

	Unaudited		
	Six months ended		
	30 June	30 June	Year-
	2020	2019	on-year
	(RMB in millions, unless specified)		
			change
Revenues	222,948	174,286	28%
Gross profit	106,004	78,946	34%
Operating profit	76,571	64,263	19%
Profit for the period	61,857	52,540	18%
Profit attributable to equity holders of the Company	62,003	51,346	21%
Non-IFRS profit attributable to equity holders of the Company	57,232	44,455	29%
EPS (RMB per share)			
– basic	6.541	5.427	21%
– diluted	6.440	5.362	20%
Non-IFRS EPS (RMB per share)			
– basic	6.038	4.699	28%
– diluted	5.945	4.643	28%

OPERATING INFORMATION

	As at 30 June 2020	As at 30 June 2019	Year- on-year change	As at 31 March 2020	Quarter- on-quarter change
Combined MAU of					
Weixin and WeChat	1,206.1	1,132.7	6.5%	1,202.5	0.3%
Smart device MAU of QQ	647.6	706.7	-8.4%	693.5	-6.6%
Fee-based VAS registered subscriptions	203.4	168.9	20.4%	197.4	3.0%

BUSINESS REVIEW AND OUTLOOK

Since the beginning of this year, the COVID-19 pandemic has swept the world, disrupting our daily work and life routines. During this challenging time, we utilised our platforms and technologies to help users adapt to the new normal via online tools, to support enterprises in conducting digital upgrades, and to broadly contribute to economic recovery. Here are some highlights for our key products and business lines:

Communication and Social

For Weixin, we released update to enhance functionalities for communication, content and services. For communication, the new Tickle function has enabled many creative expressions, and the addition of live broadcast function to Weixin school-plus-home groups facilitated online education within Weixin. MAUs and daily messages sent both increased year-on-year. For content, we upgraded the video content publishing functionalities in Official Accounts, enhanced content discovery with strengthened recommendation algorithm and launched content aggregation tools. These initiatives revitalized content consumption in Official Accounts, resulting in year-on-year increase in page views. As for services, we assisted traditional retailers to migrate online and support their business resumption via Mini Programs. Transactions value generated via Mini Programs increased sequentially as economic activities recovered. We launched a free and easy-to-use toolkit, Mini Stores, to help long-tail merchants build and operate digital storefronts, empowering them with various functions such as order management, after-sales services and live broadcast.

In QQ, we enriched features to enable users to better interact with their friends and families while they are physically apart. Users can initiate online parties and play AI-empowered social games together with their friends in video chats. To engage the expanding fan base for Anime, Comics, Games and Novels (“ACGN”) content, we offered customisable comic stickers within QQ chats, and enriched content for ACGN-related Mini Programs, which gained popularity among young users.

Online Games

In China, user time spent on our smart phone games increased year-on-year but decreased quarter-on-quarter due to seasonality and back-to-office behavior. Honour of Kings deepened its user engagement with the release of more top-tier skins during its annual Give Me Five festival. Peacekeeper Elite celebrated its first anniversary with new content and game modes to enhance the competitive game experience, and we partnered with Tesla to introduce in-game Tesla-branded car skins in July, which proved highly popular. In the second quarter, we launched a strategy game, Chess Rush; an action game based on a popular anime IP, The Outcast; and Supercell’s Brawl Stars. Brawl Stars ranked first in the iOS China Download Chart in June this year, extending its global leadership in the fast-paced 3v3 MOBA genre.

Internationally, our MAU increased significantly year-on-year and quarter-on-quarter due to new game launches and more user time spent during the stay-at-home period. We released an immersive team-based action game for PC, Valorant; a card game supporting cross-platform play on PC and smart phones, Legends of Runeterra; and a licensed mobile RPG, CODE:D Blood. Valorant was the most watched game globally on Twitch during the second quarter, reflecting the game’s instant appeal to immersive action game players.

Digital Content

Our fee-based VAS subscriptions increased 20% year-on-year to 203 million, primarily due to growth in video and music content subscriptions. Video subscriptions increased 18% year-on-year to 114 million, driven by self-commissioned Chinese anime and drama series, such as The Land of Warriors Season 3 (《鬥羅大陸第三季》), Candle in the Tomb: The Lost Caverns (《龍嶺迷窟》) and The Romance of Tiger and Rose (《傳聞中的陳芊芊》). Sequentially, traffic for long-form video sites in China, including Tencent Video, declined due to work-from-office behavior and delayed releases of certain high-profile variety shows and drama series. However, Tencent Video's traffic has increased subsequent to the quarter end, driven by popular drama series such as Nothing But Thirty (《三十而已》), which we believe reflects the underlying resilience of our video platform. Music subscriptions rose 52% year-on-year to 47 million as Tencent Music increased the scope of the paid music library.

Online Advertising

Continued strength in social and others advertising contributed to the year-on-year revenue growth for our online advertising business. Sequentially, our online advertising revenue grew at a slower-than-seasonal rate as the games and Internet services sectors, which had ramped up advertising aggressively during the first quarter of 2020 due to work-from-home behavior, reduced their spending to more normal levels. However, our advertiser industry breadth diversified in the second quarter of 2020 as categories such as eCommerce and education spent heavily for the 618 promotional campaigns and summer courses, while categories such as automobile and consumer electronics brands increased their spending as consumption recovered.

To reinforce our long-term competitiveness in performance advertising, we launched an integrated advertising platform in July, where advertisers can more efficiently place advertisements across all of our inventories, including our mobile advertising network. This new platform will also enhance bidding efficiency and provide smarter targeting for advertisers.

For social and others advertising, Weixin properties, particularly Moments, saw rapid advertising impressions growth, while our mobile advertising network experienced higher eCPMs as video advertisements' revenue contribution increased from a single digit percentage in the second quarter of 2019 to over 40% in the second quarter this year. We believe the Weixin ecosystem is redefining China's online advertising by enabling advertisers to sustain relationships with their users in their own private domains, such as Official Accounts and Mini Programs, with the result that our advertisers are effectively investing in long-term and loyal customer relationships, rather than just purchasing one-time transactions.

As for media advertising, revenue declined sharply year-on-year due to weak demand from brand advertisers and the delayed production and release of certain variety shows and drama series, some of which we expect to release in the second half of 2020.

FinTech

Our commercial payment and wealth management businesses grew their users and business scale, driving FinTech revenue up year-on-year and quarter-on-quarter. Offline merchants, especially SMEs, increasingly adopted our payment services and business management tools, as they sought to digitally upgrade their businesses to access customers and settle transactions via mobile phones. During the quarter, merchant demand for our payment solutions stepped up, especially from categories such as retail and restaurants. As a result, the number of average daily transactions and value per transaction for our commercial payments both grew year-on-year.

For our wealth management business, the aggregated customer assets and the number of active customers increased rapidly year-on-year as more customers appreciated the convenience of managing their cash through our secure and carefully-curated platform.

Cloud and Other Business Services

Increased cloud services usage by Internet companies and the public sector contributed to the year-on-year and sequential revenue growth of our cloud and other business services. Due to the lingering impact from COVID-19, offline project deployment has not fully resumed in the second quarter, but we signed major contracts in the financial and public sectors, while expanding our presence in emerging verticals such as medical, education, and meetings and exhibitions, to help customers in their digital transformation. On technology and infrastructure, we are adopting custom-made equipment, as well as building and expanding our own hyperscale data centres, to enhance the performance and optimise the cost of our cloud services for the long run.

