

Tencent 腾讯

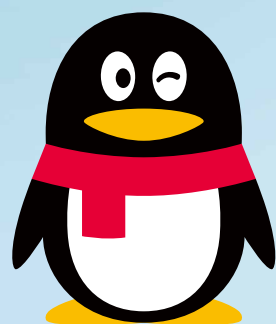
Tencent Holdings Limited

Incorporated in the Cayman Islands with limited liability

騰訊控股有限公司

於開曼群島註冊成立的有限公司

(Stock Code 股份代號 : 700)



smart communication inspires

智慧溝通 靈感無限

2022

Interim Report

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Corporate Information

DIRECTORS

Executive Directors

Ma Huateng (*Chairman*)

Lau Chi Ping Martin

Non-Executive Directors

Jacobus Petrus (Koos) Bekker

Charles St Leger Searle

Independent Non-Executive Directors

Li Dong Sheng

Ian Charles Stone

Yang Siu Shun

Ke Yang

AUDIT COMMITTEE

Yang Siu Shun (*Chairman*)

Ian Charles Stone

Charles St Leger Searle

CORPORATE GOVERNANCE COMMITTEE

Charles St Leger Searle (*Chairman*)

Ian Charles Stone

Yang Siu Shun

Ke Yang

INVESTMENT COMMITTEE

Lau Chi Ping Martin (*Chairman*)

Ma Huateng

Charles St Leger Searle

NOMINATION COMMITTEE

Ma Huateng (*Chairman*)

Li Dong Sheng

Ian Charles Stone

Yang Siu Shun

Charles St Leger Searle

REMUNERATION COMMITTEE

Ian Charles Stone (*Chairman*)

Li Dong Sheng

Jacobus Petrus (Koos) Bekker

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

PRINCIPAL BANKERS

Bank of China Limited

The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

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Cayman Islands

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COMPANY WEBSITE

www.tencent.com

STOCK CODE

700

Financial Performance Highlights

SECOND QUARTER OF 2022

	30 June 2022	Unaudited Three months ended			Quarter- on-quarter change
		30 June 2021	Year- on-year change	31 March 2022	
		(RMB in millions, unless specified)			
Revenues	134,034	138,259	-3%	135,471	-1%
Gross profit	57,867	62,745	-8%	57,074	1%
Operating profit	30,067	52,487	-43%	37,217	-19%
Profit for the period	19,230	43,022	-55%	23,733	-19%
Profit attributable to equity holders of the Company	18,619	42,587	-56%	23,413	-20%
EPS (RMB per share)					
– basic	1.951	4.472	-56%	2.455	-21%
– diluted	1.915	4.387	-56%	2.404	-20%
Non-IFRS operating profit	36,667	42,802	-14%	36,538	0%
Non-IFRS profit attributable to equity holders of the Company	28,139	34,039	-17%	25,545	10%
Non-IFRS EPS (RMB per share)					
– basic	2.949	3.574	-17%	2.678	10%
– diluted	2.896	3.504	-17%	2.620	11%

Financial Performance Highlights

FIRST HALF OF 2022

	Unaudited		
	Six months ended		
	30 June	30 June	Year-
	2022	2021	on-year
	(RMB in millions, unless specified)		
			change
Revenues	269,505	273,562	-1%
Gross profit	114,941	125,380	-8%
Operating profit	67,284	108,760	-38%
Profit for the period	42,963	92,030	-53%
Profit attributable to equity holders of the Company	42,032	90,354	-53%
EPS (RMB per share)			
– basic	4.407	9.492	-54%
– diluted	4.320	9.299	-54%
Non-IFRS operating profit	73,205	85,560	-14%
Non-IFRS profit attributable to equity holders of the Company	53,684	67,157	-20%
Non-IFRS EPS (RMB per share)			
– basic	5.628	7.055	-20%
– diluted	5.516	6.916	-20%

Chairman's Statement

I am pleased to present our interim report for the three and six months ended 30 June 2022 to the shareholders.

RESULTS

The Group's unaudited profit attributable to equity holders of the Company for the three and six months ended 30 June 2022 decreased by 56% and 53% on a year-on-year basis to RMB18,619 million and RMB42,032 million respectively. Basic EPS for the three and six months ended 30 June 2022 were RMB1.951 and RMB4.407 respectively. Diluted EPS for the three and six months ended 30 June 2022 were RMB1.915 and RMB4.320 respectively.

The Group's non-IFRS profit attributable to equity holders of the Company for the three and six months ended 30 June 2022 decreased by 17% and 20% on a year-on-year basis to RMB28,139 million and RMB53,684 million respectively. Non-IFRS basic EPS for the three and six months ended 30 June 2022 were RMB2.949 and RMB5.628 respectively. Non-IFRS diluted EPS for the three and six months ended 30 June 2022 were RMB2.896 and RMB5.516 respectively.

OPERATING INFORMATION

	As at 30 June 2022	As at 30 June 2021	Year- on-year change	As at 31 March 2022	Quarter- on-quarter change
(in millions, unless specified)					
Combined MAU of Weixin and WeChat	1,299.1	1,251.4	3.8%	1,288.3	0.8%
Mobile device MAU of QQ	568.7	590.9	-3.8%	563.8	0.9%
Fee-based VAS registered subscriptions	234.7	229.4	2.3%	239.1	-1.8%

BUSINESS REVIEW AND OUTLOOK

During the second quarter, we actively exited non-core businesses, tightened our marketing spending, and trimmed operating expenses, enabling us to sequentially increase our non-IFRS earnings, despite difficult revenue conditions. Looking forward, we will focus on enhancing the efficiency of our businesses and launching new revenue initiatives, including in-feed advertisements in our popular Video Accounts, while continuing to drive innovation through R&D. We generate approximately half of our revenues from FinTech and Business Services as well as Online Advertising that directly contribute to, and benefit from, overall economic activity, which should position us for revenue growth as China's economy expands. Below are some highlights from our key products and business lines during the reporting quarter:

Chairman's Statement

Communication and Social

For Weixin, Video Accounts established substantial user engagement, with their total user time spent exceeding 80% of Moments'. Video Accounts' total video views grew over 200% year-on-year, video views based on AI recommendation increased by over 400% year-on-year, and daily active creators and daily video uploads in Video Accounts rose by over 100% year-on-year. During the second quarter of 2022, we hosted a series of popular live concerts that each attracted tens of millions of viewers.

For QQ, we enriched the interactive experience by introducing shared virtual spaces, where users can make friends and engage in community activities, as well as live audio chat using Super QQ Show avatars.

Digital Content

Our fee-based VAS subscriptions increased by 2% year-on-year to 235 million. For Tencent Video, subscriptions amounted to 122 million. Our self-commissioned drama series, A Dream of Splendor, ranked first by video views industry-wide¹ in June 2022. According to QuestMobile, Tencent Video's mobile DAU was more than 20% higher than that of its closest peer in June 2022. For music, our subscriptions increased year-on-year to 83 million. In July 2022, TME sold over 6 million units of Jay Chou's digital album.

Domestic Games

The domestic game industry is facing transitional challenges including fewer big game releases, lower user spending and measures to protect Minors. During this period, we prioritised developing technical capabilities and reinforcing our leadership in terms of player engagement. Honour of Kings and Peacekeeper Elite were the top two highest-ranked games by total time spent across the industry², and each increased their total time spent by adult users year-on-year. In recent months, we released several new games which have achieved notable popularity, such as Fight of The Golden Spatula (ranked fourth by total time spent across all games²) and Arena Breakout (ranked eighth by total time spent across all games in July 2022²).

¹ According to Enlightent, A Dream of Splendor ranked number one by video views across all online platforms in China in June 2022.

² Source: QuestMobile, second quarter of 2022 (unless otherwise specified)

Chairman's Statement

International Games

The international games market is experiencing a post-pandemic digestion period as players resume offline activities. However, we believe we are making progress against our strategic initiatives. For example, in terms of game operations, Riot Games' VALORANT achieved record-high MAU and quarterly grossing receipts in the crowded tactical shooter category. In terms of investments, in July 2022, our European developer Miniclip acquired SYBO, the developer of the endless runner game Subway Surfers, which ranked first in the mobile game industry by cumulative downloads globally over the past decade³, increasing Miniclip's DAU by 30 million to 70 million. In terms of new games, V Rising, a Survival-Open World-Crafting game developed by our Swedish studio Stunlock, sold 2 million copies in its first month of Early Access.

Online Advertising

For Weixin Moments, we introduced a frame-breaking advertisement format, which is popular among brand advertisers. In July 2022, we began rolling out Video Accounts in-feed advertisements, which we believe represent a significant opportunity for expanding our market share and enhancing our profitability.

FinTech

COVID-19 resurgence temporarily dampened commercial payment activities during the second quarter of 2022. Commercial payment volume slowed to low-single-digit year-on-year growth in April 2022, but resumed to high-teens year-on-year growth in June 2022.

Cloud and Other Business Services

We focused on quality revenue growth, prioritising internally-developed products while reducing loss-making activities. Business Services' gross margin expanded quarter-on-quarter as we improved revenue mix and reduced costs. For PaaS, TDSQL database revenue grew over 30% year-on-year and represented over 5% of our cloud revenue in the second quarter of 2022. Frost & Sullivan named TDSQL the leading distributed database product in China⁴, citing its scalability and support for industry solution services. For SaaS, Tencent Meeting launched a marketplace with plug-ins to enrich meeting experiences.

³ Source: data.ai, January 2012 to June 2022

⁴ Source: "2021 China Distributed Database Market Report" jointly released by Frost & Sullivan and LeadLeo Research Institution.

Chairman's Statement

DIVIDEND

The Board did not declare any interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

APPRECIATION

On behalf of the Board, I would like to thank wholeheartedly our staff and management team for their continued professionalism, perseverance and dedication to the Group, which forms the cornerstone of the Group's sustainable development, amid all recent challenges. I would also like to express our gratitude to all our shareholders and stakeholders for their continuous support and trust.

With our belief in "Value for Users, Tech for Good", we are committed to creating user value and integrating corporate social responsibilities into our products and services. We will continue to adhere to our strategy of fostering sustainable innovations for social value and promoting common prosperity initiatives, while nurturing the field of consumer Internet and embracing the industrial Internet.

Ma Huateng

Chairman

Hong Kong, 17 August 2022

Management Discussion and Analysis

SECOND QUARTER OF 2022 COMPARED TO SECOND QUARTER OF 2021

The following table sets forth the comparative figures for the second quarter of 2022 and the second quarter of 2021:

	Unaudited	
	Three months ended	
	30 June	30 June
	2022	2021
	(RMB in millions)	
Revenues	134,034	138,259
Cost of revenues	(76,167)	(75,514)
Gross profit	57,867	62,745
Interest income	1,945	1,630
Other gains, net	4,420	20,763
Selling and marketing expenses	(7,932)	(10,013)
General and administrative expenses	(26,233)	(22,638)
Operating profit	30,067	52,487
Finance costs, net	(1,809)	(1,942)
Share of profit/(loss) of associates and joint ventures, net	(4,460)	(3,857)
Profit before income tax	23,798	46,688
Income tax expense	(4,568)	(3,666)
Profit for the period	19,230	43,022
Attributable to:		
Equity holders of the Company	18,619	42,587
Non-controlling interests	611	435
	19,230	43,022
Non-IFRS operating profit	36,667	42,802
Non-IFRS profit attributable to equity holders of the Company	28,139	34,039

Management Discussion and Analysis

Revenues. Revenues decreased by 3% to RMB134 billion for the second quarter of 2022 on a year-on-year basis. The following table sets forth our revenues by line of business for the second quarter of 2022 and the second quarter of 2021:

	Unaudited			
	Three months ended			
	30 June 2022		30 June 2021	
	Amount	% of total revenues	Amount	% of total revenues
	(RMB in millions, unless specified)			
VAS	71,683	53%	72,013	52%
Online Advertising	18,638	14%	22,833	17%
FinTech and Business Services	42,208	32%	41,892	30%
Others	1,505	1%	1,521	1%
Total revenues	134,034	100%	138,259	100%

- Revenues from VAS⁵ were RMB71.7 billion for the second quarter of 2022, broadly stable compared to the second quarter of 2021. International Games revenues decreased by 1% to RMB10.7 billion, or broadly stable in constant currency terms, as the international game industry experienced a post-pandemic digestion period. By title, we saw decreased revenues from PUBG Mobile and Brawl Stars, a robust performance from VALORANT, and incremental revenue from newly launched V Rising. Domestic Games revenues decreased by 1% to RMB31.8 billion, as the domestic game industry experienced a similar digestion period due to transitional issues including relatively fewer big game releases, lower user spending, and the implementation of Minor protection measures. By title, we saw decreased revenues from Honour of Kings, Moonlight Blade Mobile and League of Legends, and incremental revenues from recently launched games, such as League of Legends: Wild Rift, Return to Empire and Fight of The Golden Spatula. Social Networks revenues grew by 1% to RMB29.2 billion, reflecting increased revenues from our Video Accounts live streaming service and digital content subscription services, and decreased revenues from music- and games-related live streaming services.
- Revenues from Online Advertising decreased by 18% to RMB18.6 billion for the second quarter of 2022 on a year-on-year basis, reflecting notable weakness in the Internet services, education and finance sectors, especially in April and May, partly offset by our consolidation of Sogou’s advertising revenue. Social and Others Advertising revenues decreased by 17% to RMB16.1 billion as weak ad demand led to subdued bidding density and consequently lower eCPMs. Media Advertising revenues decreased by 25% to RMB2.5 billion, attributable to lower advertising revenues from Tencent Video and Tencent News.

⁵ Mobile games VAS revenues (including mobile games revenues attributable to our Social Networks business) decreased by 2% year-on-year to RMB40 billion, while PC client games revenues grew by 5% year-on-year to RMB11.6 billion for the second quarter of 2022.

