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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 ANNUAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2020. The results have been audited by the Auditor in accordance with International Standards on Auditing. In addition, the results have also been reviewed by the Audit Committee.

**FINANCIAL PERFORMANCE HIGHLIGHTS**

	<b>31 December 2020</b>	<b>31 December 2019</b>	<b>Unaudited Three months ended</b>		<b>Quarter- on-quarter change</b>
			<b>Year- on-year change</b>	<b>30 September 2020</b>	
					(RMB in millions, unless specified)
Revenues	<b>133,669</b>	105,767	26%	125,447	7%
Gross profit	<b>58,881</b>	46,108	28%	56,647	4%
Operating profit	<b>63,713</b>	28,604	123%	43,953	45%
Profit for the period	<b>59,369</b>	22,372	165%	38,899	53%
Profit attributable to equity holders of the Company	<b>59,302</b>	21,582	175%	38,542	54%
Non-IFRS profit attributable to equity holders of the Company	<b>33,207</b>	25,484	30%	32,303	3%
EPS (RMB per share)					
– basic	<b>6.240</b>	2.278	174%	4.059	54%
– diluted	<b>6.112</b>	2.248	172%	3.964	54%
Non-IFRS EPS (RMB per share)					
– basic	<b>3.494</b>	2.690	30%	3.402	3%
– diluted	<b>3.413</b>	2.643	29%	3.314	3%

	<b>Year ended 31 December</b>		
	<b>2020</b>	2019	Year- on-year change
	(RMB in millions, unless specified)		
Revenues	<b>482,064</b>	377,289	28%
Gross profit	<b>221,532</b>	167,533	32%
Operating profit	<b>184,237</b>	118,694	55%
Profit for the year	<b>160,125</b>	95,888	67%
Profit attributable to equity holders of the Company	<b>159,847</b>	93,310	71%
Non-IFRS profit attributable to equity holders of the Company	<b>122,742</b>	94,351	30%
EPS (RMB per share)			
– basic	<b>16.844</b>	9.856	71%
– diluted	<b>16.523</b>	9.643	71%
Non-IFRS EPS (RMB per share)			
– basic	<b>12.934</b>	9.966	30%
– diluted	<b>12.689</b>	9.729	30%

## DIVIDEND

The Board has recommended the payment of a final dividend of HKD1.60 per share (2019: HKD1.20 per share) for the year ended 31 December 2020, subject to the approval of the shareholders at the 2021 AGM. Such proposed dividend will be payable on 7 June 2021 to the shareholders whose names appear on the register of members of the Company on 27 May 2021.

## OPERATING INFORMATION

	As at 31 December 2020	As at 31 December 2019	Year- on-year change	As at 30 September 2020	Quarter- on-quarter change
			(in millions, unless specified)		
Combined MAU of Weixin and WeChat	1,225.0	1,164.8	5.2%	1,212.8	1.0%
Smart device MAU of QQ	594.9	647.0	-8.1%	617.4	-3.6%
Fee-based VAS registered subscriptions	219.5	180.1	21.9%	213.4	2.9%

## BUSINESS REVIEW AND OUTLOOK

### Strategic Progress and Outlook

While 2020 was an unprecedentedly challenging year, we believe our solid operational and financial results testify to our focus on user value and technology innovation. Below are some highlights from our key products and business lines:

#### *Communication and Social*

Throughout the past decade, Weixin has evolved from an instant messaging app to a service meeting the digital needs of over 1.2 billion users. Each day, more than 120 million users post in Moments, 360 million users read Official Accounts articles and 400 million users access Mini Programs. SMEs and brands increasingly connect with users via Mini Programs and Weixin Pay, and annual transaction volume generated from Mini Programs more than doubled year-on-year in 2020.

Users are increasingly uploading personal videos, and sharing them with friends, in Weixin Moments and chats. They can now share informative videos publicly through our product innovation – Video Accounts. Video Accounts also enable brands and enterprises to broaden their audience reach and drive transactions, especially via links to Mini Programs.

Within QQ, we focused on enhancing interactive experiences in vertical communities. We increased stickiness among young users by enriching communal experiences such as playing AI-powered social games and watching Tencent Video together in video calls. QQ’s video and image feed services, Mini World, increased its user engagement as we added hashtag feature and initiated trending topics that resonate with Generation Z. We launched joint promotions and celebrity eSports events for our popular games such as Honour of Kings and Call of Duty Mobile. We provided interactive learning experiences such as quiz challenges through partnering with educational institutions.

Looking forward, we will seek to provide lively chat experiences and to facilitate users in sharing content with broader communities. We will enrich interest-based community experiences for young QQ users, while delivering a better social commerce experience within the Weixin ecosystem for consumers, SMEs and brands.

### *Online Games*

We strengthened our global leadership in mobile and PC games via self-developed franchises and IP collaboration with partners and investee companies. Our leadership spans multiple genres, including MOBA, shooter and MMORPG, as well as multiple platforms, including mobile and PC.

Honour of Kings was the top-grossing mobile game worldwide for the second consecutive year and continued as the most popular mobile game in China by MAU. In January 2021, we released the biggest-ever update for Honour of Kings with a new hero, skins and user interface. We upgraded our rendering technology, which enhanced visual effects with minimal performance overhead, enabling more compelling content and game experience in future upgrades.

The launch of Call of Duty Mobile in China drew hardcore players with a fast-paced and competitive first-person-shooting experience, complementing Peacekeeper Elite and CrossFire Mobile within the shooter genre.

The release of Moonlight Blade Mobile demonstrated our capabilities in the MMORPG genre. Aurora Studio extended this IP from PC to mobile while retaining its distinctive oriental style and semi-sandbox open world design. Moonlight Blade Mobile ranked as the top grossing MMORPG on iOS in China during the fourth quarter of 2020.

Our partnership with Nintendo extended our home entertainment offerings to consoles. By the end of 2020, we have distributed over 1 million Switch consoles and published a dozen popular Switch titles in China.

To maintain a healthy gameplay environment for teenagers in China, we made ongoing upgrades to the Healthy Gameplay System, which aims to help parents manage younger users' in-game play time and spending. During the fourth quarter of 2020, minors aged under 18 accounted for 6.0% of our China online game gross receipts. Among which, minors aged under 16 accounted for 3.2% of our China online game gross receipts.

League of Legends attracted over 45 million peak concurrent viewers for its 2020 World Championship Finals, setting a record viewership for a games eSports event. The rollout of League of Legends' mobile version, Wild Rift, further expanded its franchise user base.

PUBG Mobile ranked as the most popular mobile game in international markets by MAU for the second consecutive year, according to App Annie. The PUBG Mobile Global Championship became the most viewed eSports tournament of mobile games.

## *Digital Content*

Our fee-based VAS subscriptions grew 22% year-on-year to 219 million. We are the leader in the long form video industry with 123 million video subscriptions, benefitting from the release of popular anime IPs and drama series. We have extended our IP value across literature, anime, games and long form video services to create appealing content and attract paying users. We are also building vibrant short form video communities to encourage interaction between viewers and creators, and to deliver knowledge-based video content. The mini drama series we showed on Weishi gained great popularity, generating billions of video views and social media posts. We sustained music subscription growth with the pay-for-streaming model. At China Literature, we have sought to enrich free and paid content, community features and an IP-centric ecosystem.

## *Online Advertising*

We integrated our advertising platforms, strengthening our own properties as well as mobile advertising network as preferred choices for advertisers.

In Weixin Moments, we enabled performance-oriented advertisers to link their advertisements to Mini Programs, boosting their sales conversion. Our mobile advertising network offered customised in-app advertising solutions, ramping up in-game advertising revenue from third-party game companies and Internet services providers.

Looking forward, we will continue to strengthen our recommendation algorithms and analytic services to increase user acquisition efficiency and sales conversion for advertisers.

## *FinTech*

The strategic focus for our FinTech business is to work closely with regulators and collaborate with industry partners to deliver compliant and inclusive FinTech products, while prioritising risk management over scale.

As consumption rebounded and payment digitalisation accelerated, our payment transaction volume increased healthily year-on-year, driven by more daily active consumers and higher payment frequency in multiple verticals, such as retail, public services and groceries. Our commercial take rates remained stable. For wealth management service, aggregated customer assets grew robustly year-on-year.

## *Cloud and Other Business Services*

We invested in IaaS technology, including our customised “Star Lake” cloud server solutions and self-developed data centre technology “T-block”, to enhance our Cloud Services’ performance and cost efficiency. We developed a new generation Star Lake SA3 server powered by the latest generation AMD EPYC processors, enhancing AI, security, storage and network capabilities with better energy efficiency.

In the area of SaaS products, Tencent Meeting has become the largest standalone app for cloud conferencing in China. The recently released enterprise version of Tencent Meeting penetrated the energy, healthcare and education industries. We rolled out new conference room solutions, Tencent Meeting Rooms and Connector, which are compatible with customers’ existing audiovisual equipment and facilitate high-quality interactive communication. WeCom, the enterprise version of Weixin, has become an integral communications tool for remote workplaces, serving over 5.5 million enterprise customers, better connecting them internally and to over 400 million Weixin users.

We will continue to invest in cloud computing infrastructure and technology, leverage our communication and productivity strengths while working with partners to upgrade our PaaS and SaaS solutions.

## **Environmental, Social and Governance (“ESG”) Initiatives**

Sustainability is vital to the development of the Company’s strategy and operations, and we strive to integrate social responsibility into our products and services.

### *Environmental*

We recently announced our commitment in moving towards carbon neutrality to help tackle climate change, and are exploring renewable energy solutions for the operation of our office buildings and data centres. We also leverage our expertise in AI, big data, and cloud computing with the mission of helping manage sustainability problems for the planet, such as smart agriculture solutions. TiMi Studios, the developer of Honour of Kings, has recently joined the Playing for the Planet Alliance, a collective effort initiated by the United Nations Environment Programme to decarbonise and integrate environmental activations into games.

