

	Unaudited		
	Nine months ended		
	30 September	30 September	Year-
	2021	2020	on-year
	(RMB in millions, unless specified)		
			change
Revenues	415,930	348,395	19%
Gross profit	188,127	162,651	16%
Operating profit	161,897	120,524	34%
Profit for the period	132,105	100,756	31%
Profit attributable to equity holders of the Company	129,864	100,545	29%
Non-IFRS profit attributable to equity holders of the Company	98,908	89,535	10%
EPS (RMB per share)			
– basic	13.634	10.601	29%
– diluted	13.313	10.403	28%
Non-IFRS EPS (RMB per share)			
– basic	10.384	9.440	10%
– diluted	10.142	9.270	9%

OPERATING INFORMATION

	As at 30 September 2021	As at 30 September 2020	Year- on-year change	As at 30 June 2021	Quarter- on-quarter change
Combined MAU of					
Weixin and WeChat	1,262.6	1,212.8	4.1%	1,251.4	0.9%
Mobile device MAU of QQ	573.7	617.4	-7.1%	590.9	-2.9%
Fee-based VAS registered subscriptions	235.4	213.4	10.3%	229.4	2.6%

BUSINESS REVIEW AND OUTLOOK

During the third quarter, the Internet industry, including the domestic games industry, and certain advertiser categories, adapted to new regulatory and macroeconomic developments. We are proactively embracing the new regulatory environment which we believe should contribute to a more sustainable development path for the industry. In the domestic games market, our industry-leading efforts in fully complying with new regulations significantly reduced minors' game time and spending, fostering a healthier gameplay environment. We also invested actively in key strategic areas, as well as in frontier technologies, along with making new commitments in common prosperity initiatives. Looking forward, we are committed to delivering superior experiences to users, assisting enterprises to digitalise their operations and contributing to the society at large. Here are some highlights of our key products and business lines for the quarter:

Communication and Social

For Weixin, we enriched Video Accounts via our resources in Official Accounts, sports coverage and games content, and enhanced Video Accounts' recommendation technology. Video consumption grew healthily as a result. The number of active Mini Programs increased by over 40% year-on-year as we strengthened our commerce ecosystem and deepened penetration across industries including restaurants, retailing and transportation. Retailers can leverage the integration of WeCom's enterprise communication tool with Mini Programs to enable online conversations between their salespeople and customers within their private domain environments.

For QQ, we upgraded interactive technologies to offer richer video experiences. We provided AR creation tools customised for festivals and landmarks to drive UGC video creation and sharing, as well as cross-screen interactive AR effects for more entertaining video call experiences.

Digital Content

Our fee-based VAS subscriptions grew 10% year-on-year to 235 million. Video subscriptions increased 8% year-on-year to 129 million due to content such as Crime Crackdown and You Are My Glory, which were the first- and second-most watched drama series by video views across all online platforms in China for the third quarter. Music subscriptions increased 38% year-on-year to 71 million, as TME enhanced its music streaming experience to attract more paying users.

Domestic Games¹

Starting from 1 September 2021, we have implemented new measures to fully comply with the latest regulations on restricting Minors' game time in China. Minors accounted for 0.7% of our Domestic Games time spent in September 2021, significantly declining from 6.4% in September 2020. In terms of our Domestic Games grossing receipts, Minors accounted for 1.1% in September 2021, significantly declining from 4.8% in September 2020. We continued our industry-leading efforts in combatting Minors' usage of adult accounts; for example, we upgraded our screening system to identify misused accounts.

We developed a series of popular skins inspired by Chinese culture for Honour of Kings, transmitting provincial arts and traditions to a wider audience. League of Legends: Wild Rift extended the authentic PC experience to mobile, reactivating and enlarging League of Legends' user base, and ranked second by DAU among all mobile games in China in October 2021. We also invigorated the auto-chess genre by introducing PvE and co-op gameplay in Fight of The Golden Spatula, which is the second-highest DAU new game launched in China year-to-date, behind League of Legends: Wild Rift.

¹ For the purpose of preparing financial and operating information, Domestic Games refers to our games business in the PRC, excluding the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan.

International Games

We are increasing our investments in global game development capabilities through scaling up our China-based studios and established multi-hit international studios, and nurturing the growth of specialist genre-leading international studios with our knowhow, technology and funding. We are strengthening our global IP portfolio through in-house IP development as well as partnerships with renowned IP owners. We are also building up localised publishing and operational capabilities to support our expansion in multiple regions.

Online Advertising

We enabled enterprises to connect directly with users via embedding WeCom chat-to-salesperson functionality in their advertisements, which is particularly effective for lead-driven advertisers, such as automobile dealers. An increasing number of transaction-driven advertisers, such as grocery and eCommerce merchants, use Mini Programs as landing pages for their advertisements, to enhance sales conversion. Our top-tier drama series, variety shows and coverage of the Tokyo 2020 Olympic Games captured higher sponsorship spending from brand advertisers on Tencent Video app.

Despite these initiatives, our advertising revenue growth rate slowed in the period and we expect advertising pricing industry-wide may remain soft for several quarters, due to macro challenges and regulations affecting certain key advertising sectors. We believe the advertising industry should adjust and rebase during 2022, then resume growth as secular growth drivers reassert themselves.

FinTech

For payments, our DAU and payment frequency maintained healthy overall growth rates, though offline commercial payment volume growth moderated on a year-on-year basis due to control measures against COVID-19 resurgence in certain provinces. We deepened our cooperation with UnionPay to develop new payment and service interconnection scenarios through its Cloud QuickPass app.

Cloud and Other Business Services

Our CRM SaaS solution, Tencent QiDian, has served over one million enterprises and is increasingly adopted by medium and large-scale enterprises. Tencent QiDian provides AI-powered customer service across multiple communications channels around the clock, significantly reducing customer service costs for our enterprise clients. Our database PaaS solution, TDSQL, has been adopted by more than 3,000 clients from verticals such as finance, public services and telecommunications. Within the financial vertical, TDSQL serves six out of the top ten banks in China, and an increasing number of financial institutions are using TDSQL in their core systems, due to their trust in our data security, reliability and consistency.

MANAGEMENT DISCUSSION AND ANALYSIS

Starting the third quarter of 2021, we disclose revenue from Domestic Games and International Games as new sub-segments under VAS, reflecting the increasing scale of our International Games business.

Third Quarter of 2021 Compared to Third Quarter of 2020

The following table sets forth the comparative figures for the third quarter of 2021 and the third quarter of 2020:

	Unaudited	
	Three months ended	
	30 September	30 September
	2021	2020
	(RMB in millions)	
Revenues	142,368	125,447
Cost of revenues	(79,621)	(68,800)
Gross profit	62,747	56,647
Interest income	1,703	1,864
Other gains, net	22,984	11,551
Selling and marketing expenses	(10,435)	(8,920)
General and administrative expenses	(23,862)	(17,189)
Operating profit	53,137	43,953
Finance costs, net	(1,942)	(1,945)
Share of (loss)/profit of associates and joint ventures	(5,668)	2,630
Profit before income tax	45,527	44,638
Income tax expense	(5,452)	(5,739)
Profit for the period	40,075	38,899
Attributable to:		
Equity holders of the Company	39,510	38,542
Non-controlling interests	565	357
	40,075	38,899
Non-IFRS profit attributable to equity holders of the Company	31,751	32,303

Revenues. Revenues increased by 13% to RMB142.4 billion for the third quarter of 2021 on a year-on-year basis. The following table sets forth our revenues by line of business for the third quarter of 2021 and the third quarter of 2020:

	Unaudited			
	Three months ended			
	30 September 2021		30 September 2020	
	% of total		% of total	
	Amount	revenues	Amount	revenues
	(RMB in millions, unless specified)			
VAS	75,203	53%	69,802	56%
Online Advertising	22,495	16%	21,351	17%
FinTech and Business Services	43,317	30%	33,255	26%
Others	1,353	1%	1,039	1%
Total revenues	<u>142,368</u>	<u>100%</u>	<u>125,447</u>	<u>100%</u>

- Revenues from VAS² increased by 8% to RMB75.2 billion for the third quarter of 2021 on a year-on-year basis. Domestic Games revenues grew by 5% to RMB33.6 billion, driven by games including Honour of Kings, Call of Duty Mobile, and Moonlight Blade Mobile. International Games revenues grew by 20% to RMB11.3 billion, or 28% in constant currency terms, due to robust performance of games including Valorant and Clash of Clans. Social Networks revenues grew by 7% to RMB30.3 billion, driven by relatively rapid growth from video and music subscription services, as well as moderate growth from live streaming and in-game item sales.
- Revenues from Online Advertising increased by 5% to RMB22.5 billion for the third quarter of 2021 on a year-on-year basis, reflecting resilience of advertiser categories such as consumer staples and Internet services, as well as consolidation of Bitauto’s advertising revenue, which was largely offset by weakness in categories including education, insurance and games. Social and Others Advertising revenues grew by 7% to RMB19.0 billion, driven by advertising revenue growth from Weixin Mini Programs and Weixin Official Accounts. Media Advertising revenues decreased by 4% to RMB3.5 billion, primarily due to lower advertising revenues from Tencent News app.

