |

Included in current liabilities:

| | | |
|---|-----------------------|-----------------------|
| USD bank borrowings, unsecured (b) | 4,889 | 6,627 |
| HKD bank borrowings, unsecured (b) | 5,618 | 9,298 |
| RMB bank borrowings, unsecured (b) | 3,976 | 902 |
| RMB bank borrowings, secured (b) | 190 | 201 |
| Current portion of long-term USD bank borrowings, unsecured (a) | 142 | 140 |
| Current portion of long-term RMB bank borrowings, unsecured (a) | 714 | 4,633 |
| Current portion of long-term HKD bank borrowings, unsecured (a) | <u>912</u> | <u>894</u> |
| | <u>16,441</u> | <u>22,695</u> |
| | <u>140,566</u> | <u>126,952</u> |

Note:

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

| | Unaudited 31 March 2020 | | Audited 31 December 2019 | |
|---------------------|----------------------------|---------------------------------------|-----------------------------|------------------------------|
| | Amount (Million) | Interest rate (per annum) | Amount (Million) | Interest rate (per annum) |
| USD bank borrowings | USD15,935 | LIBOR + 0.70% ~1.27% | USD12,685 | LIBOR + 0.70% ~1.27% |
| EUR bank borrowings | EUR 150 | 0.52% | EUR150 | 0.52% |
| HKD bank borrowings | HKD1,000 | HIBOR +0.70% | HKD6,070 | HIBOR +0.70% ~0.80% |
| RMB bank borrowings | RMB10,908 | 4.18% ~ 5.70% | RMB14,829 | 4.18% ~ 5.70% |

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

| | Unaudited 31 March 2020 | | Audited 31 December 2019 | |
|---------------------|----------------------------|--|-----------------------------|------------------------------|
| | Amount (Million) | Interest rate (per annum) | Amount (Million) | Interest rate (per annum) |
| USD bank borrowings | USD690 | LIBOR + 0.5% or 2.02%~2.04% | USD950 | LIBOR + 0.5% |
| HKD bank borrowings | HKD6,160 | HIBOR + 0.50% | HKD10,395 | HIBOR + 0.45% ~0.50% |
| RMB bank borrowings | RMB4,166 | 3.55% ~ 5.22% | RMB1,103 | 3.60% ~ 5.22% |

15 Notes payable

| | Unaudited 31 March 2020 RMB'Million | Audited 31 December 2019 RMB'Million |
|--|--|---|
| Included in non-current liabilities: | | |
| Non-current portion of long-term USD notes payable | 84,640 | 83,327 |
| Included in current liabilities: | | |
| Current portion of long-term USD notes payable | – | 7,672 |
| Current portion of long-term HKD notes payable | 1,094 | 2,862 |
| | 1,094 | 10,534 |
| | 85,734 | 93,861 |

Note:

The aggregate principal amounts of USD notes payable and HKD notes payable were USD12,000 million (31 December 2019: USD13,100 million) and HKD1,200 million (31 December 2019: HKD3,200 million), respectively. Applicable interest rates were at 2.90% ~ 4.70% and 3-month USD LIBOR + 0.605%~0.910% (31 December 2019: 2.875% ~ 4.70% and 3-month USD LIBOR + 0.605% ~ 0.910%) per annum.

During the three months ended 31 March 2020, the notes payable with an aggregate principal amount of USD1,100 million issued in February 2015 and an aggregate principal amount of HKD2,000 million issued in May 2014 reached their maturity and were repaid in full by the Group.

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

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 three months ended 31 March 2020.

Employee and Remuneration Policies

As at 31 March 2020, the Group had 64,238 employees (31 March 2019: 54,623). 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 31 March 2020 was RMB15,143 million (for the three months ended 31 March 2019: RMB11,616 million).

