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

ANNOUNCEMENT OF THE RESULTS
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2020

The Board is pleased to announce the unaudited consolidated results of the Group for the three and nine months ended 30 September 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

	30 September 2020	30 September 2019	Unaudited Three months ended	30 June 2020	Quarter- on-quarter change
			Year- on-year change		
			(RMB in millions, unless specified)		
Revenues	125,447	97,236	29%	114,883	9%
Gross profit	56,647	42,479	33%	53,210	6%
Operating profit	43,953	25,827	70%	39,311	12%
Profit for the period	38,899	20,976	85%	32,454	20%
Profit attributable to equity holders of the Company	38,542	20,382	89%	33,107	16%
Non-IFRS profit attributable to equity holders of the Company	32,303	24,412	32%	30,153	7%
EPS (RMB per share)					
– basic	4.059	2.151	89%	3.491	16%
– diluted	3.964	2.127	86%	3.437	15%
Non-IFRS EPS (RMB per share)					
– basic	3.402	2.577	32%	3.180	7%
– diluted	3.314	2.548	30%	3.130	6%

Unaudited
Nine months ended

	30 September	30 September	Year-
	2020	2019	on-year
	(RMB in millions, unless specified)		
			change
Revenues	348,395	271,522	28%
Gross profit	162,651	121,425	34%
Operating profit	120,524	90,090	34%
Profit for the period	100,756	73,516	37%
Profit attributable to equity holders of the Company	100,545	71,728	40%
Non-IFRS profit attributable to equity holders of the Company	89,535	68,867	30%
EPS (RMB per share)			
– basic	10.601	7.578	40%
– diluted	10.403	7.486	39%
Non-IFRS EPS (RMB per share)			
– basic	9.440	7.276	30%
– diluted	9.270	7.188	29%

OPERATING INFORMATION

	As at 30 September 2020	As at 30 September 2019	Year- on-year change	As at 30 June 2020	Quarter- on-quarter change
Combined MAU of Weixin and WeChat	1,212.8	1,151.0	5.4%	1,206.1	0.6%
Smart device MAU of QQ	617.4	653.4	-5.5%	647.6	-4.7%
Fee-based VAS registered subscriptions	213.4	170.6	25.1%	203.4	4.9%

BUSINESS REVIEW AND OUTLOOK

This quarter marked the second anniversary of our strategic organisation upgrade, which was intended to enhance our strength in Consumer Internet and extend our presence to Industrial Internet. While the upgrade was designed to bear fruit over the longer run, we are already seeing initial benefits in areas such as consolidating our advertising services, rejuvenating our product and content platforms, growing our cloud and SaaS businesses and building an internal open source code base. In the face of public health, macroeconomic, and geopolitical challenges, we will seek to sharpen our focus, innovate, and collaborate with our partners in order to better serve our users, customers and the society at large. Below are some highlights for our key products and business lines:

Communication and Social

For Weixin, we are facilitating more convenient access to high frequency services within the Weixin Pay interface by regrouping such services into four verticals, namely Financial Services, Daily Services, Travel & Transportation, and Shopping & Entertainment. Within the Travel & Transportation vertical, we connect automobile owners with a range of car services, such as car wash and car insurance, as well as general users with public transportation services, such as transit codes and bus schedules. We have now extended these mobility services to ten provinces and municipalities in China. We are also enhancing the efficiency of content and service discovery via cross-referencing within Weixin properties, so that users can press-to-search words and phrases that appear in chat boxes and find content and services from Mini Programs, Official Accounts and Moments. In Moments, contributors can create hashtags in posts, and their friends can click these hashtags and access deep-linked search results from Official Accounts, video feeds and H5 pages.

In QQ chats and groups, we enabled users to watch Tencent Video together while they are making video calls, to compete with friends via battle-mode Mini Games, and to co-edit classwork via our online collaborative tool, Tencent Docs. The launch of QQ's Mini World video and image feed service has increased QQ's appeal among the younger audience. Through Mini World, we encourage contributors to create videos and images, and share them beyond their existing friend circle. We recommend attractive content in Mini World to QQ users based on their interest graphs, enabling users to explore more content and communities. These initiatives, along with the growing demand for real-time video chatting since the onset of the pandemic, drove daily time spent per QQ user up by a teens percentage year-on-year.

Online Games

Our online game revenue increased year-on-year, driven by healthy growth in paying users in China and international markets. For smart phone games, we celebrated the fifth anniversary for Honour of Kings, which exceeded 100 million average DAU for the first ten months of 2020. Since we first released the game in 2015, we have expanded the user base of Honour of Kings through constant innovation and user-centric operations, backed up by our robust technology infrastructure. We aim to unleash the potential of this IP by rolling out two new games, an animated series and a live action drama series based on the Honour of Kings' world. While our best-known games such as Honour of Kings attract the most attention, lesser-known games also contribute to our game business' stable growth. For example, Naruto Mobile, an internally developed game based on the popular anime IP, has recently become one of the top fighting games in China with all-time high DAU and revenue, despite being first released over four years ago. This speaks to our team's success in making ongoing game enhancements, such as refining a highly popular PvP game mode. As for new games, we believe that our Moonlight Blade Mobile represents 2020's most successful launch of a new MMO role playing game in China, and our battle arena game League of Legends Wild Rift is currently among the most-downloaded mobile games across its available markets, according to AppAnnie.

We have a constructive view on PC game opportunities as the IP and influence of our major franchises remain notably robust. League of Legends released a major thematic event, "Spirit Blossom Festival", coordinating the release of new champions, new skins, and new event passes. The recent League of Legends World Championship in Shanghai attracted a sizeable global audience. Tencent Video aired a highly-rated drama series based on our CrossFire game during the quarter, which tied into a new in-game mode and skins, reviving the game's popularity and monetisation. Valorant became a breakout hit in the tactical shooter genre and was widely watched on Twitch.

Digital Content

Our fee-based VAS subscriptions increased 25% year-on-year to 213 million, primarily driven by video and music content subscriptions. Video subscriptions expanded 20% year-on-year to 120 million. Our self-commissioned drama and animated series such as Nothing But Thirty (《三十而已》), The Song of Glory (《錦繡南歌》) and The Land of Warriors Season 3 (《斗羅大陸第三季》) have attracted additional subscribers for Tencent Video. We successfully converted trial users acquired during summer promotions to regular video subscribers. Music subscriptions grew 46% year-on-year to 52 million, due to an expanded paid content library and a higher retention rate.

Online Advertising

Following the COVID-19 outbreak, overall China advertising activity appears to have largely returned to normal conditions, albeit with a few industry exceptions lagging (for example, the travel industry), and with substantial changes in advertiser behavior (for example, toward retargeting and toward video format advertisements). We believe these changes, along with our own initiatives, have contributed to our increasing presence and relevance in China's advertising market. By category, advertising spending from sectors such as education, Internet services and eCommerce platforms experienced rapid secular growth through the pandemic, and sustained robust year-on-year growth during the quarter. Advertising spending from cyclical categories, such as automobiles and real estate, picked up year-on-year. Advertising spending from categories which dipped during the pandemic, such as financial services and consumer staples, were flattish year on year. Internally, we upgraded our algorithmic advertising buying solutions, delivering higher conversion rates for advertisers and attracting increased share of budgets towards our services. We also provided incremental advertising inventories in casual game apps, eSports events and live streaming platforms.