² Mobile games VAS revenues (including mobile games revenues attributable to our Social Networks business) increased by 9% year-on-year to RMB42.5 billion, while PC client games revenues grew by 1% year-on-year to RMB11.7 billion for the third quarter of 2021.

- Revenues from FinTech and Business Services increased by 30% to RMB43.3 billion for the third quarter of 2021 on a year-on-year basis. FinTech Services revenue growth primarily reflected increasing commercial payment volume. Business Services revenues increased healthily year-on-year, due to factors including increased digitalisation of traditional industries and videolisation of the Internet industry, as well as consolidation of Bitauto’s Business Services revenue.

Cost of revenues. Cost of revenues increased by 16% to RMB79.6 billion for the third quarter of 2021 on a year-on-year basis, reflecting transaction costs to handle increased payment-related transaction volumes, server and bandwidth costs, cloud project deployment costs, as well as content costs. As a percentage of revenues, cost of revenues increased to 56% for the third quarter of 2021 from 55% for the third quarter of 2020, due primarily to the revenue mix shift. The following table sets forth our cost of revenues by line of business for the third quarter of 2021 and the third quarter of 2020:

	Unaudited			
	Three months ended			
	30 September 2021		30 September 2020	
	% of		% of	
	segment		segment	
	Amount	revenues	Amount	revenues
	(RMB in millions, unless specified)			
VAS	35,344	47%	33,098	47%
Online Advertising	12,051	54%	10,480	49%
FinTech and Business Services	30,955	71%	23,982	72%
Others	1,271	94%	1,240	119%
	<u>79,621</u>		<u>68,800</u>	
Total cost of revenues	<u>79,621</u>		<u>68,800</u>	

- Cost of revenues for VAS increased by 7% to RMB35.3 billion for the third quarter of 2021 on a year-on-year basis, mainly due to increased channel and content costs for games, as well as content costs for live streaming services.
- Cost of revenues for Online Advertising increased by 15% to RMB12.1 billion for the third quarter of 2021 on a year-on-year basis, primarily driven by increased server and bandwidth costs including those associated with our Video Accounts service, as well as increased content costs.
- Cost of revenues for FinTech and Business Services increased by 29% to RMB31.0 billion for the third quarter of 2021 on a year-on-year basis, reflecting increased transaction costs due to payment volume growth, and increased project deployment costs for cloud services.

Other gains, net. We recorded net other gains of RMB23.0 billion for the third quarter of 2021, which were primarily non-IFRS adjustment items such as net gains on deemed disposals and disposals of certain investee companies in verticals such as games, Internet utility, and local services, as well as net fair value gains from revaluation of certain investee companies in verticals such as eCommerce, partly offset by impairment provisions against certain investee companies in verticals such as FinTech and social entertainment.

Selling and marketing expenses. Selling and marketing expenses increased by 17% to RMB10.4 billion for the third quarter of 2021 on a year-on-year basis, reflecting increased marketing spending on games, as well as consolidation of Bitauto. As a percentage of revenues, selling and marketing expenses was 7% for the third quarter of 2021, broadly stable compared to the third quarter of 2020.

General and administrative expenses. General and administrative expenses increased by 39% to RMB23.9 billion for the third quarter of 2021 on a year-on-year basis, primarily driven by increased R&D expenses and staff costs, including higher share-based compensation expenses. As a percentage of revenues, general and administrative expenses increased to 17% for the third quarter of 2021 from 14% for the third quarter of 2020.

Finance costs, net. Net finance costs were RMB1.9 billion for the third quarter of 2021, broadly stable compared to the third quarter of 2020.

Share of loss/profit of associates and joint ventures. We recorded share of losses of associates and joint ventures of RMB5.7 billion for the third quarter of 2021, compared to share of profit of RMB2.6 billion for the third quarter of 2020. The change reflected non-IFRS adjustment items of certain associates, increased investments in community group buying initiatives by certain associates, losses recognised from certain associates in verticals such as social media, partly offset by enhanced performance of certain associates in verticals such as eCommerce.

Income tax expense. Income tax expense decreased by 5% to RMB5.5 billion for the third quarter of 2021 on a year-on-year basis.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 3% to RMB39.5 billion for the third quarter of 2021 on a year-on-year basis. Non-IFRS profit attributable to equity holders of the Company decreased by 2% to RMB31.8 billion for the third quarter of 2021.

Third Quarter of 2021 Compared to Second Quarter of 2021

The following table sets forth the comparative figures for the third quarter of 2021 and the second quarter of 2021:

	Unaudited	
	Three months ended	
	30 September	30 June
	2021	2021
	(RMB in millions)	
Revenues	142,368	138,259
Cost of revenues	(79,621)	(75,514)
Gross profit	62,747	62,745
Interest income	1,703	1,630
Other gains, net	22,984	20,763
Selling and marketing expenses	(10,435)	(10,013)
General and administrative expenses	(23,862)	(22,638)
Operating profit	53,137	52,487
Finance costs, net	(1,942)	(1,942)
Share of losses of associates and joint ventures	(5,668)	(3,857)
Profit before income tax	45,527	46,688
Income tax expense	(5,452)	(3,666)
Profit for the period	40,075	43,022
Attributable to:		
Equity holders of the Company	39,510	42,587
Non-controlling interests	565	435
	40,075	43,022
Non-IFRS profit attributable to equity holders of the Company	31,751	34,039

Revenues. Revenues increased by 3% to RMB142.4 billion for the third quarter of 2021 on a quarter-on-quarter basis.

- Revenues from VAS increased by 4% to RMB75.2 billion for the third quarter of 2021. Domestic Games revenues grew by 5% to RMB33.6 billion, due to the increase in revenues from games including Peacekeeper Elite and DnF. International Games revenues increased by 4% to RMB11.3 billion, due to the increase in revenues from games including Alchemy Stars and Clash of Clans. Social Networks revenues increased by 4% to RMB30.3 billion, mainly driven by revenue growth from video subscription services.
- Revenues from Online Advertising decreased by 1% to RMB22.5 billion for the third quarter of 2021. Social and Others Advertising revenues decreased by 2% to RMB19.0 billion, reflecting lower advertising revenues from our mobile advertising network. Media Advertising revenues increased by 4% to RMB3.5 billion, as a result of releasing successful drama series and variety shows, as well as the Tokyo 2020 Olympic Games taking place during this quarter.
- Revenues from FinTech and Business Services increased by 3% to RMB43.3 billion for the third quarter of 2021, primarily driven by greater revenues from payment services due to payment volume growth.

Cost of revenues. Cost of revenues increased by 5% to RMB79.6 billion for the third quarter of 2021 on a quarter-on-quarter basis, mainly reflecting increased transaction costs of FinTech services, channel and distribution costs, as well as content costs. As a percentage of revenues, cost of revenues increased to 56% for the third quarter of 2021 from 55% for the second quarter of 2021.

- Cost of revenues for VAS increased by 4% to RMB35.3 billion for the third quarter of 2021, primarily due to increased channel and distribution costs, as well as content costs.
- Cost of revenues for Online Advertising increased by 3% to RMB12.1 billion for the third quarter of 2021 primarily due to increased content cost.
- Cost of revenues for FinTech and Business Services increased by 9% to RMB31.0 billion for the third quarter of 2021, primarily due to transaction costs to handle increased payment-related transaction volumes, and our continuous investment in cloud computing talent and operations.