Management Discussion and Analysis

- Revenues from FinTech and Business Services grew by 1% to RMB42.2 billion for the second quarter of 2022 on a year-on-year basis. FinTech Services revenue growth was slower relative to prior quarters as COVID-19 resurgence temporarily impacted commercial payment activities in April and May. Business Services revenues decreased slightly year-on-year reflecting our proactive efforts to scale back loss-making activities.

Cost of revenues. Cost of revenues increased by 1% to RMB76.1 billion for the second quarter of 2022 on a year-on-year basis. We saw decreased channel and distribution costs, cloud project deployment costs, as well as content costs, versus increased server and bandwidth costs including those associated with the growth of our Video Accounts services. As a percentage of revenues, cost of revenues increased to 57% for the second quarter of 2022 from 55% for the second quarter of 2021, reflecting total costs growing mildly while revenues were broadly stable or declined in certain businesses, and our continued investments in key strategic areas, most notably Video Accounts services. The following table sets forth our cost of revenues by line of business for the second quarter of 2022 and the second quarter of 2021:

	Unaudited			
	Three months ended			
	30 June 2022		30 June 2021	
	Amount	% of segment revenues	Amount	% of segment revenues
	(RMB in millions, unless specified)			
VAS	35,380	49%	33,890	47%
Online Advertising	11,072	59%	11,697	51%
FinTech and Business Services	28,133	67%	28,472	68%
Others	1,582	105%	1,455	96%
Total cost of revenues	<u>76,167</u>		<u>75,514</u>	

- Cost of revenues for VAS increased by 4% to RMB35.4 billion for the second quarter of 2022 on a year-on-year basis, reflecting increases in revenue sharing costs associated with our Video Accounts live streaming service, VALORANT eSports events production costs, bandwidth and server costs, partly offset by decreased revenue sharing costs associated with music- and games-related live streaming services.
- Cost of revenues for Online Advertising decreased by 5% to RMB11 billion for the second quarter of 2022 on a year-on-year basis, reflecting lower channel and distribution costs associated with our mobile advertising network, more tightly managed content costs, partly offset by increased server and bandwidth costs including those associated with our Video Accounts.

Management Discussion and Analysis

- Cost of revenues for FinTech and Business Services decreased by 1% to RMB28.1 billion for the second quarter of 2022 on a year-on-year basis, reflecting decreased cloud project deployment costs as we scaled back loss-making activities.

Other gains, net. We recorded net other gains of RMB4.4 billion for the second quarter of 2022, substantially attributable to non-IFRS adjustment items such as net gains on deemed disposals, disposals and revaluation of certain investments, partly offset by impairment provisions against certain domestic investees.

Selling and marketing expenses. Selling and marketing expenses decreased by 21% to RMB7.9 billion for the second quarter of 2022 on a year-on-year basis, reflecting more disciplined spending on marketing activities across our organisation, particularly for our digital content services. As a percentage of revenues, selling and marketing expenses decreased to 6% for the second quarter of 2022 from 7% for the second quarter of 2021.

General and administrative expenses. General and administrative expenses increased by 16% to RMB26.2 billion for the second quarter of 2022 on a year-on-year basis, driven by higher R&D expenses, staff costs, office expenses, as well as incremental expenses from our acquisitions completed over the last year.

Finance costs, net. Net finance costs decreased by 7% to RMB1.8 billion for the second quarter of 2022 on a year-on-year basis, mainly due to foreign exchange gains recognised this quarter compared to losses for the second quarter of 2021, partly offset by the increase in interest expenses as a result of increased indebtedness.

Share of profit/(loss) of associates and joint ventures, net. We recorded share of losses of associates and joint ventures of RMB4.5 billion for the second quarter of 2022, compared to share of losses of RMB3.9 billion for the second quarter of 2021. Non-IFRS share of losses of associates and joint ventures was RMB1 billion for the second quarter of 2022, compared to non-IFRS share of losses of RMB0.4 billion for the second quarter of 2021. The change primarily reflected the impact from JD.com ceasing to be an associate.

Income tax expense. Income tax expense increased by 25% to RMB4.6 billion for the second quarter of 2022 on a year-on-year basis, primarily driven by low base effect attributable to a one-off deferred tax adjustment associated with an investee last year, as well as the provision of withholding tax during the quarter.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company decreased by 56% to RMB18.6 billion for the second quarter of 2022 on a year-on-year basis. Non-IFRS profit attributable to equity holders of the Company decreased by 17% to RMB28.1 billion for the second quarter of 2022, reflecting the flow-through effect of year-on-year movements in revenues and expenses cited above.

Management Discussion and Analysis

SECOND QUARTER OF 2022 COMPARED TO FIRST QUARTER OF 2022

The following table sets forth the comparative figures for the second quarter of 2022 and the first quarter of 2022:

	Unaudited	
	Three months ended	
	30 June	31 March
	2022	2022
	(RMB in millions)	
Revenues	134,034	135,471
Cost of revenues	(76,167)	(78,397)
Gross profit	57,867	57,074
Interest income	1,945	1,737
Other gains, net	4,420	13,133
Selling and marketing expenses	(7,932)	(8,058)
General and administrative expenses	(26,233)	(26,669)
Operating profit	30,067	37,217
Finance costs, net	(1,809)	(1,935)
Share of profit/(loss) of associates and joint ventures, net	(4,460)	(6,280)
Profit before income tax	23,798	29,002
Income tax expense	(4,568)	(5,269)
Profit for the period	19,230	23,733
Attributable to:		
Equity holders of the Company	18,619	23,413
Non-controlling interests	611	320
	19,230	23,733
Non-IFRS operating profit	36,667	36,538
Non-IFRS profit attributable to equity holders of the Company	28,139	25,545

Management Discussion and Analysis

Revenues. Revenues decreased by 1% to RMB134 billion for the second quarter of 2022 on a quarter-on-quarter basis.

- Revenues from VAS decreased by 1% to RMB71.7 billion for the second quarter of 2022. Domestic Games revenues decreased by 4% to RMB31.8 billion. By title, we saw seasonally lower revenues from several of our existing games such as PeaceKeeper Elite, CrossFire Mobile and DnF, initial revenue contributions from newly released Return to Empire, and increased revenue from League of Legends: Wild Rift. International Games revenues increased by 1% to RMB10.7 billion, reflecting the launch of V Rising, increased revenue from VALORANT, and decreased revenue from PUBG Mobile. Social Networks revenues were RMB29.2 billion, broadly stable compared to the first quarter of 2022, reflecting increased revenue from our Video Accounts live streaming service, and decreased revenues from music- and games-related live streaming services.
- Revenues from Online Advertising increased by 4% to RMB18.6 billion for the second quarter of 2022. Ad spend was severely impacted by COVID-19 resurgence in April and May, then gradually recovered in June as large eCommerce platforms increased ad spend for 618 promotions, and underlying ad demand improved moderately. Social and Others Advertising revenues increased by 3% to RMB16.1 billion for the reasons above. Media Advertising revenues increased by 8% to RMB2.5 billion driven by stronger content releases and positive seasonality.
- Revenues from FinTech and Business Services decreased by 1% to RMB42.2 billion for the second quarter of 2022, reflecting a FinTech Services revenue decrease as COVID-19 resurgence impacted commercial payment activities in April and May, and a Business Services single-digit revenue increase due to end customer demand for our internally-developed products.

Cost of revenues. Cost of revenues decreased by 3% to RMB76.1 billion for the second quarter of 2022 on a quarter-on-quarter basis. We saw decreased content costs, channel and distribution costs, transaction costs of FinTech Services, versus increased server and bandwidth costs including those associated with the growth of our Video Accounts services. As a percentage of revenues, cost of revenues decreased to 57% for the second quarter of 2022 from 58% for the first quarter of 2022 as a result of our efficiency initiatives implemented during the quarter.

- Cost of revenues for VAS decreased by 2% to RMB35.4 billion for the second quarter of 2022, reflecting lower channel and distribution costs, as well as optimised revenue sharing cost structure associated with our live streaming services.
- Cost of revenues for Online Advertising decreased by 3% to RMB11 billion for the second quarter of 2022, reflecting decreased content costs, partly offset by increased server and bandwidth costs including those associated with our Video Accounts.

Management Discussion and Analysis

- Cost of revenues for FinTech and Business Services decreased by 4% to RMB28.1 billion for the second quarter of 2022, due to decreased transaction costs of FinTech Services as a result of lower payment volumes, and lower staff costs attributable to Business Services.

Selling and marketing expenses. Selling and marketing expenses decreased by 2% to RMB7.9 billion for the second quarter of 2022 on a quarter-on-quarter basis, reflecting more disciplined spending on marketing activities.

General and administrative expenses. General and administrative expenses decreased by 2% to RMB26.2 billion for the second quarter of 2022 on a quarter-on-quarter basis, as we optimised our workforce and controlled staff costs.

Share of profit/(loss) of associates and joint ventures, net. We recorded share of losses of associates and joint ventures of RMB4.5 billion for the second quarter of 2022, compared to share of losses of RMB6.3 billion for the first quarter of 2022. Non-IFRS share of losses of associates and joint ventures was RMB1 billion for the second quarter of 2022, compared to non-IFRS share of losses of RMB2.2 billion for the first quarter of 2022, reflecting sequentially improved profitability at certain domestic associates as a result of their expense optimisation measures.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company decreased by 20% to RMB18.6 billion for the second quarter of 2022 on a quarter-on-quarter basis. Non-IFRS profit attributable to equity holders of the Company increased by 10% to RMB28.1 billion for the second quarter of 2022, reflecting our business rationalisation and cost efficiency initiatives, as well as lower associates' losses.

OTHER FINANCIAL INFORMATION

	Unaudited			Unaudited	
	30 June	Three months ended		Six months ended	
	2022	31 March	30 June	30 June	30 June
		2022	2021	2022	2021
		(RMB in millions, unless specified)			
EBITDA (a)	38,628	38,283	44,567	76,911	93,922
Adjusted EBITDA (a)	44,668	46,102	50,347	90,770	103,274
Adjusted EBITDA margin (b)	33%	34%	36%	34%	38%
Interest and related expenses	2,327	2,103	1,912	4,430	3,638
Net (debt)/cash (c)	(20,429)	(11,035)	(20,972)	(20,429)	(20,972)
Capital expenditures (d)	3,015	6,971	6,936	9,986	14,670

Management Discussion and Analysis

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	
	30 June	31 March	30 June	30 June	30 June
	2022	2022	2021	2022	2021
	(RMB in millions, unless specified)				
Operating profit	30,067	37,217	52,487	67,284	108,760
Adjustments:					
Interest income	(1,945)	(1,737)	(1,630)	(3,682)	(3,244)
Other gains, net	(4,420)	(13,133)	(20,763)	(17,553)	(40,284)
Depreciation of property, plant and equipment and investment properties	5,589	5,686	5,374	11,275	10,677
Depreciation of right-of-use assets	1,673	1,636	1,089	3,309	2,144
Amortisation of intangible assets and land use rights	7,664	8,614	8,010	16,278	15,869
EBITDA	38,628	38,283	44,567	76,911	93,922
Equity-settled share-based compensation	6,040	7,819	5,780	13,859	9,352
Adjusted EBITDA	44,668	46,102	50,347	90,770	103,274

Management Discussion and Analysis

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 interim report. 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 investment-related transactions. In addition, non-IFRS adjustments include relevant non-IFRS adjustments for the Group's major associates based on available published financials of the relevant major associates, or estimates made by the Company's management based on available information, certain expectations, assumptions and premises.

The following tables set forth the reconciliations of the Group's non-IFRS financial measures for the second quarter of 2022 and 2021, the first quarter of 2022, as well as the first half of 2022 and 2021 to the nearest measures prepared in accordance with IFRS:

	Unaudited three months ended 30 June 2022								Non-IFRS
	As reported	Share-based compensation	Net (gains)/ losses from investee companies	Amortisation of intangible assets	Impairment provisions/ (reversals)	SSV & CPP	Others	Income tax effects	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)		
	(RMB in millions, unless specified)								
Operating profit	30,067	6,507	(5,539)	1,255	2,831	1,370	176	–	36,667
Profit for the period	19,230	8,439	(6,085)	2,989	3,189	1,370	176	(321)	28,987
Profit attributable to equity holders	18,619	8,257	(5,968)	2,767	3,189	1,370	176	(271)	28,139
EPS (RMB per share)									
– basic	1.951								2.949
– diluted	1.915								2.896
Operating margin	22%								27%
Net margin	14%								22%

Management Discussion and Analysis

Unaudited three months ended 31 March 2022

	Adjustments								Non-IFRS
	As reported	Share-based compensation	Net (gains)/ losses from investee companies	Amortisation of intangible assets	Impairment provisions/ (reversals)	SSV & CPP	Others	Income tax effects	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)		
	(RMB in millions, unless specified)								
Operating profit	37,217	8,136	(18,559)	1,388	7,003	1,348	5	–	36,538
Profit for the period	23,733	9,635	(18,552)	3,163	7,832	1,348	5	(868)	26,296
Profit attributable to equity holders	23,413	9,452	(18,542)	2,857	7,827	1,348	5	(815)	25,545
EPS (RMB per share)									
– basic	2.455								2.678
– diluted	2.404								2.620
Operating margin	27%								27%
Net margin	18%								19%

Unaudited three months ended 30 June 2021

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

Management Discussion and Analysis

Unaudited six months ended 30 June 2022

	Adjustments								Non-IFRS
	As reported	Share-based compensation	Net (gains)/ losses from investee companies	Amortisation of intangible assets	Impairment provisions/ (reversals)	SSV & CPP	Others	Income tax effects	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)		
	(RMB in millions, unless specified)								
Operating profit	67,284	14,643	(24,098)	2,643	9,834	2,718	181	–	73,205
Profit for the period	42,963	18,074	(24,637)	6,152	11,021	2,718	181	(1,189)	55,283
Profit attributable to equity holders	42,032	17,709	(24,510)	5,624	11,016	2,718	181	(1,086)	53,684
EPS (RMB per share)									
– basic	4.407								5.628
– diluted	4.320								5.516
Operating margin	25%								27%
Net margin	16%								21%

Unaudited six months ended 30 June 2021

	Adjustments							Non-IFRS
	As reported	Share-based compensation	Net (gains)/ losses from investee companies	Amortisation of intangible assets	Impairment provisions/ (reversals)	Income tax effects		
	(a)	(b)	(c)	(d)	(g)			
	(RMB in millions, unless specified)							
Operating profit	108,760	9,906	(38,714)	2,186	3,422	–	85,560	
Profit for the period	92,030	12,694	(42,644)	5,839	3,516	(1,792)	69,643	
Profit attributable to equity holders	90,354	12,231	(42,366)	5,119	3,509	(1,690)	67,157	
EPS (RMB per share)								
– basic	9.492						7.055	
– diluted	9.299						6.916	
Operating margin	40%						31%	
Net margin	34%						25%	

Management Discussion and Analysis

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) Mainly including donations and expenses incurred for the Group's SSV & CPP initiatives (excluding share-based compensation expenses)
- (f) Mainly including expenses incurred for regulatory fines in the Mainland of China and certain litigation settlements
- (g) Income tax effects of non-IFRS adjustments

INVESTMENTS HELD

As at 30 June 2022, our investment portfolio amounted to approximately RMB679,608 million (31 December 2021: RMB878,653 million) as recorded in the consolidated statement of financial position under various categories including:

- investments in associates and joint ventures which are accounted for by using equity method; and
- financial assets at fair value through profit or loss and through other comprehensive income (including assets held for distribution).