MANAGEMENT DISCUSSION AND ANALYSIS

Second Quarter of 2020 Compared to Second Quarter of 2019

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

	Unaudited	
	Three months ended	
	30 June	30 June
	2020	2019
	(RMB in millions)	
Revenues	114,883	88,821
Cost of revenues	(61,673)	(49,695)
Gross profit	53,210	39,126
Interest income	1,749	1,652
Other gains, net	8,607	4,038
Selling and marketing expenses	(7,756)	(4,718)
General and administrative expenses	(16,499)	(12,577)
Operating profit	39,311	27,521
Finance costs, net	(2,005)	(1,982)
Share of (loss)/profit of associates and joint ventures	(295)	2,370
Profit before income tax	37,011	27,909
Income tax expense	(4,557)	(3,225)
Profit for the period	32,454	24,684
Attributable to:		
Equity holders of the Company	33,107	24,136
Non-controlling interests	(653)	548
	32,454	24,684
Non-IFRS profit attributable to equity holders of the Company	30,153	23,525

Revenues. Revenues increased by 29% to RMB114.9 billion for the second quarter of 2020 on a year-on-year basis. The following table sets forth our revenues by line of business for the second quarter of 2020 and the second quarter of 2019:

	Unaudited			
	Three months ended			
	30 June 2020		30 June 2019	
	% of total		% of total	
	Amount	revenues	Amount	revenues
	(RMB in millions, unless specified)			
VAS	65,002	57%	48,080	54%
FinTech and Business Services	29,862	26%	22,888	26%
Online Advertising	18,552	16%	16,409	18%
Others	1,467	1%	1,444	2%
Total revenues	<u>114,883</u>	<u>100%</u>	<u>88,821</u>	<u>100%</u>

- Revenues from VAS increased by 35% to RMB65,002 million for the second quarter of 2020 on a year-on-year basis. Online games revenues grew by 40% to RMB38,288 million. The increase was primarily driven by higher revenues from smart phone games in both domestic and overseas markets, including titles such as Peacekeeper Elite and Honour of Kings, partly offset by the decrease in revenues from PC client games such as DnF and CrossFire. Total smart phone games revenues (including smart phone games revenues attributable to our social networks business) were RMB35,988 million and PC client games revenues were RMB10,912 million for the second quarter of 2020. Social networks revenues increased by 29% to RMB26,714 million. The increase was mainly due to revenue contributions from digital content services including the live broadcast services of HUYA Inc. (“HUYA”, which we consolidated as a subsidiary from April 2020), and music subscription growth, as well as revenue growth from in-game virtual item sales.
- Revenues from FinTech and Business Services increased by 30% to RMB29,862 million for the second quarter of 2020 on a year-on-year basis. The increase mainly reflected revenue growth from commercial payment due to increased average daily transactions and value per transaction, from wealth management, as well as from cloud services as a result of greater consumption of our public cloud, particularly by the Internet services and municipal services sectors.
- Revenues from Online Advertising increased by 13% to RMB18,552 million for the second quarter of 2020 on a year-on-year basis. Social and others advertising revenues grew by 27% to RMB15,262 million. The increase was primarily due to revenue growth from our mobile advertising network, benefitting from increased traffic and a greater mix of video advertising with higher pricing, as well as increased revenues derived from Weixin Moments due to more inventories and impressions. Media advertising revenues decreased by 25% to RMB3,290 million. The decrease was primarily driven by lower advertising revenues from Tencent Video as a result of weak brand advertising demand amid the challenging macro environment, as well as delayed content production and releases.

Cost of revenues. Cost of revenues increased by 24% to RMB61,673 million for the second quarter of 2020 on a year-on-year basis. The increase mainly reflected greater channel and distribution costs, server and bandwidth costs, as well as content costs. As a percentage of revenues, cost of revenues decreased to 54% for the second quarter of 2020 from 56% for the second quarter of 2019. The following table sets forth our cost of revenues by line of business for the second quarter of 2020 and the second quarter of 2019:

	Unaudited			
	Three months ended			
	30 June 2020		30 June 2019	
	Amount	% of segment revenues	Amount	% of segment revenues
	(RMB in millions, unless specified)			
VAS	30,100	46%	22,783	47%
FinTech and Business Services	21,222	71%	17,391	76%
Online Advertising	9,008	49%	8,432	51%
Others	1,343	92%	1,089	75%
	<u>61,673</u>		<u>49,695</u>	
Total cost of revenues	<u>61,673</u>		<u>49,695</u>	

- Cost of revenues for VAS increased by 32% to RMB30,100 million for the second quarter of 2020 on a year-on-year basis. The increase was mainly driven by greater channel and distribution costs, as well as content costs including those for HUYA’s live broadcast services.
- Cost of revenues for FinTech and Business Services increased by 22% to RMB21,222 million for the second quarter of 2020 on a year-on-year basis. The increase primarily reflected greater transaction costs due to increased volume of payment activities, as well as greater server and bandwidth costs as a result of enlarging the scale of our cloud services business.
- Cost of revenues for Online Advertising increased by 7% to RMB9,008 million for the second quarter of 2020 on a year-on-year basis. The increase was primarily driven by greater traffic acquisition costs for our mobile advertising network, as well as increased server and bandwidth costs, partly offset by lower content costs resulting from fewer content releases.

Other gains, net. We recorded net other gains of RMB8,607 million for the second quarter of 2020, which mainly comprised of non-IFRS adjustment items including net gains on deemed disposals of certain investee companies in verticals such as eCommerce, live broadcast services and online games, as well as net fair value gains resulting from increased valuations of investees. Such gains were partly offset by impairment provisions for goodwill at China Literature and against certain investee companies, reflecting revisions of their financial/business outlook and changes in their market environments.

Selling and marketing expenses. Selling and marketing expenses increased by 64% to RMB7,756 million for the second quarter of 2020 on a year-on-year basis. The increase was mainly due to greater marketing spending on our online games, Weishi as well as cloud and business services. As a percentage of revenues, selling and marketing expenses increased to 7% for the second quarter of 2020 from 5% for the second quarter of 2019.

General and administrative expenses. General and administrative expenses increased by 31% to RMB16,499 million for the second quarter of 2020 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 second quarter of 2020, broadly stable compared to the second quarter of 2019.

Finance costs, net. Net finance costs were RMB2,005 million for the second quarter of 2020, broadly stable compared to the second quarter of 2019.

Share of loss/profit of associates and joint ventures. We recorded share of losses of associates and joint ventures of RMB295 million for the second quarter of 2020, compared to share of profit of RMB2,370 million for the second quarter of 2019. The movement mainly reflected the impact of longer revenue deferral period and greater marketing spending at an associate game company.

Income tax expense. Income tax expense increased by 41% to RMB4,557 million for the second quarter of 2020 on a year-on-year basis.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 37% to RMB33,107 million for the second quarter of 2020 on a year-on-year basis. Non-IFRS profit attributable to equity holders of the Company increased by 28% to RMB30,153 million for the second quarter of 2020.

Second Quarter of 2020 Compared to First Quarter of 2020

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

	Unaudited	
	Three months ended	
	30 June	31 March
	2020	2020
	(RMB in millions)	
Revenues	114,883	108,065
Cost of revenues	(61,673)	(55,271)
Gross profit	53,210	52,794
Interest income	1,749	1,636
Other gains, net	8,607	4,037
Selling and marketing expenses	(7,756)	(7,049)
General and administrative expenses	(16,499)	(14,158)
Operating profit	39,311	37,260
Finance costs, net	(2,005)	(1,684)
Share of losses of associates and joint ventures	(295)	(281)
Profit before income tax	37,011	35,295
Income tax expense	(4,557)	(5,892)
Profit for the period	<u>32,454</u>	<u>29,403</u>
Attributable to:		
Equity holders of the Company	33,107	28,896
Non-controlling interests	(653)	507
	<u>32,454</u>	<u>29,403</u>
Non-IFRS profit attributable to equity holders of the Company	<u>30,153</u>	<u>27,079</u>

Revenues. Revenues increased by 6% to RMB114.9 billion for the second quarter of 2020 on a quarter-on-quarter basis.