Selling and marketing expenses. Selling and marketing expenses increased by 4% to RMB10.4 billion for the third quarter of 2021 on a quarter-on-quarter basis, primarily driven by increased marketing spending on games.

General and administrative expenses. General and administrative expenses increased by 5% to RMB23.9 billion for the third quarter of 2021 on a quarter-on-quarter basis, reflecting increased R&D expenses and staff costs, including higher share-based compensation expenses.

Share of losses of associates and joint ventures. We recorded share of losses of associates and joint ventures of RMB5.7 billion for the third quarter of 2021, compared to share of losses of RMB3.9 billion for the second quarter of 2021. The change mainly reflected non-IFRS adjustment items of certain associates, partly offset by enhanced performance of certain associate in the eCommerce vertical.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company decreased by 7% to RMB39.5 billion for the third quarter of 2021 on a quarter-on-quarter basis. Non-IFRS profit attributable to equity holders of the Company decreased by 7% to RMB31.8 billion for the third quarter of 2021.

Other Financial Information

	Unaudited			Unaudited	
	Three months ended			Nine months ended	
	30 September 2021	30 June 2021	30 September 2020	30 September 2021	30 September 2020
	(RMB in millions, unless specified)				
EBITDA (a)	42,683	44,567	45,055	136,605	127,808
Adjusted EBITDA (a)	49,257	50,347	47,849	152,531	136,781
Adjusted EBITDA margin (b)	35%	36%	38%	37%	39%
Interest and related expenses	2,092	1,912	1,855	5,730	5,683
Net (debt)/cash (c)	(26,146)	(20,972)	6,363	(26,146)	6,363
Capital expenditures (d)	7,061	6,936	8,684	21,731	24,301

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

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

	Unaudited			Unaudited	
	Three months ended		Nine months ended		
	30 September	30 June	30 September	30 September	30 September
	2021	2021	2020	2021	2020
	(RMB in millions, unless specified)				
Operating profit	53,137	52,487	43,953	161,897	120,524
Adjustments:					
Interest income	(1,703)	(1,630)	(1,864)	(4,947)	(5,249)
Other gains, net	(22,984)	(20,763)	(11,551)	(63,268)	(24,195)
Depreciation of property, plant and equipment and investment properties	5,374	5,374	4,600	16,051	12,746
Depreciation of right-of-use assets	1,129	1,089	964	3,273	2,737
Amortisation of intangible assets and land use rights	7,730	8,010	8,953	23,599	21,245
EBITDA	42,683	44,567	45,055	136,605	127,808
Equity-settled share-based compensation	6,574	5,780	2,794	15,926	8,973
Adjusted EBITDA	49,257	50,347	47,849	152,531	136,781

Non-IFRS Financial Measures

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

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

The following tables set forth the reconciliations of the Group's non-IFRS financial measures for the third quarter of 2021 and 2020, the second quarter of 2021, as well as the first nine months of 2021 and 2020 to the nearest measures prepared in accordance with IFRS:

	Unaudited three months ended 30 September 2021							Non-IFRS
	Adjustments							
	As reported	Share-based compensation	Net (gains)/ losses from investee companies	Amortisation of intangible assets	Impairment provisions/ (reversals)	Others	Income tax effects	
	(a)	(a)	(b)	(c)	(d)	(e)	(f)	
	(RMB in millions, unless specified)							
Operating profit	53,137	6,652	(26,569)	1,149	6,389	70	-	40,828
Profit for the period	40,075	10,242	(26,781)	3,093	6,452	70	(633)	32,518
Profit attributable to equity holders	39,510	10,063	(26,491)	2,719	6,452	70	(572)	31,751
EPS (RMB per share)								
- basic	4.143							3.329
- diluted	4.074							3.269
Operating margin	37%							29%
Net margin	28%							23%

Unaudited three months ended 30 June 2021

	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 (f)	
	(RMB in millions, unless specified)						
Operating profit	52,487	6,202	(20,383)	1,124	3,372	–	42,802
Profit for the period	43,022	7,658	(20,413)	3,140	3,338	(1,605)	35,140
Profit attributable to equity holders	42,587	7,376	(20,537)	2,767	3,331	(1,485)	34,039
EPS (RMB per share)							
– basic	4.472						3.574
– diluted	4.387						3.504
Operating margin	38%						31%
Net margin	31%						25%

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 (f)	
	(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 nine months ended 30 September 2021

	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)	Others (e)	Income tax effects (f)	
	(RMB in millions, unless specified)							
Operating profit	161,897	16,558	(65,283)	3,335	9,811	70	–	126,388
Profit for the period	132,105	22,936	(69,425)	8,932	9,968	70	(2,425)	102,161
Profit attributable to equity holders	129,864	22,294	(68,857)	7,838	9,961	70	(2,262)	98,908
EPS (RMB per share)								
– basic	13.634							10.384
– diluted	13.313							10.142
Operating margin	39%							30%
Net margin	32%							25%

Unaudited nine months ended 30 September 2020

	Adjustments							Non-IFRS
	As reported	Share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/ (reversals) (d)	Income tax effects (f)		
	(RMB in millions, unless specified)							
Operating profit	120,524	10,001	(28,647)	2,414	7,028	–	111,320	
Profit for the period	100,756	12,193	(33,199)	5,463	8,277	(961)	92,529	
Profit attributable to equity holders	100,545	11,493	(32,545)	4,461	6,266	(685)	89,535	
EPS (RMB per share)								
– basic	10.601						9.440	
– diluted	10.403						9.270	
Operating margin	35%						32%	
Net margin	29%						27%	

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) Including expenses incurred in establishing certain social responsibility initiatives
- (f) Income tax effects of non-IFRS adjustments

Liquidity and Financial Resources

Our cash and debt positions as at 30 September 2021 and 30 June 2021 were as follows:

	Unaudited 30 September 2021	Unaudited 30 June 2021
	(RMB in millions)	
Cash and cash equivalents	170,873	141,721
Term deposits and others	118,609	113,481
	289,482	255,202
Borrowings	(167,551)	(128,693)
Notes payable	(148,077)	(147,481)
Net debt	<u>(26,146)</u>	<u>(20,972)</u>

As at 30 September 2021, the Group had net debt of RMB26.1 billion, compared to net debt of RMB21.0 billion as at 30 June 2021. The sequential change was mainly due to a cash outflow for M&A activities including the acquisition of Sogou, and payments for repurchase of shares by the Company and our listed subsidiaries, partly offset by free cash flow generation and on-market divestitures of certain listed securities.

For the third quarter of 2021, the Group had free cash flow of RMB24.1 billion. This was a result of net cash flow generated from operating activities of RMB40.9 billion, offset by payments for capital expenditures of RMB7.5 billion, payments for media content of RMB8.0 billion, and payments for lease liabilities of RMB1.3 billion.

As at 30 September 2021, the fair value of our shareholdings³ in listed investee companies (excluding subsidiaries) was RMB1,196.6 billion.

³ Including those held via special purpose vehicles, on an attributable basis.