Changes in respective items in the consolidated statement of financial position have been disclosed in the notes to the Interim Financial Information in this interim report.

We manage our investment portfolio with a primary objective to strengthen our leading position in core businesses and complement our “Connection” strategy in various industries, particularly in social and digital content, O2O and smart retail sectors. We also invest in transportation, FinTech, cloud and other sectors.

Management Discussion and Analysis

The fair value of our shareholdings⁶ in listed investee companies (excluding subsidiaries) amounted to RMB601,920 million as at 30 June 2022 (31 December 2021: RMB982,835 million). None of our investments (including listed equity investments) had a carrying amount which represented 5% or more of our total assets as at 30 June 2022.

Save as disclosed herein, there are no material changes in our investment portfolio affecting the Company's performance that need to be disclosed under paragraphs 32 and 40(2) of Appendix 16 to the Listing Rules.

Return from our investment portfolio amounted to RMB1,810 million for the six months ended 30 June 2022, with a decrease of 94% compared to the same period of last year. Details of our return from investment portfolio are as follows:

Income of Principal Investments (Classified by nature of income)	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Dividend income	702	390	745	540
Net gains on disposals and deemed disposals of investee companies	4,971	6,106	23,863	9,590
Net fair value gains	699	14,298	419	29,147
Impairment provision for investee companies, goodwill and other intangible assets from acquisitions	(2,831)	(3,372)	(9,834)	(3,422)
Share of profit/(loss) of associates and joint ventures, net	(4,460)	(3,857)	(10,740)	(2,509)
Amortisation of intangible assets resulting from acquisitions	(1,255)	(1,124)	(2,643)	(2,186)

We continue to closely monitor the performance of our investment portfolio and strategically make investments and explore opportunities in monetising some of the existing investments if appropriate opportunities in the market arise.

⁶ Including those held via special purpose vehicles, on an attributable basis.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

Our cash and debt positions as at 30 June 2022 and 31 March 2022 were as follows:

	Unaudited 30 June 2022	Unaudited 31 March 2022
	(RMB in millions)	
Cash and cash equivalents	184,658	188,826
Term deposits and others	131,257	115,242
	315,915	304,068
Borrowings	(183,050)	(170,123)
Notes payable	(153,294)	(144,980)
Net debt	(20,429)	(11,035)

As at 30 June 2022, the Group had net debt of RMB20.4 billion, compared to net debt of RMB11 billion as at 31 March 2022. The sequential change was mainly due to a cash outflow for payments of our dividend for the year ended 31 December 2021 and repurchase of shares by the Company, largely funded by free cash flow generation.

For the second quarter of 2022, the Group had free cash flow of RMB22.5 billion. This was a result of net cash flow generated from operating activities of RMB35.7 billion, offset by payments for capital expenditures of RMB5.6 billion, payments for media content of RMB5.8 billion, and payments for lease liabilities of RMB1.8 billion.

Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF TENCENT HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 24 to 83, which comprises the consolidated statement of financial position of Tencent Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2022, and the consolidated income statement and the consolidated statement of comprehensive income for the three-month and six-month periods then ended, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 17 August 2022

Consolidated Income Statement

For the three and six months ended 30 June 2022

	Note	Unaudited		Unaudited	
		Three months ended 30 June		Six months ended 30 June	
		2022	2021	2022	2021
		RMB'Million	RMB'Million	RMB'Million	RMB'Million
Revenues					
Value-added Services		71,683	72,013	144,421	144,456
Online Advertising		18,638	22,833	36,626	44,653
FinTech and Business Services		42,208	41,892	84,976	80,920
Others		1,505	1,521	3,482	3,533
	6	134,034	138,259	269,505	273,562
Cost of revenues	8	(76,167)	(75,514)	(154,564)	(148,182)
Gross profit		57,867	62,745	114,941	125,380
Interest income		1,945	1,630	3,682	3,244
Other gains, net	7	4,420	20,763	17,553	40,284
Selling and marketing expenses	8	(7,932)	(10,013)	(15,990)	(18,543)
General and administrative expenses	8	(26,233)	(22,638)	(52,902)	(41,605)
Operating profit		30,067	52,487	67,284	108,760
Finance costs, net	9	(1,809)	(1,942)	(3,744)	(3,309)
Share of profit/(loss) of associates and joint ventures, net		(4,460)	(3,857)	(10,740)	(2,509)
Profit before income tax		23,798	46,688	52,800	102,942
Income tax expense	10	(4,568)	(3,666)	(9,837)	(10,912)
Profit for the period		19,230	43,022	42,963	92,030
Attributable to:					
Equity holders of the Company		18,619	42,587	42,032	90,354
Non-controlling interests		611	435	931	1,676
		19,230	43,022	42,963	92,030
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)					
– basic	11(a)	1.951	4.472	4.407	9.492
– diluted	11(b)	1.915	4.387	4.320	9.299

The accompanying notes on pages 35 to 83 form an integral part of this interim financial information.

Consolidated Statement of Comprehensive Income

For the three and six months ended 30 June 2022

	Note	Unaudited		Unaudited	
		Three months ended 30 June		Six months ended 30 June	
		2022	2021	2022	2021
		RMB'Million	RMB'Million	RMB'Million	RMB'Million
Profit for the period		19,230	43,022	42,963	92,030
Other comprehensive income, net of tax:					
<i>Items that may be subsequently reclassified to profit or loss</i>					
Share of other comprehensive income of associates and joint ventures		292	(11)	242	277
Transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures		(14)	5	(14)	2
Transfer to profit or loss upon disposal of financial assets at fair value through other comprehensive income		2	–	2	–
Net losses from changes in fair value of financial assets at fair value through other comprehensive income		(8)	–	(24)	–
Currency translation differences		6,989	(1,428)	2,528	(7,336)
Other fair value gains, net		865	92	4,082	1,255
<i>Items that will not be subsequently reclassified to profit or loss</i>					
Share of other comprehensive income of associates and joint ventures		(379)	53	(192)	434
Loss from changes in fair value of assets held for distribution	23	–	–	(17,130)	–
Net (losses)/gains from changes in fair value of financial assets at fair value through other comprehensive income		(61,581)	46,522	(120,431)	65,005
Currency translation differences		2,219	(305)	2,077	(98)
		(51,615)	44,928	(128,860)	59,539
Total comprehensive income for the period		(32,385)	87,950	(85,897)	151,569
Attributable to:					
Equity holders of the Company		(32,083)	87,511	(84,360)	151,267
Non-controlling interests		(302)	439	(1,537)	302
		(32,385)	87,950	(85,897)	151,569

The accompanying notes on pages 35 to 83 form an integral part of this interim financial information.

Consolidated Statement of Financial Position

As at 30 June 2022

	Note	Unaudited 30 June 2022 RMB'Million	Audited 31 December 2021 RMB'Million
ASSETS			
Non-current assets			
Property, plant and equipment	13	59,073	61,914
Land use rights	14	18,321	17,728
Right-of-use assets	15	22,622	20,468
Construction in progress	13	6,691	5,923
Investment properties	13	569	517
Intangible assets	13	177,718	171,376
Investments in associates	16	310,209	316,574
Investments in joint ventures		6,676	6,614
Financial assets at fair value through profit or loss	17	204,398	192,184
Financial assets at fair value through other comprehensive income	18	143,563	250,257
Prepayments, deposits and other assets	19	37,335	37,177
Other financial assets	20	5,366	1,261
Deferred income tax assets	21	28,864	26,068
Term deposits		24,945	19,491
		1,046,350	1,127,552
Current assets			
Inventories		2,939	1,063
Accounts receivable	22	49,446	49,331
Prepayments, deposits and other assets	19	66,155	65,390
Other financial assets	20	1,095	1,749
Financial assets at fair value through profit or loss	17	14,762	10,573
Term deposits		91,670	83,813
Restricted cash		2,594	2,476
Cash and cash equivalents		184,658	167,966
Assets held for distribution	23	–	102,451
		413,319	484,812
Total assets		1,459,669	1,612,364

Consolidated Statement of Financial Position

As at 30 June 2022

	Note	Unaudited 30 June 2022 RMB'Million	Audited 31 December 2021 RMB'Million
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	24	–	–
Share premium		73,700	67,330
Treasury shares		(776)	–
Shares held for share award schemes		(4,745)	(4,843)
Other reserves		(40,210)	73,901
Retained earnings		708,525	669,911
		736,494	806,299
Non-controlling interests		67,387	70,394
Total equity		803,881	876,693
LIABILITIES			
Non-current liabilities			
Borrowings	26	162,577	136,936
Notes payable	27	143,232	145,590
Long-term payables	28	9,971	9,966
Other financial liabilities	29	5,470	5,912
Deferred income tax liabilities	21	11,401	13,142
Lease liabilities	15	18,372	16,501
Deferred revenue	32	4,558	4,526
		355,581	332,573

Consolidated Statement of Financial Position

As at 30 June 2022

	Note	Unaudited 30 June 2022 RMB'Million	Audited 31 December 2021 RMB'Million
Current liabilities			
Accounts payable	30	105,119	109,470
Other payables and accruals	31	53,326	60,582
Borrowings	26	20,473	19,003
Notes payable	27	10,062	–
Current income tax liabilities		9,656	12,506
Other tax liabilities		2,353	2,240
Other financial liabilities	29	3,909	3,554
Lease liabilities	15	6,086	5,446
Deferred revenue	32	89,223	87,846
Dividends payable for distribution in specie	12(b)	–	102,451
		300,207	403,098
Total liabilities		655,788	735,671
Total equity and liabilities		1,459,669	1,612,364

The accompanying notes on pages 35 to 83 form an integral part of this interim financial information.

On behalf of the Board

Ma Huateng

Director

Lau Chi Ping Martin

Director

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Unaudited								
	Attributable to equity holders of the Company								
	Share capital	Share premium	Shares held			Retained earnings	Total	Non-controlling interests	Total equity
			Treasury shares	for share award schemes	Other reserves				
RMB' Million	RMB' Million	RMB' Million	RMB' Million	RMB' Million	RMB' Million	RMB' Million	RMB' Million	RMB' Million	
Balance at 1 January 2022	-	67,330	-	(4,843)	73,901	669,911	806,299	70,394	876,693
Comprehensive income									
Profit for the period	-	-	-	-	-	42,032	42,032	931	42,963
Other comprehensive income, net of tax:									
- share of other comprehensive income of associates and joint ventures	-	-	-	-	8	-	8	42	50
- loss from changes in fair value of assets held for distribution	-	-	-	-	(17,130)	-	(17,130)	-	(17,130)
- transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	-	-	-	-	(14)	-	(14)	-	(14)
- net losses from changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	(118,329)	-	(118,329)	(2,126)	(120,455)
- transfer to profit or loss upon disposal of financial assets at fair value through other comprehensive income	-	-	-	-	2	-	2	-	2
- currency translation differences	-	-	-	-	5,069	-	5,069	(464)	4,605
- other fair value gains, net	-	-	-	-	4,002	-	4,002	80	4,082
Total comprehensive income for the period	-	-	-	-	(126,392)	42,032	(84,360)	(1,537)	(85,897)
Transfer of losses on disposal and deemed disposal of financial instruments to retained earnings	-	-	-	-	8,264	(8,264)	-	-	-
Share of other changes in net assets of associates and joint ventures	-	-	-	-	3,349	-	3,349	-	3,349
Transfer of share of other changes in net assets of associates and joint ventures to profit or loss upon disposal and deemed disposal	-	-	-	-	(341)	-	(341)	-	(341)