### *Social*

User privacy and data security are top priorities at Tencent. We focus on user experience and adhere to a “privacy by design” approach. We deploy advanced technologies such as data encryption, data masking, de-identification and quantum cryptography, to safeguard users’ data security.

We have upgraded our Balanced Online Entertainment System in China to help parents prevent excessive use of online services by minors.

Tencent Health Code has facilitated domestic travel during the COVID-19 period. We also assisted enterprises to maintain business continuity through Weixin Pay, Mini Programs and other digital solutions.



We have built Tencent Charity Platform into an efficient fundraising platform, while also providing technology for the digitalisation of charitable organisations to engage with supporters. In 2020, our flagship charity event, 99 Giving Day, engaged over 18 million users and 10,000 charities, raising over RMB3 billion within three days. Through Weixin and QQ, we bridge the digital divide for the elderly and the disadvantaged. We support rural vitalisation through our WeCounty initiative, connecting over 16,000 villages and 2.5 million villagers.

### *Governance*

We have established stringent risk management and internal controls to maintain the highest standards in corporate governance. Anti-fraud and whistleblowing policies are also in place in order to identify and prevent fraud and corruption. We believe diversity is key to effective governance and are dedicated to enhancing board diversity in gender, background and expertise.

Looking into the future, with our vision “Value for Users, Tech for Good”, we will continue to harness the power of technology in developing innovative products and services, and creating value for all stakeholders.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Year Ended 31 December 2020 Compared to Year Ended 31 December 2019

The following table sets forth the comparative figures for the years ended 31 December 2020 and 2019:

	Year ended 31 December	
	2020	2019
	(RMB in millions)	
Revenues	482,064	377,289
Cost of revenues	<u>(260,532)</u>	<u>(209,756)</u>
Gross profit	221,532	167,533
Interest income	6,957	6,314
Other gains, net	57,131	19,689
Selling and marketing expenses	(33,758)	(21,396)
General and administrative expenses	<u>(67,625)</u>	<u>(53,446)</u>
Operating profit	184,237	118,694
Finance costs, net	(7,887)	(7,613)
Share of profit/(loss) of associates and joint ventures	<u>3,672</u>	<u>(1,681)</u>
Profit before income tax	180,022	109,400
Income tax expense	<u>(19,897)</u>	<u>(13,512)</u>
Profit for the year	<u>160,125</u>	<u>95,888</u>
Attributable to:		
Equity holders of the Company	159,847	93,310
Non-controlling interests	<u>278</u>	<u>2,578</u>
	<u>160,125</u>	<u>95,888</u>
Non-IFRS profit attributable to equity holders of the Company	<u>122,742</u>	<u>94,351</u>

*Revenues.* Revenues increased by 28% to RMB482.1 billion for the year ended 31 December 2020 on a year-on-year basis. The following table sets forth our revenues by line of business for the year ended 31 December 2020 and 2019:

	Year ended 31 December		2019	
	2020	% of total	Amount	% of total
	Amount	revenues	Amount	revenues
	(RMB in millions, unless specified)			
VAS	264,212	55%	199,991	53%
Online Advertising	82,271	17%	68,377	18%
FinTech and Business Services	128,086	27%	101,355	27%
Others	7,495	1%	7,566	2%
Total revenues	<u>482,064</u>	<u>100%</u>	<u>377,289</u>	<u>100%</u>

- Revenues from our VAS business increased by 32% to RMB264.2 billion on a year-on-year basis. Online games revenues grew by 36% to RMB156.1 billion. The increase was primarily driven by revenue growth from our smart phone games in both domestic and overseas markets, particularly from titles such as Peacekeeper Elite, Honour of Kings and PUBG Mobile, as well as the full year effect of Supercell consolidation, while our PC client games revenues decreased slightly. Total smart phone games revenues (including smart phone games revenues attributable to our social networks business) were RMB146.6 billion and PC client games revenues were RMB44.6 billion for the year ended 31 December 2020. Social networks revenues increased by 27% to RMB108.1 billion. The increase was primarily due to the consolidation of HUYA’s live broadcast services, revenue growth from our music and video subscription services, as well as growth from our in-game virtual item sales.
- Revenues from our Online Advertising business increased by 20% to RMB82.3 billion on a year-on-year basis, benefitting from our platform integration and upgraded algorithms, along with rising demand from advertiser categories such as education, Internet services and eCommerce platforms. Social and others advertising revenues grew by 29% to RMB68.0 billion. The increase was primarily driven by higher advertising revenues from Weixin (primarily Weixin Moments) as a result of its increased inventories, as well as revenue contributions from our mobile advertising network due to our video format advertisements. Media advertising revenues decreased by 8% to RMB14.3 billion. The decrease mainly reflected lower advertising revenues from Tencent Video amid the challenging macro environment and delays to content productions and launches, partly offset by advertising revenue growth from our music streaming apps.

- Revenues from FinTech and Business Services increased by 26% to RMB128.1 billion on a year-on-year basis. The increase primarily reflected higher revenues from commercial payment, wealth management and Cloud Services, driven by our expanded user base and business scale.

*Cost of revenues.* Cost of revenues increased by 24% to RMB260.5 billion for the year ended 31 December 2020 on a year-on-year basis. The increase was mainly due to greater channel and distribution costs, server and bandwidth costs, as well as transaction costs of FinTech services. As a percentage of revenues, cost of revenues decreased to 54% for the year ended 31 December 2020 from 56% for the year ended 31 December 2019. The following table sets forth our cost of revenues by line of business for the years ended 31 December 2020 and 2019:

	<b>Year ended 31 December</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Amount</b>	<b>% of segment revenues</b>	<b>Amount</b>	<b>% of segment revenues</b>
	(RMB in millions, unless specified)			
VAS	<b>121,287</b>	<b>46%</b>	94,086	47%
Online Advertising	<b>40,011</b>	<b>49%</b>	34,860	51%
FinTech and Business Services	<b>91,835</b>	<b>72%</b>	73,831	73%
Others	<b>7,399</b>	<b>99%</b>	6,979	92%
<b>Total cost of revenues</b>	<b><u>260,532</u></b>		<b><u>209,756</u></b>	

- Cost of revenues for VAS increased by 29% to RMB121.3 billion. The increase was mainly driven by greater content costs for live broadcast and video subscription services, as well as costs for smart phone games, including those associated with the consolidations of Supercell and HUYA.
- Cost of revenues for Online Advertising increased by 15% year-on-year to RMB40.0 billion. The increase was mainly due to greater traffic acquisition, server and bandwidth costs, partly offset by lower content costs associated with variety shows and sports events.
- Cost of revenues for FinTech and Business Services increased by 24% year-on-year to RMB91.8 billion. The increase primarily reflected greater transaction costs resulting from TPV growth, as well as higher server and bandwidth costs due to expansion of our Cloud Services business.

*Other gains, net.* We recorded net other gains of RMB57.1 billion for the year ended 31 December 2020, which were primarily non-IFRS adjustment items including net fair value gains arising from increased valuations for certain investee companies in verticals such as social media, online games, electric vehicles and eCommerce, as well as net gains on deemed disposals arising from the capital activities of certain investee companies in the eCommerce and online games verticals, partly offset by impairment provisions reflecting revised valuations of certain investee companies.

*Selling and marketing expenses.* Selling and marketing expenses increased by 58% to RMB33.8 billion for the year ended 31 December 2020 on a year-on-year basis. The increase primarily reflected greater marketing spending for online games and the impact of recent consolidations, as well as marketing to support long-term strategic initiatives including short-form video, cloud-based healthcare solutions, online education and remote work. As a percentage of revenues, selling and marketing expenses increased to 7% for the year ended 31 December 2020 from 6% for the year ended 31 December 2019.

*General and administrative expenses.* General and administrative expenses increased by 27% to RMB67.6 billion for the year ended 31 December 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 year ended 31 December 2020, broadly stable year-on-year.

*Finance costs, net.* Net finance costs increased by 4% to RMB7.9 billion for the year ended 31 December 2020 on a year-on-year basis. The increase primarily reflected foreign exchange losses recognised this year compared to gains for previous year, partially offset by lower interest expenses resulting from reduced average cost of funds.

*Share of profit/loss of associates and joint ventures.* We recorded share of profit of associates and joint ventures of RMB3.7 billion for the year ended 31 December 2020, compared to share of losses of RMB1.7 billion for the year ended 31 December 2019. The change was substantially due to non-IFRS adjustment items of certain associates and improved performance of certain associates in verticals such as eCommerce.

*Income tax expense.* Income tax expense increased by 47% to RMB19.9 billion on a year-on-year basis. The increase was mainly driven by higher taxable income.

*Profit attributable to equity holders of the Company.* Profit attributable to equity holders of the Company increased by 71% to RMB159.8 billion for the year ended 31 December 2020 on a year-on-year basis. Non-IFRS profit attributable to equity holders of the Company increased by 30% to RMB122.7 billion for the year ended 31 December 2020.