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2021

	Note	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2021 RMB'Million	2020 RMB'Million	2021 RMB'Million	2020 RMB'Million
Revenues					
Value-added Services		75,203	69,802	219,659	197,233
Online Advertising		22,495	21,351	67,148	57,616
FinTech and Business Services		43,317	33,255	124,237	89,592
Others		1,353	1,039	4,886	3,954
		<u>142,368</u>	<u>125,447</u>	<u>415,930</u>	<u>348,395</u>
Cost of revenues	4	<u>(79,621)</u>	<u>(68,800)</u>	<u>(227,803)</u>	<u>(185,744)</u>
Gross profit		62,747	56,647	188,127	162,651
Interest income		1,703	1,864	4,947	5,249
Other gains, net	3	22,984	11,551	63,268	24,195
Selling and marketing expenses	4	(10,435)	(8,920)	(28,978)	(23,725)
General and administrative expenses	4	(23,862)	(17,189)	(65,467)	(47,846)
Operating profit		53,137	43,953	161,897	120,524
Finance costs, net		(1,942)	(1,945)	(5,251)	(5,634)
Share of (loss)/profit of associates and joint ventures		(5,668)	2,630	(8,177)	2,054
Profit before income tax		45,527	44,638	148,469	116,944
Income tax expense	5	<u>(5,452)</u>	<u>(5,739)</u>	<u>(16,364)</u>	<u>(16,188)</u>
Profit for the period		40,075	38,899	132,105	100,756
Attributable to:					
Equity holders of the Company		39,510	38,542	129,864	100,545
Non-controlling interests		565	357	2,241	211
		<u>40,075</u>	<u>38,899</u>	<u>132,105</u>	<u>100,756</u>
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)					
– basic	6(a)	<u>4.143</u>	<u>4.059</u>	<u>13.634</u>	<u>10.601</u>
– diluted	6(b)	<u>4.074</u>	<u>3.964</u>	<u>13.313</u>	<u>10.403</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2021**

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2021 RMB'Million	2020 RMB'Million	2021 RMB'Million	2020 RMB'Million
Profit for the period	40,075	38,899	132,105	100,756
Other comprehensive (loss)/income, net of tax:				
<i>Items that may be subsequently reclassified to profit or loss</i>				
Share of other comprehensive (loss)/income of associates and joint ventures	(157)	192	120	321
Transfer of share of other comprehensive income/(loss) to profit or loss upon disposal and deemed disposal of associates and joint ventures	–	–	2	(2)
Currency translation differences	(4,607)	(5,731)	(11,943)	(2,058)
Other fair value gains/(losses)	133	169	1,388	(1,875)
<i>Items that will not be subsequently reclassified to profit or loss</i>				
Share of other comprehensive (loss)/income of associates and joint ventures	(16)	–	418	–
Net (losses)/gains from changes in fair value of financial assets at fair value through other comprehensive income	(36,411)	9,535	28,594	58,482
Currency translation differences	(130)	–	(228)	–
Other fair value gains	–	202	–	250
	(41,188)	4,367	18,351	55,118
Total comprehensive (loss)/income for the period	(1,113)	43,266	150,456	155,874
Attributable to:				
Equity holders of the Company	(594)	43,082	150,673	153,344
Non-controlling interests	(519)	184	(217)	2,530
	(1,113)	43,266	150,456	155,874

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021

		Unaudited	Audited
		30 September	31 December
		2021	2020
	Note	RMB'Million	RMB'Million
ASSETS			
Non-current assets			
Property, plant and equipment		59,779	59,843
Land use rights		16,153	16,091
Right-of-use assets		14,917	12,929
Construction in progress		5,435	4,939
Investment properties		531	583
Intangible assets		180,574	159,437
Investments in associates	8	369,441	297,609
Investments in joint ventures		6,790	7,649
Financial assets at fair value through profit or loss	9	193,931	165,944
Financial assets at fair value through other comprehensive income	10	243,940	213,091
Prepayments, deposits and other assets		36,288	24,630
Other financial assets		549	4
Deferred income tax assets		24,566	21,348
Term deposits		36,969	31,681
		<u>1,189,863</u>	<u>1,015,778</u>
Current assets			
Inventories		2,735	814
Accounts receivable	11	53,837	44,981
Prepayments, deposits and other assets		63,932	40,321
Other financial assets		1,392	1,133
Financial assets at fair value through profit or loss	9	13,768	6,593
Term deposits		68,578	68,487
Restricted cash		2,606	2,520
Cash and cash equivalents		170,873	152,798
		<u>377,721</u>	<u>317,647</u>
Total assets		<u><u>1,567,584</u></u>	<u><u>1,333,425</u></u>

		Unaudited	Audited
		30 September	31 December
		2021	2020
	Note	RMB'Million	RMB'Million
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		–	–
Share premium		62,041	48,793
Treasury shares		(435)	–
Shares held for share award schemes		(5,028)	(4,412)
Other reserves		124,226	121,139
Retained earnings		675,732	538,464
		<u>856,536</u>	<u>703,984</u>
Non-controlling interests		<u>74,840</u>	<u>74,059</u>
Total equity		<u>931,376</u>	<u>778,043</u>
LIABILITIES			
Non-current liabilities			
Borrowings	14	141,275	112,145
Notes payable	15	148,077	122,057
Long-term payables		10,807	9,910
Other financial liabilities		7,278	9,254
Deferred income tax liabilities		15,861	16,061
Lease liabilities		11,850	10,198
Deferred revenue		6,193	6,678
		<u>341,341</u>	<u>286,303</u>
Current liabilities			
Accounts payable	13	99,808	94,030
Other payables and accruals		54,957	54,308
Borrowings	14	26,276	14,242
Current income tax liabilities		10,658	12,134
Other tax liabilities		2,298	2,149
Other financial liabilities		3,831	5,567
Lease liabilities		4,315	3,822
Deferred revenue		92,724	82,827
		<u>294,867</u>	<u>269,079</u>
Total liabilities		<u>636,208</u>	<u>555,382</u>
Total equity and liabilities		<u>1,567,584</u>	<u>1,333,425</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021**

	Unaudited								
	Attributable to equity holders of the Company								
	Share capital RMB'Million	Share premium RMB'Million	Treasury shares RMB'Million	Shares held for share award schemes RMB'Million	Other reserves RMB'Million	Retained earnings RMB'Million	Total RMB'Million	Non- controlling interests RMB'Million	Total equity RMB'Million
Balance at 1 January 2021	-	48,793	-	(4,412)	121,139	538,464	703,984	74,059	778,043
Comprehensive income									
Profit for the period	-	-	-	-	-	129,864	129,864	2,241	132,105
Other comprehensive income, net of tax:									
– share of other comprehensive income of associates and joint ventures	-	-	-	-	534	-	534	4	538
– transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	-	-	-	-	2	-	2	-	2
– net gains/(losses) from changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	29,809	-	29,809	(1,215)	28,594
– currency translation differences	-	-	-	-	(10,873)	-	(10,873)	(1,298)	(12,171)
– other fair value gains, net	-	-	-	-	1,337	-	1,337	51	1,388
Total comprehensive income for the period	-	-	-	-	20,809	129,864	150,673	(217)	150,456
Transfer of gains on disposal of financial assets at fair value through other comprehensive income to retained earnings	-	-	-	-	(20,123)	20,123	-	-	-
Transfer of share of other comprehensive income to retained earnings upon disposal and deemed disposal of associates and joint ventures	-	-	-	-	(2)	(3)	(5)	(4)	(9)
Share of other changes in net assets of associates and joint ventures	-	-	-	-	6,210	-	6,210	1	6,211
Transfer of share of other changes in net assets of associates and joint ventures to profit or loss upon disposal and deemed disposal	-	-	-	-	(354)	-	(354)	5	(349)

Unaudited

Attributable to equity holders of the Company									
	Share capital	Share premium	Treasury shares	Shares held for share award schemes	Other reserves	Retained earnings	Total	Non- controlling interests	Total equity
	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Transactions with equity holders									
Capital injection	-	-	-	-	-	-	-	510	510
Employee share option schemes:									
– value of employee services	-	1,405	-	-	37	-	1,442	38	1,480
– proceeds from shares issued	-	943	-	-	-	-	943	-	943
Employee share award schemes:									
– value of employee services	-	13,553	-	-	450	-	14,003	402	14,405
– shares withheld for share award schemes	-	-	-	(2,633)	-	-	(2,633)	-	(2,633)
– vesting of awarded shares	-	(1,874)	-	1,874	-	-	-	-	-
Tax benefit from share-based payments	-	-	-	-	454	-	454	-	454
Profit appropriations to statutory reserves	-	-	-	-	33	(33)	-	-	-
Repurchase and cancellation of shares	-	(1,735)	(435)	-	-	-	(2,170)	-	(2,170)
Dividends	-	-	-	-	-	(12,683)	(12,683)	(315)	(12,998)
Distributions from a non wholly-owned subsidiary	-	-	-	-	-	-	-	(1,401)	(1,401)
Non-controlling interests arising from business combinations	-	-	-	-	-	-	-	1,086	1,086
Acquisition of additional equity interests in non wholly-owned subsidiaries	-	-	-	-	(731)	-	(731)	(3,137)	(3,868)
Dilution of interests in subsidiaries	-	-	-	-	103	-	103	577	680
Disposal of subsidiaries	-	-	-	-	-	-	-	(32)	(32)
Changes in put option liabilities in respect of non-controlling interests	-	-	-	-	730	-	730	14	744
Lapses of put option liabilities in respect of non-controlling interests	-	-	-	-	783	-	783	-	783
Recognition of put option liabilities arising from business combination	-	-	-	-	(826)	-	(826)	-	(826)
Transfer of equity interests of subsidiaries to non-controlling interests	-	956	-	143	(4,486)	-	(3,387)	3,254	(133)
Total transactions with equity holders at their capacity as equity holders for the period	<u>-</u>	<u>13,248</u>	<u>(435)</u>	<u>(616)</u>	<u>(3,453)</u>	<u>(12,716)</u>	<u>(3,972)</u>	<u>996</u>	<u>(2,976)</u>
Balance at 30 September 2021	<u>-</u>	<u>62,041</u>	<u>(435)</u>	<u>(5,028)</u>	<u>124,226</u>	<u>675,732</u>	<u>856,536</u>	<u>74,840</u>	<u>931,376</u>