- Revenues from VAS increased by 4% to RMB65,002 million for the second quarter of 2020. Online games revenues grew by 3% to RMB38,288 million. The increase primarily reflected revenue growth from domestic smart phone games such as Peacekeeper Elite and Honour of Kings, as well as revenue contributions from overseas titles, partially offset by lower revenues from PC client games. Social networks revenues increased by 6% to RMB26,714 million. The increase was mainly driven by revenues contributed from digital content services, including the consolidation of HUYA's live broadcast services.
- Revenues from FinTech and Business Services increased by 13% to RMB29,862 million for the second quarter of 2020. The increase was primarily due to higher revenues from commercial payment, social payment and cloud services, as a result of recovering consumer sentiment in the Mainland of China.
- Revenues from Online Advertising increased by 5% to RMB18,552 million for the second quarter of 2020. Social and others advertising revenues increased by 5% to RMB15,262 million. The increase primarily reflected revenue growth from Weixin Moments and our mobile advertising network, resulting from more traffic and increased eCPM due to greater proportion of rewarded videos advertisements, which are widely used by the eCommerce and education sectors. Media advertising revenues grew by 5% to RMB3,290 million. The increase was mainly driven by higher advertising revenues arising from our media platforms including music and news. Compared to historic patterns, we experienced a slower-than-usual seasonal upturn from the first to the second quarter of 2020, reflecting the COVID-19 pandemic driving unusually high traffic, and thus spending by game and Internet services advertisers, in the first quarter of 2020. However, other advertiser categories, such as eCommerce, education, automobiles and consumer electronics, increased their spending quarter-on-quarter.

Cost of revenues. Cost of revenues increased by 12% to RMB61,673 million for the second quarter of 2020 on quarter-on-quarter basis. The increase was primarily due to greater content costs, channel and distribution costs and costs of FinTech services. As a percentage of revenues, cost of revenues increased to 54% for the second quarter of 2020 from 51% for the first quarter of 2020, partly due to the consolidation of HUYA.

- Cost of revenues for VAS increased by 18% to RMB30,100 million for the second quarter of 2020. The increase was mainly driven by greater content costs for live broadcast, online games and video streaming services, including content costs attributable to HUYA, as well as increased channel and distribution costs.
- Cost of revenues for FinTech and Business Services increased by 11% to RMB21,222 million for the second quarter of 2020. The increase was mainly due to greater transaction costs of payment-related services, flowing from increased payment volume, as well as greater project deployment costs and server and bandwidth costs for cloud business.

- Cost of revenues for Online Advertising was RMB9,008 million for the second quarter of 2020, broadly stable compared to the first quarter of 2020, as greater channel and distribution costs, as well as content costs, were offset by the industry-wide removal of cultural construction fee for this year.

Selling and marketing expenses. Selling and marketing expenses increased by 10% to RMB7,756 million for the second quarter of 2020 on a quarter-on-quarter basis. The increase mainly reflected greater marketing spending on online games, cloud and business services, as well as the consolidation of HUYA.

General and administrative expenses. General and administrative expenses increased by 17% to RMB16,499 million for the second quarter of 2020 on a quarter-on-quarter basis. The increase was mainly driven by greater R&D expenses and staff costs, including those associated with the consolidation of HUYA.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 15% to RMB33,107 million for the second quarter of 2020 on a quarter-on-quarter basis. Non-IFRS profit attributable to equity holders of the Company increased by 11% to RMB30,153 million.

Other Financial Information

	Unaudited			Unaudited	
	Three months ended			Six months ended	
	30 June	31 March	30 June	30 June	30 June
	2020	2020	2019	2020	2019
	(RMB in millions, unless specified)				
EBITDA (a)	40,525	42,228	32,649	82,753	66,215
Adjusted EBITDA (a)	43,742	45,190	35,102	88,932	70,700
Adjusted EBITDA margin (b)	38%	42%	40%	40%	41%
Interest and related expenses	1,822	2,006	1,757	3,828	3,256
Net cash/(debt) (c)	7,212	(5,716)	(15,766)	7,212	(15,766)
Capital expenditures (d)	9,466	6,151	4,362	15,617	8,868

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 cash/(debt) represents period end balance and is calculated as cash and cash equivalents, plus term deposits and others, minus borrowings and notes payable.
- (d) Capital expenditures consist of additions (excluding business combinations) to property, plant and equipment, construction in progress, investment properties, land use rights and intangible assets (excluding video and music content, game licences and other content).

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

	Unaudited			Unaudited	
	Three months ended		Six months ended		
	30 June	31 March	30 June	30 June	30 June
	2020	2020	2019	2020	2019
	(RMB in millions, unless specified)				
Operating profit	39,311	37,260	27,521	76,571	64,263
Adjustments:					
Interest income	(1,749)	(1,636)	(1,652)	(3,385)	(3,060)
Other gains, net	(8,607)	(4,037)	(4,038)	(12,644)	(15,127)
Depreciation of property, plant and equipment and investment properties	4,257	3,889	2,989	8,146	5,793
Depreciation of right-of-use assets	899	874	748	1,773	1,350
Amortisation of intangible assets	6,414	5,878	7,081	12,292	12,996
EBITDA	40,525	42,228	32,649	82,753	66,215
Equity-settled share-based compensation	3,217	2,962	2,453	6,179	4,485
Adjusted EBITDA	<u>43,742</u>	<u>45,190</u>	<u>35,102</u>	<u>88,932</u>	<u>70,700</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 second quarter of 2020 and 2019, the first quarter of 2020, as well as the first half of 2020 and 2019 to the nearest measures prepared in accordance with IFRS:

	Unaudited three months ended 30 June 2020						Non-IFRS
	As reported	Adjustments					
	Share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/ (reversals) (d)	Income tax effects (e)		
	(RMB in millions, unless specified)						
Operating profit	39,311	3,507	(14,672)	870	8,613	-	37,629
Profit for the period	32,454	4,225	(16,108)	1,886	9,268	(505)	31,220
Profit attributable to equity holders	33,107	4,019	(15,436)	1,503	7,310	(350)	30,153
EPS (RMB per share)							
- basic	3.491						3.180
- diluted	3.437						3.130
Operating margin	34%						33%
Net margin	28%						27%

Unaudited three months ended 31 March 2020

	Adjustments						Non-IFRS
	As reported	Share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/ (reversals) (d)	Income tax effects (e)	
	(RMB in millions, unless specified)						
Operating profit	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 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 provisions/ (reversals) (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 six months ended 30 June 2020

	Adjustments						Non-IFRS
	As reported	Share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/ (reversals) (d)	Income tax effects (e)	
	(RMB in millions, unless specified)						
Operating profit	76,571	6,942	(19,944)	1,509	8,126	–	73,204
Profit for the period	61,857	8,423	(23,100)	3,458	9,250	(684)	59,204
Profit attributable to equity holders	62,003	7,976	(22,412)	2,841	7,292	(468)	57,232
EPS (RMB per share)							
– basic	6.541						6.038
– diluted	6.440						5.945
Operating margin	34%						33%
Net margin	28%						27%