## Fourth Quarter of 2020 Compared to Fourth Quarter of 2019

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

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
	(RMB in millions)	
Revenues	<b>133,669</b>	105,767
Cost of revenues	<u>(74,788)</u>	<u>(59,659)</u>
Gross profit	<b>58,881</b>	46,108
Interest income	<b>1,708</b>	1,580
Other gains, net	<b>32,936</b>	3,630
Selling and marketing expenses	<b>(10,033)</b>	(6,712)
General and administrative expenses	<u>(19,779)</u>	<u>(16,002)</u>
Operating profit	<b>63,713</b>	28,604
Finance costs, net	<b>(2,253)</b>	(2,767)
Share of profit/(loss) of associates and joint ventures	<u>1,618</u>	<u>(1,328)</u>
Profit before income tax	<b>63,078</b>	24,509
Income tax expense	<u>(3,709)</u>	<u>(2,137)</u>
Profit for the period	<u><b>59,369</b></u>	<u>22,372</u>
Attributable to:		
Equity holders of the Company	<b>59,302</b>	21,582
Non-controlling interests	<u>67</u>	<u>790</u>
	<u><b>59,369</b></u>	<u>22,372</u>
Non-IFRS profit attributable to equity holders of the Company	<u><b>33,207</b></u>	<u>25,484</u>

*Revenues.* Revenues increased by 26% to RMB133.7 billion for the fourth quarter of 2020 on a year-on-year basis. The following table sets forth our revenues by line of business for the fourth quarter of 2020 and the fourth quarter of 2019:

	<b>Unaudited</b>			
	<b>Three months ended</b>			
	<b>31 December 2020</b>		31 December 2019	
	<b>Amount</b>	<b>% of total revenues</b>	Amount	% of total revenues
(RMB in millions, unless specified)				
VAS	<b>66,979</b>	<b>50%</b>	52,308	50%
Online Advertising	<b>24,655</b>	<b>18%</b>	20,225	19%
FinTech and Business Services	<b>38,494</b>	<b>29%</b>	29,920	28%
Others	<b>3,541</b>	<b>3%</b>	3,314	3%
Total revenues	<b><u>133,669</u></b>	<b><u>100%</u></b>	<u>105,767</u>	<u>100%</u>

- Revenues from VAS increased by 28% to RMB67.0 billion for the fourth quarter of 2020 on a year-on-year basis. Online games revenues grew by 29% to RMB39.1 billion, among which our international games revenues were RMB9.8 billion, increased by 43% on a year-on-year basis. The increase primarily reflected revenue contributions from our smart phone games including Peacekeeper Elite, Honour of Kings, PUBG Mobile and recently launched titles such as Moonlight Blade Mobile. Total smart phone games revenues (including smart phone games revenues attributable to our social networks business) were RMB36.7 billion and PC client games revenues were RMB10.2 billion for the fourth quarter of 2020. Social networks revenues increased by 27% to RMB27.9 billion. The increase was mainly driven by revenue growth from digital content services including the consolidation impact of HUYA’s live broadcast services, our music and video subscription services, as well as from in-game virtual item sales.
- Revenues from Online Advertising increased by 22% to RMB24.7 billion for the fourth quarter of 2020, as a result of rising demand from advertiser categories such as education, eCommerce platforms and fast-moving consumer goods, as well as consolidation of Bitauto’s advertising revenue. Social and others advertising revenues grew by 25% to RMB20.4 billion. The increase primarily reflected more advertiser demand for Weixin Moments inventory, and for customised in-app advertising solutions offered by our mobile advertising network. Media advertising revenues increased by 8% to RMB4.3 billion. The increase was mainly driven by our music streaming apps, as well as contributions from Tencent Video due to airing of popular drama series.

- Revenues from FinTech and Business Services increased by 29% to RMB38.5 billion for the fourth quarter of 2020 on a year-on-year basis. The increase was primarily due to revenue growth from commercial payment and wealth management services resulting from increased volume of transactions and value per transaction. Our Business Services revenues experienced robust year-on-year growth as we deepened our market presence in verticals such as municipal services, financial services and Internet services, and as we began to consolidate Bitauto’s Business Services revenue during the fourth quarter of 2020.

*Cost of revenues.* Cost of revenues increased by 25% to RMB74.8 billion for the fourth quarter of 2020 on a year-on-year basis. The increase was mainly driven by greater channel and distribution costs, content costs, as well as transaction costs of FinTech services. As a percentage of revenues, cost of revenues was 56% for the fourth quarter of 2020, broadly stable compared to the fourth quarter of 2019. The following table sets forth our cost of revenues by line of business for the fourth quarter of 2020 and the fourth quarter of 2019:

	<b>Unaudited</b>			
	<b>Three months ended</b>			
	<b>31 December 2020</b>		31 December 2019	
	<b>Amount</b>	<b>% of segment revenues</b>	Amount	% of segment revenues
	(RMB in millions, unless specified)			
VAS	<b>32,512</b>	<b>49%</b>	26,120	50%
Online Advertising	<b>11,520</b>	<b>47%</b>	9,241	46%
FinTech and Business Services	<b>27,538</b>	<b>72%</b>	21,520	72%
Others	<b>3,218</b>	<b>91%</b>	2,778	84%
	<hr/>		<hr/>	
Total cost of revenues	<b><u>74,788</u></b>		<b><u>59,659</u></b>	

- Cost of revenues for VAS increased by 24% to RMB32.5 billion for the fourth quarter of 2020 on a year-on-year basis. The increase mainly reflected greater content costs for digital content services including the consolidation impact of HUYA’s live broadcast services, as well as costs for smart phone games arising from revenue growth.
- Cost of revenues for Online Advertising increased by 25% to RMB11.5 billion for the fourth quarter of 2020 on a year-on-year basis. The increase was mainly driven by greater traffic acquisition costs associated with revenue growth from our mobile advertising network, as well as greater server and bandwidth costs.



- Cost of revenues for FinTech and Business Services increased by 28% to RMB27.5 billion for the fourth quarter of 2020 on a year-on-year basis. The increase was primarily due to greater transaction costs as TPV grew, and increased spending on servers and bandwidth to support enlarged scale of our Cloud Services business.

*Other gains, net.* We recorded net other gains of RMB32.9 billion for the fourth quarter of 2020, which were mainly non-IFRS adjustment items including net fair value gains due to increased valuations of investee companies in verticals such as social media, eCommerce and online games, as well as net gains on deemed disposals of certain investee companies, partly offset by impairment provisions against certain investee companies.

*Selling and marketing expenses.* Selling and marketing expenses increased by 49% to RMB10.0 billion for the fourth quarter of 2020 on a year-on-year basis. The increase was mainly due to greater marketing spending on online games, Business Services, and digital content services, including those associated with the consolidation of Bitauto and HUYA. As a percentage of revenues, selling and marketing expenses increased to 8% for the fourth quarter of 2020 from 6% for the fourth quarter of 2019.

*General and administrative expenses.* General and administrative expenses increased by 24% to RMB19.8 billion for the fourth quarter of 2020 on a year-on-year basis. The increase primarily reflected greater R&D expenses and staff costs. As a percentage of revenues, general and administrative expenses were 15% for the fourth quarter of 2020, broadly stable compared to the fourth quarter of 2019.

*Finance costs, net.* Net finance costs decreased by 19% to RMB2.3 billion for the fourth quarter of 2020 on a year-on-year basis. The decrease was primarily due to lower interest expenses as a result of reduced average cost of funds.

*Share of profit/loss of associates and joint ventures.* We recorded share of profit of associates and joint ventures of RMB1.6 billion for the fourth quarter of 2020, compared to share of losses of RMB1.3 billion for the fourth quarter of 2019. The change was partly driven by non-IFRS adjustment items of certain associates in eCommerce, and partly due to improved performance of certain investee companies in verticals such as eCommerce and online games.

*Income tax expense.* Income tax expense increased by 74% to RMB3.7 billion for the fourth 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 175% to RMB59.3 billion for the fourth quarter of 2020 on a year-on-year basis. Non-IFRS profit attributable to equity holders of the Company increased by 30% to RMB33.2 billion for the fourth quarter of 2020.

## Fourth Quarter of 2020 Compared to Third Quarter of 2020

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

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 December</b>	<b>30 September</b>
	<b>2020</b>	<b>2020</b>
	(RMB in millions)	
Revenues	<b>133,669</b>	125,447
Cost of revenues	<b>(74,788)</b>	(68,800)
Gross profit	<b>58,881</b>	56,647
Interest income	<b>1,708</b>	1,864
Other gains, net	<b>32,936</b>	11,551
Selling and marketing expenses	<b>(10,033)</b>	(8,920)
General and administrative expenses	<b>(19,779)</b>	(17,189)
Operating profit	<b>63,713</b>	43,953
Finance costs, net	<b>(2,253)</b>	(1,945)
Share of profit of associates and joint ventures	<b>1,618</b>	2,630
Profit before income tax	<b>63,078</b>	44,638
Income tax expense	<b>(3,709)</b>	(5,739)
Profit for the period	<b>59,369</b>	38,899
Attributable to:		
Equity holders of the Company	<b>59,302</b>	38,542
Non-controlling interests	<b>67</b>	357
	<b>59,369</b>	38,899
Non-IFRS profit attributable to equity holders of the Company	<b>33,207</b>	32,303

*Revenues.* Revenues increased by 7% to RMB133.7 billion for the fourth quarter of 2020 on a quarter-on-quarter basis.

- Revenues from VAS decreased by 4% to RMB67.0 billion for the fourth quarter of 2020. Online games revenues reduced by 6% to RMB39.1 billion. The sequential decline was mainly driven by lower revenues from domestic smart phone games and PC client games due to normalised user activities and seasonality, partly offset by revenue contributions from newly launched titles including Moonlight Blade Mobile. Social networks revenues decreased by 2% to RMB27.9 billion. The decrease mainly reflected revenue decline from in-game virtual item sales, partly offset by revenue growth from digital content services including live broadcast services.
- Revenues from Online Advertising increased by 15% to RMB24.7 billion for the fourth quarter of 2020. Social and others advertising revenues grew by 15% to RMB20.4 billion. The increase mainly reflected revenue growth from our mobile advertising network and Weixin Moments, resulting from positive seasonality of eCommerce marketing efforts, as well as the consolidation of Bitauto's advertising revenue. Media advertising revenues increased by 19% to RMB4.3 billion. The increase was primarily driven by greater video advertising revenues due to the popularity of certain drama series released in the fourth quarter, as well as advertising revenues from music streaming apps.
- Revenues from FinTech and Business Services increased by 16% to RMB38.5 billion for the fourth quarter of 2020. The increase was mainly driven by higher revenues from Cloud Services business due to deployment of more on-premise projects during the fourth quarter, particularly in the municipal and healthcare sectors, as well as consolidation of Bitauto's Business Services revenue. Revenues from payment related services also contributed to the sequential growth, as both online and offline TPV grew in sectors such as eCommerce, retail and municipal services.