For social and others advertising, Weixin properties achieved solid revenue growth year-on-year, driven by higher impressions and eCPM. Our mobile advertising network revenue grew rapidly year-on-year as advertisers responded favorably to our video formats, such as rewarded video advertisements.

For media advertising, the rate of revenue decrease moderated to minus 1% year-on-year. We captured sponsorship advertising demand via self-commissioned variety shows such as The Coming One Season 4 (《明日之子第四季》) and drama series such as Nothing But Thirty (《三十而已》).

FinTech

Our FinTech revenue grew healthily at a similar rate to prior quarters, led by the continued expansion of our commercial payment and wealth management businesses, while our social payment and micro lending businesses grew at moderate rates. Our TPV increased over 30% year-on-year as commercial payment DAU and transaction value per user grew robustly year-on-year, mainly driven by our deeper penetration in offline transactions and expansion of our Mini Programs transactions in retail categories such as grocery and apparel.

The number of our wealth management customers increased over 50% year-on-year, and our aggregated customer assets expanded at a similar rate. We believe that LiCaiTong's penetration rate among our payment users is still quite low, and we are seeking to further grow our wealth management customer base at a measured rate via long-term initiatives such as investor education programs and an expanded product offering.

Cloud and Other Business Services

During the quarter, cloud and other business services revenue were affected by the lingering impact from pandemic, causing delays in project deployment and new contract sign-ups, as well as by non-recurring adjustments to certain IaaS contracts. The year-on-year revenue growth rate was therefore lower than previous quarters, which we expect to be temporary in nature.

We saw rising demand for PaaS solutions, in particular security PaaS, from financial, healthcare and Internet services clients. We also upgraded our SaaS enterprise productivity toolkit which consists of three signature products, namely WeCom (the enterprise version of Weixin), Tencent Meeting, and Tencent Docs. Customers are increasingly adopting WeCom for workplace communication, and its DAU grew over 100% year-on-year. More than 100 million users have registered for our video communication solution Tencent Meeting. In September, we released an enterprise version for Tencent Meeting, with enhanced features such as webinars, simultaneous interpretation and connection with enterprises' existing conference room systems. We further integrated Tencent Docs, our cloud-based document processing tool, with other Tencent products, including QQ, QQ Browser and our CRM SaaS products.

MANAGEMENT DISCUSSION AND ANALYSIS

Third Quarter of 2020 Compared to Third Quarter of 2019

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

	Unaudited	
	Three months ended	
	30 September	30 September
	2020	2019
	(RMB in millions)	
Revenues	125,447	97,236
Cost of revenues	<u>(68,800)</u>	<u>(54,757)</u>
Gross profit	56,647	42,479
Interest income	1,864	1,674
Other gains, net	11,551	932
Selling and marketing expenses	(8,920)	(5,722)
General and administrative expenses	<u>(17,189)</u>	<u>(13,536)</u>
Operating profit	43,953	25,827
Finance costs, net	(1,945)	(1,747)
Share of profit of associates and joint ventures	<u>2,630</u>	<u>234</u>
Profit before income tax	44,638	24,314
Income tax expense	<u>(5,739)</u>	<u>(3,338)</u>
Profit for the period	<u>38,899</u>	<u>20,976</u>
Attributable to:		
Equity holders of the Company	38,542	20,382
Non-controlling interests	<u>357</u>	<u>594</u>
	<u>38,899</u>	<u>20,976</u>
Non-IFRS profit attributable to equity holders of the Company	<u>32,303</u>	<u>24,412</u>

Revenues. Revenues increased by 29% to RMB125.4 billion for the third quarter of 2020 on a year-on-year basis. The following table sets forth our revenues by line of business for the third quarter of 2020 and the third quarter of 2019:

	Unaudited			
	Three months ended			
	30 September 2020		30 September 2019	
	Amount	% of total revenues	Amount	% of total revenues
(RMB in millions, unless specified)				
VAS	69,802	56%	50,629	52%
FinTech and Business Services	33,255	26%	26,758	28%
Online Advertising	21,351	17%	18,366	19%
Others	1,039	1%	1,483	1%
Total revenues	<u>125,447</u>	<u>100%</u>	<u>97,236</u>	<u>100%</u>

- Revenues from VAS increased by 38% to RMB69,802 million for the third quarter of 2020 on a year-on-year basis. Online games revenues grew by 45% to RMB41,422 million. The increase was primarily due to revenue growth of our smart phone games, including domestic titles such as Peacekeeper Elite and Honour of Kings, as well as overseas titles. Total smart phone games revenues (including smart phone games revenues attributable to our social networks business) were RMB39,173 million and PC client games revenues were RMB11,631 million for the third quarter of 2020. Social networks revenues increased by 29% to RMB28,380 million. The increase reflected contributions from digital content services including HUYA’s live streaming service, our video subscription service, and our music subscription service, as well as from in-game virtual item sales.
- Revenues from FinTech and Business Services increased by 24% to RMB33,255 million for the third quarter of 2020 on a year-on-year basis. The increase was mainly due to higher revenues from commercial payment and wealth management, while our Business Services revenue growth slowed down due to lingering impact from the pandemic on offline project development and new contract sign-ups, as well as non-recurring adjustments to certain IaaS contracts.

- Revenues from Online Advertising increased by 16% to RMB21,351 million for the third quarter of 2020 on a year-on-year basis, benefitting from wider adoption of our algorithmic advertisement buying solutions, as well as rapid demand growth from categories such as education, Internet services and eCommerce platforms, and recovered demand from sectors such as real estate and automobiles. Social and others advertising revenues grew by 21% to RMB17,752 million. The increase was primarily driven by higher revenues flowing from Weixin Moments due to increased inventories and eCPMs, as well as revenue growth from our mobile advertising network benefitting from higher eCPMs as advertisers responded favorably to our video format advertisements. Media advertising revenues decreased 1% to RMB3,599 million. The slower decline versus prior quarters benefitted from key Tencent Video content releases, as well as inventory and impression growth from our music platforms.

Cost of revenues. Cost of revenues increased by 26% to RMB68,800 million for the third quarter of 2020 on a year-on-year basis. The increase was mainly due to greater channel and distribution costs, cost of FinTech services, as well as content costs. As a percentage of revenues, cost of revenues decreased to 55% for the third quarter of 2020 from 56% for the third quarter of 2019. The following table sets forth our cost of revenues by line of business for the third quarter of 2020 and the third quarter of 2019:

	Unaudited			
	Three months ended			
	30 September 2020		30 September 2019	
	Amount	% of segment revenues	Amount	% of segment revenues
	(RMB in millions, unless specified)			
VAS	33,098	47%	24,402	48%
FinTech and Business Services	23,982	72%	19,339	72%
Online Advertising	10,480	49%	9,411	51%
Others	<u>1,240</u>	119%	<u>1,605</u>	108%
Total cost of revenues	<u>68,800</u>		<u>54,757</u>	

- Cost of revenues for VAS increased by 36% to RMB33,098 million for the third quarter of 2020 on a year-on-year basis. The increase mainly reflected greater channel and content costs for smart phone games resulting from revenue growth, as well as content costs for digital content services including those for HUYA’s live streaming services.
- Cost of revenues for FinTech and Business Services increased by 24% to RMB23,982 million for the third quarter of 2020 on a year-on-year basis. The increase was primarily driven by greater transaction costs flowing from increased TPV, as well as greater server and bandwidth costs due to enlarged scale of payment and cloud businesses.
- Cost of revenues for Online Advertising increased by 11% to RMB10,480 million for the third quarter of 2020 on a year-on-year basis. The increase primarily reflected greater traffic acquisition costs due to robust revenue growth from our mobile advertising network, partly offset by lower content costs resulting from the absence of the FIBA World Cup this year.