Unaudited

	Attributable to equity holders of the Company							Total equity
	Share capital	Share premium	Shares held for share award schemes	Other reserves	Retained earnings	Total	Non-controlling interests	
	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Balance at 1 January 2020	<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>
Comprehensive income								
Profit for the period	–	–	–	–	100,545	100,545	211	100,756
Other comprehensive income, net of tax:								
– share of other comprehensive income/ (loss) of associates and joint ventures	–	–	–	323	–	323	(2)	321
– transfer of share of other comprehensive income to profit or loss upon deemed disposal of an associate	–	–	–	(2)	–	(2)	–	(2)
– net gains from changes in fair value of financial assets at fair value through other comprehensive income	–	–	–	56,982	–	56,982	1,500	58,482
– currency translation differences	–	–	–	(2,937)	–	(2,937)	879	(2,058)
– other fair value losses, net	–	–	–	(1,567)	–	(1,567)	(58)	(1,625)
Total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>52,799</u>	<u>100,545</u>	<u>153,344</u>	<u>2,530</u>	<u>155,874</u>
Transfer of gains on disposal and deemed disposal of financial assets at fair value through other comprehensive income to retained earnings	–	–	–	(1,080)	1,080	–	–	–
Share of other changes in net assets of associates and joint ventures	–	–	–	2,166	–	2,166	(5)	2,161
Transfer of share of other changes in net assets of associates to profit or loss upon deemed disposal of associates	–	–	–	(154)	–	(154)	–	(154)

Unaudited

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021**

	Unaudited	
	Nine months ended	
	30 September	
	2021	2020
	RMB'Million	RMB'Million
Net cash flows generated from operating activities	123,935	145,253
Net cash flows used in investing activities	(144,051)	(140,529)
Net cash flows generated from financing activities	39,724	17,596
Net increase in cash and cash equivalents	19,608	22,320
Cash and cash equivalents at beginning of the period	152,798	132,991
Exchange losses on cash and cash equivalents	(1,533)	(2,820)
Cash and cash equivalents at end of the period	170,873	152,491

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 condensed consolidated interim financial information comprises the consolidated statement of financial position as at 30 September 2021, the consolidated income statement and the consolidated statement of comprehensive income for the three and nine months then ended, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months then ended, and a summary of significant accounting policies and other explanatory notes (the “Interim Financial Information”). The Interim Financial Information is presented in RMB, unless otherwise stated.

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

The Interim Financial Information has been prepared in accordance with IAS 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2020, which have been prepared in accordance with IFRS, as set out in the 2020 annual report of the Company dated 24 March 2021 (the “2020 Financial Statements”).

Except as described below, the accounting policies and method of computation used in the preparation of the Interim Financial Information are generally consistent with those used in the 2020 Financial Statements in all material aspects, which have been prepared in accordance with IFRS under the historical cost convention, as modified by the revaluation of financial assets at FVPL, FVOCI, certain other financial assets and liabilities, which are carried at fair values.

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

The following amendments to standards have been adopted by the Group for the financial year beginning on 1 January 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate benchmark (IBOR) reform – phase 2
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The adoption of these amended standards does not have significant impact on the consolidated financial statements of the Group.

2 Segment information

The Group has the following reportable segments for the three and nine months ended 30 September 2021 and 2020:

- 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 three and nine months ended 30 September 2021 and 2020. The revenues from external customers reported to the chief operating decision-makers are measured in a manner consistent with that applied in the consolidated income statement.

The segment information provided to the chief operating decision-makers for the reportable segments for the three and nine months ended 30 September 2021 and 2020 is as follows:

	Unaudited Three months ended 30 September 2021				
	VAS	Online	FinTech and	Others	Total
	RMB'Million	Advertising	Business	RMB'Million	RMB'Million
		RMB'Million	Services		
			RMB'Million		
Segment revenues	<u>75,203</u>	<u>22,495</u>	<u>43,317</u>	<u>1,353</u>	<u>142,368</u>
Gross profit	<u>39,859</u>	<u>10,444</u>	<u>12,362</u>	<u>82</u>	<u>62,747</u>
Cost of revenues					
Depreciation	1,429	1,300	2,590	26	5,345
Amortisation	<u>4,574</u>	<u>2,094</u>	<u>18</u>	<u>346</u>	<u>7,032</u>

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

	Unaudited Nine months ended 30 September 2021				
	FinTech and				
	Online	Business	Others	Total	
	Advertising	Services			
	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Segment revenues	<u>219,659</u>	<u>67,148</u>	<u>124,237</u>	<u>4,886</u>	<u>415,930</u>
Gross profit	<u>117,892</u>	<u>31,414</u>	<u>38,380</u>	<u>441</u>	<u>188,127</u>
Cost of revenues					
Depreciation	4,285	3,780	7,878	76	16,019
Amortisation	<u>14,092</u>	<u>5,897</u>	<u>48</u>	<u>1,447</u>	<u>21,484</u>

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

3 Other gains, net

	Unaudited		Unaudited	
	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Net gains on disposals and deemed disposals of investee companies (a)	17,932	1,410	27,522	13,382
Net fair value gains on FVPL ((b) and Note 9)	8,629	7,287	37,949	12,321
Impairment (provision)/reversal for investee companies, goodwill and other intangible assets arising from acquisitions (c)	(6,389)	1,098	(9,811)	(7,028)
Subsidies and tax rebates	2,130	2,165	6,881	5,937
Net fair value gains/(losses) on other financial instruments	57	6	(116)	2,944
Donations	–	–	(1,600)	(2,600)
Dividends income	85	956	625	1,750
Others	540	(1,371)	1,818	(2,511)
	<u>22,984</u>	<u>11,551</u>	<u>63,268</u>	<u>24,195</u>

Note:

- (a) The disposal and deemed disposal gains of approximately RMB27,522 million recognised during the nine months ended 30 September 2021 mainly comprised the following:
- net gains of approximately RMB18,329 million (nine months ended 30 September 2020: RMB5,892 million) on dilution of the Group's equity interests in certain associates due to new equity interests being issued by these associates (Note 8). These investee companies are principally engaged in games developing, finance, online video-sharing platform, eCommerce and Internet-related business; and
 - aggregate net gains of approximately RMB9,193 million (nine months ended 30 September 2020: RMB7,490 million) on disposals, partial disposals or deemed disposals of various investments of the Group, including step up gains of approximately RMB3,807 million arising from the acquisition of Sogou, an investment transferred from investment in an associate to subsidiary (Note 16).
- (b) During the nine months ended 30 September 2021, the net fair value gains on FVPL comprised net gains of approximately RMB37,877 million as a result of increases in valuations of certain investee companies, and approximately RMB72 million associated with treasury investments (nine months ended 30 September 2020: RMB12,321 million and nil).