*Cost of revenues.* Cost of revenues increased by 9% to RMB74.8 billion for the fourth quarter of 2020 on quarter-on-quarter basis. The increase was mainly driven by greater content costs, transaction costs of FinTech services, and Cloud Services project deployment costs. As a percentage of revenues, cost of revenues increased to 56% for the fourth quarter of 2020 from 55% for the third quarter of 2020.

- Cost of revenues for VAS decreased by 2% to RMB32.5 billion for the fourth quarter of 2020. The decrease mainly reflected lower content costs for video subscription services as a result of airing fewer sports events and lower costs for smart phone games, partly offset by increased content costs for live broadcast services and eSports events.
- Cost of revenues for Online Advertising increased by 10% to RMB11.5 billion for the fourth quarter of 2020. The increase was primarily driven by greater traffic acquisition costs due to revenue growth from our advertising network.

- Cost of revenues for FinTech and Business Services increased by 15% to RMB27.5 billion for the fourth quarter of 2020. The increase was mainly due to greater transaction costs for payment-related services, and higher Cloud Services project deployment costs.

*Selling and marketing expenses.* Selling and marketing expenses increased by 12% to RMB10.0 billion for the fourth quarter of 2020 on a quarter-on-quarter basis. The increase was mainly due to greater marketing spending on online games and Business Services, and the consolidation of Bitauto.

*General and administrative expenses.* General and administrative expenses increased by 15% to RMB19.8 billion for the fourth quarter of 2020 on a quarter-on-quarter basis. The increase mainly reflected greater R&D expenses and staff costs.

*Profit attributable to equity holders of the Company.* Profit attributable to equity holders of the Company increased by 54% to RMB59.3 billion for the fourth quarter of 2020 on a quarter-on-quarter basis. Non-IFRS profit attributable to equity holders of the Company increased by 3% to RMB33.2 billion.

## Other Financial Information

	Unaudited				
	Three months ended			Year ended	
	31 December 2020	30 September 2020	31 December 2019	31 December 2020	31 December 2019
	(RMB in millions, unless specified)				
EBITDA (a)	42,872	45,055	35,675	170,680	137,268
Adjusted EBITDA (a)	46,533	47,849	38,572	183,314	147,395
Adjusted EBITDA margin (b)	35%	38%	36%	38%	39%
Interest and related expenses	1,766	1,855	2,348	7,449	7,690
Net cash/(debt) (c)	11,063	6,363	(15,552)	11,063	(15,552)
Capital expenditures (d)	9,659	8,684	16,869	33,960	32,369

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			Year ended	
	31 December 2020	30 September 2020	31 December 2019	31 December 2020	31 December 2019
	(RMB in millions, unless specified)				
Operating profit	63,713	43,953	28,604	184,237	118,694
Adjustments:					
Interest income	(1,708)	(1,864)	(1,580)	(6,957)	(6,314)
Other gains, net	(32,936)	(11,551)	(3,630)	(57,131)	(19,689)
Depreciation of property, plant and equipment and investment properties	4,939	4,600	3,549	17,685	12,574
Depreciation of right-of-use assets	1,036	964	893	3,773	3,049
Amortisation of intangible assets	7,828	8,953	7,839	29,073	28,954
EBITDA	42,872	45,055	35,675	170,680	137,268
Equity-settled share-based compensation	3,661	2,794	2,897	12,634	10,127
Adjusted EBITDA	<u>46,533</u>	<u>47,849</u>	<u>38,572</u>	<u>183,314</u>	<u>147,395</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 fourth quarter of 2020 and 2019, the third quarter of 2020, and the years ended 31 December 2020 and 2019 to the nearest measures prepared in accordance with IFRS:

	Unaudited three months ended 31 December 2020						
	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)	Non-IFRS
Operating profit	63,713	3,744	(34,652)	885	4,394	-	38,084
Profit for the period	59,369	4,896	(36,149)	2,260	4,407	(329)	34,454
Profit attributable to equity holders	59,302	4,735	(36,928)	1,926	4,407	(235)	33,207
EPS (RMB per share)							
- basic	6.240						3.494
- diluted	6.112						3.413
Operating margin	48%						28%
Net margin	44%						26%

Unaudited three 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	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 31 December 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	28,604	3,269	(2,340)	701	72	–	30,306
Profit for the period	22,372	3,965	(1,412)	1,667	140	(93)	26,639
Profit attributable to equity holders	21,582	3,756	(1,403)	1,406	133	10	25,484
EPS (RMB per share)							
– basic	2.278						2.690
– diluted	2.248						2.643
Operating margin	27%						29%
Net margin	21%						25%

Year ended 31 December 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	184,237	13,745	(63,299)	3,299	11,422	–	149,404
Profit for the year	160,125	17,089	(69,348)	7,723	12,684	(1,290)	126,983
Profit attributable to equity holders	159,847	16,228	(69,473)	6,387	10,673	(920)	122,742
EPS (RMB per share)							
– basic	16.844						12.934
– diluted	16.523						12.689
Operating margin	38%						31%
Net margin	33%						26%

Year ended 31 December 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	118,694	10,500	(19,650)	1,051	4,006	–	114,601
Profit for the year	95,888	12,774	(20,818)	5,781	5,202	(1,238)	97,589
Profit attributable to equity holders	93,310	12,309	(20,720)	5,362	5,185	(1,095)	94,351
EPS (RMB per share)							
– basic	9.856						9.966
– diluted	9.643						9.729
Operating margin	31%						30%
Net margin	25%						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 other intangible assets arising from acquisitions
- (e) Income tax effects of non-IFRS adjustments

## Liquidity and Financial Resources

Our cash positions as at 31 December 2020 and 30 September 2020 were as follows:

	<b>Unaudited 31 December 2020</b>	Unaudited 30 September 2020
	(RMB in millions)	
Cash and cash equivalents	<b>152,798</b>	152,491
Term deposits and others	<b>106,709</b>	113,401
	<b>259,507</b>	265,892
Borrowings	<b>(126,387)</b>	(132,154)
Notes payable	<b>(122,057)</b>	(127,375)
Net cash	<b>11,063</b>	6,363
Fair value of our stakes in listed investee companies (excluding subsidiaries)	<b>1,204,931</b>	890,730

As at 31 December 2020, the Group had net cash of RMB11.1 billion, compared to net cash of RMB6.4 billion as at 30 September 2020. The sequential improvement was mainly due to free cash flow generation and foreign exchange effects, partly offset by a net cash outflow for M&A activities.

For the fourth quarter of 2020, the Group had free cash flow of RMB27.7 billion. This was a result of net cash flow generated from operating activities of RMB48.9 billion, offset by payments for capital expenditures of RMB12.3 billion, payments for media content of RMB7.7 billion, and payments for lease liabilities of RMB1.2 billion.

## FINANCIAL INFORMATION

### CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Year ended 31 December	
		2020 RMB'Million	2019 RMB'Million
<b>Revenues</b>			
Value-added Services		264,212	199,991
Online Advertising		82,271	68,377
FinTech and Business Services		128,086	101,355
Others		7,495	7,566
		<u>482,064</u>	<u>377,289</u>
Cost of revenues	4	<u>(260,532)</u>	<u>(209,756)</u>
<b>Gross profit</b>		<b>221,532</b>	<b>167,533</b>
Interest income		6,957	6,314
Other gains, net	3	57,131	19,689
Selling and marketing expenses	4	(33,758)	(21,396)
General and administrative expenses	4	(67,625)	(53,446)
<b>Operating profit</b>		<b>184,237</b>	<b>118,694</b>
Finance costs, net		(7,887)	(7,613)
Share of profit/(loss) of associates and joint ventures, net		3,672	(1,681)
<b>Profit before income tax</b>		<b>180,022</b>	<b>109,400</b>
Income tax expense	5	<u>(19,897)</u>	<u>(13,512)</u>
<b>Profit for the year</b>		<b><u>160,125</u></b>	<b><u>95,888</u></b>
<b>Attributable to:</b>			
Equity holders of the Company		159,847	93,310
Non-controlling interests		278	2,578
		<u>160,125</u>	<u>95,888</u>
<b>Earnings per share for profit attributable to equity holders of the Company (in RMB per share)</b>			
– basic	6(a)	<u>16.844</u>	<u>9.856</u>
– diluted	6(b)	<u>16.523</u>	<u>9.643</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'Million</b>	<b>RMB'Million</b>
<b>Profit for the year</b>	<b><u>160,125</u></b>	<b><u>95,888</u></b>
<b>Other comprehensive income, net of tax:</b>		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Share of other comprehensive income of associates and joint ventures	<b>334</b>	125
Transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates	<b>(3)</b>	(3)
Currency translation differences	<b>(7,262)</b>	3,089
Other fair value losses	<b>(1,552)</b>	(2,139)
<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	<b>130,525</b>	23,119
Currency translation differences	<b>(1,285)</b>	–
Other fair value gains/(losses)	<b>291</b>	(178)
	<b><u>121,048</u></b>	<b><u>24,013</u></b>
<b>Total comprehensive income for the year</b>	<b><u><u>281,173</u></u></b>	<b><u><u>119,901</u></u></b>
<b>Attributable to:</b>		
Equity holders of the Company	<b>277,834</b>	116,670
Non-controlling interests	<b>3,339</b>	3,231
	<b><u><u>281,173</u></u></b>	<b><u><u>119,901</u></u></b>