Other gains, net. We recorded net other gains of RMB11,551 million for the third quarter of 2020, which mainly comprised non-IFRS adjustment items including net fair value gains due to increased valuations of investees in verticals such as electric vehicle, online games and local services, as well as net gains on deemed disposals of certain investee companies.

Selling and marketing expenses. Selling and marketing expenses increased by 56% to RMB8,920 million for the third quarter of 2020 on a year-on-year basis. The increase mainly reflected greater marketing spending on online games and on digital content services including Weishi, as well as more spending on business services. As a percentage of revenues, selling and marketing expenses increased to 7% for the third quarter of 2020 from 6% for the third quarter of 2019.

General and administrative expenses. General and administrative expenses increased by 27% to RMB17,189 million for the third quarter of 2020 on a year-on-year basis. The increase was primarily driven by greater R&D expenses and staff costs. As a percentage of revenues, general and administrative expenses were 14% for the third quarter of 2020, broadly stable compared to the third quarter of 2019.

Finance costs, net. Net finance costs increased by 11% to RMB1,945 million for the third quarter of 2020 on a year-on-year basis. This was due to foreign exchange losses recognised this quarter compared to gains for the third quarter of 2019.

Share of profit of associates and joint ventures. We recorded share of profit of associates and joint ventures of RMB2,630 million for the third quarter of 2020, compared to share of profit of RMB234 million for the third quarter of 2019. The change mainly reflected non-IFRS adjustment items of certain associates, as well as the enhanced performance of certain investee companies in verticals such as eCommerce and online games.

Income tax expense. Income tax expense increased by 72% to RMB5,739 million for the third 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 89% to RMB38,542 million for the third quarter of 2020 on a year-on-year basis. Non-IFRS profit attributable to equity holders of the Company increased by 32% to RMB32,303 million for the third quarter of 2020.

Third Quarter of 2020 Compared to Second Quarter of 2020

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

	Unaudited	
	Three months ended	
	30 September	30 June
	2020	2020
	(RMB in millions)	
Revenues	125,447	114,883
Cost of revenues	<u>(68,800)</u>	<u>(61,673)</u>
Gross profit	56,647	53,210
Interest income	1,864	1,749
Other gains, net	11,551	8,607
Selling and marketing expenses	(8,920)	(7,756)
General and administrative expenses	<u>(17,189)</u>	<u>(16,499)</u>
Operating profit	43,953	39,311
Finance costs, net	(1,945)	(2,005)
Share of profit/(loss) of associates and joint ventures	<u>2,630</u>	<u>(295)</u>
Profit before income tax	44,638	37,011
Income tax expense	<u>(5,739)</u>	<u>(4,557)</u>
Profit for the period	<u><u>38,899</u></u>	<u><u>32,454</u></u>
Attributable to:		
Equity holders of the Company	38,542	33,107
Non-controlling interests	<u>357</u>	<u>(653)</u>
	<u><u>38,899</u></u>	<u><u>32,454</u></u>
Non-IFRS profit attributable to equity holders of the Company	<u><u>32,303</u></u>	<u><u>30,153</u></u>

Revenues. Revenues increased by 9% to RMB125.4 billion for the third quarter of 2020 on a quarter-on-quarter basis.

- Revenues from VAS increased by 7% to RMB69,802 million for the third quarter of 2020. Online games revenues grew by 8% to RMB41,422 million. The increase was mainly driven by revenue contributions from smart phone games such as Peacekeeper Elite, Honour of Kings and overseas titles. Increased revenues from PC client games, including existing titles such as CrossFire and recently launched titles such as Valorant, also contributed to the sequential growth. Social networks revenues increased by 6% to RMB28,380 million. The increase was primarily due to higher revenues from in-game virtual item sales, as well as our live streaming and video subscription services.
- Revenues from FinTech and Business Services increased by 11% to RMB33,255 million for the third quarter of 2020. The increase primarily reflected revenue growth from our payment-related services as TPV grew, stimulated by stronger domestic consumer demand.
- Revenues from Online Advertising increased by 15% to RMB21,351 million for the third quarter of 2020, as spending by certain sectors normalized after the initial pandemic outbreak, and as more advertisers embraced our algorithmic advertisement buying solutions. Social and others advertising revenues increased by 16% to RMB17,752 million. The increase was mainly due to greater advertising revenues from Weixin Moments and our mobile advertising network, resulting from higher eCPMs. Media advertising revenues grew by 9% to RMB3,599 million. The increase was primarily driven by advertising revenue contributions from Tencent Video as a result of releasing more successful variety shows, as well as higher advertising revenues from our music platforms.

Cost of revenues. Cost of revenues increased by 12% to RMB68,800 million for the third quarter of 2020 on quarter-on-quarter basis. The increase was primarily due to increased content costs, costs of FinTech services, as well as channel and distribution costs. As a percentage of revenues, cost of revenues increased to 55% for the third quarter of 2020 from 54% for the second quarter of 2020.

- Cost of revenues for VAS increased by 10% to RMB33,098 million for the third quarter of 2020. The increase primarily reflected greater content costs for live streaming and video subscription services, as well as increased channel and content costs for smart phone games due to their revenue growth.

- Cost of revenues for FinTech and Business Services increased by 13% to RMB23,982 million for the third quarter of 2020. The increase was mainly due to greater transaction costs for payment-related services as a result of TPV growth.
- Cost of revenues for Online Advertising increased by 16% to RMB10,480 million for the third quarter of 2020. The increase was mainly driven by greater content costs resulting from airing of more variety shows, as well as greater traffic acquisition costs due to revenue growth from our mobile advertising network.

Selling and marketing expenses. Selling and marketing expenses increased by 15% to RMB8,920 million for the third quarter of 2020 on a quarter-on-quarter basis. The increase mainly reflected greater marketing spending on online games, as well as on business services.

General and administrative expenses. General and administrative expenses increased by 4% to RMB17,189 million for the third quarter of 2020 on a quarter-on-quarter basis. The increase was mainly driven by greater staff costs.

Share of profit/(loss) of associates and joint ventures. We recorded share of profit of associates and joint ventures of RMB2,630 million for the third quarter of 2020, compared to share of losses of RMB295 million for the second quarter of 2020. The change mainly reflected the improved performance of certain investee companies, particularly in the online games and eCommerce verticals.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 16% to RMB38,542 million for the third quarter of 2020 on a quarter-on-quarter basis. Non-IFRS profit attributable to equity holders of the Company increased by 7% to RMB32,303 million.