Unaudited six 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 provisions/ (reversals) (d)	Income tax effects (e)	
	(RMB in millions, unless specified)						
Operating profit	64,263	4,486	(15,496)	232	2,266	–	55,751
Profit for the period	52,540	5,241	(16,897)	2,570	3,081	(671)	45,864
Profit attributable to equity holders	51,346	5,078	(16,873)	2,465	3,081	(642)	44,455
EPS (RMB per share)							
– basic	5.427						4.699
– diluted	5.362						4.643
Operating margin	37%						32%
Net margin	30%						26%

Note:

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

Liquidity and Financial Resources

Our cash positions as at 30 June 2020 and 31 March 2020 were as follows:

	Unaudited 30 June 2020	Unaudited 31 March 2020
	(RMB in millions)	
Cash and cash equivalents	173,718	135,270
Term deposits and others	107,368	85,314
	281,086	220,584
Borrowings	(147,089)	(140,566)
Notes payable	(126,785)	(85,734)
Net cash/(debt)	7,212	(5,716)
Fair value of our stakes in listed investee companies (excluding subsidiaries)	726,244	410,299

As at 30 June 2020, the Group had net cash of RMB7,212 million, compared to net debt of RMB5,716 million as at 31 March 2020. The sequential improvement mainly reflected strong free cash flow generation, and the consolidation of HUYA's net cash balance, partly offset by payments for M&A initiatives.

For the second quarter of 2020, the Group had free cash flow of RMB28,451 million. This was a result of net cash flow generated from operating activities of RMB44,064 million, offset by payments for capital expenditures of RMB8,796 million, payments for media content of RMB5,864 million, and payments for lease liabilities of RMB953 million.

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2020

	Note	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2020 RMB'Million	2019 RMB'Million	2020 RMB'Million	2019 RMB'Million
Revenues					
Value-added Services		65,002	48,080	127,431	97,054
FinTech and Business Services		29,862	22,888	56,337	44,677
Online Advertising		18,552	16,409	36,265	29,786
Others		1,467	1,444	2,915	2,769
		<u>114,883</u>	<u>88,821</u>	<u>222,948</u>	<u>174,286</u>
Cost of revenues	4	<u>(61,673)</u>	<u>(49,695)</u>	<u>(116,944)</u>	<u>(95,340)</u>
Gross profit		53,210	39,126	106,004	78,946
Interest income		1,749	1,652	3,385	3,060
Other gains, net	3	8,607	4,038	12,644	15,127
Selling and marketing expenses	4	(7,756)	(4,718)	(14,805)	(8,962)
General and administrative expenses	4	(16,499)	(12,577)	(30,657)	(23,908)
Operating profit		39,311	27,521	76,571	64,263
Finance costs, net		(2,005)	(1,982)	(3,689)	(3,099)
Share of (loss)/profit of associates and joint ventures		(295)	2,370	(576)	(587)
Profit before income tax		37,011	27,909	72,306	60,577
Income tax expense	5	<u>(4,557)</u>	<u>(3,225)</u>	<u>(10,449)</u>	<u>(8,037)</u>
Profit for the period		<u>32,454</u>	<u>24,684</u>	<u>61,857</u>	<u>52,540</u>
Attributable to:					
Equity holders of the Company		33,107	24,136	62,003	51,346
Non-controlling interests		(653)	548	(146)	1,194
		<u>32,454</u>	<u>24,684</u>	<u>61,857</u>	<u>52,540</u>
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)					
– basic	6(a)	<u>3.491</u>	<u>2.550</u>	<u>6.541</u>	<u>5.427</u>
– diluted	6(b)	<u>3.437</u>	<u>2.520</u>	<u>6.440</u>	<u>5.362</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2020**

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Profit for the period	32,454	24,684	61,857	52,540
Other comprehensive income, net of tax:				
<i>Items that may be subsequently reclassified to profit or loss</i>				
Share of other comprehensive income/(loss)				
of associates and joint ventures	159	(2)	129	(28)
Transfer of share of other comprehensive income to profit or loss upon deemed disposal of an associate	(2)	–	(2)	–
Currency translation differences	2,358	3,059	3,673	1,060
Other fair value losses	(687)	(1,388)	(2,044)	(2,036)
<i>Items that will not be subsequently reclassified to profit or loss</i>				
Net gains from changes in fair value of financial assets at fair value through other comprehensive income	56,797	2,582	48,947	16,847
Other fair value gains/(losses)	102	(70)	48	(71)
	<u>58,727</u>	<u>4,181</u>	<u>50,751</u>	<u>15,772</u>
Total comprehensive income for the period	91,181	28,865	112,608	68,312
Attributable to:				
Equity holders of the Company	89,242	28,080	110,262	66,571
Non-controlling interests	1,939	785	2,346	1,741
	<u>91,181</u>	<u>28,865</u>	<u>112,608</u>	<u>68,312</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

		Unaudited	Audited
		30 June	31 December
		2020	2019
	Note	RMB'Million	RMB'Million
ASSETS			
Non-current assets			
Property, plant and equipment		52,565	46,824
Land use rights		15,822	15,609
Right-of-use assets		10,622	10,847
Construction in progress		5,217	3,935
Investment properties		635	855
Intangible assets		135,260	128,860
Investments in associates	8	224,753	213,614
Investments in joint ventures		7,053	8,280
Financial assets at fair value through profit or loss	9	162,391	128,822
Financial assets at fair value through other comprehensive income	10	139,021	81,721
Prepayments, deposits and other assets		22,588	23,442
Deferred income tax assets		20,974	18,209
Term deposits		21,210	19,000
		818,111	700,018
Current assets			
Inventories		988	718
Accounts receivable	11	40,384	35,839
Prepayments, deposits and other assets		36,233	27,840
Other financial assets		1,585	375
Financial assets at fair value through profit or loss	9	6,327	7,114
Term deposits		79,920	46,911
Restricted cash		2,278	2,180
Cash and cash equivalents		173,718	132,991
		341,433	253,968
Total assets		1,159,544	953,986