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

	Unaudited		Unaudited	
	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Goodwill and other intangible assets arising from acquisitions	–	115	201	4,499
Investments in associates (Note 8(c))	5,704	(1,217)	8,898	1,215
Investments in joint ventures and others	685	4	712	1,314
	<u>6,389</u>	<u>(1,098)</u>	<u>9,811</u>	<u>7,028</u>

4 Expenses by nature

	Unaudited		Unaudited	
	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Transaction costs (a)	33,108	29,220	95,721	76,523
Employee benefits expenses (b)	25,963	17,703	70,351	49,667
Content costs (excluding amortisation of intangible assets)	16,932	14,497	47,842	41,359
Amortisation of intangible assets (c)	7,710	8,953	23,548	21,245
Promotion and advertising expenses	8,024	7,146	22,199	18,743
Depreciation of property, plant and equipment, investment properties and right-of-use assets	6,503	5,564	19,324	15,483
Bandwidth and server custody fees (excluding depreciation of right-of-use assets)	7,107	5,489	19,874	16,262

Note:

- (a) Transaction costs primarily consist of bank handling fees, channel and distribution costs.
- (b) During the three and nine months ended 30 September 2021, the Group had incurred expenses for the purpose of R&D of approximately RMB13,730 million and RMB37,859 million, respectively (three and nine months ended 30 September 2020: approximately RMB9,908 million and RMB27,793 million, respectively), which mainly comprised employee benefits expenses of approximately RMB11,348 million and RMB31,318 million, respectively (three and nine months ended 30 September 2020: approximately RMB8,009 million and RMB22,580 million, respectively).

During the three and nine months ended 30 September 2021, employee benefits expenses included the share-based compensation expenses of approximately RMB6,652 million and RMB16,558 million, respectively (three and nine months ended 30 September 2020: approximately RMB3,059 million and RMB10,001 million, respectively).

No significant development expenses had been capitalised for the three and nine months ended 30 September 2021 and 2020.

- (c) Amortisation charges of intangible assets is mainly in respect of media content including video and music content, game licenses, and other content. During the three and nine months ended 30 September 2021, amortisation of media content was approximately RMB6,990 million and RMB21,419 million, respectively (three and nine months ended 30 September 2020: approximately RMB8,274 million and RMB19,482 million, respectively).

During the three and nine months ended 30 September 2021, amortisation of intangible assets included the amortisation of intangible assets resulting from business combinations of approximately RMB1,149 million and RMB3,335 million, respectively (three and nine months ended 30 September 2020: approximately RMB905 million and RMB2,414 million, respectively).

5 Income tax expense

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

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

The Group was not subject to any taxation in the Cayman Islands and the British Virgin Islands for the three and nine months ended 30 September 2021 and 2020.

(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 three and nine months ended 30 September 2021 and 2020.

(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 three and nine months ended 30 September 2021 and 2020. The general PRC CIT rate is 25% for the three and nine months ended 30 September 2021 and 2020.

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 three and nine months ended 30 September 2021 and 2020. Moreover, according to announcement and circular issued by relevant government authorities, a subsidiary which was qualified as national key software enterprise was 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 fulfilment of certain requirements of the respective local governments.

(d) Corporate income tax in other jurisdictions

Income tax on profit arising from other jurisdictions, including the United States, Europe, East Asia and South America, had been calculated on the estimated assessable profit for the three and nine months ended 30 September 2021 and 2020 at the respective rates prevailing in the relevant jurisdictions, ranging from 12.5% to 35%.

(e) Withholding tax

According to applicable tax regulations prevailing in the PRC, dividends distributed by a company established in the Mainland of China to a foreign investor with respect to profit derived after 1 January 2008 are generally subject to a 10% withholding tax. If a foreign investor is incorporated in Hong Kong, under the double taxation arrangement between the Mainland of China and Hong Kong, the relevant withholding tax rate applicable to such foreign investor will be reduced from 10% to 5% subject to the fulfilment of certain conditions.

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

The income tax expense of the Group for the three and nine months ended 30 September 2021 and 2020 are analysed as follows:

	Unaudited		Unaudited	
	Three months ended 30 September 2021	2020	Nine months ended 30 September 2021	2020
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Current income tax	7,202	6,470	19,853	18,530
Deferred income tax	(1,750)	(731)	(3,489)	(2,342)
	<u>5,452</u>	<u>5,739</u>	<u>16,364</u>	<u>16,188</u>

6 Earnings per share

(a) Basic

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

	Unaudited		Unaudited	
	Three months ended 30 September 2021	2020	Nine months ended 30 September 2021	2020
Profit attributable to equity holders of the Company (RMB'Million)	<u>39,510</u>	<u>38,542</u>	<u>129,864</u>	<u>100,545</u>
Weighted average number of ordinary shares in issue (million shares)	<u>9,536</u>	<u>9,496</u>	<u>9,525</u>	<u>9,485</u>
Basic EPS (RMB per share)	<u>4.143</u>	<u>4.059</u>	<u>13.634</u>	<u>10.601</u>

(b) Diluted

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

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

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2021	2020	2021	2020
Profit attributable to equity holders of the Company (RMB'Million)	39,510	38,542	129,864	100,545
Dilution effect arising from share-based awards issued by non wholly-owned subsidiaries and associates (RMB'Million)	<u>(85)</u>	<u>(285)</u>	<u>(209)</u>	<u>(339)</u>
Profit attributable to equity holders of the Company for the calculation of diluted EPS (RMB'Million)	<u>39,425</u>	<u>38,257</u>	<u>129,655</u>	<u>100,206</u>
Weighted average number of ordinary shares in issue (million shares)	9,536	9,496	9,525	9,485
Adjustments for share options and awarded shares (million shares)	<u>140</u>	<u>155</u>	<u>214</u>	<u>147</u>
Weighted average number of ordinary shares for the calculation of diluted EPS (million shares)	<u>9,676</u>	<u>9,651</u>	<u>9,739</u>	<u>9,632</u>
Diluted EPS (RMB per share)	<u>4.074</u>	<u>3.964</u>	<u>13.313</u>	<u>10.403</u>

7 Dividends

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 approved by the shareholders at the 2021 AGM. Such dividend amounting to HKD15,238 million (2020: HKD11,378 million) was paid during the nine months ended 30 September 2021.

The Board did not declare any interim dividend for the nine months ended 30 September 2021 and 2020.

8 Investments in associates

	Unaudited 30 September 2021 RMB'Million	Audited 31 December 2020 RMB'Million
Investments in associates		
– Listed entities (Note)	243,474	171,048
– Unlisted entities	125,967	126,561
	<u>369,441</u>	<u>297,609</u>

Note:

As at 30 September 2021, the fair value of the investments in associates consisting of directly and indirectly held listed equity interests was RMB947,400 million.

Movement of investments in associates is analysed as follows:

	Unaudited Nine months ended 30 September 2021 RMB'Million	2020 RMB'Million
At beginning of period	297,609	213,614
Additions (a)	42,127	22,318
Transfers (b)	27,461	5,527
Dilution gains on deemed disposal (Note 3(a))	18,329	5,892
Share of (loss)/profit of associates	(8,353)	2,052
Share of other comprehensive income of associates	533	339
Share of other changes in net assets of associates	6,211	2,153
Dividends	(1,296)	(319)
Disposals	(2,645)	(1,793)
Impairment provision (c)	(8,898)	(1,215)
Currency translation differences	(1,637)	(583)
At end of period	<u>369,441</u>	<u>247,985</u>

Note:

- (a) During the nine months ended 30 September 2021, 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 additional 10% equity interests in Universal Music Group ("UMG") from its parent company, Vivendi S.A.. The Group's additional investment in the UMG Consortium amounted to approximately EUR975 million (equivalent to approximately RMB7,792 million), and the investment remained as an associate;

- (ii) the Group acquired additional ordinary shares of an existing investee, which is engaged in eCommerce at a cash consideration of approximately RMB3,554 million. Upon completion of the additional investment, the Group's equity interests in the investee have been increased from 5.23% to 6.26%. Since there is no change in the assessment of significant influence, this investment continues to be considered as an associate of the Group;
- (iii) the Group acquired additional ordinary shares of an existing investee, which is engaged in games developing at a cash consideration of approximately RMB2,795 million. Upon completion of the additional investment, the Group's equity interests in the investee have been increased from 5% to 10%. Since there is no change in the assessment of significant influence, this investment continues to be considered as an associate of the Group; and
- (iv) new associates and additional investments in existing associates with an aggregate amount of approximately RMB27,986 million during the nine months ended 30 September 2021. These associates are principally engaged in games developing, eCommerce platform and other Internet-related business.
- (b) During the nine months ended 30 September 2021, transfers mainly comprised investments in associates of approximately RMB33,559 million transferred from FVPL mainly due to conversion of the redeemable instruments into ordinary shares upon their IPOs or obtaining board representatives.
- (c) During the nine months ended 30 September 2021, the Group had made an aggregate net impairment provision of approximately RMB8,898 million (nine months ended 30 September 2020: RMB1,215 million) against the carrying amounts of certain investments in associates. The impairment provision mainly resulted from revisions of financial/business outlook of the associates and changes in the market environment.