Audit Committee

The Audit Committee, together with the Auditor, has reviewed the Group's unaudited Interim Financial Information for the three months ended 31 March 2020. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

Compliance with the Corporate Governance Code

Save as disclosed in the corporate governance report in the 2019 annual report of the Company, none of the directors of the Company is aware of any information which would reasonably indicate that the Company has not complied with the code provisions as set out in the CG Code during the period from 1 January 2020 to 31 March 2020.

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

APPRECIATION

On behalf of the Board, I would like to express our heartfelt gratitude to our conscientious and professional staff and management team for their hard work. I would also like to extend our thanks and appreciation to our shareholders and stakeholders who continue to provide us with great support and confidence. We believe that our continued commitment to building an ecosystem in the Consumer Internet and Industrial Internet sectors that brings the needs of our users to the forefront will produce long-term value for our shareholders.

By Order of the Board

Ma Huateng

Chairman

Hong Kong, 13 May 2020

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 the future. Underlying these forward-looking statements are a lot of risks and uncertainties. In light of the risks and uncertainties, the inclusion of forward-looking statements in this announcement should not be regarded as representations by the Board or the Company that the plans and objectives will be achieved, and investors should not place undue reliance on such statements.

DEFINITION

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

| Term | Definition |
|--------------------|---|
| “2020 AGM” | the annual general meeting of the Company to be held on 13 May 2020 or any adjournment thereof |
| “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 |
| “China Literature” | China Literature Limited, a non-wholly owned subsidiary of the Company, which is incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange |
| “Company” | Tencent Holdings Limited, a limited liability company organised and existing under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange |
| “DAU” | daily active user accounts |
| “DnF” | Dungeon and Fighter |
| “EBITDA” | earnings before interest, tax, depreciation and amortisation |
| “eCPM” | effective cost per mille |

| | |
|-----------------|---|
| “EPS” | earnings per share |
| “EUR” | the lawful currency of European Union |
| “FinTech” | financial technology |
| “FMCG” | fast moving consumer goods |
| “FVOCI” | financial assets at fair value through other comprehensive income |
| “FVPL” | financial assets at fair value through profit or loss |
| “Group” | the Company and its subsidiaries |
| “HIBOR” | Hong Kong InterBank Offered Rate |
| “HKD” | the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region, the PRC |
| “IAS” | International Accounting Standards |
| “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 |
| “NBA” | National Basketball Association |
| “PC” | personal computer |
| “Post-IPO Option Scheme I” | the Post-IPO Share Option Scheme adopted by the Company on 24 March 2004 |
| “Post-IPO Option Scheme II” | the Post-IPO Share Option Scheme adopted by the Company on 16 May 2007 |
| “Post-IPO Option Scheme III” | the Post-IPO Share Option Scheme adopted by the Company on 13 May 2009 |
| “Post-IPO Option Scheme IV” | the Post-IPO Share Option Scheme adopted by the Company on 17 May 2017 |
| “PRC” or “China” | the People’s Republic of China |
| “PRC CIT” | PRC corporate income tax as defined in the “Corporate Income Tax Law of the People’s Republic of China” |
| “Pre-IPO Option Scheme” | the Pre-IPO Share Option Scheme adopted by the Company on 27 July 2001 |
| “PUBG” | PlayerUnknown’s Battlegrounds |
| “R&D” | research and development |
| “Riot Games” | Riot Games, Inc., a company established in the US |

| | |
|-------------------------|---|
| “RMB” | the lawful currency of the PRC |
| “Share Award Schemes” | the share award scheme adopted by the Company on 13 December 2007, the share award scheme adopted by the Company on 13 November 2013, and the share award scheme adopted by the Company on 25 November 2019, as amended from time to time |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “TME” | Tencent Music Entertainment Group, a limited liability company incorporated under the laws of the Cayman Islands and the shares of which are listed on the New York Stock Exchange |
| “United States” or “US” | the United States of America |
| “USD” | the lawful currency of the United States |
| “VAS” | value-added services |