		Unaudited	Audited
		30 June 2020	31 December 2019
	Note	RMB'Million	RMB'Million
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		–	–
Share premium		41,701	35,271
Shares held for share award schemes		(3,959)	(4,002)
Other reserves		61,056	16,786
Retained earnings		436,611	384,651
		<u>535,409</u>	<u>432,706</u>
Non-controlling interests		<u>70,864</u>	<u>56,118</u>
Total equity		<u>606,273</u>	<u>488,824</u>
LIABILITIES			
Non-current liabilities			
Borrowings	14	131,988	104,257
Notes payable	15	126,785	83,327
Long-term payables		4,675	3,577
Other financial liabilities		7,016	5,242
Deferred income tax liabilities		13,434	12,841
Lease liabilities		8,143	8,428
Deferred revenue		6,638	7,334
		<u>298,679</u>	<u>225,006</u>
Current liabilities			
Accounts payable	13	86,433	80,690
Other payables and accruals		43,675	45,174
Borrowings	14	15,101	22,695
Notes payable	15	–	10,534
Current income tax liabilities		10,813	9,733
Other tax liabilities		1,133	1,245
Other financial liabilities		5,746	5,857
Lease liabilities		3,474	3,279
Deferred revenue		88,217	60,949
		<u>254,592</u>	<u>240,156</u>
Total liabilities		<u>553,271</u>	<u>465,162</u>
Total equity and liabilities		<u>1,159,544</u>	<u>953,986</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 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	-	35,271	(4,002)	16,786	384,651	432,706	56,118	488,824
Comprehensive income								
Profit for the period	-	-	-	-	62,003	62,003	(146)	61,857
Other comprehensive income, net of tax:								
- share of other comprehensive income of associates and joint ventures	-	-	-	128	-	128	1	129
- transfer of share of other comprehensive income to profit or loss upon deemed disposal of an associate	-	-	-	(2)	-	(2)	-	(2)
- net gains from changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	47,206	-	47,206	1,741	48,947
- currency translation differences	-	-	-	2,863	-	2,863	810	3,673
- other fair value losses, net	-	-	-	(1,936)	-	(1,936)	(60)	(1,996)
Total comprehensive income for the period	-	-	-	48,259	62,003	110,262	2,346	112,608
Transfer of gains on disposal and deemed disposal of financial assets at fair value through other comprehensive income to retained earnings	-	-	-	(346)	346	-	-	-
Share of other changes in net assets of associates and joint ventures	-	-	-	1,456	-	1,456	(5)	1,451
Transfer of share of other changes in net assets of associates to profit or loss upon deemed disposal of associates	-	-	-	(154)	-	(154)	-	(154)
Transactions with equity holders								
Capital injection	-	-	-	-	-	-	222	222
Employee share option schemes:								
- value of employee services	-	933	-	31	-	964	32	996
- proceeds from shares issued	-	542	-	-	-	542	-	542
Employee share award schemes:								
- value of employee services	-	4,714	-	141	-	4,855	163	5,018
- shares withheld for share award schemes	-	-	(411)	-	-	(411)	-	(411)
- vesting of awarded shares	-	(336)	336	-	-	-	-	-
Tax benefit from share-based payments	-	-	-	214	-	214	-	214
Profit appropriations to statutory reserves	-	-	-	(60)	60	-	-	-
Dividends	-	-	-	-	(10,449)	(10,449)	(324)	(10,773)
Non-controlling interests arising from business combinations	-	-	-	-	-	-	8,685	8,685
Deemed disposal of a subsidiary	-	-	-	-	-	-	5	5
Acquisition of additional equity interests in non-wholly owned subsidiaries	-	-	-	35	-	35	(270)	(235)
Dilution of interests in subsidiaries	-	-	-	(139)	-	(139)	273	134
Changes in put option liability with non-controlling interests	-	-	-	(75)	-	(75)	(35)	(110)
Recognition of financial liabilities in respect of non-controlling interests	-	-	-	(686)	-	(686)	-	(686)
Transfer of equity interests of subsidiaries to non-controlling interests	-	577	118	(4,406)	-	(3,711)	3,654	(57)
Total transactions with equity holders at their capacity as equity holders for the period	-	6,430	43	(4,945)	(10,389)	(8,861)	12,405	3,544
Balance at 30 June 2020	-	41,701	(3,959)	61,056	436,611	535,409	70,864	606,273

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'Million	RMB'Million
Net cash flows generated from operating activities	98,725	53,804
Net cash flows used in investing activities	(92,927)	(36,300)
Net cash flows generated from financing activities	34,498	7,252
Net increase in cash and cash equivalents	40,296	24,756
Cash and cash equivalents at beginning of the period	132,991	97,814
Exchange gains on cash and cash equivalents	431	268
Cash and cash equivalents at end of the period	173,718	122,838
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	68,699	53,244
Term deposits and highly liquid investments with initial terms within three months	105,019	69,594
	173,718	122,838

Note:

1 General information, basis of preparation and presentation

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

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

The condensed consolidated interim financial information comprises the consolidated statement of financial position as at 30 June 2020, the consolidated income statement and the consolidated statement of comprehensive income for the three and six months then ended, the consolidated statement of changes in equity and the consolidated statement of cash flows for six months then ended, and a summary of significant accounting policies and other explanatory notes (the “Interim Financial Information”). The Interim Financial Information is presented in RMB, unless otherwise stated.

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

The Interim Financial Information has been prepared in accordance with IAS 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 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 value.

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
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

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 and six months ended 30 June 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 and six months ended 30 June 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 and six months ended 30 June 2020 and 2019 is as follows:

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

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

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

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

3 Other gains, net

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Net gains on disposals and deemed disposals of investee companies (a)	8,325	2,850	11,972	6,517
Impairment provision for investee companies, goodwill and intangible assets arising from acquisitions (b)	(8,613)	(2,139)	(8,126)	(2,266)
Net fair value gains on FVPL (c)	3,717	1,816	5,034	6,999
Subsidies and tax rebates	1,657	978	3,772	1,861
Net fair value gains on other financial instruments	2,630	284	2,938	1,980
Donations (d)	–	–	(2,600)	(700)
Dividend income	386	300	794	542
Others (e)	505	(51)	(1,140)	194
	<u>8,607</u>	<u>4,038</u>	<u>12,644</u>	<u>15,127</u>

Note:

(a) The disposal and deemed disposal gains of approximately RMB11,972 million recognised during the six months ended 30 June 2020 mainly comprised the following:

- net gains of approximately RMB5,585 million (six months ended 30 June 2019: RMB4,011 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 eCommerce and Internet-related business; and
- aggregate net gains of approximately RMB6,387 million (six months ended 30 June 2019: RMB2,506 million) on disposals, partial disposals or deemed disposals of various investments of the Group, including step down gains of approximately RMB2,592 million arising from investment in an associate transferred to FVOCI (Note 10(a)), and step up gains of approximately RMB2,189 million arising from the acquisition of HUYA (Note 16).

(b) The impairment provision for investee companies, goodwill and intangible assets arising from acquisitions, mainly comprises the following:

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Goodwill and intangible assets				
arising from acquisitions	4,384	–	4,384	–
Investments in associates (Note 8(c))	3,777	2,139	2,432	2,266
Investments in joint ventures	452	–	1,310	–
	<u>8,613</u>	<u>2,139</u>	<u>8,126</u>	<u>2,266</u>

(c) Net fair value gains on FVPL during the six months ended 30 June 2020 comprised net gains of approximately RMB5,034 million as a result of increases in valuations of certain FVPL.

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

(e) Others mainly comprises impairment reversal/(provision) on receivables.

4 Expenses by nature

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Transaction costs (a)	25,570	20,210	47,303	38,673
Employee benefits expenses (b)	16,821	12,643	31,964	24,259
Content costs (excluding amortisation of intangible assets)	14,600	11,295	26,862	22,552
Amortisation of intangible assets (c)	6,414	7,081	12,292	12,996
Promotion and advertising expenses	6,048	3,661	11,597	6,982
Bandwidth and server custody fees (excluding depreciation of right-of-use assets)	5,652	3,991	10,773	8,069
Depreciation of property, plant and equipment, investment properties and right-of-use assets	5,156	3,737	9,919	7,143
Travelling and entertainment expenses	146	387	305	721

Note:

- (a) Transaction costs primarily consist of bank handling fees, channel and distribution costs.
- (b) During the three and six months ended 30 June 2020, the Group had incurred expenses for the purpose of R&D of approximately RMB9,880 million and RMB17,885 million, respectively (three and six months ended 30 June 2019: approximately RMB7,117 million and RMB13,606 million, respectively), which mainly comprised employee benefits expenses of approximately RMB7,771 million and RMB14,571 million, respectively (three and six months ended 30 June 2019: approximately RMB5,786 million and RMB11,215 million, respectively).

During the three and six months ended 30 June 2020, employee benefits expenses included the share-based compensation expenses of approximately RMB3,507 million and RMB6,942 million, respectively (three and six months ended 30 June 2019: approximately RMB2,453 million and RMB4,486 million, respectively).