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

		<b>As at 31 December</b>	
		<b>2020</b>	<b>2019</b>
	Note	RMB'Million	RMB'Million
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>59,843</b>	46,824
Land use rights		<b>16,091</b>	15,609
Right-of-use assets		<b>12,929</b>	10,847
Construction in progress		<b>4,939</b>	3,935
Investment properties		<b>583</b>	855
Intangible assets		<b>159,437</b>	128,860
Investments in associates	8	<b>297,609</b>	213,614
Investments in joint ventures		<b>7,649</b>	8,280
Financial assets at fair value through profit or loss	9	<b>165,944</b>	128,822
Financial assets at fair value through other comprehensive income	10	<b>213,091</b>	81,721
Prepayments, deposits and other assets		<b>24,630</b>	23,442
Other financial assets		<b>4</b>	–
Deferred income tax assets		<b>21,348</b>	18,209
Term deposits		<b>31,681</b>	19,000
		<u><b>1,015,778</b></u>	<u>700,018</u>
<b>Current assets</b>			
Inventories		<b>814</b>	718
Accounts receivable	11	<b>44,981</b>	35,839
Prepayments, deposits and other assets		<b>40,321</b>	27,840
Other financial assets		<b>1,133</b>	375
Financial assets at fair value through profit or loss	9	<b>6,593</b>	7,114
Term deposits		<b>68,487</b>	46,911
Restricted cash		<b>2,520</b>	2,180
Cash and cash equivalents		<b>152,798</b>	132,991
		<u><b>317,647</b></u>	<u>253,968</u>
<b>Total assets</b>		<u><u><b>1,333,425</b></u></u>	<u><u>953,986</u></u>

		<b>As at 31 December</b>	
		<b>2020</b>	<b>2019</b>
Note		<b>RMB'Million</b>	<b>RMB'Million</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
	Share capital	–	–
	Share premium	48,793	35,271
	Shares held for share award schemes	(4,412)	(4,002)
	Other reserves	121,139	16,786
	Retained earnings	538,464	384,651
		<u>703,984</u>	<u>432,706</u>
	<b>Non-controlling interests</b>	<u>74,059</u>	<u>56,118</u>
	<b>Total equity</b>	<u>778,043</u>	<u>488,824</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
	Borrowings	14 112,145	104,257
	Notes payable	15 122,057	83,327
	Long-term payables	9,910	3,577
	Other financial liabilities	9,254	5,242
	Deferred income tax liabilities	16,061	12,841
	Lease liabilities	10,198	8,428
	Deferred revenue	6,678	7,334
		<u>286,303</u>	<u>225,006</u>
<b>Current liabilities</b>			
	Accounts payable	13 94,030	80,690
	Other payables and accruals	54,308	45,174
	Borrowings	14 14,242	22,695
	Notes payable	15 –	10,534
	Current income tax liabilities	12,134	9,733
	Other tax liabilities	2,149	1,245
	Other financial liabilities	5,567	5,857
	Lease liabilities	3,822	3,279
	Deferred revenue	82,827	60,949
		<u>269,079</u>	<u>240,156</u>
	<b>Total liabilities</b>	<u>555,382</u>	<u>465,162</u>
	<b>Total equity and liabilities</b>	<u>1,333,425</u>	<u>953,986</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Attributable to equity holders of the Company							Total equity RMB'Million
	Share capital RMB'Million	Share premium RMB'Million	Shares held for share award schemes RMB'Million	Other reserves RMB'Million	Retained earnings RMB'Million	Total RMB'Million	Non-controlling interests RMB'Million	
<b>Balance at 1 January 2020</b>	<u>-</u>	<u>35,271</u>	<u>(4,002)</u>	<u>16,786</u>	<u>384,651</u>	<u>432,706</u>	<u>56,118</u>	<u>488,824</u>
<b>Comprehensive income</b>								
Profit for the year	-	-	-	-	159,847	159,847	278	160,125
Other comprehensive income, net of tax:								
- share of other comprehensive income/ (loss) of associates and joint ventures	-	-	-	347	-	347	(13)	334
- transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates	-	-	-	(3)	-	(3)	-	(3)
- net gains from changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	127,873	-	127,873	2,652	130,525
- currency translation differences	-	-	-	(9,016)	-	(9,016)	469	(8,547)
- other fair value losses, net	-	-	-	(1,214)	-	(1,214)	(47)	(1,261)
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,987</u>	<u>159,847</u>	<u>277,834</u>	<u>3,339</u>	<u>281,173</u>
Transfer of gains on disposal and deemed disposal of financial instruments to retained earnings	-	-	-	(5,151)	5,151	-	-	-
Share of other changes in net assets of associates and joint ventures	-	-	-	3,320	-	3,320	(2)	3,318
Transfer of share of other changes in net assets of associates to profit or loss upon disposal and deemed disposal of associates	-	-	-	(154)	-	(154)	-	(154)

Attributable to equity holders of the Company

	Shares held for share					Total	Non- controlling interests	Total equity
	Share capital	Share premium	award schemes	Other reserves	Retained earnings			
	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
<b>Transactions with equity holders</b>								
Capital injection	-	-	-	-	-	-	314	314
Employee share option schemes:								
– value of employee services	-	1,768	-	60	-	1,828	62	1,890
– proceeds from shares issued	-	1,716	-	-	-	1,716	-	1,716
Employee share award schemes:								
– value of employee services	-	9,720	-	413	-	10,133	433	10,566
– shares withheld for share award schemes	-	-	(1,865)	-	-	(1,865)	-	(1,865)
– vesting of awarded shares	-	(1,209)	1,209	-	-	-	-	-
Tax benefit from share-based payments	-	-	-	588	-	588	-	588
Profit appropriations to statutory reserves	-	-	-	736	(736)	-	-	-
Dividends	-	-	-	-	(10,449)	(10,449)	(1,176)	(11,625)
Non-controlling interests arising from business combinations	-	-	-	-	-	-	12,459	12,459
Disposal and deemed disposal of subsidiaries	-	-	-	-	-	-	15	15
Acquisition of additional equity interests in non wholly-owned subsidiaries	-	-	-	(2,795)	-	(2,795)	(3,180)	(5,975)
Dilution of interests in subsidiaries	-	-	-	(684)	-	(684)	1,407	723
Changes in put option liability in respect of non-controlling interests	-	-	-	(765)	-	(765)	(293)	(1,058)
Recognition of financial liabilities in respect of the put option from business combination	-	-	-	(2,730)	-	(2,730)	-	(2,730)
Transfer of equity interests of subsidiaries to non-controlling interests	-	1,527	246	(6,472)	-	(4,699)	4,563	(136)
<b>Total transactions with equity holders at their capacity as equity holders for the year</b>	-	13,522	(410)	(11,649)	(11,185)	(9,722)	14,604	4,882
<b>Balance at 31 December 2020</b>	-	48,793	(4,412)	121,139	538,464	703,984	74,059	778,043

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
<b>Balance at 1 January 2019</b>	–	27,294	(4,173)	729	299,660	323,510	32,697	356,207
<b>Comprehensive income</b>								
Profit for the year	–	–	–	–	93,310	93,310	2,578	95,888
Other comprehensive income, net of tax:								
– share of other comprehensive income of associates and joint ventures	–	–	–	126	–	126	(1)	125
– 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	–	–	–	22,601	–	22,601	518	23,119
– currency translation differences	–	–	–	2,928	–	2,928	161	3,089
– other fair value losses, net	–	–	–	(2,292)	–	(2,292)	(25)	(2,317)
<b>Total comprehensive income for the year</b>	–	–	–	23,360	93,310	116,670	3,231	119,901
Transfer of gains on disposal and deemed disposal of financial assets at fair value through other comprehensive income to retained earnings	–	–	–	(720)	720	–	–	–
Share of other changes in net assets of associates	–	–	–	2,322	–	2,322	–	2,322
Transfer of share of other changes in net assets of associates to profit or loss upon deemed disposal of associates	–	–	–	(149)	–	(149)	–	(149)



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
<b>Transactions with equity holders</b>								
Capital injection	-	-	-	-	-	-	273	273
Employee share option schemes:								
– value of employee services	-	2,041	-	62	-	2,103	63	2,166
– proceeds from shares issued	-	272	-	-	-	272	-	272
Employee share award schemes:								
– value of employee services	-	7,303	-	379	-	7,682	279	7,961
– shares withheld for share award schemes	-	-	(1,186)	-	-	(1,186)	-	(1,186)
– vesting of awarded shares	-	(1,357)	1,357	-	-	-	-	-
Repurchase and cancellation of shares	-	(1,046)	-	-	-	(1,046)	-	(1,046)
Tax benefit from share-based payments	-	-	-	529	-	529	-	529
Profit appropriations to statutory reserves	-	-	-	734	(734)	-	-	-
Dividends	-	-	-	-	(8,305)	(8,305)	(365)	(8,670)
Non-controlling interests arising from business combinations	-	-	-	-	-	-	18,386	18,386
Disposal of a subsidiary	-	-	-	-	-	-	(1)	(1)
Acquisition of additional equity interests in non wholly-owned subsidiaries	-	276	-	(534)	-	(258)	(844)	(1,102)
Dilution of interests in subsidiaries	-	-	-	(355)	-	(355)	394	39
Transfer of equity interests of subsidiaries to non-controlling interests	-	488	-	(4,849)	-	(4,361)	3,631	(730)
Recognition of financial liabilities in respect of the put option from business combination	-	-	-	(4,722)	-	(4,722)	(1,626)	(6,348)
<b>Total transactions with equity holders at their capacity as equity holders for the year</b>	-	7,977	171	(8,756)	(9,039)	(9,647)	20,190	10,543
<b>Balance at 31 December 2019</b>	-	35,271	(4,002)	16,786	384,651	432,706	56,118	488,824