Other Financial Information

	Unaudited Three months ended			Unaudited Nine months ended	
	30 September 2020	30 June 2020	30 September 2019	30 September 2020	30 September 2019
	(RMB in millions, unless specified)				
EBITDA (a)	45,055	40,525	35,378	127,808	101,593
Adjusted EBITDA (a)	47,849	43,742	38,123	136,781	108,823
Adjusted EBITDA margin (b)	38%	38%	39%	39%	40%
Interest and related expenses	1,855	1,822	2,086	5,683	5,342
Net cash/(debt) (c)	6,363	7,212	(7,173)	6,363	(7,173)
Capital expenditures (d)	8,684	9,466	6,632	24,301	15,500

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		Nine months ended		
	30 September	30 June	30 September	30 September	30 September
	2020	2020	2019	2020	2019
	(RMB in millions, unless specified)				
Operating profit	43,953	39,311	25,827	120,524	90,090
Adjustments:					
Interest income	(1,864)	(1,749)	(1,674)	(5,249)	(4,734)
Other gains, net	(11,551)	(8,607)	(932)	(24,195)	(16,059)
Depreciation of property, plant and equipment and investment properties	4,600	4,257	3,232	12,746	9,025
Depreciation of right-of-use assets	964	899	806	2,737	2,156
Amortisation of intangible assets	8,953	6,414	8,119	21,245	21,115
EBITDA	45,055	40,525	35,378	127,808	101,593
Equity-settled share-based compensation	2,794	3,217	2,745	8,973	7,230
Adjusted EBITDA	<u>47,849</u>	<u>43,742</u>	<u>38,123</u>	<u>136,781</u>	<u>108,823</u>

Non-IFRS Financial Measures

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

The Company's management believes that the non-IFRS financial measures provide investors with useful supplementary information to assess the performance of the Group's core operations by excluding certain non-cash items and certain impact of M&A transactions. In addition, non-IFRS adjustments include relevant non-IFRS adjustments for the Group's major associates based on available published financials of the relevant major associates, or estimates made by the Company's management based on available information, certain expectations, assumptions and premises.

The following tables set forth the reconciliations of the Group's non-IFRS financial measures for the third quarter of 2020 and 2019, the second quarter of 2020, as well as the first nine months of 2020 and 2019 to the nearest measures prepared in accordance with IFRS:

	Unaudited three months ended 30 September 2020						Non-IFRS
	As reported	Share-based compensation	Net (gains)/ losses from investee companies	Amortisation of intangible assets	Impairment provisions/ (reversals)	Income tax effects	
	(a)	(b)	(c)	(d)	(e)		
	(RMB in millions, unless specified)						
Operating profit	43,953	3,059	(8,703)	905	(1,098)	-	38,116
Profit for the period	38,899	3,770	(10,099)	2,005	(973)	(277)	33,325
Profit attributable to equity holders	38,542	3,517	(10,133)	1,620	(1,026)	(217)	32,303
EPS (RMB per share)							
- basic	4.059						3.402
- diluted	3.964						3.314
Operating margin	35%						30%
Net margin	31%						27%

Unaudited three 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	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 30 September 2019

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

Unaudited nine months ended 30 September 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	120,524	10,001	(28,647)	2,414	7,028	–	111,320
Profit for the period	100,756	12,193	(33,199)	5,463	8,277	(961)	92,529
Profit attributable to equity holders	100,545	11,493	(32,545)	4,461	6,266	(685)	89,535
EPS (RMB per share)							
– basic	10.601						9.440
– diluted	10.403						9.270
Operating margin	35%						32%
Net margin	29%						27%

Unaudited nine months ended 30 September 2019

	Adjustments						Non-IFRS
	As reported	Share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/ (reversals) (d)	Income tax effects (e)	
	(RMB in millions, unless specified)						
Operating profit	90,090	7,231	(17,310)	350	3,934	–	84,295
Profit for the period	73,516	8,809	(19,406)	4,114	5,062	(1,145)	70,950
Profit attributable to equity holders	71,728	8,553	(19,317)	3,956	5,052	(1,105)	68,867
EPS (RMB per share)							
– basic	7.578						7.276
– diluted	7.486						7.188
Operating margin	33%						31%
Net margin	27%						26%

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 September 2020 and 30 June 2020 were as follows:

	Unaudited 30 September 2020	Unaudited 30 June 2020
	(RMB in millions)	
Cash and cash equivalents	152,491	173,718
Term deposits and others	<u>113,401</u>	<u>107,368</u>
	265,892	281,086
Borrowings	(132,154)	(147,089)
Notes payable	<u>(127,375)</u>	<u>(126,785)</u>
Net cash	<u><u>6,363</u></u>	<u><u>7,212</u></u>
Fair value of our stakes in listed investee companies (excluding subsidiaries)	<u><u>890,730</u></u>	<u><u>726,244</u></u>

As at 30 September 2020, the Group had net cash of RMB6,363 million, compared to net cash of RMB7,212 million as at 30 June 2020. The sequential decrease was mainly due to payments for M&A initiatives, partly offset by free cash flow generation.

For the third quarter of 2020, the Group had free cash flow of RMB28,127 million. This was a result of net cash flow generated from operating activities of RMB46,528 million, offset by payments for capital expenditures of RMB10,457 million, payments for media content of RMB6,811 million, and payments for lease liabilities of RMB1,133 million.

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2020

		Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	Note	2020 RMB'Million	2019 RMB'Million	2020 RMB'Million	2019 RMB'Million
Revenues					
Value-added Services		69,802	50,629	197,233	147,683
FinTech and Business Services		33,255	26,758	89,592	71,435
Online Advertising		21,351	18,366	57,616	48,152
Others		1,039	1,483	3,954	4,252
		<u>125,447</u>	<u>97,236</u>	<u>348,395</u>	<u>271,522</u>
Cost of revenues	4	<u>(68,800)</u>	<u>(54,757)</u>	<u>(185,744)</u>	<u>(150,097)</u>
Gross profit		56,647	42,479	162,651	121,425
Interest income		1,864	1,674	5,249	4,734
Other gains, net	3	11,551	932	24,195	16,059
Selling and marketing expenses	4	(8,920)	(5,722)	(23,725)	(14,684)
General and administrative expenses	4	(17,189)	(13,536)	(47,846)	(37,444)
Operating profit		43,953	25,827	120,524	90,090
Finance costs, net		(1,945)	(1,747)	(5,634)	(4,846)
Share of profit/(loss) of associates and joint ventures		<u>2,630</u>	<u>234</u>	<u>2,054</u>	<u>(353)</u>
Profit before income tax		44,638	24,314	116,944	84,891
Income tax expense	5	<u>(5,739)</u>	<u>(3,338)</u>	<u>(16,188)</u>	<u>(11,375)</u>
Profit for the period		<u>38,899</u>	<u>20,976</u>	<u>100,756</u>	<u>73,516</u>
Attributable to:					
Equity holders of the Company		38,542	20,382	100,545	71,728
Non-controlling interests		<u>357</u>	<u>594</u>	<u>211</u>	<u>1,788</u>
		<u>38,899</u>	<u>20,976</u>	<u>100,756</u>	<u>73,516</u>
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)					
– basic	6(a)	<u>4.059</u>	<u>2.151</u>	<u>10.601</u>	<u>7.578</u>
– diluted	6(b)	<u>3.964</u>	<u>2.127</u>	<u>10.403</u>	<u>7.486</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2020**