No significant development expenses had been capitalised for the three and six months ended 30 June 2020 and 2019.

- (c) Amortisation charges of intangible assets are mainly in respect of media content including video and music content, game licenses and literature copyrights. During the three and six months ended 30 June 2020, amortisation of media content was approximately RMB5,800 million and RMB11,208 million, respectively (three and six months ended 30 June 2019: approximately RMB6,848 million and RMB12,525 million, respectively).

During the three and six months ended 30 June 2020, amortisation of intangible assets included the amortisation of intangible assets resulting from business combinations of approximately RMB870 million and RMB1,509 million, respectively (three and six months ended 30 June 2019: approximately RMB118 million and RMB232 million, respectively).

5 Income tax expense

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

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

The Group was not subject to any taxation in the Cayman Islands and the British Virgin Islands for the three and six months ended 30 June 2020 and 2019.

(b) Hong Kong profits tax

Hong Kong profits tax had been provided for at the rate of 16.5% on the estimated assessable profit for the three and six months ended 30 June 2020 and 2019.

(c) PRC CIT

PRC CIT had been provided for at applicable tax rates under the relevant regulations of the PRC after considering the available preferential tax benefits from refunds and allowances, and on the estimated assessable profit of entities within the Group established in the Mainland of China for the three and six months ended 30 June 2020 and 2019. The general PRC CIT rate was 25% for the three and six months ended 30 June 2020 and 2019.

Certain subsidiaries of the Group in the Mainland of China were approved as High and New Technology Enterprises, and accordingly, they were subject to a preferential CIT rate of 15% for the three and six months ended 30 June 2020 and 2019. Moreover, according to announcement and circular issued by relevant government authorities, certain subsidiaries that qualified as national key software enterprises are subject to a preferential CIT rate of 10%.

In addition, according to relevant tax circulars issued by the Mainland of 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 of China upon fulfillment of certain requirements of the respective local governments.

(d) Corporate income tax in other jurisdictions

Income tax on profit arising from other jurisdictions, including the United States, Europe, East Asia and South America, had been calculated on the estimated assessable profit for the three and six months ended 30 June 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 of China to a foreign investor with respect to profit derived after 1 January 2008 are generally subject to a 10% withholding tax. If a foreign investor is incorporated in Hong Kong, under the double taxation arrangement between the Mainland of China and Hong Kong, the relevant withholding tax rate applicable to such foreign investor will be reduced from 10% to 5% subject to the fulfilment of certain conditions.

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

The income tax expense of the Group for the three and six months ended 30 June 2020 and 2019 are analysed as follows:

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Current income tax	4,730	4,354	12,060	8,796
Deferred income tax	(173)	(1,129)	(1,611)	(759)
	<u>4,557</u>	<u>3,225</u>	<u>10,449</u>	<u>8,037</u>

6 Earnings per share

(a) Basic

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

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2020	2019	2020	2019
Profit attributable to equity holders of the Company (RMB' Million)	<u>33,107</u>	<u>24,136</u>	<u>62,003</u>	<u>51,346</u>
Weighted average number of ordinary shares in issue (million shares)	<u>9,482</u>	<u>9,464</u>	<u>9,479</u>	<u>9,461</u>
Basic EPS (RMB per share)	<u>3.491</u>	<u>2.550</u>	<u>6.541</u>	<u>5.427</u>

(b) Diluted

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

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

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2020	2019	2020	2019
Profit attributable to equity holders of the Company (RMB'Million)	33,107	24,136	62,003	51,346
Dilution effect arising from share-based awards issued by non-wholly owned subsidiaries and associates (RMB'Million)	<u>(49)</u>	<u>–</u>	<u>(86)</u>	<u>–</u>
Profit attributable to equity holders of the Company for the calculation of diluted EPS (RMB'Million)	<u>33,058</u>	<u>24,136</u>	<u>61,917</u>	<u>51,346</u>
Weighted average number of ordinary shares in issue (million shares)	9,482	9,464	9,479	9,461
Adjustments for share options and awarded shares (million shares)	<u>136</u>	<u>113</u>	<u>135</u>	<u>114</u>
Weighted average number of ordinary shares for the calculation of diluted EPS (million shares)	<u>9,618</u>	<u>9,577</u>	<u>9,614</u>	<u>9,575</u>
Diluted EPS (RMB per share)	<u>3.437</u>	<u>2.520</u>	<u>6.440</u>	<u>5.362</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 approved by the shareholders at the 2020 AGM. Such dividend amounting to HKD11,378 million (final dividend for 2018: HKD9,463 million) was paid during the three months ended 30 June 2020.

The Board did not declare any interim dividend for the six months ended 30 June 2020 and 2019.

8 Investments in associates

	Unaudited 30 June 2020 RMB'Million	Audited 31 December 2019 RMB'Million
Investments in associates		
– Listed entities (Note)	145,062	141,350
– Unlisted entities	79,691	72,264
	<u>224,753</u>	<u>213,614</u>

Note:

As at 30 June 2020, the fair value of the investments in associates which were listed entities was RMB580,055 million (31 December 2019: RMB334,688 million).

Movement of investments in associates is analysed as follows:

	Unaudited Six months ended 30 June	
	2020 RMB'Million	2019 RMB'Million
At beginning of period	213,614	219,215
Additions (a)	15,521	8,459
Transfers (b)	(8,138)	823
Deemed disposal gains (Note 3(a))	5,585	4,011
Share of loss of associates	(241)	(538)
Share of other comprehensive income/(loss) of associates	148	(22)
Share of other changes in net assets of associates	1,443	881
Dividends	(71)	(100)
Disposals	(1,621)	(3,549)
Impairment provision (c)	(2,432)	(2,266)
Currency translation differences	945	273
	<u>224,753</u>	<u>227,187</u>
At end of period	<u>224,753</u>	<u>227,187</u>

Note:

- (a) During the six months ended 30 June 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 EUR1,178 million (equivalent to approximately RMB9,065 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 RMB6,456 million during the six months ended 30 June 2020 are principally engaged in software, digital medical and other Internet-related businesses.
- (b) During the six months ended 30 June 2020, transfers comprised an aggregate amount of approximately RMB8,138 million, which mainly included HUYA, an existing associate of approximately RMB5,221 million transferred to a subsidiary as a result of business combination (Note 16), and an associate of approximately RMB2,349 million transferred to FVOCI as a result of retirement of board representative.
- (c) During the six months ended 30 June 2020, the Group had made an aggregate net impairment provision of approximately RMB2,432 million (six months ended 30 June 2019: RMB2,266 million) against the carrying amounts of certain investments in associates, which included impairment loss of approximately RMB4,916 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.

9 Financial assets at fair value through profit or loss

FVPL include the following:

	Unaudited 30 June 2020 RMB'Million	Audited 31 December 2019 RMB'Million
Included in non-current assets:		
Investments in listed entities	16,594	10,408
Investments in unlisted entities	137,319	111,761
Treasury investments and others	<u>8,478</u>	<u>6,653</u>
	<u>162,391</u>	<u>128,822</u>
Included in current assets:		
Investment in a listed entity	–	15
Treasury investments and others	<u>6,327</u>	<u>7,099</u>
	<u>6,327</u>	<u>7,114</u>
	<u><u>168,718</u></u>	<u><u>135,936</u></u>

Movement of FVPL is analysed as follows:

	Unaudited Six months ended 30 June 2020 RMB'Million	2019 RMB'Million
At beginning of period	135,936	97,877
Additions and transfers (a)	30,167	13,849
Changes in fair value (Note 3(c))	5,034	6,999
Disposals and others	(5,123)	(6,953)
Currency translation differences	<u>2,704</u>	<u>462</u>
At end of period	<u><u>168,718</u></u>	<u><u>112,234</u></u>

Note:

- (a) During the six months ended 30 June 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 30 June 2020, the Group's equity interests in this investee company are approximately 19% on an outstanding basis; and
 - (ii) new investments and additional investments with an aggregate amount of approximately RMB19,159 million in listed and unlisted entities. These companies are principally engaged in eCommerce, online education, Internet platform, technology and other Internet-related businesses.