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	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	-	-	-	-	-	-	-	3	3
Employee share option schemes:									
– value of employee services	-	1,072	-	-	37	-	1,109	35	1,144
– proceeds from shares issued	-	219	-	-	-	-	219	-	219
Employee share award schemes:									
– value of employee services	-	11,787	-	-	683	-	12,470	212	12,682
– shares withheld for share award schemes	-	-	-	(1,248)	-	-	(1,248)	-	(1,248)
– vesting of awarded shares	-	(1,346)	-	1,346	-	-	-	-	-
Tax benefit from share-based payments	-	-	-	-	9	-	9	-	9
Profit appropriations to statutory reserves	-	-	-	-	13	(13)	-	-	-
Repurchase and cancellation of shares	-	(5,362)	-	-	-	-	(5,362)	-	(5,362)
Repurchase of shares (to be cancelled)	-	-	(776)	-	-	-	(776)	-	(776)
Cash dividends	-	-	-	-	-	(12,950)	(12,950)	(374)	(13,324)
Dividends distribution in specie (Note 12(b))	-	-	-	-	-	17,809	17,809	-	17,809
Non-controlling interests arising from business combinations	-	-	-	-	-	-	-	747	747
Acquisition of additional equity interests in non wholly-owned subsidiaries	-	-	-	-	123	-	123	(1,856)	(1,733)
Dilution of interests in subsidiaries	-	-	-	-	(265)	-	(265)	240	(25)
Disposal of subsidiaries	-	-	-	-	-	-	-	(2)	(2)
Changes in put option liabilities in respect of non-controlling interests	-	-	-	-	83	-	83	26	109
Recognition of put option liabilities arising from business combinations	-	-	-	-	(175)	-	(175)	-	(175)
Transfer of equity interests of subsidiaries to non-controlling interests	-	-	-	-	501	-	501	(501)	-
Total transactions with equity holders at their capacity as equity holders for the period	-	6,370	(776)	98	1,009	4,846	11,547	(1,470)	10,077
Balance at 30 June 2022	-	73,700	(776)	(4,745)	(40,210)	708,525	736,494	67,387	803,881

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Unaudited							Total equity
	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	
RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	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	–	–	–	–	90,354	90,354	1,676	92,030
Other comprehensive income, net of tax:								
– share of other comprehensive income of associates and joint ventures	–	–	–	706	–	706	5	711
– 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	–	–	–	65,587	–	65,587	(582)	65,005
– currency translation differences	–	–	–	(6,588)	–	(6,588)	(846)	(7,434)
– other fair value gains, net	–	–	–	1,206	–	1,206	49	1,255
Total comprehensive income for the period	–	–	–	60,913	90,354	151,267	302	151,569
Transfer of gains on disposal and deemed disposal of financial instruments to retained earnings	–	–	–	(4,098)	4,098	–	–	–
Transfer of share of other comprehensive income to retained earnings upon disposal of associates and joint ventures	–	–	–	(2)	2	–	–	–
Share of other changes in net assets of associates and joint ventures	–	–	–	2,649	–	2,649	1	2,650
Transfer of share of other changes in net assets of associates and joint ventures to profit or loss upon disposal and deemed disposal	–	–	–	(96)	–	(96)	5	(91)

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	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	RMB'Million
Transactions with equity holders								
Capital injection	-	-	-	-	-	-	136	136
Employee share option schemes:								
– value of employee services	-	851	-	24	-	875	24	899
– proceeds from shares issued	-	410	-	-	-	410	-	410
Employee share award schemes:								
– value of employee services	-	7,866	-	288	-	8,154	258	8,412
– shares withheld for share award schemes	-	-	(1,268)	-	-	(1,268)	-	(1,268)
– vesting of awarded shares	-	(863)	863	-	-	-	-	-
Tax benefit from share-based payments	-	-	-	228	-	228	-	228
Profit appropriations to statutory reserves	-	-	-	33	(33)	-	-	-
Cash dividends	-	-	-	-	(12,683)	(12,683)	(102)	(12,785)
Distributions from a non wholly-owned subsidiary	-	-	-	-	-	-	(1,401)	(1,401)
Non-controlling interests arising from business combinations	-	-	-	-	-	-	806	806
Acquisition of additional equity interests in non wholly-owned subsidiaries	-	-	-	(709)	-	(709)	(1,406)	(2,115)
Dilution of interests in subsidiaries	-	-	-	141	-	141	554	695
Disposal of subsidiaries	-	-	-	-	-	-	(16)	(16)
Changes in put option liabilities in respect of non-controlling interests	-	-	-	762	-	762	25	787
Lapses of put option liabilities in respect of non-controlling interests	-	-	-	783	-	783	-	783
Recognition of put option liabilities arising from business combinations	-	-	-	(638)	-	(638)	-	(638)
Transfer of equity interests of subsidiaries to non-controlling interests	-	956	143	(8,751)	-	(7,652)	7,519	(133)
Total transactions with equity holders at their capacity as equity holders for the period	-	9,220	(262)	(7,839)	(12,716)	(11,597)	6,397	(5,200)
Balance at 30 June 2021	-	58,013	(4,674)	172,666	620,202	846,207	80,764	926,971

The accompanying notes on pages 35 to 83 form an integral part of this interim financial information.

Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'Million	RMB'Million
Cash flows from operating activities		
Cash generated from operations	86,900	99,752
Income tax paid	(17,377)	(16,796)
	69,523	82,956
Cash flows from investing activities		
Payments for business combinations, net of cash acquired	(9,618)	(5,015)
Purchase of property, plant and equipment, construction in progress and investment properties	(12,763)	(15,810)
Proceeds from disposals of property, plant and equipment, construction in progress and investment properties	162	71
Purchase of/prepayments for intangible assets	(15,196)	(14,011)
Purchase of/prepayments for land use rights	(526)	(295)
Proceeds from disposals of investments in subsidiaries	7	–
Payments for acquisition of investments in associates	(6,863)	(26,810)
Proceeds from disposals of investments in associates	20,048	2,995
Payments for acquisition of investments in joint ventures	–	(26)
Payments for acquisition of financial assets at fair value through other comprehensive income	(5,232)	(14,320)
Proceeds from disposals of financial assets at fair value through other comprehensive income	3,365	6,639
Payments for acquisition of financial assets at fair value through profit or loss	(24,043)	(40,371)
Proceeds from disposals of financial assets at fair value through profit or loss	10,809	11,774
Payments for acquisition/settlement of other financial instruments	(667)	(1,527)
Proceeds from disposals of other financial assets	411	–
Payments for loans to investees and others	(499)	(5,458)
Loans repayments from investees and others	339	582
Receipt from maturity of term deposits with initial terms of over three months	19,030	34,540
Placement of term deposits with initial terms of over three months	(30,527)	(39,062)
Interest received	2,808	2,781
Dividends received	1,224	1,385
	(47,731)	(101,938)
Net cash flows used in investing activities		

Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'Million	RMB'Million
Cash flows from financing activities		
Proceeds from short-term borrowings	4,504	9,732
Repayments of short-term borrowings	(860)	(12,597)
Proceeds from long-term borrowings	19,517	6,527
Repayments of long-term borrowings	(3,518)	(65)
Net proceeds from issuance of notes payable	–	27,060
Principal elements of lease payments	(2,885)	(2,022)
Interest paid	(4,252)	(3,550)
Payments for repurchase of shares	(5,577)	–
Proceeds from issuance of ordinary shares as a result of exercise of share options	219	410
Shares withheld for share award schemes	(1,248)	(1,268)
Proceeds from issuance of additional equity of non wholly-owned subsidiaries	7	227
Payments for acquisition of non-controlling interests in non wholly-owned subsidiaries	(1,736)	(1,926)
Dividends paid to the Company's shareholders	(12,952)	(12,503)
Dividends paid to non-controlling interests	(432)	(441)
Net cash flows (used in)/generated from financing activities	(9,213)	9,584
Net increase/(decrease) in cash and cash equivalents	12,579	(9,398)
Cash and cash equivalents at beginning of the period	167,966	152,798
Exchange gains/(losses) on cash and cash equivalents	4,113	(1,679)
Cash and cash equivalents at end of the period	184,658	141,721

The accompanying notes on pages 35 to 83 form an integral part of this interim financial information.

Notes to the Interim Financial Information

1 GENERAL INFORMATION

Tencent Holdings Limited (the “Company”) was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 16 June 2004.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the “Group”) are principally engaged in the provision of Value-added Services (“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 June 2022, the consolidated income statement and the consolidated statement of comprehensive income for the three-month and six-month periods then ended, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information (the “Interim Financial Information”). The Interim Financial Information is presented in Renminbi (“RMB”), unless otherwise stated.

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

2 BASIS OF PREPARATION AND PRESENTATION

The Interim Financial Information has been prepared in accordance with International Accounting Standard (“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 2021, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as set out in the 2021 annual report of the Company dated 23 March 2022 (the “2021 Financial Statements”).

3 SIGNIFICANT ACCOUNTING POLICIES

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 2021 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 fair value through profit or loss (“FVPL”), financial assets at fair value through other comprehensive income (“FVOCI”), dividends payable for distribution in specie, 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.

Notes to the Interim Financial Information

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Amendments to standards adopted by the Group

The following amendments to standards have been adopted by the Group for the financial year beginning on 1 January 2022:

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018–2020 Cycle

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

(b) New standards and amendments to standards issued but not yet effective

The following new standards and amendments to standards have not come into effect for the financial year beginning on 1 January 2022 and have not been early adopted by the Group in preparing the consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

		Effective for annual periods beginning on or after
Amendments to IAS 28 and IFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

Notes to the Interim Financial Information

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New standards and amendments to standards issued but not yet effective (continued)

The Group considers the lease as a single transaction in which the assets and liabilities are integrally linked. There is no net temporary difference at inception. Subsequently, when differences on settlement of the liabilities and the amortisation of right-of-use assets arise, there will be a net temporary difference on which deferred income tax is recognised. From the effective date of Amendments to IAS 12 on 1 January 2023, the Group will need to recognise a deferred income tax asset and a deferred income tax liability for the temporary differences arising on a lease on initial recognition.

4 ESTIMATES

The preparation of the Interim Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied to the 2021 Financial Statements.

5 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2021 Financial Statements.

There were no significant changes in any material risk management policies during the six months ended 30 June 2022.

During the three and six months ended 30 June 2022, the Group reported exchange gains of RMB518 million and RMB686 million, respectively (three and six months ended 30 June 2021: exchange losses of RMB30 million and exchange gains of RMB329 million, respectively) (Note 9), within "Finance costs, net" in the consolidated income statement.

Notes to the Interim Financial Information

5 FINANCIAL RISK MANAGEMENT (continued)

(b) Capital risk management

The Group's objectives in managing capital are to safeguard the Group's ability to continue as a going concern and support the sustainable growth of the Group in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

Capital refers to equity and external debts (including borrowings and notes payable). In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, repurchase the Company's shares or raise/repay debts.

The Group assesses its creditworthiness based on its business and financial risk profile and monitors its capital by regularly reviewing its total debts to adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA") (Note) ratio, being the measure of the Group's ability to pay off all of its debts which in turn reflects the Group's financial health and liquidity position. The total debts/adjusted EBITDA ratio calculated by dividing the total debts by adjusted EBITDA is as follows:

	Unaudited	Audited
	30 June	31 December
	2022	2021
	(RMB in million, unless specified)	
Borrowings (Note 26)	183,050	155,939
Notes payable (Note 27)	153,294	145,590
Total debts	336,344	301,529
Adjusted EBITDA for the last twelve months (Note)	182,294	194,798
Total debts/Adjusted EBITDA ratio	1.85	1.55

Note:

Adjusted EBITDA represents operating profit less 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, amortisation of intangible assets and land use rights, and equity-settled share-based compensation expenses.

Notes to the Interim Financial Information

5 FINANCIAL RISK MANAGEMENT (continued)

(c) Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2022 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1 RMB'Million	Level 2 RMB'Million	Level 3 RMB'Million	Total RMB'Million
As at 30 June 2022 (Unaudited)				
FVPL	14,339	12,959	191,862	219,160
FVOCI	119,255	479	23,829	143,563
Other financial assets	–	5,460	104	5,564
Other financial liabilities	–	(6)	(2,352)	(2,358)
As at 31 December 2021 (Audited)				
FVPL	23,566	8,069	171,122	202,757
FVOCI	227,788	–	22,469	250,257
Assets held for distribution	102,451	–	–	102,451
Other financial assets	–	1,709	17	1,726
Other financial liabilities	–	(358)	(2,444)	(2,802)
Dividends payable for distribution in specie (Note)	(102,451)	–	–	(102,451)

Note:

It represented the dividend liability resulting from distribution in specie which was measured at fair value of shares of JD.com, Inc. ("JD.com") to be distributed (Note 12(b)).

Notes to the Interim Financial Information

5 FINANCIAL RISK MANAGEMENT (continued)

(c) Fair value estimation (continued)

The fair value of financial instruments traded in active markets is determined with reference to quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required for evaluating the fair value of a financial instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments mainly include:

- Dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

Notes to the Interim Financial Information

5 FINANCIAL RISK MANAGEMENT (continued)

(c) Fair value estimation (continued)

During the six months ended 30 June 2022, there was no transfer between level 1 and 2 for recurring fair value measurements. Transfers in and out of level 3 measurements are set out in the following table, which presents the changes of financial instruments in level 3 for the six months ended 30 June 2022 and 2021:

	Financial assets		Financial liabilities	
	Unaudited		Unaudited	
	Six months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Opening balance	193,608	152,906	(2,444)	(3,352)
Additions	14,378	40,236	(70)	(418)
Business combinations	14	–	(61)	–
Disposals/settlements	(2,605)	(5,642)	630	794
Transfers	(6,096)	(59,289)	–	–
Changes in fair value recognised in other comprehensive income	1,521	13,330	–	–
Changes in fair value recognised in profit or loss*	7,684	30,275	(360)	(158)
Currency translation differences	7,291	(2,397)	(47)	35
Closing balance	215,795	169,419	(2,352)	(3,099)
* Includes unrealised gains/(losses) recognised in profit or loss attributable to balances held at the end of the reporting period	7,624	9,084	(347)	(92)

Note:

During the six months ended 30 June 2022 and 2021, transfers from level 3 to level 1 were mainly due to the successful Initial Public Offerings (“IPOs”) of existing investees.