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2020	2019	2020	2019
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Profit for the period	38,899	20,976	100,756	73,516
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	192	(21)	321	(49)
Transfer of share of other comprehensive income to profit or loss upon deemed disposal of associates	–	(3)	(2)	(3)
Currency translation differences	(5,731)	2,069	(2,058)	3,129
Other fair value gains/(losses)	169	(475)	(1,875)	(2,511)
<i>Items that will not be subsequently reclassified to profit or loss</i>				
Net gains/(losses) from changes in fair value of financial assets at fair value through other comprehensive income	9,535	(3,213)	58,482	13,634
Other fair value gains/(losses)	202	(96)	250	(167)
	4,367	(1,739)	55,118	14,033
Total comprehensive income for the period	43,266	19,237	155,874	87,549
Attributable to:				
Equity holders of the Company	43,082	18,885	153,344	85,456
Non-controlling interests	184	352	2,530	2,093
	43,266	19,237	155,874	87,549

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020**

		Unaudited 30 September 2020 RMB'Million	Audited 31 December 2019 RMB'Million
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment		56,153	46,824
Land use rights		15,801	15,609
Right-of-use assets		10,646	10,847
Construction in progress		4,318	3,935
Investment properties		628	855
Intangible assets		137,135	128,860
Investments in associates	8	247,985	213,614
Investments in joint ventures		7,119	8,280
Financial assets at fair value through profit or loss	9	168,926	128,822
Financial assets at fair value through other comprehensive income	10	143,935	81,721
Prepayments, deposits and other assets		23,423	23,442
Deferred income tax assets		22,981	18,209
Term deposits		31,664	19,000
		<u>870,714</u>	<u>700,018</u>
Current assets			
Inventories		1,164	718
Accounts receivable	11	41,696	35,839
Prepayments, deposits and other assets		38,237	27,840
Other financial assets		1,650	375
Financial assets at fair value through profit or loss	9	6,135	7,114
Term deposits		75,692	46,911
Restricted cash		2,250	2,180
Cash and cash equivalents		152,491	132,991
		<u>319,315</u>	<u>253,968</u>
Total assets		<u>1,190,029</u>	<u>953,986</u>

		Unaudited	Audited
		30 September	31 December
		2020	2019
	Note	RMB'Million	RMB'Million
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		–	–
Share premium		44,804	35,271
Shares held for share award schemes		(4,351)	(4,002)
Other reserves		60,763	16,786
Retained earnings		475,887	384,651
		<u>577,103</u>	<u>432,706</u>
Non-controlling interests		<u>69,394</u>	<u>56,118</u>
Total equity		<u>646,497</u>	<u>488,824</u>
LIABILITIES			
Non-current liabilities			
Borrowings	14	118,037	104,257
Notes payable	15	127,375	83,327
Long-term payables		3,057	3,577
Other financial liabilities		6,846	5,242
Deferred income tax liabilities		14,488	12,841
Lease liabilities		8,105	8,428
Deferred revenue		6,304	7,334
		<u>284,212</u>	<u>225,006</u>
Current liabilities			
Accounts payable	13	87,008	80,690
Other payables and accruals		48,738	45,174
Borrowings	14	14,117	22,695
Notes payable	15	–	10,534
Current income tax liabilities		13,470	9,733
Other tax liabilities		1,941	1,245
Other financial liabilities		4,165	5,857
Lease liabilities		3,454	3,279
Deferred revenue		86,427	60,949
		<u>259,320</u>	<u>240,156</u>
Total liabilities		<u>543,532</u>	<u>465,162</u>
Total equity and liabilities		<u>1,190,029</u>	<u>953,986</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020**

	Unaudited							
	Attributable to equity holders of the Company							
	Share capital	Shares held for			Other reserves	Retained earnings	Non-controlling Total interests	Total equity
		Share premium	share award schemes	share award schemes				
RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	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	-	-	-	-	100,545	100,545	211	100,756
Other comprehensive income, net of tax:								
- share of other comprehensive income/(loss) of associates and joint ventures	-	-	-	323	-	323	(2)	321
- 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	-	-	-	56,982	-	56,982	1,500	58,482
- currency translation differences	-	-	-	(2,937)	-	(2,937)	879	(2,058)
- other fair value losses, net	-	-	-	(1,567)	-	(1,567)	(58)	(1,625)
Total comprehensive income for the period	-	-	-	52,799	100,545	153,344	2,530	155,874
Transfer of gains on disposal and deemed disposal of financial assets at fair value through other comprehensive income to retained earnings	-	-	-	(1,080)	1,080	-	-	-
Share of other changes in net assets of associates and joint ventures	-	-	-	2,166	-	2,166	(5)	2,161
Transfer of share of other changes in net assets of associates to profit or loss upon deemed disposal of associates	-	-	-	(154)	-	(154)	-	(154)

Unaudited

Attributable to equity holders of the Company								
	Shares held for							
	Share capital	Share premium	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
Transactions with equity holders								
Capital injection	-	-	-	-	-	-	309	309
Employee share option schemes:								
– value of employee services	-	1,164	-	47	-	1,211	48	1,259
– proceeds from shares issued	-	1,028	-	-	-	1,028	-	1,028
Employee share award schemes:								
– value of employee services	-	6,957	-	361	-	7,318	308	7,626
– shares withheld for share award schemes	-	-	(1,738)	-	-	(1,738)	-	(1,738)
– vesting of awarded shares	-	(1,143)	1,143	-	-	-	-	-
Tax benefit from share-based payments	-	-	-	1,149	-	1,149	-	1,149
Profit appropriations to statutory reserves	-	-	-	(60)	60	-	-	-
Dividends	-	-	-	-	(10,449)	(10,449)	(549)	(10,998)
Non-controlling interests arising from business combinations	-	-	-	-	-	-	9,043	9,043
Disposal and deemed disposal of subsidiaries	-	-	-	-	-	-	15	15
Acquisition of additional equity interests in non-wholly owned subsidiaries	-	-	-	(2,790)	-	(2,790)	(3,180)	(5,970)
Dilution of interests in subsidiaries	-	-	-	(641)	-	(641)	1,184	543
Changes in put option liability with non-controlling interests	-	-	-	(1,080)	-	(1,080)	(389)	(1,469)
Recognition of financial liabilities in respect of non-controlling interests	-	-	-	(869)	-	(869)	-	(869)
Transfer of equity interests of subsidiaries to non-controlling interests	-	1,527	246	(5,871)	-	(4,098)	3,962	(136)
Total transactions with equity holders at their capacity as equity holders for the period	<u>-</u>	<u>9,533</u>	<u>(349)</u>	<u>(9,754)</u>	<u>(10,389)</u>	<u>(10,959)</u>	<u>10,751</u>	<u>(208)</u>
Balance at 30 September 2020	<u>-</u>	<u>44,804</u>	<u>(4,351)</u>	<u>60,763</u>	<u>475,887</u>	<u>577,103</u>	<u>69,394</u>	<u>646,497</u>

Unaudited

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

Unaudited

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020**

	Unaudited	
	Nine months ended	
	30 September	
	2020	2019
	RMB'Million	RMB'Million
Net cash flows generated from operating activities	145,253	97,986
Net cash flows used in investing activities	(140,529)	(56,382)
Net cash flows generated from financing activities	<u>17,596</u>	<u>4,207</u>
Net increase in cash and cash equivalents	22,320	45,811
Cash and cash equivalents at beginning of the period	132,991	97,814
Exchange (losses)/gains on cash and cash equivalents	<u>(2,820)</u>	<u>1,982</u>
Cash and cash equivalents at end of the period	<u>152,491</u>	<u>145,607</u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	71,655	53,329
Term deposits and highly liquid investments with initial terms within three months	<u>80,836</u>	<u>92,278</u>
	<u>152,491</u>	<u>145,607</u>