9 Financial assets at fair value through profit or loss

FVPL include the following:

	Unaudited 30 September 2021 RMB'Million	Audited 31 December 2020 RMB'Million
Included in non-current assets:		
Investments in listed entities	22,311	23,554
Investments in unlisted entities	160,835	133,506
Treasury investments and others	10,785	8,884
	193,931	165,944
Included in current assets:		
Investments in listed entities	–	10
Treasury investments and others	13,768	6,583
	13,768	6,593
	207,699	172,537

Movement of FVPL is analysed as follows:

	Unaudited	
	Nine months ended 30 September	
	2021	2020
	RMB'Million	RMB'Million
At beginning of period	172,537	135,936
Additions and transfers ((a) and Note 8(b))	23,061	37,910
Changes in fair value (Note 3)	37,949	12,321
Disposals and others	(23,366)	(8,237)
Currency translation differences	(2,482)	(2,869)
	<u>207,699</u>	<u>175,061</u>
At end of period	<u>207,699</u>	<u>175,061</u>

Note:

- (a) During the nine months ended 30 September 2021, the Group's additions and transfers mainly comprised the following:
- (i) new investments and additional investments with an aggregate amount of approximately RMB66,018 million in listed and unlisted entities. These companies are principally engaged in express delivery, eCommerce, Internet platform, retail, technology and other Internet-related businesses; and
 - (ii) except as described in Note 8(b), transfers also mainly comprised certain FVPL of an aggregate amount of approximately RMB9,539 million redesignated to FVOCI upon their IPOs.

10 Financial assets at fair value through other comprehensive income

FVOCI include the following:

	Unaudited 30 September 2021 RMB'Million	Audited 31 December 2020 RMB'Million
Equity investments in listed entities	228,202	199,465
Equity investments in unlisted entities	15,738	13,626
	<u>243,940</u>	<u>213,091</u>

Movement of FVOCI is analysed as follows:

	Unaudited Nine months ended 30 September 2021 RMB'Million	2020 RMB'Million
At beginning of period	213,091	81,721
Additions and transfers ((a) and Note 9(a))	31,316	9,165
Changes in fair value	27,903	59,305
Disposals	(27,119)	(2,905)
Currency translation differences	(1,251)	(3,351)
At end of period	<u>243,940</u>	<u>143,935</u>

Note:

- (a) During the nine months ended 30 September 2021, the Group's additions mainly comprised the following:
- (i) an additional investment in an eCommerce entity of approximately JPY72,406 million (equivalent to approximately RMB4,294 million); and
 - (ii) new investments and additional investments with an aggregate amount of approximately RMB16,886 million in listed and unlisted entities. These companies are principally engaged in commercial estate, Internet platform, technology and other Internet-related businesses.

11 Accounts receivable

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

	Unaudited 30 September 2021 RMB'Million	Audited 31 December 2020 RMB'Million
0 ~ 30 days	18,043	19,708
31 ~ 60 days	14,986	10,867
61 ~ 90 days	7,468	4,506
Over 90 days	13,340	9,900
	53,837	44,981

Receivable balances as at 30 September 2021 and 31 December 2020 mainly represented amounts due from online advertising customers and agencies, FinTech and cloud customers, content production related customers, and third party platform providers.

Some online advertising customers and agencies are usually granted with a credit period within 90 days immediately following the month-end in which the relevant obligations under the relevant contracted advertising orders are delivered. Third party platform providers usually settle the amounts due by them within 60 days. Other customers, mainly including 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 30 September 2021, 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.

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

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

	Post-IPO Option Scheme II		Unaudited Post-IPO Option Scheme IV		Total No. of options
	Average exercise price	No. of options	Average exercise price	No. of options	
At 1 January 2021	HKD205.36	37,435,134	HKD380.50	67,806,750	105,241,884
Granted	–	–	HKD588.22	16,596,659	16,596,659
Exercised	HKD189.96	(2,177,144)	HKD322.88	(2,224,941)	(4,402,085)
Lapsed/forfeited	HKD124.30	(10,938)	HKD410.22	(253,452)	(264,390)
At 30 September 2021	HKD206.34	<u>35,247,052</u>	HKD424.05	<u>81,925,016</u>	<u>117,172,068</u>
Exercisable as at 30 September 2021	HKD206.30	<u>35,125,239</u>	HKD380.14	<u>30,595,176</u>	<u>65,720,415</u>
At 1 January 2020	HKD185.86	50,358,800	HKD375.36	61,738,193	112,096,993
Granted	–	–	HKD390.87	9,049,045	9,049,045
Exercised	HKD148.63	(3,293,815)	HKD318.61	(2,092,385)	(5,386,200)
Lapsed/forfeited	HKD174.86	(4,425)	HKD358.01	(398,984)	(403,409)
At 30 September 2020	HKD188.47	<u>47,060,560</u>	HKD379.26	<u>68,295,869</u>	<u>115,356,429</u>
Exercisable as at 30 September 2020	HKD182.27	<u>40,279,997</u>	HKD375.00	<u>20,593,685</u>	<u>60,873,682</u>

During the nine months ended 30 September 2021, 3,374,630 options (nine months ended 30 September 2020: 4,399,815 options) were granted to an executive director of the Company.

(b) Share award schemes

The Company has adopted the Share Award Schemes as of 30 September 2021, which are administered by an independent trustee appointed by the Group. The vesting period of the awarded shares is determined by the Board.

Movements in the number of awarded shares for the nine months ended 30 September 2021 and 2020 are as follows:

	Number of awarded shares	
	Unaudited	
	Nine months ended 30 September	
	2021	2020
At beginning of period	82,594,936	76,615,755
Granted	63,413,575	33,906,715
Lapsed/forfeited	(4,469,574)	(2,943,113)
Vested and transferred	(28,547,171)	(26,121,712)
At end of period	112,991,766	81,457,645
Vested but not transferred as at the end of period	18,972	37,157

During the nine months ended 30 September 2021, 40,500 awarded shares were granted to four independent non-executive directors of the Company (nine months ended 30 September 2020: 59,500 awarded shares had been granted to five independent non-executive directors of the Company).

13 Accounts payable

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

	Unaudited	Audited
	30 September	31 December
	2021	2020
	RMB'Million	RMB'Million
0 ~ 30 days	91,466	82,916
31 ~ 60 days	4,269	2,196
61 ~ 90 days	1,128	665
Over 90 days	2,945	8,253
	99,808	94,030

14 Borrowings

	Unaudited 30 September 2021 RMB'Million	Audited 31 December 2020 RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD bank borrowings, unsecured (a)	141,239	110,629
Non-current portion of long-term EUR bank borrowings, unsecured (a)	–	1,204
Non-current portion of long-term EUR bank borrowings, secured (a)	12	12
Non-current portion of long-term JPY bank borrowings, unsecured (a)	20	–
Non-current portion of long-term JPY bank borrowings, secured (a)	4	–
Non-current portion of long-term RMB bank borrowings, unsecured (a)	–	300
	<u>141,275</u>	<u>112,145</u>
Included in current liabilities:		
USD bank borrowings, unsecured (b)	9,728	9,135
HKD bank borrowings, secured (b)	–	144
RMB bank borrowings, unsecured (b)	12,926	4,079
RMB bank borrowings, secured (b)	–	100
Current portion of long-term USD bank borrowings, unsecured (a)	2,186	783
Current portion of long-term RMB bank borrowings, unsecured (a)	300	–
Current portion of long-term JPY bank borrowings, unsecured (a)	4	–
Current portion of long-term JPY bank borrowings, secured (a)	1	–
Current portion of long-term EUR bank borrowings, secured (a)	2	1
Current portion of long-term EUR bank borrowings, unsecured (a)	1,129	–
	<u>26,276</u>	<u>14,242</u>
	<u><u>167,551</u></u>	<u><u>126,387</u></u>