Notes to the Interim Financial Information

5 FINANCIAL RISK MANAGEMENT (continued)

(c) Fair value estimation (continued)

Valuation processes inputs and relationships to fair value (Level 3)

The Group has a team of personnel who performs valuation on these level 3 instruments for financial reporting purposes. The team performs valuation, or necessary updates, at least once every quarter, which coincides with the Group's quarterly reporting dates. On an annual basis, the team adopts various valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts may also be involved and consulted when it is necessary.

The components of the level 3 instruments mainly include investments in unlisted companies classified as FVPL or FVOCI, other financial assets, and other financial liabilities. Other financial liabilities mainly include contingent consideration payable related to certain business combinations. As these investments and instruments are not traded in an active market, the majority of their fair values have been determined using applicable valuation techniques including comparable companies approach, comparable transactions approach and other option pricing approach. These valuation approaches require significant judgments, assumptions and inputs, including risk-free rates, expected volatility, relevant underlying financial projections, and market information of recent transactions (such as recent fund-raising transactions undertaken by the investees) and other exposure, etc.

The quantitative information about the significant unobservable inputs used in level 3 fair value measurements of investments in unlisted companies comprises:

- For investments in unlisted companies designated as FVPL and FVOCI, the significant unobservable inputs are the expected volatility and risk-free rate, and the range of these inputs at 30 June 2022 are 34% ~ 76% (31 December 2021: 29% ~ 70%) and 0.59% ~ 5.54% (31 December 2021: -0.58% ~ 5.39%), respectively.

For the fair value of contingent consideration related to business combinations, management considered that any reasonable changes in the growth rate of net profit or expected volatility would not result in a significant change in the Group's results for the six months ended 30 June 2022 and 2021.

Notes to the Interim Financial Information

6 SEGMENT INFORMATION AND REVENUES

(a) Description of segments and principal activities

The chief operating decision-makers mainly include executive directors of the Company. They review the Group's internal reporting in order to assess performance, allocate resources, and determine the operating segments based on these reports.

The Group has the following reportable segments for the three and six months ended 30 June 2022 and 2021:

- 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.

The chief operating decision-makers assess the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and marketing expenses and general and administrative expenses are common costs incurred for these operating segments as a whole and therefore, they are not included in the measure of the segments' performance which is used by the chief operating decision-makers as a basis for the purpose of resource allocation and assessment of segment performance. Interest income, other gains/(losses), net, finance costs, net, share of profit/(loss) of associates and joint ventures, net and income tax expense are not allocated to individual operating segment, either.

There were no material inter-segment sales during the three and six months ended 30 June 2022 and 2021. 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.

Other information, together with the segment information, provided to the chief operating decision-makers, is measured in a manner consistent with that applied in the Interim Financial Information. There was no segment assets or segment liabilities information provided to the chief operating decision-makers.

Notes to the Interim Financial Information

6 SEGMENT INFORMATION AND REVENUES (continued)

(a) Description of segments and principal activities (continued)

The segment information provided to the chief operating decision-makers for the reportable segments for the three and six months ended 30 June 2022 and 2021 is as follows:

	Unaudited				Total RMB'Million
	Three months ended 30 June 2022				
	VAS RMB'Million	FinTech and		Others RMB'Million	
		Online Advertising RMB'Million	Business Services RMB'Million		
Segment revenues	<u>71,683</u>	<u>18,638</u>	<u>42,208</u>	<u>1,505</u>	<u>134,034</u>
Gross profit/(loss)	<u>36,303</u>	<u>7,566</u>	<u>14,075</u>	<u>(77)</u>	<u>57,867</u>
Cost of revenues					
Depreciation	1,534	1,738	2,395	6	5,673
Amortisation	<u>4,574</u>	<u>1,682</u>	<u>39</u>	<u>532</u>	<u>6,827</u>

	Unaudited				Total RMB'Million
	Three months ended 30 June 2021				
	VAS RMB'Million	FinTech and		Others RMB'Million	
		Online Advertising RMB'Million	Business Services RMB'Million		
Segment revenues	<u>72,013</u>	<u>22,833</u>	<u>41,892</u>	<u>1,521</u>	<u>138,259</u>
Gross profit	<u>38,123</u>	<u>11,136</u>	<u>13,420</u>	<u>66</u>	<u>62,745</u>
Cost of revenues					
Depreciation	1,442	1,255	2,654	27	5,378
Amortisation	<u>4,833</u>	<u>1,911</u>	<u>17</u>	<u>494</u>	<u>7,255</u>

Notes to the Interim Financial Information

6 SEGMENT INFORMATION AND REVENUES (continued)

(a) Description of segments and principal activities (continued)

	Unaudited				
	Six months ended 30 June 2022				
	VAS	FinTech and		Others	Total
		Online	Business		
RMB'Million	Advertising RMB'Million	Services RMB'Million	RMB'Million	RMB'Million	
Segment revenues	<u>144,421</u>	<u>36,626</u>	<u>84,976</u>	<u>3,482</u>	<u>269,505</u>
Gross profit	<u>72,986</u>	<u>14,160</u>	<u>27,574</u>	<u>221</u>	<u>114,941</u>
Cost of revenues					
Depreciation	3,248	3,296	4,896	33	11,473
Amortisation	<u>9,520</u>	<u>4,041</u>	<u>103</u>	<u>980</u>	<u>14,644</u>

	Unaudited				
	Six months ended 30 June 2021				
	VAS	FinTech and		Others	Total
		Online	Business		
RMB'Million	Advertising RMB'Million	Services RMB'Million	RMB'Million	RMB'Million	
Segment revenues	<u>144,456</u>	<u>44,653</u>	<u>80,920</u>	<u>3,533</u>	<u>273,562</u>
Gross profit	<u>78,033</u>	<u>20,970</u>	<u>26,018</u>	<u>359</u>	<u>125,380</u>
Cost of revenues					
Depreciation	2,856	2,480	5,288	50	10,674
Amortisation	<u>9,518</u>	<u>3,803</u>	<u>30</u>	<u>1,101</u>	<u>14,452</u>

The reconciliation of gross profit to profit before income tax is shown in the consolidated income statement.

All the revenues derived from any single external customer were less than 10% of the Group's total revenues during the three and six months ended 30 June 2022 and 2021.

Notes to the Interim Financial Information

6 SEGMENT INFORMATION AND REVENUES (continued)

(b) Disaggregation of revenue from contracts with customers

In the following table, revenue of the Group from contracts with customers is disaggregated by revenue source. The table also includes a reconciliation to the segment information (Note 6(a)).

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Revenue from contracts with customers				
– VAS	71,683	72,013	144,421	144,456
<i>Games</i>	42,471	42,970	86,041	86,620
<i>Social networks</i>	29,212	29,043	58,380	57,836
– Online Advertising	18,638	22,833	36,626	44,653
<i>Social and others advertising</i>	16,140	19,504	31,805	38,000
<i>Media advertising</i>	2,498	3,329	4,821	6,653
– FinTech and Business Services	42,208	41,892	84,976	80,920
– Others	1,505	1,521	3,482	3,533
	134,034	138,259	269,505	273,562

Notes to the Interim Financial Information

7 OTHER GAINS, NET

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Net gains on disposals and deemed disposals of investee companies (Note (a))	4,971	6,106	23,863	9,590
Subsidies and tax rebates	2,890	2,221	5,810	4,751
Net fair value gains on FVPL (Note (b) and Note 17)	1,432	14,580	1,077	29,320
Dividend income	702	390	745	540
Impairment provision for investee companies, goodwill and other intangible assets arising from acquisitions (Note (c))	(2,831)	(3,372)	(9,834)	(3,422)
Donations (Note (d))	(1,265)	–	(2,538)	(1,600)
Net fair value losses on other financial instruments	(733)	(282)	(658)	(173)
Others	(746)	1,120	(912)	1,278
	4,420	20,763	17,553	40,284

Note:

- (a) The disposal and deemed disposal gains of approximately RMB23,863 million recognised during the six months ended 30 June 2022 mainly comprised the following:
- gain of approximately RMB18,481 million arising from partial divestment of Sea Limited (NYSE: SE), an existing associate of the Group, details of which are explained in Note 16(b); and
 - aggregate net gains of approximately RMB2,570 million (six months ended 30 June 2021: approximately RMB3,254 million) on disposals, partial disposals or deemed disposals of various investments of the Group, and net gains of approximately RMB2,812 million (six months ended 30 June 2021: approximately RMB6,336 million) on dilution of the Group's equity interests due to new equity interests being issued by certain associates and a joint venture. These investee companies are principally engaged in games development, insurance and Internet-related businesses.

Notes to the Interim Financial Information

7 OTHER GAINS, NET (continued)

Note: (continued)

- (b) During the three and six months ended 30 June 2022, the net fair value gains on FVPL comprised net gains of approximately RMB1,301 million and RMB893 million as a result of increases in valuations of certain investee companies (three and six months ended 30 June 2021: approximately RMB14,559 million and RMB29,297 million, respectively), and net gains of approximately RMB131 million and RMB184 million associated with treasury investments (three and six months ended 30 June 2021: approximately RMB21 million and RMB23 million, respectively).
- (c) The impairment provision for investee companies, goodwill and other intangible assets arising from acquisitions mainly comprised the following:

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Investments in associates (Note 16(c))	2,743	3,194	9,743	3,194
Investments in joint ventures and others	88	27	91	27
Goodwill and other intangible assets arising from acquisitions	–	151	–	201
	2,831	3,372	9,834	3,422

- (d) During the three and six months ended 30 June 2022, donations mainly included approximately RMB1,251 million and RMB2,504 million for the Sustainable Social Value and Common Prosperity Programmes of the Group (collectively defined as “SSV & CPP”) (three and six months ended 30 June 2021: nil).

Notes to the Interim Financial Information

8 EXPENSES BY NATURE

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Transaction costs (Note (a))	29,976	30,960	60,875	62,613
Employee benefits expenses (Note (b))	27,550	23,987	56,779	44,388
Content costs (excluding amortisation of intangible assets)	16,157	16,091	31,890	30,910
Amortisation of intangible assets (Note (c) and Note 13)	7,644	7,995	16,241	15,838
Bandwidth and server custody fees (excluding depreciation of right-of-use assets)	7,906	6,552	15,382	12,767
Depreciation of property, plant and equipment, investment properties and right-of-use assets	7,262	6,463	14,584	12,821
Promotion and advertising expenses	5,290	7,694	10,629	14,175

Note:

- (a) Transaction costs primarily consist of bank handling fees, channel and distribution costs.
- (b) During the three and six months ended 30 June 2022, the Group had incurred expenses for the purpose of research and development of approximately RMB15,010 million and RMB30,393 million, respectively (three and six months ended 30 June 2021: approximately RMB12,828 million and RMB24,129 million, respectively), which mainly comprised employee benefits expenses of approximately RMB12,191 million and RMB25,258 million, respectively (three and six months ended 30 June 2021: approximately RMB10,528 million and RMB19,970 million, respectively).

No significant development expenses had been capitalised for the three and six months ended 30 June 2022 and 2021.

During the three and six months ended 30 June 2022, employee benefits expenses included the share-based compensation expenses of approximately RMB6,507 million and RMB14,643 million, respectively (three and six months ended 30 June 2021: approximately RMB6,202 million and RMB9,906 million, respectively), which contained those incurred for employees related to SSV & CPP of approximately RMB18 million and RMB34 million, respectively (three and six months ended 30 June 2021: nil).

Notes to the Interim Financial Information

8 EXPENSES BY NATURE (continued)

Note: (continued)

- (c) Amortisation charges of intangible assets are mainly in respect of media content including video and music content, game licenses, and other content. During the three and six months ended 30 June 2022, amortisation of media content was approximately RMB6,670 million and RMB14,308 million, respectively (three and six months ended 30 June 2021: approximately RMB7,274 million and RMB14,429 million, respectively).

During the three and six months ended 30 June 2022, amortisation of intangible assets included the amortisation of intangible assets arising from business combinations of approximately RMB1,255 million and RMB2,643 million, respectively (three and six months ended 30 June 2021: approximately RMB1,124 million and RMB2,186 million, respectively).

- (d) During the three and six months ended 30 June 2022, expenses incurred related to SSV & CPP (excluding share-based compensation expenses) were approximately RMB119 million and RMB214 million, respectively (three and six months ended 30 June 2021: nil).
- (e) During the three and six months ended 30 June 2022, expenses incurred for regulatory fines in the Mainland of China and certain litigation settlements were approximately RMB176 million and RMB181 million, respectively (three and six months ended 30 June 2021: nil), of which approximately RMB12 million and RMB17 million (three and six months ended 30 June 2021: nil) were included in "Other gains, net".

9 FINANCE COSTS, NET

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Interest and related expenses	2,327	1,912	4,430	3,638
Exchange (gains)/losses, net	(518)	30	(686)	(329)
	1,809	1,942	3,744	3,309

Interest and related expenses mainly arose from the borrowings, notes payable and lease liabilities as disclosed in Note 26, 27 and 15(b), respectively.

Notes to the Interim Financial Information

10 TAXATION

(a) Income tax expense

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

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

The Group was not subject to any taxation in the Cayman Islands and the British Virgin Islands for the three and six months ended 30 June 2022 and 2021.

(ii) 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 six months ended 30 June 2022 and 2021.

(iii) 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 six months ended 30 June 2022 and 2021. The general PRC CIT rate is 25% for the three and six months ended 30 June 2022 and 2021.