Note:

1 General information, basis of preparation and presentation

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

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

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

The Interim Financial Information has 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
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

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

2 Segment information

The Group has the following reportable segments for the three and nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2020 and 2019 is as follows:

	Unaudited				
	Three months ended 30 September 2020				
	VAS	FinTech and	Online	Others	Total
	RMB'Million	Business Services	Advertising	RMB'Million	RMB'Million
		RMB'Million	RMB'Million		
Segment revenues	<u>69,802</u>	<u>33,255</u>	<u>21,351</u>	<u>1,039</u>	<u>125,447</u>
Gross profit/(loss)	<u>36,704</u>	<u>9,273</u>	<u>10,871</u>	<u>(201)</u>	<u>56,647</u>
Cost of revenues					
Depreciation	1,275	2,422	850	22	4,569
Amortisation	<u>5,770</u>	<u>–</u>	<u>2,157</u>	<u>395</u>	<u>8,322</u>

	Unaudited				
	Three months ended 30 September 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>50,629</u>	<u>26,758</u>	<u>18,366</u>	<u>1,483</u>	<u>97,236</u>
Gross profit/(loss)	<u>26,227</u>	<u>7,419</u>	<u>8,955</u>	<u>(122)</u>	<u>42,479</u>
Cost of revenues					
Depreciation	897	1,744	528	26	3,195
Amortisation	<u>4,349</u>	<u>–</u>	<u>2,948</u>	<u>594</u>	<u>7,891</u>

	Unaudited				
	Nine months ended 30 September 2020				
	VAS	FinTech and	Online	Others	Total
	RMB'Million	Business Services	Advertising	RMB'Million	RMB'Million
		RMB'Million	RMB'Million		RMB'Million
Segment revenues	<u>197,233</u>	<u>89,592</u>	<u>57,616</u>	<u>3,954</u>	<u>348,395</u>
Gross profit/(loss)	<u>108,458</u>	<u>25,295</u>	<u>29,125</u>	<u>(227)</u>	<u>162,651</u>
Cost of revenues					
Depreciation	3,548	6,629	2,392	69	12,638
Amortisation	<u>13,131</u>	<u>–</u>	<u>5,285</u>	<u>1,149</u>	<u>19,565</u>

	Unaudited				
	Nine months ended 30 September 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>147,683</u>	<u>71,435</u>	<u>48,152</u>	<u>4,252</u>	<u>271,522</u>
Gross profit	<u>79,717</u>	<u>19,124</u>	<u>22,533</u>	<u>51</u>	<u>121,425</u>
Cost of revenues					
Depreciation	2,474	4,727	1,481	79	8,761
Amortisation	<u>11,036</u>	<u>–</u>	<u>8,081</u>	<u>1,313</u>	<u>20,430</u>

3 Other gains, net

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2020	2019	2020	2019
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Net gains on disposals and deemed disposals of investee companies (a)	1,410	1,899	13,382	8,416
Impairment reversal/(provision) for investee companies, goodwill and intangible assets arising from acquisitions (b)	1,098	(1,668)	(7,028)	(3,934)
Net fair value gains on FVPL (c)	7,287	33	12,321	7,032
Subsidies and tax rebates	2,165	1,214	5,937	3,075
Net fair value gains/(losses) on other financial instruments	6	(118)	2,944	1,862
Donations (d)	–	(150)	(2,600)	(850)
Dividends income	956	209	1,750	751
Others (e)	(1,371)	(487)	(2,511)	(293)
	<u>11,551</u>	<u>932</u>	<u>24,195</u>	<u>16,059</u>

Note:

- (a) The disposal and deemed disposal gains of approximately RMB13,382 million recognised during the nine months ended 30 September 2020 mainly comprised the following:
- net gains of approximately RMB5,892 million (nine months ended 30 September 2019: RMB4,813 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 RMB7,490 million (nine months ended 30 September 2019: RMB3,603 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.

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

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Goodwill and intangible assets arising from acquisitions	115	20	4,499	20
Investments in associates (Note 8(c))	(1,217)	1,648	1,215	3,914
Investments in joint ventures	4	–	1,314	–
	<u>(1,098)</u>	<u>1,668</u>	<u>7,028</u>	<u>3,934</u>

- (c) Net fair value gains on FVPL during the nine months ended 30 September 2020 comprised net gains of approximately RMB12,321 million (Note 9) as a result of increases in valuations of certain FVPL.
- (d) The donations mainly include emergency funds to offer support to pandemic-related programs and medical research.
- (e) During the nine months ended 30 September 2020, others mainly comprised impairment reversal/(provision) on receivables.

4 Expenses by nature

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2020	2019	2020	2019
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Transaction costs (a)	29,220	22,260	76,523	60,933
Employee benefits expenses (b)	17,703	13,580	49,667	37,839
Content costs (excluding amortisation of intangible assets)	14,497	12,226	41,359	34,778
Amortisation of intangible assets (c)	8,953	8,119	21,245	21,115
Promotion and advertising expenses	7,146	4,422	18,743	11,404
Bandwidth and server custody fees (excluding depreciation of right-of-use assets)	5,489	3,946	16,262	12,015
Depreciation of property, plant and equipment, investment properties and right-of-use assets	5,564	4,038	15,483	11,181
Travelling and entertainment expenses	298	454	603	1,175

Note:

- (a) Transaction costs primarily consist of bank handling fees, channel and distribution costs.
- (b) During the three and nine months ended 30 September 2020, the Group had incurred expenses for the purpose of R&D of approximately RMB9,908 million and RMB27,793 million, respectively (three and nine months ended 30 September 2019: approximately RMB7,924 million and RMB21,530 million, respectively), which mainly comprised employee benefits expenses of approximately RMB8,009 million and RMB22,580 million, respectively (three and nine months ended 30 September 2019: approximately RMB6,268 million and RMB17,483 million, respectively).

During the three and nine months ended 30 September 2020, employee benefits expenses included the share-based compensation expenses of approximately RMB3,059 million and RMB10,001 million, respectively (three and nine months ended 30 September 2019: approximately RMB2,745 million and RMB7,231 million, respectively).

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

- (c) Amortisation charges of intangible assets is mainly related to media content including video and music contents, game licenses and literature copyrights. During the three and nine months ended 30 September 2020, amortisation of media content was approximately RMB8,274 million and RMB19,482 million, respectively (three and nine months ended 30 September 2019: approximately RMB7,884 million and RMB20,409 million, respectively).

During the three and nine months ended 30 September 2020, amortisation of intangible assets had included the amortisation of intangible assets resulting from business combinations of approximately RMB905 million and RMB2,414 million, respectively (three and nine months ended 30 September 2019: approximately RMB118 million and RMB350 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 income tax in the Cayman Islands and the British Virgin Islands for the three and nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2020 and 2019. The general PRC CIT rate was 25% for the three and nine months ended 30 September 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 corporate income tax rate of 15% for the three and nine months ended 30 September 2020 and 2019. Moreover, certain subsidiaries which are qualified as national key software enterprises are subject to a preferential corporate income tax rate of 10% according to announcement and circular issued by relevant government authorities.