10 Financial assets at fair value through other comprehensive income

FVOCI include the following:

	Unaudited 30 June 2020 RMB'Million	Audited 31 December 2019 RMB'Million
Equity investments in listed entities	129,595	74,707
Equity investments in unlisted entities	9,426	7,014
	<u>139,021</u>	<u>81,721</u>

Movement of FVOCI is analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'Million	RMB'Million
At beginning of period	81,721	43,519
Additions and transfers (a)	9,091	8,130
Changes in fair value (b)	49,817	16,920
Disposals	(2,905)	–
Currency translation differences	1,297	499
	<u>139,021</u>	<u>69,068</u>
At end of period	<u>139,021</u>	<u>69,068</u>

Note:

- (a) It comprised transfers of approximately RMB1,846 million, 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 RMB4,653 million.
- (b) It comprised net gains of approximately RMB49,817 million mainly as a result of increases in share prices of certain listed entities.

11 Accounts receivable

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

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'Million	RMB'Million
0 ~ 30 days	14,609	15,582
31 ~ 60 days	11,700	10,222
61 ~ 90 days	4,909	5,035
Over 90 days	9,166	5,000
	<u>40,384</u>	<u>35,839</u>

Receivable balances as at 30 June 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 obligations under the relevant contracted advertising orders are delivered. Third party platform providers usually settle the amounts due by them within 60 days. Other customers, mainly including FinTech and cloud customers, are usually granted with a credit period within 90 days.

12 Share-based payments

(a) Share option schemes

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

The Pre-IPO Option Scheme, the Post-IPO Option Scheme I, the Post-IPO Option Scheme II and the Post-IPO Option Scheme III expired on 31 December 2011, 23 March 2014, 16 May 2017 and 13 May 2019, respectively. Upon the expiry of these schemes, no further options would be granted under these schemes, but the options granted prior to such expiry continued to be valid and exercisable in accordance with provisions of the schemes. As at 30 June 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.

In 2020, the Company allows certain of the grantees under the Post-IPO Option Scheme II and the Post-IPO Option Scheme IV to surrender their rights to receive a portion of the underlying shares (with equivalent fair value) to set off against the exercise price and/or individual income tax payable when they exercise their options.

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

	Post-IPO Option Scheme II		Post-IPO Option Scheme IV		Total No. of options
	Average exercise price	No. of options	Average exercise price	No. of options	
At 1 January 2020	HKD185.86	50,358,800	HKD375.36	61,738,193	112,096,993
Granted	–	–	HKD360.47	7,564,144	7,564,144
Exercised	HKD185.92	(1,513,080)	HKD308.70	(1,037,103)	(2,550,183)
Lapsed/forfeited	HKD174.86	<u>(4,425)</u>	HKD347.62	<u>(281,780)</u>	<u>(286,205)</u>
At 30 June 2020	HKD185.86	<u>48,841,295</u>	HKD374.84	<u>67,983,454</u>	<u>116,824,749</u>
Exercisable as at 30 June 2020	HKD179.54	<u>41,717,167</u>	HKD384.17	<u>17,782,134</u>	<u>59,499,301</u>
At 1 January 2019	HKD185.25	51,499,010	HKD374.52	36,277,234	87,776,244
Granted	–	–	HKD376.00	23,696,575	23,696,575
Exercised	HKD168.17	(509,236)	HKD272.36	(154,184)	(663,420)
Lapsed/forfeited	HKD148.90	<u>(1,225)</u>	HKD325.28	<u>(158,662)</u>	<u>(159,887)</u>
At 30 June 2019	HKD185.42	<u>50,988,549</u>	HKD375.50	<u>59,660,963</u>	<u>110,649,512</u>
Exercisable as at 30 June 2019	HKD172.04	<u>33,919,512</u>	HKD382.40	<u>7,793,394</u>	<u>41,712,906</u>

During the six months ended 30 June 2020, 4,399,815 options had been granted to one director of the Company (six months ended 30 June 2019: 3,506,580 options were granted to one director of the Company).

(b) Share award schemes

The Company has adopted the Share Award Schemes as of 30 June 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 six months ended 30 June 2020 and 2019 are as follows:

	Number of awarded shares	
	Six months ended 30 June	
	2020	2019
At beginning of period	76,615,755	50,247,895
Granted	13,426,868	28,190,873
Lapsed/forfeited	(1,617,473)	(1,359,202)
Vested and transferred	<u>(8,360,461)</u>	<u>(8,726,893)</u>
At end of period	<u>80,064,689</u>	<u>68,352,673</u>
Vested but not transferred as at the end of period	<u>32,554</u>	<u>34,630</u>

During the six months ended 30 June 2020, 59,500 awarded shares had been granted to five independent non-executive directors of the Company (six months ended 30 June 2019: 53,500 awarded shares were granted to four independent non-executive directors of the Company).

13 Accounts payable

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

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'Million	RMB'Million
0 ~ 30 days	72,084	67,054
31 ~ 60 days	7,094	2,975
61 ~ 90 days	1,742	1,442
Over 90 days	<u>5,513</u>	<u>9,219</u>
	<u>86,433</u>	<u>80,690</u>

14 Borrowings

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'Million	RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD bank borrowings, unsecured (a)	120,387	88,354
Non-current portion of long-term EUR bank borrowings, unsecured (a)	1,194	1,172
Non-current portion of long-term EUR bank borrowings, secured (a)	13	–
Non-current portion of long-term RMB bank borrowings, unsecured (a)	10,394	10,196
Non-current portion of long-term HKD bank borrowings, unsecured (a)	–	4,535
	<u>131,988</u>	<u>104,257</u>
Included in current liabilities:		
USD bank borrowings, unsecured (b)	10,336	6,627
HKD bank borrowings, unsecured (b)	–	9,298
RMB bank borrowings, unsecured (b)	4,049	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)	384	4,633
Current portion of long-term HKD bank borrowings, unsecured (a)	–	894
	<u>15,101</u>	<u>22,695</u>
	<u>147,089</u>	<u>126,952</u>

Note:

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

	Unaudited 30 June 2020		Audited 31 December 2019	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
USD bank borrowings	USD17,025	LIBOR + 0.70% ~ 1.27%	USD12,685	LIBOR + 0.70% ~ 1.27%
EUR bank borrowings	EUR152	0.52% ~ 1.00%	EUR150	0.52%
HKD bank borrowings	–	–	HKD6,070	HIBOR + 0.70% ~ 0.80%
RMB bank borrowings	RMB10,778	4.18% ~ 5.70%	RMB14,829	4.18% ~ 5.70%

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

	Unaudited 30 June 2020		Audited 31 December 2019	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
USD bank borrowings	USD1,460	LIBOR + 0.45% ~ 1.10%	USD950	LIBOR + 0.5%
HKD bank borrowings	–	–	HKD10,395	HIBOR + 0.45% ~ 0.50%
RMB bank borrowings	RMB4,239	3.55% ~ 5.22%	RMB1,103	3.60% ~ 5.22%

15 Notes payable

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'Million	RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD notes payable	<u>126,785</u>	<u>83,327</u>
Included in current liabilities:		
Current portion of long-term USD notes payable	–	7,672
Current portion of long-term HKD notes payable	<u>–</u>	<u>2,862</u>
	<u>–</u>	<u>10,534</u>
	<u>126,785</u>	<u>93,861</u>

Note:

The aggregate principal amounts of notes payable were USD18,000 million (31 December 2019: USD13,100 million and HKD3,200 million). Applicable interest rates were at 1.81% to 4.70% and 3-month USD LIBOR + 0.605% to 0.910% (31 December 2019: 2.875% to 4.70% and 3-month USD LIBOR + 0.605% to 0.910%) per annum.