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'Million</b>	<b>RMB'Million</b>
<b>Net cash flows generated from operating activities</b>	<b>194,119</b>	148,590
<b>Net cash flows used in investing activities</b>	<b>(181,955)</b>	(116,170)
<b>Net cash flows generated from financing activities</b>	<b>13,647</b>	1,672
<b>Net increase in cash and cash equivalents</b>	<b>25,811</b>	34,092
Cash and cash equivalents at beginning of the year	<b>132,991</b>	97,814
Exchange (losses)/gains on cash and cash equivalents	<b>(6,004)</b>	1,085
<b>Cash and cash equivalents at end of the year</b>	<b><u>152,798</u></b>	<u>132,991</u>
<b>Analysis of balances of cash and cash equivalents:</b>		
Bank balances and cash	<b>85,233</b>	60,907
Term deposits and highly liquid investments with initial terms within three months	<b>67,565</b>	72,084
	<b><u>152,798</u></b>	<u>132,991</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, Online Advertising services and FinTech and Business Services.

The consolidated financial statements of the Group have been prepared in accordance with all applicable IFRSs. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of FVPL, FVOCI, certain other financial assets and liabilities, which are carried at fair value.

The following amendments to standards 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
Amendments to IFRS 16	Covid-19-related Rent Concessions

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 years ended 31 December 2020 and 2019:

- VAS;
- Online Advertising;
- FinTech and Business Services; 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 years ended 31 December 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 years ended 31 December 2020 and 2019 is as follows:

	Year ended 31 December 2020				Total RMB'Million
	VAS RMB'Million	Online Advertising RMB'Million	FinTech and Business Services RMB'Million	Others RMB'Million	
Segment revenues	<u>264,212</u>	<u>82,271</u>	<u>128,086</u>	<u>7,495</u>	<u>482,064</u>
Gross profit	<u>142,925</u>	<u>42,260</u>	<u>36,251</u>	<u>96</u>	<u>221,532</u>
Depreciation	5,006	3,331	9,170	87	17,594
Amortisation	<u>17,771</u>	<u>6,628</u>	<u>30</u>	<u>2,329</u>	<u>26,758</u>
	Year ended 31 December 2019				
	VAS RMB'Million	Online Advertising RMB'Million	FinTech and Business Services RMB'Million	Others RMB'Million	Total RMB'Million
Segment revenues	<u>199,991</u>	<u>68,377</u>	<u>101,355</u>	<u>7,566</u>	<u>377,289</u>
Gross profit	<u>105,905</u>	<u>33,517</u>	<u>27,524</u>	<u>587</u>	<u>167,533</u>
Depreciation	3,461	2,065	6,669	108	12,303
Amortisation	<u>14,710</u>	<u>9,977</u>	<u>–</u>	<u>3,115</u>	<u>27,802</u>

### 3 Other gains, net

	2020 RMB'Million	2019 RMB'Million
Net gains on disposals and deemed disposals		
of investee companies (a)	24,390	8,492
Net fair value gains on FVPL	37,257	9,511
Impairment provision for investee companies, goodwill and other intangible assets arising from acquisitions (b)	(11,422)	(4,006)
Subsidies and tax rebates	7,922	4,263
Net fair value gains on other financial instruments	1,652	1,647
Donations (c)	(2,600)	(850)
Dividend income	1,765	1,014
Others	(1,833)	(382)
	<u>57,131</u>	<u>19,689</u>

Note:

- (a) The disposal and deemed disposal gains of approximately RMB24,390 million recognised during the year ended 31 December 2020 mainly comprised the following:
- net gains of approximately RMB15,492 million (2019: RMB4,859 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 mainly listed companies and principally engaged in Internet-related business; and
  - aggregate net gains of approximately RMB8,898 million (2019: RMB3,633 million) on disposals, partial disposals or other 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)) as a result of retirement of board representative, and step up gains of approximately RMB2,189 million arising from the acquisition of HUYA, an investment transferred from investment in an associate to a subsidiary (Note 16(a)).

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

	<b>2020</b>	2019
	<b>RMB'Million</b>	RMB'Million
Investments in associates (Note 8(c))	<b>5,254</b>	3,877
Investments in joint ventures	<b>1,388</b>	(54)
Goodwill and other intangible assets arising from acquisitions	<b>4,780</b>	183
	<b><u>11,422</u></b>	<b><u>4,006</u></b>

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

#### 4 Expenses by nature

	<b>2020</b>	2019
	<b>RMB'Million</b>	RMB'Million
Transaction costs (a)	<b>107,628</b>	85,702
Employee benefits expenses (b)	<b>69,638</b>	53,123
Content costs (excluding amortisation of intangible assets)	<b>58,285</b>	48,321
Amortisation of intangible assets (c)	<b>29,073</b>	28,954
Bandwidth and server custody fees (excluding depreciation of right-of-use assets)	<b>21,876</b>	16,284
Depreciation of property, plant and equipment, investment properties and right-of-use assets	<b>21,458</b>	15,623
Promotion and advertising expenses	<b>26,596</b>	16,405

Note:

- (a) Transaction costs primarily consist of bank handling fees, channel and distribution costs.
- (b) During the year ended 31 December 2020, the Group incurred expenses for the purpose of R&D of approximately RMB38,972 million (2019: RMB30,387 million), which comprised employee benefits expenses of approximately RMB31,643 million (2019: RMB24,478 million).

During the year ended 31 December 2020, employee benefits expenses included the share-based compensation expenses of approximately RMB13,745 million (2019: RMB10,500 million). No significant development expenses had been capitalised for the years ended 31 December 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 year ended 31 December 2020, amortisation of media content was approximately RMB26,620 million (2019: approximately RMB27,758 million).

During the year ended 31 December 2020, amortisation of intangible assets included the amortisation of intangible assets resulting from business combinations of approximately RMB3,299 million (2019: RMB1,051 million).

## **5 Income tax expense**

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

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

The Group was not subject to any taxation in the Cayman Islands and the British Virgin Islands for the years ended 31 December 2020 and 2019.

### **(b) Hong Kong profits tax**

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the years ended 31 December 2020 and 2019.

### **(c) PRC CIT**

PRC CIT has been provided for at applicable tax rates under the relevant regulations of the PRC after considering the available preferential tax benefits from refunds and allowances, and on the estimated assessable profit of entities within the Group established in the Mainland of China for the years ended 31 December 2020 and 2019. The general PRC CIT rate is 25% in 2020 and 2019.

Certain subsidiaries of the Group in the Mainland of China were approved as High and New Technology Enterprise, and accordingly, they were subject to a preferential corporate income tax rate of 15% for the years ended 31 December 2020 and 2019. Moreover, according to the announcement and circular issued by relevant government authorities, certain subsidiaries which are qualified as national key software enterprises were subject to a preferential corporate income tax rate of 10%.

In addition, 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 to 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 year 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 is analysed as follows:

	<b>2020</b>	2019
	<b>RMB'Million</b>	RMB'Million
Current income tax	<b>19,499</b>	14,730
Deferred income tax	<b>398</b>	(1,218)
	<b><u>19,897</u></b>	<u>13,512</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 year.

	<b>2020</b>	2019
Profit attributable to equity holders of the Company (RMB'Million)	<b><u>159,847</u></b>	<u>93,310</u>
Weighted average number of ordinary shares in issue (million shares)	<b><u>9,490</u></b>	<u>9,468</u>
Basic EPS (RMB per share)	<b><u>16.844</u></b>	<u>9.856</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.

	<b>2020</b>	2019
Profit attributable to equity holders of the Company (RMB'Million)	<b>159,847</b>	93,310
Dilution effect arising from share-based awards issued by non wholly-owned subsidiaries and associates (RMB'Million)	<u>(403)</u>	<u>(708)</u>
Profit attributable to equity holders of the Company for the calculation of diluted EPS (RMB'Million)	<u><b>159,444</b></u>	<u>92,602</u>
Weighted average number of ordinary shares in issue (million shares)	<b>9,490</b>	9,468
Adjustments for share options and awarded shares (million shares)	<u>160</u>	<u>135</u>
Weighted average number of ordinary shares for the calculation of diluted EPS (million shares)	<u><b>9,650</b></u>	<u>9,603</u>
Diluted EPS (RMB per share)	<u><b>16.523</b></u>	<u>9.643</u>

**7 Dividends**

The final dividends amounting to HKD11,378 million (2019: HKD9,463 million) were paid during the year ended 31 December 2020.

A final dividend in respect of the year ended 31 December 2020 of HKD1.60 per share (2019: HKD1.20 per share) was proposed pursuant to a resolution passed by the Board on 24 March 2021 and subject to the approval of the shareholders at the 2021 AGM. This proposed dividend is not reflected as dividend payable in the consolidated financial statements.

## 8 Investments in associates

	As at 31 December	
	2020 RMB'Million	2019 RMB'Million
Investments in associates		
– Listed entities (Note)	171,048	141,350
– Unlisted entities	126,561	72,264
	<b>297,609</b>	<b>213,614</b>
	<b>297,609</b>	<b>213,614</b>

Note:

As at 31 December 2020, the fair value of the investments in associates which were listed entities was approximately RMB981,902 million (31 December 2019: RMB334,688 million).