In addition, according to relevant tax circulars issued by the tax authorities of the Mainland of China, 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 nine months ended 30 September 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 nine months ended 30 September 2020 and 2019 are analysed as follows:

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	RMB’Million	RMB’Million	RMB’Million	RMB’Million
Current income tax	6,470	3,521	18,530	12,317
Deferred income tax	<u>(731)</u>	<u>(183)</u>	<u>(2,342)</u>	<u>(942)</u>
	<u>5,739</u>	<u>3,338</u>	<u>16,188</u>	<u>11,375</u>

6 Earnings per share

(a) Basic

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

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2020	2019	2020	2019
Profit attributable to equity holders of the Company (RMB'Million)	<u>38,542</u>	<u>20,382</u>	<u>100,545</u>	<u>71,728</u>
Weighted average number of ordinary shares in issue (million shares)	<u>9,496</u>	<u>9,475</u>	<u>9,485</u>	<u>9,465</u>
Basic EPS (RMB per share)	<u>4.059</u>	<u>2.151</u>	<u>10.601</u>	<u>7.578</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 September 2020		Unaudited Nine months ended 30 September 2020		
	2019		2019		
Profit attributable to equity holders of the Company (RMB'Million)		38,542	20,382	100,545	71,728
Dilution effect arising from share-based awards issued by non-wholly owned subsidiaries and associates (RMB'Million)		<u>(285)</u>	<u>–</u>	<u>(339)</u>	<u>–</u>
Profit attributable to equity holders of the Company for the calculation of diluted EPS (RMB'Million)		<u>38,257</u>	<u>20,382</u>	<u>100,206</u>	<u>71,728</u>
Weighted average number of ordinary shares in issue (million shares)		9,496	9,475	9,485	9,465
Adjustments for share options and awarded shares (million shares)		<u>155</u>	<u>107</u>	<u>147</u>	<u>116</u>
Weighted average number of ordinary shares for the calculation of diluted EPS (million shares)		<u>9,651</u>	<u>9,582</u>	<u>9,632</u>	<u>9,581</u>
Diluted EPS (RMB per share)		<u>3.964</u>	<u>2.127</u>	<u>10.403</u>	<u>7.486</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 nine months ended 30 September 2020.

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

8 Investments in associates

	Unaudited	Audited
	30 September	31 December
	2020	2019
	RMB'Million	RMB'Million
Investments in associates		
– Listed entities (Note)	155,615	141,350
– Unlisted entities	92,370	72,264
	<u>247,985</u>	<u>213,614</u>

Note:

As at 30 September 2020, the fair value of the investments in associates which were listed entities was RMB739,674 million (31 December 2019: RMB334,688 million).

Movement of investments in associates is analysed as follows:

	Unaudited	
	Nine months ended	
	30 September	
	2020	2019
	RMB'Million	RMB'Million
At beginning of period	213,614	219,215
Additions (a)	22,318	11,966
Transfers (b)	5,527	(1,202)
Deemed disposal gains (Note 3(a))	5,892	4,813
Share of profit/(loss) of associates	2,052	(285)
Share of other comprehensive income/(loss) of associates	339	(43)
Share of other changes in net assets of associates	2,153	1,630
Dividends	(319)	(443)
Disposals	(1,793)	(3,555)
Impairment provision (c)	(1,215)	(3,914)
Currency translation differences	(583)	1,827
	<u>247,985</u>	<u>230,009</u>
At end of period	<u>247,985</u>	<u>230,009</u>

Note:

- (a) During the nine months ended 30 September 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 EUR1.2 billion (equivalent to approximately RMB9.0 billion). 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 RMB13,287 million during the nine months ended 30 September 2020 are principally engaged in software, digital medical and other Internet-related business.
- (b) During the nine months ended 30 September 2020, transfers mainly comprised the following:
- (i) HUYA, an existing associate of approximately RMB5,221 million transferred to a subsidiary as a result of business combination;
 - (ii) an existing associate of approximately RMB2,349 million transferred to FVOCI as a result of retirement of board representative; and
 - (iii) an existing FVPL of approximately RMB8,383 million transferred to investments in associates as a result of changes in nature of investment and an existing FVOCI of approximately RMB4,572 million transferred to investments in associates due to acquiring board representatives.
- (c) During the nine months ended 30 September 2020, the Group had made an aggregate net impairment provision of approximately RMB1,215 million (nine months ended 30 September 2019: RMB3,914 million) against the carrying amounts of certain investments in associates, which included impairment loss of approximately RMB6,572 million recognised and approximately RMB5,357 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 September 2020 RMB'Million	Audited 31 December 2019 RMB'Million
Included in non-current assets:		
Investments in listed entities	19,759	10,408
Investments in unlisted entities	141,470	111,761
Treasury investments and others	<u>7,697</u>	<u>6,653</u>
	<u>168,926</u>	<u>128,822</u>
Included in current assets:		
Investment in a listed entity	–	15
Treasury investments and others	<u>6,135</u>	<u>7,099</u>
	<u>6,135</u>	<u>7,114</u>
	<u>175,061</u>	<u>135,936</u>

Movement of FVPL is analysed as follows:

	Unaudited Nine months ended 30 September 2020 RMB'Million	2019 RMB'Million
At beginning of period	135,936	97,877
Additions and transfers (Note (a) and Note 8(b))	37,910	33,547
Changes in fair value (Note 3(c))	12,321	7,032
Disposals	(8,237)	(13,644)
Currency translation differences	<u>(2,869)</u>	<u>3,185</u>
At end of period	<u>175,061</u>	<u>127,997</u>

Note:

- (a) During the nine months ended 30 September 2020, the Group's additions and transfers mainly comprised the following:
- (i) an additional investment in an online video-sharing services platform of approximately USD1.5 billion (equivalent to approximately RMB10.3 billion). As at 30 September 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 RMB37,100 million in listed and unlisted entities. These companies are principally engaged in online education, eCommerce, Internet platform, technology and other Internet-related businesses.

10 Financial assets at fair value through other comprehensive income

FVOCI include the following:

	Unaudited 30 September 2020 RMB'Million	Audited 31 December 2019 RMB'Million
Equity investments in listed entities	131,297	74,707
Equity investments in unlisted entities	<u>12,638</u>	<u>7,014</u>
	<u><u>143,935</u></u>	<u><u>81,721</u></u>

Movement of FVOCI is analysed as follows:

	Unaudited	
	Nine months ended 30 September	
	2020	2019
	RMB'Million	RMB'Million
At beginning of period	81,721	43,519
Additions and transfers (a)	9,165	8,997
Changes in fair value (b)	59,305	13,538
Disposals	(2,905)	–
Currency translation differences	(3,351)	2,278
At end of period	<u>143,935</u>	<u>68,332</u>

Note:

- (a) It mainly comprised 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 RMB8,194 million.
- (b) It comprised net gains of approximately RMB59,305 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 September	31 December
	2020	2019
	RMB'Million	RMB'Million
0 ~ 30 days	15,703	15,582
31 ~ 60 days	11,038	10,222
61 ~ 90 days	5,051	5,035
Over 90 days	9,904	5,000
	<u>41,696</u>	<u>35,839</u>