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

On 4 June 2020, the Company issued four tranches of senior notes under the Global Medium Term Note Programme with an aggregate principal amount of USD6 billion as set out below.

	Amount	Interest Rate	Due
	(USD'Million)	(per annum)	
January 2026 Notes	1,000	1.810%	2026
2030 Notes	2,250	2.390%	2030
2050 Notes	2,000	3.240%	2050
2060 Notes	<u>750</u>	3.290%	2060
	<u>6,000</u>		

During the six months ended 30 June 2020, the notes payable with an aggregate principal amount of USD1,100 million issued in February 2015, an aggregate principal amount of HKD2,000 million issued in May 2014 and an aggregate principal amount of HKD1,200 million issued in October 2014 reached their maturity and were repaid in full by the Group.

16 Step-up acquisition of HUYA

On 3 April 2020 (the “Acquisition Date”), the Group exercised its call option to acquire additional 16,523,819 Class B ordinary shares in an associate, HUYA for an aggregate purchase price of approximately USD262.6 million in cash from JOYY Inc. (the “Transaction”). HUYA is a leading game live streaming platform in China. After the Transaction, the Group increased its voting power in HUYA to 50.9% and equity interests in HUYA to 36.9% on an outstanding basis, and the Group considers it has sufficient power to control HUYA. As a result, HUYA was accounted for as a subsidiary of the Group upon the completion of the transaction (“Step-up Acquisition”). The equity interest held under investment in an associate was re-measured to fair value and resulted in step up gains of approximately RMB2,189 million.

For the non-controlling interest in HUYA, the Group elected to recognise the non-controlling interests that are present ownership interests measured at its proportionate share of the acquired identifiable net assets, and other components of non-controlling interests measured at the acquisition-date fair value. Goodwill of approximately RMB5,272 million was recognised as a result of the Step-up Acquisition. It was mainly attributable to the operating synergies and economies of scale expected to be derived from integration of the operations with the Company. None of the goodwill is expected to be deductible for income tax purpose.

The following table summarises the purchase consideration, fair value of assets acquired, liabilities assumed and the non-controlling interest recognised as at the Acquisition Date.

**As at 3 April
2020
RMB'Million**

Total consideration:

Cash paid	1,860
Fair value of the previously held interests	<u>7,260</u>
	<u><u>9,120</u></u>

Recognised amounts of identifiable assets acquired and liabilities assumed:

Intangible assets	3,864
Term deposits and others	10,060
Prepayments, deposits and other assets	534
Cash and cash equivalents	659
Other assets	335
Deferred income tax liabilities	(574)
Deferred revenue	(862)
Accounts payable	(1,088)
Other payables and accruals	(442)
Other liabilities	<u>(187)</u>

Total identifiable net assets

	12,299
Non-controlling interests	(8,451)
Goodwill	<u>5,272</u>
	<u><u>9,120</u></u>

Note:

The Group's revenue for the half year would be increased by not more than 5% and results for the half year would not be materially different should the Step-up Acquisition have occurred on 1 January 2020.

The related transaction costs of the Step-up Acquisition are not material to the Group's consolidated financial statements.

17 Subsequent event

The issuance of preliminary non-binding proposal to HUYA and Douyu International Holdings Limited (“DouYu”) and acquisition of additional equity interest in HUYA

On 10 August 2020, the Group issued a preliminary non-binding proposal letter to HUYA and DouYu, an existing subsidiary and associate of the Group respectively, proposing that HUYA and DouYu enter into a stock-for-stock merger to be effected pursuant to applicable laws, as a result of which HUYA or its subsidiary would acquire each the outstanding ordinary shares of DouYu, including those ordinary shares represented by American depositary shares, in exchange for a certain number of newly issued Class A ordinary shares of HUYA to be agreed between the parties, including those ordinary shares represented by American depositary shares.

On 10 August 2020, the Group has also entered into a definitive share transfer agreement with JOYY Inc. and a separate share transfer agreement with Mr. Rongjie Dong (“Mr. Dong”), the chief executive officer of HUYA, pursuant to which the Group will purchase from JOYY Inc. additional 30,000,000 Class B ordinary shares of HUYA, for an aggregate purchase price of approximately USD810 million and from Mr. Dong 1,000,000 Class B ordinary shares of HUYA. After completion of this transaction, the Group will increase its voting power in HUYA to 70.4% and equity interests in HUYA to 51.0% on an outstanding basis.

OTHER INFORMATION

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2020.

Employee and Remuneration Policies

As at 30 June 2020, the Group had 70,756 employees (30 June 2019: 56,310). The number of employees employed by the Group varies from time to time depending on needs and employees are remunerated based on industry practice.

The remuneration policy and package of the Group's employees are periodically reviewed. Apart from pension funds and in-house training programmes, discretionary bonuses, share awards and share options may be awarded to employees according to the assessment of individual performance.

The total remuneration cost incurred by the Group for the six months ended 30 June 2020 was RMB31,964 million (for the six months ended 30 June 2019: RMB24,259 million).

Audit Committee

The Audit Committee, together with the Auditor, has reviewed the Group's unaudited Interim Financial Information for the three and six months ended 30 June 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

Code provision A.4.2 of the CG Code provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to the Articles of Association, one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation, provided that the chairman of the Board shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. In compliance with the provisions in the Articles of Association, at the 2020 AGM, two directors retired and were re-elected while one director who was appointed to the Board in August 2019 was re-elected pursuant to Article 86(3) of the Articles of Association. As the re-election of Yang Siu Shun, who was re-elected in 2017, was not considered at the 2020 AGM, code provision A.4.2 of the CG Code is deviated. Considering that the re-election of Yang Siu Shun will be considered at the subsequent annual general meeting, the Board believes that such deviation from code provision A.4.2 of the CG Code does not have a material impact on the operation of the Company as a whole.

Save as disclosed above and those disclosed in the corporate governance report in the 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 30 June 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 commend our diligent staff and management team for their relentless efforts and commitment despite the challenges in the first half of 2020. I would also like to express our gratitude to our shareholders and stakeholders for their continued support and trust. With our determination to build a sustainable ecosystem in the Consumer Internet and Industrial Internet sectors, we are confident that we will be able to create long-term value for our shareholders.

By Order of the Board
Ma Huateng
Chairman

Hong Kong, 12 August 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 held on 13 May 2020
“AI”	artificial intelligence
“Articles of Association”	the second amended and restated articles of association of the Company adopted by special resolution passed on 13 May 2020
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the auditor of the Company
“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
“CIT”	corporate income tax
“Company”	Tencent Holdings Limited, a limited liability company organised and existing under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange
“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

“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
“MOBA”	Multiplayer Online Battle Arena
“mobile RPG”	mobile role-playing games
“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
“R&D”	research and development
“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
“SMEs”	small and medium enterprises
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supercell”	Supercell Oy, a private company incorporated in Finland
“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