Movement of investments in associates is analysed as follows:

	2020 RMB'Million	2019 RMB'Million
<b>At beginning of the year</b>	<b>213,614</b>	219,215
Additions (a)	37,651	14,077
Transfers (b)	33,585	(18,948)
Deemed disposal gains (Note 3(a))	15,492	4,859
Share of profit/(loss) of associates	3,748	(1,371)
Share of other comprehensive income of associates	363	130
Share of other changes in net assets of associates	3,310	2,322
Dividends	(344)	(550)
Disposals	(2,227)	(3,555)
Impairment provision, net (c)	(5,254)	(3,877)
Currency translation differences	(2,329)	1,312
	<b>297,609</b>	<b>213,614</b>
<b>At end of the year</b>	<b>297,609</b>	<b>213,614</b>

Note:

- (a) During the year ended 31 December 2020, the Group's additions to investments in associates mainly comprised the following:
- (i) a consortium (the "UMG Consortium") formed together with TME and certain global financial investors to acquire 10% equity interests in Universal Music Group ("UMG") from its parent company, Vivendi S.A.. According to the subscription agreements, the Group has significant influence on the UMG Consortium. The Group's investment in the UMG Consortium amounted to approximately EUR1.2 billion. As a result, the investment in the UMG 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 RMB28,600 million during the year ended 31 December 2020 are principally engaged in online automobile finance transaction platform, games, software and other Internet-related business.
- (b) During the year ended 31 December 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 (Note 16(a));
- (ii) an existing associate of approximately RMB2,349 million transferred to FVOCI as a result of retirement of board representative; and
- (iii) investments in associates of approximately RMB39,615 million transferred from FVPL as a result of changes in nature of these investments and investments in associates of approximately RMB5,075 million transferred from FVOCI due to acquiring board representatives.
- (c) The Group made an aggregate impairment provision of RMB5,254 million (2019: RMB3,877 million) against the carrying amounts of certain investments in associates during the year ended 31 December 2020, which includes impairment loss of approximately RMB10,611 million recognised and approximately RMB5,357 million reversed. The impairment provision/reversal mainly resulted from revisions of financial/business outlook of the associates and changes in the market environment of the underlying business.

## 9 Financial assets at fair value through profit or loss

FVPL include the following:

	<b>As at 31 December</b>	
	<b>2020</b>	2019
	<b>RMB'Million</b>	RMB'Million
<b>Included in non-current assets:</b>		
Investments in listed entities	<b>23,554</b>	10,408
Investments in unlisted entities	<b>133,506</b>	111,761
Treasury investments and others	<b>8,884</b>	6,653
	<b>165,944</b>	128,822
<b>Included in current assets:</b>		
Investment in listed entities	<b>10</b>	15
Treasury investments and others	<b>6,583</b>	7,099
	<b>6,593</b>	7,114
	<b>172,537</b>	135,936

Movement of FVPL is analysed as follows:

	<b>2020</b>	2019
	<b>RMB'Million</b>	RMB'Million
<b>At beginning of the year</b>	<b>135,936</b>	97,877
Additions and transfers ((a) and Note 8(b))	<b>21,960</b>	43,197
Changes in fair value	<b>37,257</b>	9,511
Disposals and others	<b>(13,314)</b>	(16,664)
Currency translation differences	<b>(9,302)</b>	2,015
	<u><b>172,537</b></u>	<u>135,936</u>
<b>At end of the year</b>	<b>172,537</b>	135,936

Note:

- (a) During the year ended 31 December 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), which was transferred to investments in associates as a result of changes in nature of the investment;
  - (ii) an additional investment in an online education platform in the Mainland of China of approximately USD720 million (equivalent to approximately RMB4,982 million);
  - (iii) new investments and additional investments with an aggregate amount of approximately RMB47,803 million in listed and unlisted entities. These companies are principally engaged in eCommerce, Internet platform, technology and other Internet-related businesses. None of the above investment was individually significant that triggers any disclosure requirements pursuant to Chapter 14 of the Listing Rules at the time of inception; and
  - (iv) except as described in Note 8(b), transfers also mainly comprised certain investments with an aggregate amount of RMB1,723 million designated as FVOCI due to the conversion of preferred shares into ordinary shares upon their IPO.

## 10 Financial assets at fair value through other comprehensive income

FVOCI include the following:

	As at 31 December	
	2020	2019
	RMB'Million	RMB'Million
Equity investments in listed entities	199,465	74,707
Equity investments in unlisted entities	<u>13,626</u>	<u>7,014</u>
	<u><b>213,091</b></u>	<u><b>81,721</b></u>

Movement of FVOCI is analysed as follows:

	2020	2019
	RMB'Million	RMB'Million
<b>At beginning of the year</b>	81,721	43,519
Additions and transfers (a)	16,474	13,979
Changes in fair value	131,655	23,349
Disposals	(6,957)	(702)
Currency translation differences	<u>(9,802)</u>	<u>1,576</u>
<b>At end of the year</b>	<u><b>213,091</b></u>	<u><b>81,721</b></u>

Note:

- (a) It mainly comprised new and additional investments of approximately RMB12,942 million, transfers described in Note 8(b) and Note 9(a), and step down gains due to an investee company transferred from investment in an associate of approximately RMB2,592 million (Note 3(a)).

## 11 Accounts receivable

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

	As at 31 December	
	2020	2019
	RMB'Million	RMB'Million
0 ~ 30 days	19,708	15,582
31 ~ 60 days	10,867	10,222
61 ~ 90 days	4,506	5,035
Over 90 days	9,900	5,000
	<u>44,981</u>	<u>35,839</u>

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 content production related customers and FinTech and cloud customers, are usually granted with a credit period within 90 days.

## 12 Share-based payments

### (a) Share option schemes

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

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

During the year ended 31 December 2020, the Company allows certain of the grantees under the Post-IPO Option Scheme II to surrender their rights to receive a portion of the underlying shares (with equivalent fair value) to set off against the exercise price and 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	
<b>At 1 January 2020</b>	HKD185.86	50,358,800	HKD375.36	61,738,193	112,096,993
Granted	–	–	HKD396.39	9,318,989	9,318,989
Exercised	HKD129.34	(12,919,216)	HKD321.74	(2,737,705)	(15,656,921)
Lapsed/forfeited	HKD175.14	(4,450)	HKD364.34	(512,727)	(517,177)
<b>At 31 December 2020</b>	HKD205.36	<u>37,435,134</u>	HKD380.50	<u>67,806,750</u>	<u>105,241,884</u>
<b>Exercisable as at 31 December 2020</b>	HKD200.96	<u>30,654,571</u>	HKD376.39	<u>20,038,030</u>	<u>50,692,601</u>
<b>At 1 January 2019</b>	HKD185.25	51,499,010	HKD374.52	36,277,234	87,776,244
Granted	–	–	HKD374.01	26,249,615	26,249,615
Exercised	HKD158.51	(1,138,985)	HKD272.36	(473,756)	(1,612,741)
Lapsed/forfeited	HKD148.90	(1,225)	HKD320.56	(314,900)	(316,125)
<b>At 31 December 2019</b>	HKD185.86	<u>50,358,800</u>	HKD375.36	<u>61,738,193</u>	<u>112,096,993</u>
<b>Exercisable as at 31 December 2019</b>	HKD172.30	<u>33,855,872</u>	HKD363.68	<u>10,997,475</u>	<u>44,853,347</u>

During the year ended 31 December 2020, 4,399,815 options (2019: 3,506,580 options) were granted to an executive director of the Company.

**(b) Share award schemes**

The Company has adopted the Share Award Schemes as of 31 December 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 years ended 31 December 2020 and 2019 are as follows:

	Number of awarded shares	
	2020	2019
<b>At beginning of the year</b>	<b>76,615,755</b>	50,247,895
Granted	<b>37,196,540</b>	53,096,782
Lapsed/forfeited	<b>(3,866,143)</b>	(3,191,477)
Vested and transferred	<b>(27,351,216)</b>	(23,537,445)
<b>At end of the year</b>	<b>82,594,936</b>	<b>76,615,755</b>
<b>Vested but not transferred as at the end of the year</b>	<b>30,172</b>	46,313

During the year ended 31 December 2020, 59,500 awarded shares were granted to five independent non-executive directors of the Company (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:

	As at 31 December	
	2020	2019
	RMB'Million	RMB'Million
0 ~ 30 days	<b>82,916</b>	67,054
31 ~ 60 days	<b>2,196</b>	2,975
61 ~ 90 days	<b>665</b>	1,442
Over 90 days	<b>8,253</b>	9,219
	<b>94,030</b>	<b>80,690</b>



## 14 Borrowings

	As at 31 December	
	2020	2019
	RMB'Million	RMB'Million
<b>Included in non-current liabilities:</b>		
Non-current portion of long-term USD bank borrowings, unsecured (a)	110,629	88,354
Non-current portion of long-term EUR bank borrowings, unsecured (a)	1,204	1,172
Non-current portion of long-term EUR bank borrowings, secured (a)	12	–
Non-current portion of long-term RMB bank borrowings, unsecured (a)	300	10,196
Non-current portion of long-term HKD bank borrowings, unsecured (a)	–	4,535
	<u>112,145</u>	<u>104,257</u>
<b>Included in current liabilities:</b>		
USD bank borrowings, unsecured (b)	9,135	6,627
HKD bank borrowings, unsecured (b)	–	9,298
HKD bank borrowings, secured (b)	144	–
RMB bank borrowings, unsecured (b)	4,079	902
RMB bank borrowings, secured (b)	100	201
Current portion of long-term USD bank borrowings, unsecured (a)	783	140
Current portion of long-term RMB bank borrowings, unsecured (a)	–	4,633
Current portion of long-term EUR bank borrowings, secured (a)	1	–
Current portion of long-term HKD bank borrowings, unsecured (a)	–	894
	<u>14,242</u>	<u>22,695</u>
	<u><u>126,387</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:

	31 December 2020		31 December 2019	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
USD bank borrowings	USD17,075	LIBOR + 0.70% ~ 1.27%	USD12,685	LIBOR + 0.70% ~ 1.27%
EUR bank borrowings	EUR151	0.52%~1.00%	EUR150	0.52%
HKD bank borrowings	–	–	HKD6,070	HIBOR +0.70% ~0.80%
RMB bank borrowings	RMB300	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:

	31 December 2020		31 December 2019	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
USD bank borrowings	USD1,400	LIBOR + 0.45% ~ 0.50%	USD950	LIBOR + 0.5%
HKD bank borrowings	HKD171	HIBOR+ 0.90% ~ 3.90%	HKD10,395	HIBOR+ 0.45% ~ 0.50%
RMB bank borrowings	RMB4,179	3.55% ~ 5.22%	RMB1,103	3.60% ~ 5.22%

## 15 Notes payable

	As at 31 December	
	2020 RMB'Million	2019 RMB'Million
<b>Included in non-current liabilities:</b>		
Non-current portion of long-term USD notes payable	<u>122,057</u>	<u>83,327</u>
<b>Included in current liabilities:</b>		
Current portion of long-term USD notes payable	–	7,672
Current portion of long-term HKD notes payable	–	<u>2,862</u>
	–	<u>10,534</u>
	<u><u>122,057</u></u>	<u><u>93,861</u></u>

Note:

The aggregate principal amounts of USD notes payable were USD18,800 million (31 December 2019: USD13,100 million and HKD3,200 million). Applicable interest rates are at 1.375% ~ 4.70% and 3-month USD LIBOR + 0.605% ~ 0.910% (2019: rates are at 2.875% ~ 4.70% and 3-month USD LIBOR + 0.605% ~ 0.910%) per annum.

All of these notes payable issued by the Group were 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 year ended 31 December 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 Business combination**

### **(a) Step-up acquisition of HUYA**

On 3 April 2020 (the “Acquisition Date of HUYA”), 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 (equivalent to approximately RMB1,860 million) in cash from JOYY Inc.. 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 having 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 accounted for as deemed disposal at its 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 of HUYA.

	As at 3 April 2020 RMB'Million
<b>Total consideration:</b>	
Cash paid	1,860
Fair value of the previously held interests	<u>7,260</u>
	<u><u>9,120</u></u>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed:</b>	
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>
<b>Total identifiable net assets</b>	<b>12,299</b>
Non-controlling interests	(8,451)
Goodwill	<u>5,272</u>
	<u><u>9,120</u></u>

Note:

The Group's revenue for the year would be increased by not more than 5% and results for the 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.

**(b) Privatisation of Bitauto**

On 4 November 2020 (the "Acquisition Date of Bitauto"), a consortium (the "Bitauto Consortium") led by the Group and another investor entered into an agreement to acquire 100% equity interests of Bitauto, an existing FVPL of the Group and the shares of which were listed on the New York Stock Exchange (NYSE: BITA), at a total consideration of USD1,154 million (equivalent to approximately RMB7,589 million) in a going private transaction. After the closing of the transaction, the Group became interested in 68.2% equity interests of Bitauto on an outstanding basis, and the Group considers it having sufficient power to control Bitauto. As a result, Bitauto was accounted for as a subsidiary of the Group upon the closing of the transaction and ceased to be a publicly traded company.

Goodwill of approximately RMB814 million was recognised as a result of the transaction. It was mainly attributable to the operating synergies and economies of scale expected to be derived from combining the operations. None of the goodwill is expected to be deductible for income tax purpose. The Group chose to record the non-controlling equity interests in the Bitauto Consortium at fair value on the Acquisition Date of Bitauto.

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 of Bitauto.

	<b>As at 4 November 2020 RMB'Million</b>
<b>Total consideration:</b>	
Cash consideration	5,745
Fair value of the previously held interests and rollover shares	<u>1,844</u>
	7,589
Non-controlling interests	<u>(2,415)</u>
<b>Total consideration attributable to the Company's equity holders</b>	<b><u><u>5,174</u></u></b>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed:</b>	
Intangible assets	836
Investments in associates	5,186
Investments in joint ventures	812
Financial assets at fair value through profit or loss	880
Prepayments, deposits and other assets	4,095
Accounts receivable	1,324
Cash and cash equivalents	2,071
Deferred income tax liabilities	(204)
Deferred revenue	(1,955)
Accounts payable	(2,161)
Borrowings	(699)
Current income tax liabilities	(349)
Other liabilities	<u>(2,854)</u>
<b>Total identifiable net assets</b>	<b>6,982</b>
Non-controlling interests	(2,622)
Goodwill	<u>814</u>
	<b><u><u>5,174</u></u></b>

Note:

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

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

**(c) Privatisation of Leyou Technologies Holdings Limited**

On 21 December 2020 (Cayman Islands time), the Group entered into an exclusivity agreement with Leyou Technologies Holdings Limited (“Leyou”), a company listed on the Stock Exchange (Ticker: HK.1089) to acquire 100% equity interests of Leyou, at a total consideration of HKD10,695 million (equivalent to approximately RMB9,076 million) in a going private transaction. As a result, Leyou was accounted for as a wholly-owned subsidiary of the Group upon completion of the transaction and ceased to be a publicly traded company.

Goodwill of approximately RMB6,045 million was recognised as a result of the transaction. It was mainly attributable to the operating synergies and economies of scale expected to be derived from combining the operations. None of the goodwill is expected to be deductible for income tax purpose. The Group chose to record the non-controlling equity interests in Leyou at fair value on the acquisition date of Leyou.

The Group’s revenue for the year would be increased by not more than 5% and results for the year would not be materially different should the transaction have occurred on 1 January 2020.

The related transaction costs of the transaction are not material to the Group’s consolidated financial statements.

**17 Subsequent events**

On 29 January 2021, the UMG Consortium led by the Group has completed the acquisition of an additional 10% equity interests in UMG from its parent company, Vivendi S.A., based on the same enterprise value of EUR30 billion for 100% of UMG’s share capital as in the initial 10% acquisition that was closed in March 2020. The UMG Consortium comprises the same members as those for the initial 10% investment in UMG, including TME and other financial investors. Upon the closing of the transaction, the UMG Consortium’s equity ownership in UMG has increased to 20%. The investment in the UMG Consortium has still been accounted for as an associate 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 year ended 31 December 2020.

### **Closure of Register of Members**

#### **(a) Entitlement to Attend and Vote at the 2021 AGM**

The register of members of the Company will be closed from Friday, 14 May 2021 to Thursday, 20 May 2021, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the 2021 AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 13 May 2021.

#### **(b) Entitlement to the Proposed Final Dividend**

The register of members of the Company will be closed from Wednesday, 26 May 2021 to Thursday, 27 May 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 25 May 2021.

### **Employee and Remuneration Policies**

As at 31 December 2020, the Group had 85,858 employees (2019: 62,885). 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 year ended 31 December 2020 was RMB69,638 million (2019: RMB53,123 million).

### **Audit Committee**

The Audit Committee, together with the Auditor, has reviewed the Group's audited consolidated financial statements for the year ended 31 December 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.

### **Auditor's Procedures Performed on this Results Announcement**

The figures in respect of the announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Auditor to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an audit, review or other assurance engagement, and consequently no assurance has been expressed by the Auditor on this announcement.

### **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, for any part of the year ended 31 December 2020, complied with the code provisions as set out in the CG Code.

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.

### **Publication of the Annual Results and Annual Report**

All the financial and other related information of the Company required by the Listing Rules will be published on the website of each of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.tencent.com](http://www.tencent.com)) in due course.



## APPRECIATION

On behalf of the Board, I would like to express our wholehearted appreciation to our staff and management team for their remarkable contributions to the Company and their untiring dedication to accomplish our mission of “Value for Users, Tech for Good”. I would also like to extend our gratitude to all our shareholders and stakeholders for their unwavering support and trust during this challenging period. We will strive to build a sustainable ecosystem in the Consumer Internet and Industrial Internet sectors and create value for our users with our products and services.

By Order of the Board  
**Ma Huateng**  
*Chairman*

Hong Kong, 24 March 2021

*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:

<b>Term</b>	<b>Definition</b>
“2021 AGM”	the annual general meeting of the Company to be held on 20 May 2021 or any adjournment thereof
“AI”	artificial intelligence
“AMD EPYC processor”	an AMD-designed x86-64 microprocessor under the brand EPYC
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the auditor of the Company
“Bitauto”	Bitauto Holdings Limited, a company incorporated in the Cayman Islands with limited liability, which became a non wholly-owned subsidiary of the Company following completion of its privatisation in November 2020
“Board”	the board of directors of the Company
“CG Code”	the corporate governance code as set out in Appendix 14 to the Listing Rules
“China Literature”	China Literature Limited, a non wholly-owned subsidiary of the Company which is incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“Company”	Tencent Holdings Limited, a limited liability company organised and existing under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“EPS”	earnings per share
“EUR”	the lawful currency of the 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
“HUYA”	HUYA Inc., 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 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
“MMORPG”	massive multiplayer online role playing game

“MOBA”	Multiplayer Online Battle Arena
“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
“PUBG”	PlayerUnknown’s Battlegrounds
“R&D”	research and development
“RMB”	the lawful currency of the PRC
“SaaS”	Software-as-a-Service
“Share Award Schemes”	the share award scheme adopted by the Company on 13 December 2007, 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 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 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