Receivable balances as at 30 September 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 September 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
	Average exercise price	No. of options	Average exercise price	No. of options	No. of options
At 1 January 2020	HKD185.86	50,358,800	HKD375.36	61,738,193	112,096,993
Granted	–	–	HKD390.87	9,049,045	9,049,045
Exercised	HKD148.63	(3,293,815)	HKD318.61	(2,092,385)	(5,386,200)
Lapsed/forfeited	HKD174.86	(4,425)	HKD358.01	(398,984)	(403,409)
At 30 September 2020	HKD188.47	<u>47,060,560</u>	HKD379.26	<u>68,295,869</u>	<u>115,356,429</u>
Exercisable as at 30 September 2020	HKD182.27	<u>40,279,997</u>	HKD375.00	<u>20,593,685</u>	<u>60,873,682</u>
At 1 January 2019	HKD185.25	51,499,010	HKD374.52	36,277,234	87,776,244
Granted	–	–	HKD374.09	26,196,870	26,196,870
Exercised	HKD163.40	(776,424)	HKD272.36	(243,955)	(1,020,379)
Lapsed/forfeited	HKD148.90	(1,225)	HKD317.51	(203,365)	(204,590)
At 30 September 2019	HKD185.59	<u>50,721,361</u>	HKD374.92	<u>62,026,784</u>	<u>112,748,145</u>
Exercisable as at 30 September 2019	HKD172.07	<u>34,198,270</u>	HKD361.69	<u>11,208,862</u>	<u>45,407,132</u>

During the nine months ended 30 September 2020, 4,399,815 options had been granted to one director of the Company (nine months ended 30 September 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 September 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 nine months ended 30 September 2020 and 2019 are as follows:

	Number of awarded shares	
	Nine months ended 30 September	
	2020	2019
At beginning of period	76,615,755	50,247,895
Granted	33,906,715	50,811,743
Lapsed/forfeited	(2,943,113)	(2,427,590)
Vested and transferred	<u>(26,121,712)</u>	<u>(22,479,105)</u>
At end of period	<u>81,457,645</u>	<u>76,152,943</u>
Vested but not transferred as at the end of period	<u>37,157</u>	<u>145,090</u>

During the nine months ended 30 September 2020, 59,500 awarded shares had been granted to five independent non-executive directors of the Company (nine months ended 30 September 2019: 59,484 awarded shares were granted to five 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 September	31 December
	2020	2019
	RMB'Million	RMB'Million
0 ~ 30 days	76,172	67,054
31 ~ 60 days	2,575	2,975
61 ~ 90 days	1,391	1,442
Over 90 days	<u>6,870</u>	<u>9,219</u>
	<u>87,008</u>	<u>80,690</u>

14 Borrowings

	Unaudited	Audited
	30 September	31 December
	2020	2019
	RMB'Million	RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD bank borrowings, unsecured (a)	115,533	88,354
Non-current portion of long-term EUR bank borrowings, unsecured (a)	1,199	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)	1,292	10,196
Non-current portion of long-term HKD bank borrowings, unsecured (a)	<u>–</u>	<u>4,535</u>
	<u>118,037</u>	<u>104,257</u>
Included in current liabilities:		
USD bank borrowings, unsecured (b)	9,534	6,627
HKD bank borrowings, unsecured (b)	–	9,298
RMB bank borrowings, unsecured (b)	3,642	902
RMB bank borrowings, secured (b)	120	201
Current portion of long-term USD bank borrowings, unsecured (a)	817	140
Current portion of long-term RMB bank borrowings, unsecured (a)	4	4,633
Current portion of long-term HKD bank borrowings, unsecured (a)	<u>–</u>	<u>894</u>
	<u>14,117</u>	<u>22,695</u>
	<u><u>132,154</u></u>	<u><u>126,952</u></u>

Note:

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

	Unaudited		Audited	
	30 September 2020		31 December 2019	
	Amount	Interest rate	Amount	Interest rate
	(Million)	(per annum)	(Million)	(per annum)
USD bank borrowings	USD17,085	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	RMB1,296	4.275% ~ 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		Audited	
	30 September 2020		31 December 2019	
	Amount	Interest rate	Amount	Interest rate
	(Million)	(per annum)	(Million)	(per annum)
USD bank borrowings	USD1,400	LIBOR + 0.45% ~ 0.50%	USD950	LIBOR + 0.5%
HKD bank borrowings	–	–	HKD10,395	HIBOR + 0.45% ~ 0.50%
RMB bank borrowings	RMB3,762	3.55% ~ 5.22%	RMB1,103	3.60% ~ 5.22%

15 Notes payable

	Unaudited	Audited
	30 September	31 December
	2020	2019
	RMB'Million	RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD notes payable	<u>127,375</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>127,375</u>	<u>93,861</u>

Note:

The aggregate principal amounts of notes payable were USD18,800 million (31 December 2019: USD13,100 million and HKD3,200 million). Applicable interest rates were at 1.375% 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 from 5.5 years to 40 years, with interest rate ranging from 1.810% to 3.290%.

On 4 September 2020, TME issued two tranches of senior notes with an aggregate principal amount of USD800 million from 5 years to 10 years, with interest rate ranging from 1.375% to 2.000%.

During the nine months ended 30 September 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.

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 30 September 2020.

Employee and Remuneration Policies

As at 30 September 2020, the Group had 77,592 employees (30 September 2019: 60,860). The number of employees employed by the Group varies from time to time depending on needs and employees are remunerated based on industry practice.

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

The total remuneration cost incurred by the Group for the three months ended 30 September 2020 was RMB17,703 million (for the three months ended 30 September 2019: RMB13,580 million).

Audit Committee

The Audit Committee, together with the Auditor, has reviewed the Group's unaudited Interim Financial Information for the three and nine months ended 30 September 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 2020 interim report and 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 July 2020 to 30 September 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 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 November 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
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the auditor of the Company
“Board”	the board of directors of the Company
“CG Code”	the corporate governance code as set out in Appendix 14 to the Listing Rules
“Company”	Tencent Holdings Limited, a limited liability company organised and existing under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange
“CRM”	customer relationship management
“DAU”	daily active user accounts
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“eCPM”	effective cost per mille
“EPS”	earnings per share

“EUR”	the lawful currency of the European Union
“FIBA”	International Basketball Federation
“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
“H5”	HTML5, HyperText Markup Language 5
“HIBOR”	Hong Kong InterBank Offered Rate
“HKD”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region, the PRC
“HUYA”	HUYA Inc., 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
“IAS”	International Accounting Standards
“IaaS”	Infrastructure-as-a-Service
“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
“MMO”	massive multiplayer online
“PaaS”	Platform-as-a-Service
“PC”	personal computer
“Post-IPO Option Scheme I”	the Post-IPO Share Option Scheme adopted by the Company on 24 March 2004
“Post-IPO Option Scheme II”	the Post-IPO Share Option Scheme adopted by the Company on 16 May 2007
“Post-IPO Option Scheme III”	the Post-IPO Share Option Scheme adopted by the Company on 13 May 2009
“Post-IPO Option Scheme IV”	the Post-IPO Share Option Scheme adopted by the Company on 17 May 2017
“PRC” or “China”	the People’s Republic of China
“PRC CIT”	PRC corporate income tax as defined in the “Corporate Income Tax Law of the People’s Republic of China”

“Pre-IPO Option Scheme”	the Pre-IPO Share Option Scheme adopted by the Company on 27 July 2001
“PvP”	player versus player
“R&D”	research and development
“RMB”	the lawful currency of the PRC
“SaaS”	Software-as-a-Service
“Share Award Schemes”	the share award scheme adopted by the Company on 13 December 2007, 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
“TPV”	Total Payment Volume
“United States”	the United States of America
“USD”	the lawful currency of the United States
“VAS”	value-added services