Certain subsidiaries of the Company in the Mainland of China were approved as High and New Technology Enterprise, and they were subject to a preferential corporate income tax rate of 15% for the three and six months ended 30 June 2022 and 2021. Moreover, according to announcement and circular issued by relevant government authorities, a subsidiary which was qualified as a 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 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.

Notes to the Interim Financial Information

10 TAXATION (continued)

(a) Income tax expense (continued)

(iv) Corporate income tax in other jurisdictions

Income tax on profit arising from other jurisdictions, including the United States, Europe, Asia and South America, had been calculated on the estimated assessable profit for the three and six months ended 30 June 2022 and 2021 at the respective rates prevailing in the relevant jurisdictions, ranging from 12.5% to 35%.

(v) 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 fulfillment of certain conditions.

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

The income tax expense of the Group for the three and six months ended 30 June 2022 and 2021 is analysed as follows:

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Current income tax	5,709	4,272	12,727	12,651
Deferred income tax (Note 21)	(1,141)	(606)	(2,890)	(1,739)
	<u>4,568</u>	<u>3,666</u>	<u>9,837</u>	<u>10,912</u>

Notes to the Interim Financial Information

10 TAXATION (continued)

(b) Value-added tax and other taxes

The operations of the Group are also mainly subject to the following taxes in the PRC:

Category	Tax rate	Basis of levy
Value-added tax (“VAT”)	6~13%	Sales value of goods sold and services fee income, offset by VAT on purchases
Cultural construction fee	3% (Note (i))	Taxable advertising income
City construction tax	7%	Net VAT payable amount
Educational surcharge	5%	Net VAT payable amount

Note:

- (i) Effective from 1 July 2019 to 31 December 2024, the rate of cultural construction fee has been reduced by 50% in certain regions, while during the period from 1 January 2020 to 31 December 2021, this fee was fully exempted.

11 EARNINGS PER SHARE

(a) Basic

Basic earnings per share (“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 June		Six months ended 30 June	
	2022	2021	2022	2021
Profit attributable to equity holders of the Company (RMB’Million)	<u>18,619</u>	<u>42,587</u>	<u>42,032</u>	<u>90,354</u>
Weighted average number of ordinary shares in issue (million shares)	<u>9,542</u>	<u>9,523</u>	<u>9,538</u>	<u>9,519</u>
Basic EPS (RMB per share)	<u>1.951</u>	<u>4.472</u>	<u>4.407</u>	<u>9.492</u>

Notes to the Interim Financial Information

11 EARNINGS PER SHARE (continued)

(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 on the Group's diluted EPS.

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
Profit attributable to equity holders of the Company (RMB'Million)	18,619	42,587	42,032	90,354
Dilution effect arising from share-based awards issued by non wholly-owned subsidiaries and associates (RMB'Million)	(88)	(57)	(191)	(206)
Profit attributable to equity holders of the Company for the calculation of diluted EPS (RMB'Million)	18,531	42,530	41,841	90,148
Weighted average number of ordinary shares in issue (million shares)	9,542	9,523	9,538	9,519
Adjustments for share options and awarded shares (million shares)	133	172	147	175
Weighted average number of ordinary shares for the calculation of diluted EPS (million shares)	9,675	9,695	9,685	9,694
Diluted EPS (RMB per share)	1.915	4.387	4.320	9.299

Notes to the Interim Financial Information

12 DIVIDENDS

(a) Final dividends

A final dividend in respect of the year ended 31 December 2021 of HKD1.60 per share (2020: HKD1.60 per share) was proposed pursuant to a resolution passed by the Board on 23 March 2022 and approved by the shareholders at the 2022 annual general meeting of the Company held on 18 May 2022. Such dividend amounting to HKD15,260 million (2021: HKD15,238 million) was paid during the six months ended 30 June 2022.

(b) Interim dividend by way of distribution in specie

On 23 December 2021, the Board resolved to declare a distribution of a special interim dividend by the Company in the form of a distribution in specie of approximately 457 million Class A ordinary shares of JD.com to the shareholders. The share certificates of the relevant shares of JD.com (“JD.com Shares”) in respect of the distribution to qualifying shareholders under the Distribution in Specie were dispatched to qualifying shareholders on 25 March 2022 (the “Share Certificate Dispatch Date”).

Dividends payable for distribution in specie was approximately RMB84.6 billion right before the Share Certificate Dispatch Date, measured at fair value using the market price of the JD.com Shares to be distributed. Fair value changes on the dividends payable amounting to approximately RMB17.1 billion from 1 January 2022 to the Share Certificate Dispatch Date were recognised in equity as a result of the changes in the fair value of the JD.com Shares to be distributed. Upon the dispatch of the share certificates of the JD.com Shares to be distributed, the assets held for distribution (Note 23) and dividends payable for distribution in specie were derecognised and the cumulated fair value losses of assets held for distribution amounting to approximately RMB11.8 billion were transferred from other reserves to retained earnings.

The Board did not declare any interim dividend for the six months ended 30 June 2022 and 2021.

Notes to the Interim Financial Information

13 PROPERTY, PLANT AND EQUIPMENT, CONSTRUCTION IN PROGRESS, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

	Unaudited			
	Property, plant and equipment RMB'Million	Construction in progress RMB'Million	Investment properties RMB'Million	Intangible assets RMB'Million
Net book amount at 1 January 2022	61,914	5,923	517	171,376
Business combinations	88	1	–	12,491
Additions	7,176	1,802	–	12,601
Transfers	981	(1,038)	57	–
Disposals	(39)	(1)	–	(635)
Depreciation/amortisation	(11,270)	–	(5)	(16,241)
Impairment	–	–	–	(51)
Currency translation differences	223	4	–	(1,823)
Net book amount at 30 June 2022	59,073	6,691	569	177,718
Net book amount at 1 January 2021	59,843	4,939	583	159,437
Business combinations	15	1	–	7,216
Additions	11,033	1,963	–	15,357
Transfers	1,102	(1,090)	(12)	–
Disposals	(77)	–	–	(549)
Depreciation/amortisation	(10,665)	–	(12)	(15,838)
Impairment	–	–	–	(184)
Currency translation differences	(110)	(8)	–	(3,535)
Net book amount at 30 June 2021	61,141	5,805	559	161,904

Non-financial assets that have an indefinite life are not subject to amortisation or depreciation, but are tested for impairment whenever there is any indication of impairment or at least annually. Non-financial assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable.

There was no indication of impairment for property, plant and equipment, construction in progress and investment properties during the six months ended 30 June 2022 and 2021.

Notes to the Interim Financial Information

14 LAND USE RIGHTS

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'Million	RMB'Million
Net book amount at 1 January	17,728	16,091
Additions	856	99
Amortisation	(270)	(235)
Currency translation differences	7	(2)
Net book amount at 30 June	18,321	15,953

The land use rights mainly represented prepaid operating lease payments in respect of land in the Mainland of China with remaining lease periods of 27 to 49 years.

15 LEASES (EXCLUDING LAND USE RIGHTS)

(a) Amounts recognised in the consolidated statement of financial position

Movement of right-of-use assets (excluding land use rights, disclosed in Note 14) is analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'Million	RMB'Million
Net book amount at 1 January	20,468	12,929
Business combinations	168	16
Additions	5,322	3,179
Reduction (Note)	(272)	(126)
Depreciation	(3,310)	(2,144)
Currency translation differences	246	(85)
Net book amount at 30 June	22,622	13,769

Note:

The reduction of right-of-use assets during the six months ended 30 June 2022 and 2021 mainly arose from the early termination and modification of lease contracts.

Notes to the Interim Financial Information

15 LEASES (EXCLUDING LAND USE RIGHTS) (continued)

(b) Amounts recognised in consolidated income statement and consolidated statement of cash flows

The consolidated income statement included the following amounts relating to leases (excluding the amortisation of land use rights, disclosed in Note 14):

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Depreciation charge of right-of-use assets				
Buildings	845	501	1,650	1,005
Computer and other operating equipment	821	582	1,645	1,127
Others	7	6	14	12
	1,673	1,089	3,309	2,144
Interest expense (included in finance costs, net)	260	166	542	322
Expense relating to short-term leases not included in lease liabilities (included in cost of revenues and expenses)	435	425	902	834
Expense relating to variable lease payments not included in lease liabilities (included in cost of revenues and expenses)	1,407	1,180	2,710	2,305

Some leases of computer and other operating equipment contain variable lease payments. Variable payments are used for a variety of reasons, including managing cash outflows and minimising the fixed costs. Variable lease payments that depend on usage of bandwidth are recognised in profit or loss in the period in which the conditions that trigger those payments occur. Variable lease payments relating to computer and other operating equipment leases during the six months ended 30 June 2022 were considered to be insignificant.

The total cash outflow in financing activities for leases during six months ended 30 June 2022 was approximately RMB3,359 million (six months ended 30 June 2021: RMB2,346 million), including principal elements of lease payments of approximately RMB2,885 million (six months ended 30 June 2021: RMB2,022 million) and related interest paid of approximately RMB474 million (six months ended 30 June 2021: RMB324 million), respectively.

Notes to the Interim Financial Information

16 INVESTMENTS IN ASSOCIATES

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'Million	RMB'Million
Investments in associates		
– Listed entities (Note)	179,853	200,785
– Unlisted entities	130,356	115,789
	310,209	316,574

Note:

As at 30 June 2022, the fair value of the investments in associates consisting of directly and indirectly held listed equity interests was approximately RMB470,031 million (31 December 2021: RMB634,661 million).

Movement of investments in associates is analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'Million	RMB'Million
At beginning of period	316,574	297,609
Additions (Note (a))	6,988	26,413
Transfers	398	32,710
Dilution gains on deemed disposals	2,782	6,336
Share of profit/(loss) of associates, net	(10,822)	(2,580)
Share of other comprehensive income of associates	51	710
Share of other changes in net assets of associates	3,349	2,650
Dividends	(263)	(155)
Disposals (Note (b))	(1,203)	(2,468)
Impairment provision (Note (c) and Note 7(c))	(9,743)	(3,194)
Currency translation differences	2,098	(1,344)
At end of period	310,209	356,687

Notes to the Interim Financial Information

16 INVESTMENTS IN ASSOCIATES (continued)

Note:

- (a) During the six months ended 30 June 2022, the Group's additions to investments in associates comprised certain new associates and additional investments in existing associates with an aggregate amount of approximately RMB6,988 million. These associates are principally engaged in games development, FinTech, High-tech manufacturing, comic development and other Internet-related businesses.
- (b) On 4 January 2022, the Group entered into a transaction to divest an aggregate of 14,492,751 Class A ordinary shares of Sea Limited with a carrying amount of approximately RMB825 million, and to convert all its supervoting Class B ordinary shares to Class A ordinary shares (collectively, the "Transaction"). Upon the completion of the Transaction, the Group's equity interest in Sea Limited was reduced from 21.3% to 18.7% with its voting power reduced to less than 10%, and a disposal gain of approximately RMB18,481 million was recognised in "Other gains, net" (Note 7(a)). Since the Group still has a board representative after the completion of the Transaction and has significant influence on Sea Limited, this investment continues to be accounted for as an associate.
- (c) Both external and internal sources of information of associates are considered in assessing whether there is any indication that the investments may be impaired, including but not limited to financial position, business performance and market capitalisation. The Group carries out impairment assessment on those investments with impairment indicators, and the respective recoverable amounts of investments are determined with reference to the higher of fair value less costs of disposal and value in use.

In respect of the recoverable amount using value in use, the discounted cash flows calculations are based on cash flow projections estimated by management and the key assumptions adopted in these cash flow projections included revenue growth rates, profit margins and discount rates. In respect of the recoverable amount based on fair value less costs of disposal, the amount is calculated with reference to their respective market prices, or using certain key valuation assumptions including the selection of comparable companies, recent market transactions and liquidity discount for lack of marketability.

During the six months ended 30 June 2022, an aggregate impairment loss of approximately RMB9,743 million (six months ended 30 June 2021: RMB3,194 million) had been recognised for associates with impairment indicators, and the majority of these associates' recoverable amounts were determined using fair value less costs of disposal where the respective fair values had been determined according to the principle set out in Note 5(c).

Management had assessed the level of influence that the Group was able to exercise on certain associates with the respective shareholding below 20% and certain associates with shareholding over 50% (voting power below 50%), with total carrying amounts of RMB206,479 million and RMB19,047 million as at 30 June 2022, respectively (31 December 2021: RMB214,927 million and RMB18,675 million, respectively). Management had determined that it had significant influence thereon through the board of directors representation or other arrangements made, but it had no control nor joint control over such investees since the Group had no power to direct relevant activities due to other arrangements made. Consequently, these investments had been classified as associates.

Notes to the Interim Financial Information

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

FVPL include the following:

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'Million	RMB'Million
Included in non-current assets:		
Investments in listed entities	12,434	19,802
Investments in unlisted entities	181,695	163,382
Treasury investments and others	10,269	9,000
	<u>204,398</u>	<u>192,184</u>
Included in current assets:		
Investments in listed entities	3	4
Treasury investments and others	14,759	10,569
	<u>14,762</u>	<u>10,573</u>
	<u><u>219,160</u></u>	<u><u>202,757</u></u>

Movement of FVPL is analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'Million	RMB'Million
At beginning of period	202,757	172,537
Additions and transfers (Note (a))	19,289	3,469
Changes in fair value (Note 7(b))	1,077	29,320
Disposals and others	(12,102)	(14,488)
Currency translation differences	8,139	(2,506)
	<u>219,160</u>	<u>188,332</u>
At end of period	<u><u>219,160</u></u>	<u><u>188,332</u></u>

Notes to the Interim Financial Information

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Note:

- (a) During the six months ended 30 June 2022, the Group's additions and transfers mainly comprised the following:
- (i) new investments and additional investments with an aggregate amount of approximately RMB23,909 million made in listed entities, unlisted entities and treasury investments. These companies are principally engaged in social media platforms and other Internet-related businesses; and
 - (ii) an existing investee company engaged in O2O service platform with an amount of approximately RMB4,390 million had been redesignated as FVOCI upon the conversion of its preferred shares into ordinary shares upon its IPO.
- (b) Management had assessed the level of influence that the Group was able to exercise on certain FVPL with shareholding exceeding 20%. Since these investments were either held in the form of redeemable instruments or interests in limited partnerships without significant influence, these investments had been classified as FVPL.