Note:

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

	Unaudited 30 September 2021		Audited 31 December 2020	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
USD bank borrowings	USD22,115	LIBOR + 0.80% ~ 1.27% or a fixed interest rate of 1.41%	USD17,075	LIBOR + 0.70% ~ 1.27%
EUR bank borrowings	EUR152	0.52%~1.00%	EUR151	0.52%~1.00%
JPY bank borrowings	JPY517	0.60%~2.50%	–	–
RMB bank borrowings	RMB300	5.70%	RMB300	5.70%

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

	Unaudited 30 September 2021		Audited 31 December 2020	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
USD bank borrowings	USD1,500	LIBOR + 0.45% ~ 0.50%	USD1,400	LIBOR + 0.45% ~ 0.50%
HKD bank borrowings	–	–	HKD171	HIBOR+ 0.90% ~ 3.90%
RMB bank borrowings	RMB12,926	2.50% ~ 5.10%	RMB4,179	3.55% ~ 5.22%

15 Notes payable

	Unaudited 30 September 2021 RMB'Million	Audited 31 December 2020 RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD notes payable	148,077	122,057

Note:

The aggregate principal amounts of USD notes payable were USD22,950 million (31 December 2020: USD18,800 million). Applicable interest rates were at 1.375% to 4.70% and 3-month USD LIBOR + 0.605% to 0.910% (31 December 2020: 1.375% to 4.70% and 3-month USD LIBOR + 0.605% to 0.910%) per annum.

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

In April 2021, the Company issued four tranches of senior notes under the Global Medium Term Note Programme with an aggregate principal amount of USD4.15 billion from 10 years to 40 years, with interest rate ranging from 2.88% to 3.94%.

16 Business combination

Privatisation of Sogou

On 23 September 2021, the Group completed the privatisation of Sogou, an existing listed associate (NYSE: SOGO; with equity interests held of approximately 39%) of the Group, at a cash consideration of approximately USD2,135 million (equivalent to approximately RMB13,812 million) for all of the remaining interest (“Privatisation”). As a result of the Privatisation, Sogou became a wholly-owned subsidiary of the Group. The existing equity interest (of approximately 39%) held under investment in an associate was re-measured to fair value and resulted in step up gains of approximately RMB3,807 million.

Goodwill of approximately RMB10,978 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’s revenue for the nine months ended 30 September 2021 would be increased by not more than 5% and results for the nine months ended 30 September 2021 would not be materially different should the transaction have occurred on 1 January 2021.

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

17 Events occurring after the reporting period

There were no material subsequent events during the period from 1 October 2021 to the approval date of these financial statements.

OTHER INFORMATION

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

During the three months ended 30 September 2021, the Company repurchased 5,581,800 shares on the Stock Exchange for an aggregate consideration of approximately HKD2,598.8 million before expenses. The repurchased shares were subsequently cancelled. The repurchase was effected by the Board for the enhancement of shareholder value in the long term. Details of the shares repurchased are as follows:

Month of purchase in the three months ended 30 September 2021	No. of shares purchased	Purchase consideration per share		Aggregate consideration paid HKD
		Highest price paid HKD	Lowest price paid HKD	
August	1,332,600	478.20	412.60	596,186,676
September	<u>4,249,200</u>	516.00	443.40	<u>2,002,589,555</u>
Total	<u><u>5,581,800</u></u>			<u><u>2,598,776,231</u></u>

Save as disclosed above and in the “Financial Information” section, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the three months ended 30 September 2021.

Employee and Remuneration Policies

As at 30 September 2021, the Group had 107,348 employees (30 September 2020: 77,592). The number of employees employed by the Group varies from time to time depending on needs and employees are remunerated based on industry practice.

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

The total remuneration cost incurred by the Group for the three months ended 30 September 2021 was RMB25,963 million (for the three months ended 30 September 2020: RMB17,703 million).

Audit Committee

The Audit Committee, together with the Auditor, has reviewed the Group's unaudited Interim Financial Information for the three and nine months ended 30 September 2021. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

Compliance with the Corporate Governance Code

Save as disclosed in the 2021 interim report and the corporate governance report in the 2020 annual report of the Company, none of the directors of the Company is aware of any information which would reasonably indicate that the Company has not complied with the code provisions as set out in the CG Code during the period from 1 July 2021 to 30 September 2021.

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

APPRECIATION

On behalf of the Board, I would like to express our heartfelt appreciation to our staff and management team for their dedication and contribution to accomplish our corporate mission statement of “Value for Users, Tech for Good”. Further, I would like to extend our gratitude to all our shareholders and stakeholders for the unwavering support and trust in us throughout this period. Through our products and services, we will continue to strive towards building a sustainable ecosystem in the Consumer Internet and Industrial Internet sectors, contributing more to the common good and value in our society.

By Order of the Board
Ma Huateng
Chairman

Hong Kong, 10 November 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 (Koo) Bekker and Charles St Leger Searle; and

Independent Non-Executive Directors:

Li Dong Sheng, Ian Charles Stone, Yang Siu Shun and Ke Yang.

This announcement contains forward-looking statements relating to the business outlook, estimates of financial performance, forecast business plans and growth strategies of the Group. These forward-looking statements are based on information currently available to the Group and are stated herein on the basis of the outlook at the time of this announcement. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond our control. These forward-looking statements may prove to be incorrect and may not be realised in the future. Underlying these forward-looking statements are a lot of risks and uncertainties. In light of the risks and uncertainties, the inclusion of forward-looking statements in this announcement should not be regarded as representations by the Board or the Company that the plans and objectives will be achieved, and investors should not place undue reliance on such statements.

DEFINITION

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

Term	Definition
“2021 AGM”	the annual general meeting of the Company held on 20 May 2021
“AI”	artificial intelligence
“AR”	augmented reality
“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
“Company”	Tencent Holdings Limited, a limited liability company organised and existing under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange
“CRM”	Customer Relationship Management
“DAU”	daily active user accounts
“DnF”	Dungeon and Fighter
“Domestic Games”	for the purpose of preparing financial and operating information, Domestic Games refers to our games business in the PRC, excluding the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan
“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
“IAS”	International Accounting Standards
“IFRS”	International Financial Reporting Standards
“International Games”	for the purpose of preparing financial and operating information, International Games refers to our games business other than our Domestic Games business
“IP”	intellectual property
“IPO”	initial public offering
“JPY”	the lawful currency of Japan
“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
“Minors”	players who are aged under 18

“PaaS”	Platform-as-a-Service
“PC”	personal computer
“PvE”	player versus environment
“Post-IPO Option Scheme I”	the Post-IPO Share Option Scheme adopted by the Company on 24 March 2004
“Post-IPO Option Scheme II”	the Post-IPO Share Option Scheme adopted by the Company on 16 May 2007
“Post-IPO Option Scheme III”	the Post-IPO Share Option Scheme adopted by the Company on 13 May 2009
“Post-IPO Option Scheme IV”	the Post-IPO Share Option Scheme adopted by the Company on 17 May 2017
“PRC” or “China”	the People’s Republic of China
“PRC CIT”	PRC corporate income tax as defined in the “Corporate Income Tax Law of the People’s Republic of China”
“Pre-IPO Option Scheme”	the Pre-IPO Share Option Scheme adopted by the Company on 27 July 2001
“R&D”	research and development
“RMB”	the lawful currency of the PRC
“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

“Sogou”	Sogou Inc., a company incorporated in the Cayman Islands with limited liability, which became a wholly-owned subsidiary of the Company following completion of its privatisation in September 2021
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TDSQL”	Tencent Database SQL
“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
“UGC”	User Generated Content
“United States”	the United States of America
“USD”	the lawful currency of the United States
“VAS”	value-added services