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

FVOCI include the following:

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'Million	RMB'Million
Equity investments in listed entities	119,255	227,788
Equity investments in unlisted entities	23,134	22,392
Treasury investments	1,174	77
	143,563	250,257

Notes to the Interim Financial Information

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Movement of FVOCI is analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'Million	RMB'Million
At beginning of period	250,257	213,091
Additions and transfers (Note (a))	12,158	21,900
Changes in fair value	(120,864)	64,758
Disposals	(4,495)	(6,647)
Currency translation differences	6,507	(1,602)
At end of period	143,563	291,500

Note:

- (a) During the six months ended 30 June 2022, except as described in Note 17(a)(ii), the Group's additions and transfers mainly comprised the following:
- (i) additional investment in a listed entity engaged in social network platform of approximately USD392 million (equivalent to approximately RMB2,521 million);
 - (ii) new investments and additional investments with an aggregate amount of approximately RMB4,175 million made in listed entities, unlisted entities and treasury investments. These companies are principally engaged in FinTech services and other Internet-related businesses;
 - (iii) an existing investee company with a carrying amount of approximately RMB1,757 million had been transferred from investment in an associate to FVOCI as a result of resignation of the board of directors representative in that associate; and
 - (iv) an existing investee company engaged in games development with a carrying amount of approximately RMB657 million had been transferred from investment in FVOCI to a subsidiary upon completion of a business combination (Note 36).

Notes to the Interim Financial Information

19 PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'Million	RMB'Million
Included in non-current assets:		
Prepayments for media contents and game licences	18,678	18,518
Prepayments for capital transactions	7,050	6,717
Loans to investees and investees' shareholders (Note (a))	3,902	4,058
Running royalty fees for online games (Note (b))	626	445
Others	7,079	7,439
	37,335	37,177
Included in current assets:		
Prepayments and prepaid expenses	18,110	18,714
Running royalty fees for online games (Note (b))	15,398	15,795
Receivables related to financial services	11,115	10,343
Interest receivables	6,296	5,604
Loans to investees and investees' shareholders (Note (a))	1,643	1,154
Refundable VAT	1,624	1,151
Lease and other deposits	1,267	1,290
Dividend and other investment-related receivables	802	1,128
Others	9,900	10,211
	66,155	65,390
	103,490	102,567

Note:

- (a) As at 30 June 2022, the balances of loans to investees and investees' shareholders were mainly repayable within a period of one to five years (included in non-current assets), or within one year (included in current assets), and were interest-bearing at rates of not higher than 10.0% per annum (31 December 2021: not higher than 12.0% per annum).
- (b) Running royalty fees for online games comprised prepaid royalty fees, unamortised running royalty fees and deferred Online Service Fees.

As at 30 June 2022, the carrying amounts of prepayments, deposits and other assets (excluding prepayments and refundable VAT) approximated their fair values. As at 30 June 2022, loss allowance made against the gross amounts of deposits and other assets had not been significant.

Notes to the Interim Financial Information

20 OTHER FINANCIAL ASSETS

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'Million	RMB'Million
Measured at amortised cost:		
Treasury investments	<u>897</u>	<u>1,284</u>
Measured at fair value:		
Interest rate swap (Note)	<u>5,270</u>	1,253
Others	<u>294</u>	<u>473</u>
	<u>5,564</u>	<u>1,726</u>
	<u>6,461</u>	<u>3,010</u>
Included in:		
Non-current assets	<u>5,366</u>	1,261
Current assets	<u>1,095</u>	<u>1,749</u>
	<u>6,461</u>	<u>3,010</u>

Note:

The Group's outstanding interest rate swap contracts were measured at fair value. As at 30 June 2022, the aggregate notional principal amounts of these outstanding interest rate swap contracts were USD14,348 million (equivalent to approximately RMB96,295 million) (31 December 2021: USD13,598 million (equivalent to approximately RMB86,697 million)).

Notes to the Interim Financial Information

21 DEFERRED INCOME TAXES

The movements of deferred income tax assets/liabilities are as follows:

	Deferred	Unaudited	
	income tax	Deferred	Deferred
	assets	income tax	income tax,
	RMB'Million	liabilities	net
	RMB'Million	RMB'Million	RMB'Million
At 1 January 2022	26,068	(13,142)	12,926
Business combinations	63	(567)	(504)
Credited to consolidated income statement (Note 10)	2,688	202	2,890
Withholding taxes paid	–	1,600	1,600
Credited to consolidated statement of changes in equity	332	77	409
Currency translation differences	214	(72)	142
Set-off of deferred income tax assets/liabilities	(501)	501	–
	<u>28,864</u>	<u>(11,401)</u>	<u>17,463</u>
At 30 June 2022			
At 1 January 2021	21,348	(16,061)	5,287
Business combinations	13	(483)	(470)
Credited/(charged) to consolidated income statement (Note 10)	2,259	(520)	1,739
Withholding taxes paid	–	838	838
Credited to consolidated statement of changes in equity	206	41	247
Currency translation differences	(48)	150	102
Set-off of deferred income tax assets/liabilities	(807)	807	–
	<u>22,971</u>	<u>(15,228)</u>	<u>7,743</u>
At 30 June 2021			

Note:

Deferred income tax assets and liabilities have been set off when there is a legally enforceable right to set off current tax assets and liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Notes to the Interim Financial Information

22 ACCOUNTS RECEIVABLE

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

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'Million	RMB'Million
0 ~ 30 days	20,299	21,639
31 ~ 60 days	12,507	13,255
61 ~ 90 days	6,220	6,105
Over 90 days	10,420	8,332
	49,446	49,331

The majority of the Group's accounts receivable were denominated in RMB.

Receivable balances as at 30 June 2022 and 31 December 2021 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 30 to 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.

As at 30 June 2022 and 31 December 2021, loss allowance made against the gross amounts of accounts receivable had not been significant.

As at 30 June 2022 and 31 December 2021, the carrying amounts of the accounts receivable approximated their fair values.

23 ASSETS HELD FOR DISTRIBUTION

As at 31 December 2021, assets held for distribution represented the JD.com Shares held by the Group to be distributed in specie as the interim dividend declared on 23 December 2021. Fair value losses amounting to approximately RMB17.1 billion from 1 January 2022 to the Share Certificate Dispatch Date were recorded in other comprehensive income as a result of the changes in the fair value of the JD.com Shares to be distributed.

These assets were distributed to the shareholders of the Company on 25 March 2022.

Notes to the Interim Financial Information

24 SHARE CAPITAL

As at 30 June 2022 and 31 December 2021, the authorised share capital of the Company comprised 50,000,000,000 ordinary shares with par value of HKD0.00002 per share.

Number of ordinary shares, issued and fully paid	Unaudited	
	Six months ended 30 June	
	2022	2021
At beginning of period	9,608,378,469	9,593,912,711
Shares allotted for the share award schemes	28,898,665	–
Issuance of shares under share option schemes	1,176,244	1,987,296
Repurchase and cancellation of shares	(16,104,400)	–
At end of period	9,622,348,978	9,595,900,007

As at 30 June 2022, the total number of issued ordinary shares of the Company included 83,138,616 shares (31 December 2021: 69,902,440 shares) held under the share award schemes.

25 SHARE-BASED PAYMENTS

(a) Share option schemes

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

The Pre-IPO Option Scheme, the Post-IPO Option Scheme I, the Post-IPO Option Scheme II and the Post-IPO Option Scheme III expired on 31 December 2011, 23 March 2014, 16 May 2017 and 13 May 2019, respectively. Upon the expiry of these schemes, no further options would be granted under these schemes, but the options granted prior to such expiry continued to be valid and exercisable in accordance with provisions of the schemes. As at 30 June 2022, 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.

Notes to the Interim Financial Information

25 SHARE-BASED PAYMENTS (continued)

(a) Share option schemes (continued)

The Company allowed 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 exercised their options.

(i) Movements in share options

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

	Post-IPO Option		Unaudited Post-IPO Option		Total Number of options
	Scheme II		Scheme IV		
	Average exercise price	Number of options	Average exercise price	Number of options	
At 1 January 2022 (Note)	HKD191.64	35,146,117	HKD402.75	81,689,281	116,835,398
Granted	–	–	HKD384.08	7,261,887	7,261,887
Exercised	HKD146.42	(550,305)	HKD292.18	(625,939)	(1,176,244)
Lapsed/forfeited/waived	HKD135.50	(19,476)	HKD584.78	(1,009,372)	(1,028,848)
At 30 June 2022	HKD192.39	34,576,336	HKD399.88	87,315,857	121,892,193
Exercisable as at 30 June 2022	HKD192.34	34,464,261	HKD374.06	39,696,325	74,160,586
At 1 January 2021	HKD205.36	37,435,134	HKD380.50	67,806,750	105,241,884
Granted	–	–	HKD617.78	8,592,228	8,592,228
Exercised	HKD156.24	(915,026)	HKD324.73	(1,072,270)	(1,987,296)
Lapsed/forfeited	–	–	HKD393.63	(174,851)	(174,851)
At 30 June 2021	HKD206.60	36,520,108	HKD408.39	75,151,857	111,671,965
Exercisable as at 30 June 2021	HKD206.56	36,398,295	HKD383.52	27,658,828	64,057,123

Note:

As a result of the Distribution in Specie (Note 12(b)), pursuant to the scheme rules of the Post-IPO Option Scheme II and the Post-IPO Option Scheme IV, adjustments had been made to the exercise prices of the outstanding share options thereunder as at the Ex-dividend Date, and were reflected in the average exercise prices of related outstanding share options listed above.

Notes to the Interim Financial Information

25 SHARE-BASED PAYMENTS (continued)

(a) Share option schemes (continued)

(i) Movements in share options (continued)

During the six months ended 30 June 2022, no options were granted to any executive director of the Company (six months ended 30 June 2021: 3,374,630 options were granted to an executive director of the Company) and 843,657 options previously granted were voluntarily waived.

During the six months ended 30 June 2022, 1,176,244 options (six months ended 30 June 2021: 1,987,296 options) were exercised. The weighted average price of the shares at the time these options were exercised was HKD413.41 per share (equivalent to approximately RMB340.34 per share) (six months ended 30 June 2021: HKD611.53 per share (equivalent to approximately RMB509.59 per share)).

(ii) Outstanding share options

Details of the expiry dates, exercise prices and the respective numbers of share options which remained outstanding as at 30 June 2022 and 31 December 2021 are as follows:

Expiry Date	Range of exercise price	Number of share options	
		Unaudited 30 June 2022	Audited 31 December 2021
7 years commencing from the date of grant of options (Post-IPO Option Scheme II and Post-IPO Option Scheme IV)	HKD135.50~HKD161.46	9,448,811	10,018,592
	HKD210.04~HKD272.36	29,329,458	29,843,566
	HKD314.78~HKD386.60	43,476,811	36,419,658
	HKD387.06~HKD423.29	22,179,659	22,179,659
	HKD474.15~HKD557.52	9,729,406	9,797,440
	HKD574.88~HKD618.00	7,728,048	8,576,483
		121,892,193	116,835,398

Notes to the Interim Financial Information

25 SHARE-BASED PAYMENTS (continued)

(a) Share option schemes (continued)

(ii) Outstanding share options (continued)

The outstanding share options as of 30 June 2022 were divided into one to four tranches on an equal basis as at their grant dates. The first tranche can be exercised after a specified period ranging from one month to five years from the grant date, and then the remaining tranches will become exercisable in each subsequent year.

(iii) Fair value of options

The directors of the Company had used the Binomial Model to determine the fair value of the options as at the respective grant dates, which is to be expensed over the relevant vesting period. The weighted average fair value of options granted during the six months ended 30 June 2022 was HKD119.18 per share (equivalent to approximately RMB96.95 per share) (six months ended 30 June 2021: HKD188.45 per share (equivalent to approximately RMB159.06 per share)).

Other than the exercise price mentioned above, significant judgments on parameters, such as risk-free rate, dividend yield and expected volatility, were required to be made by the directors in applying the Binomial Model, which are summarised as below:

	Unaudited	
	Six months ended 30 June	
	2022	2021
Weighted average share price at the grant date	HKD366.00	HKD609.33
Risk-free rate	2.11%	0.95% ~ 1.18%
Dividend yield	0.25%	0.23%
Expected volatility (Note)	34.00%	31.00% ~ 32.00%

Note:

The expected volatility, measured as the standard deviation of expected share price returns, is determined based on the average daily trading price volatility of the shares of the Company.

Notes to the Interim Financial Information

25 SHARE-BASED PAYMENTS (continued)

(b) Share award schemes

The Company has adopted three share award schemes (the “Share Award Schemes”) as of 30 June 2022, which are administered by an independent trustee appointed by the Group. The vesting period of the awarded shares is determined by the Board.

Movements in the number of awarded shares for the six months ended 30 June 2022 and 2021 are as follows:

	Number of awarded shares	
	Unaudited	
	Six months ended 30 June	
	2022	2021
At beginning of period	121,314,396	82,594,936
Granted (Note)	22,260,612	34,514,780
Lapsed/forfeited	(3,993,977)	(2,252,506)
Vested and transferred	(19,437,812)	(13,236,489)
At end of period	120,143,219	101,620,721
Vested but not transferred as at the end of period	18,243	12,131

Note:

As a result of the Distribution in Specie (Note 12(b)), pursuant to the scheme rules of the 2013 Share Award Scheme and the 2019 Share Award Scheme, adjustments had been made to the number of shares subject to share awards which remained unvested as at the Ex-dividend Date. The number of awarded shares granted during the six months ended 30 June 2022 included a total of 3,606,234 additional awarded shares which were awarded pursuant to such adjustments.

Notes to the Interim Financial Information

25 SHARE-BASED PAYMENTS (continued)

(b) Share award schemes (continued)

During the six months ended 30 June 2022, 52,000 awarded shares (excluding the additional 3,182 awarded shares awarded pursuant to adjustments as a result of the Distribution in Specie) were granted to four independent non-executive directors of the Company (six months ended 30 June 2021: 40,500 awarded shares were granted to four independent non-executive directors of the Company).

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date. The expected dividends during the vesting period had been taken into account when assessing the fair value of these awarded shares.

The weighted average fair value of awarded shares granted during the six months ended 30 June 2022 was HKD358.82 per share (equivalent to approximately RMB292.87 per share) (six months ended 30 June 2021: HKD609.18 per share (equivalent to approximately RMB513.23 per share)).

The outstanding awarded shares as of 30 June 2022 were divided into one to five tranches on an equal basis as at their grant dates. The first tranche can be exercised immediately or after a specified period ranging from one month to five years from the grant date, and the remaining tranches will become exercisable in each subsequent year.

(c) Employee investment schemes

For aligning the interests of key employees with the Group, the Group established several employees' investment plans in the form of limited liability partnerships (the "EIS"), among which the five EISs approved/established in 2014, 2015, 2016, 2017 and 2021 are in effect as at 30 June 2022. According to the term of the EISs, the Board may, at its absolute discretion, invite any qualifying participants of the Group, excluding any director of the Company, to participate in the EISs by subscribing for the partnership interest at cash consideration. The participating employees are entitled to the economic benefits generated by the EISs, if any, after a specified vesting period under the respective EISs, ranging from four to seven years. Wholly-owned subsidiaries of the Company acting as general partner of these EISs administer and in essence, control the EISs. These EISs are therefore consolidated by the Company as structured entities.

The related share-based compensation expenses incurred for the six months ended 30 June 2022 and 2021 were insignificant to the Group.

Notes to the Interim Financial Information

25 SHARE-BASED PAYMENTS (continued)

(d) Share options and share award schemes adopted by subsidiaries

Certain subsidiaries of the Company operate their own share-based compensation plans (share options and/or share award schemes). The exercise prices of their share options, as well as the vesting periods of the share options and awarded shares are determined by the respective board of directors of these subsidiaries at their sole discretion and in accordance with the relevant rules. The share options or restricted shares of the subsidiaries granted are normally vested by several tranches. Participants of some subsidiaries have the right to request the Group to repurchase their vested equity interests of the respective subsidiaries (the “Repurchase Transaction”). The Group has discretion to settle the Repurchase Transaction either by using equity instruments of the Company or by cash. For the Repurchase Transaction which the Group has settlement options, the directors of the Company are currently of the view that some of them would be settled by equity instruments of the Company. As a result, they are accounted for using the equity-settled share-based payment method. For some of them to be settled in cash, they are accounted for using cash-settled share-based payment method.

(e) Expected retention rate of grantees

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of vesting periods of the options and awarded shares (the “Expected Retention Rate”) in order to determine the amount of share-based compensation expenses charged to the consolidated income statement. As at 30 June 2022, the Expected Retention Rate of the Group’s wholly-owned subsidiaries was assessed to be not lower than 89% (31 December 2021: not lower than 89%).

Notes to the Interim Financial Information

26 BORROWINGS

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'Million	RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD bank borrowings, unsecured (Note (a))	143,007	136,874
Non-current portion of long-term RMB bank borrowings, unsecured (Note (a))	19,512	–
Non-current portion of long-term JPY bank borrowings, unsecured (Note (a))	38	47
Non-current portion of long-term JPY bank borrowings, secured (Note (a))	3	4
Non-current portion of long-term EUR bank borrowings, unsecured (Note (a))	9	–
Non-current portion of long-term EUR bank borrowings, secured (Note (a))	8	11
	162,577	136,936
Included in current liabilities:		
RMB bank borrowings, unsecured (Note (b))	16,894	13,340
RMB bank borrowings, secured (Note (b))	200	200
GBP bank borrowings, secured (Note (b))	163	–
USD bank borrowings, secured (Note (b))	39	–
Current portion of long-term USD bank borrowings, unsecured (Note (a))	3,154	4,061
Current portion of long-term JPY bank borrowings, unsecured (Note (a))	15	16
Current portion of long-term JPY bank borrowings, secured (Note (a))	1	1
Current portion of long-term EUR bank borrowings, unsecured (Note (a))	4	1,083
Current portion of long-term EUR bank borrowings, secured (Note (a))	3	2
Current portion of long-term RMB bank borrowings, unsecured (Note (a))	–	300
	20,473	19,003
	183,050	155,939

Notes to the Interim Financial Information

26 BORROWINGS (continued)

Note:

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

	Unaudited 30 June 2022		Audited 31 December 2021	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
USD bank borrowings	USD21,718	LIBOR + 0.80% ~ 1.27%	USD22,045	LIBOR + 0.80% ~ 1.27%
USD bank borrowings	USD60	1.41%	USD60	1.41%
RMB bank borrowings	RMB19,512	2.93% ~ 4.80%	RMB300	5.70%
JPY bank borrowings	JPY1,111	0.00% ~ 1.86%	JPY1,234	0.00% ~ 2.50%
JPY bank borrowings	JPY44	TIBOR + 1.70%	–	–
EUR bank borrowings	EUR3	1.00% ~ 2.54%	EUR152	0.52% ~ 1.00%

The zero interest rate of JPY borrowings was due to the special interest exemption for COVID-19 by Tokyo Metropolitan Government.

The long-term bank borrowings are repayable as follows:

	Unaudited 30 June 2022 RMB'Million	Audited 31 December 2021 RMB'Million
Within 1 year	3,177	5,463
Between 1 and 2 years	36,666	7,733
Between 2 and 5 years	101,075	129,197
Over 5 years	24,836	6
	165,754	142,399

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

	Unaudited 30 June 2022		Audited 31 December 2021	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
RMB bank borrowings	RMB17,094	2.45% ~ 4.50%	RMB13,540	2.45% ~ 5.10%
GBP bank borrowings	GBP20	SONIA + 1.75%	–	–
USD bank borrowings	USD6	SOFR + 1.75% ~ 3.19%	–	–

Notes to the Interim Financial Information

26 BORROWINGS (continued)

The Group had entered into interest rate swap contracts to hedge its exposure arising from its certain long-term bank borrowings carried at floating rates. The Group's outstanding interest rate swap contracts as at 30 June 2022 and 31 December 2021 are detailed in Note 20 and Note 29.

As at 30 June 2022, the carrying amounts of borrowings approximated their fair values.

The Group had complied with all of the financial covenants of its borrowing facilities for the six months ended 30 June 2022 and 2021.

27 NOTES PAYABLE

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'Million	RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD notes payable	143,232	145,590
Included in current liabilities:		
Current portion of long-term USD notes payable	10,062	–
	153,294	145,590

Note:

The aggregate principal amounts of notes payable and applicable interest rates are as follows:

	Unaudited		Audited	
	30 June 2022		31 December 2021	
	Amount	Interest rate	Amount	Interest rate
	(Million)	(per annum)	(Million)	(per annum)
USD notes payable	USD1,250	LIBOR + 0.605%	USD1,250	LIBOR + 0.605%
		~ 0.910%		~ 0.910%
USD notes payable	USD21,700	1.375% ~ 4.700%	USD21,700	1.375% ~ 4.700%

The Group had entered into interest rate swap contracts to hedge its exposure arising from its certain senior notes carried at floating rates. The Group's outstanding interest rate swap contracts as at 30 June 2022 and 31 December 2021 are detailed in Note 20 and Note 29.

Notes to the Interim Financial Information

27 NOTES PAYABLE (continued)

Notes payable are repayable as follows:

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'Million	RMB'Million
Within 1 year	10,062	–
Between 1 and 2 years	13,403	9,554
Between 2 and 5 years	18,068	29,883
More than 5 years	111,761	106,153
	<u>153,294</u>	<u>145,590</u>

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

As at 30 June 2022, the fair value of the notes payable amounted to RMB135,187 million (31 December 2021: RMB150,998 million). The respective fair values were assessed based on the active market prices of these notes at the reporting dates or by making reference to similar instruments traded in the observable market.

28 LONG-TERM PAYABLES

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'Million	RMB'Million
Payables relating to media content and running royalty fee for online games	6,212	7,049
Cash-settled share-based compensation payables	623	615
Payables relating to capital transactions	321	133
Others	2,815	2,169
	<u>9,971</u>	<u>9,966</u>

Notes to the Interim Financial Information

29 OTHER FINANCIAL LIABILITIES

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'Million	RMB'Million
Measured at amortised cost:		
Redemption liabilities (Note (a))	7,021	6,664
Measured at fair value:		
Contingent consideration	2,079	2,405
Interest rate swap (Note (b))	2	358
Others	277	39
	2,358	2,802
	9,379	9,466
Included in:		
Non-current liabilities	5,470	5,912
Current liabilities	3,909	3,554
	9,379	9,466

Note:

- (a) It comprised redemption liabilities arising from put option arrangements made with non-controlling shareholders of acquired subsidiaries of approximately RMB7,021 million (31 December 2021: RMB6,664 million).
- (b) It represented the Group's outstanding interest rate swap contracts measured at fair value. As at 30 June 2022, the aggregate notional principal amounts of these outstanding interest rate swap contracts were USD950 million (equivalent to approximately RMB6,376 million) (31 December 2021: USD2,825 million (equivalent to approximately RMB18,011 million)).

Notes to the Interim Financial Information

30 ACCOUNTS PAYABLE

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

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'Million	RMB'Million
0 ~ 30 days	101,114	102,396
31 ~ 60 days	1,327	2,999
61 ~ 90 days	245	1,329
Over 90 days	2,433	2,746
	<u>105,119</u>	<u>109,470</u>

31 OTHER PAYABLES AND ACCRUALS

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'Million	RMB'Million
Staff costs and welfare accruals	19,912	28,713
Selling and marketing expenses accruals	6,963	7,668
General and administrative expenses accruals	3,768	3,371
Purchase consideration payables for investee companies	1,883	2,179
Purchase of land use rights and construction related costs	1,422	845
Interests payable	1,304	1,279
Prepayments received from customers and others	665	649
Others (Note)	17,409	15,878
	<u>53,326</u>	<u>60,582</u>

Note:

Others primarily consist of deposits from third parties, reserve for platform services, sundry payables and other accruals.

Notes to the Interim Financial Information

32 DEFERRED REVENUE

Deferred revenue mainly comprised contract liabilities in relation to the unamortised virtual items, prepaid subscription fees, prepaid tokens or cards, prepaid advertising and cloud services fees, Internet traffic and other supports to be offered under business co-operation arrangements to certain investee companies in the future periods measured at their fair values on the inception dates, and customer loyalty incentives offered to the customers.

33 CONTINGENCIES

The Group had no material contingent liabilities outstanding as at 30 June 2022.

34 COMMITMENTS

(a) Capital commitments

Capital commitments as at 30 June 2022 and 31 December 2021 are analysed as follows:

	Unaudited 30 June 2022 RMB'Million	Audited 31 December 2021 RMB'Million
Contracted:		
Construction/purchase of buildings and purchase of land use rights	2,614	3,337
Purchase of other property, plant and equipment	170	286
Capital investments in investees	13,619	12,798
	16,403	16,421

(b) Other commitments

The future aggregate minimum payments under non-cancellable bandwidth, online game licensing and media contents agreements are as follows:

	Unaudited 30 June 2022 RMB'Million	Audited 31 December 2021 RMB'Million
Contracted:		
Not later than one year	14,321	15,481
Later than one year and not later than five years	13,426	11,392
Later than five years	6,492	6,113
	34,239	32,986

Notes to the Interim Financial Information

35 RELATED PARTY TRANSACTIONS

Except as disclosed in Note 19 (Loans to investees and investees' shareholders) and Note 25 (Share-based payments) to this Interim Financial Information, other significant transactions carried out between the Group and its related parties during the reporting periods are presented as follows. These related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Significant transactions with related parties

The Group has commercial arrangements with certain associates and joint ventures to provide Online Advertising services, FinTech and Business Services and other services, the revenues from which, for the six months ended 30 June 2022, amounted to RMB2,453 million, RMB19,850 million and RMB1,250 million, respectively (six months ended 30 June 2021: RMB5,798 million, RMB17,731 million and RMB1,413 million, respectively).

The Group has commercial arrangements with certain associates and joint ventures to purchase online game licenses and related services, film and television content and related services, FinTech and Business Services and others, the costs of which, for the six months ended 30 June 2022, amounted to RMB942 million, RMB2,024 million, RMB1,713 million and RMB574 million, respectively (six months ended 30 June 2021: RMB4,888 million, RMB3,272 million, RMB2,044 million and RMB825 million, respectively).

(b) Period end balances with related parties

As at 30 June 2022, trade receivables and other receivables from related parties arising from the above transactions were RMB11,449 million and RMB356 million, respectively (31 December 2021: RMB12,589 million and RMB161 million, respectively).

As at 30 June 2022, trade payables and other payables to related parties arising from the above transactions were RMB1,584 million and RMB187 million, respectively (31 December 2021: RMB2,257 million and RMB172 million, respectively).

The Group has certain business co-operation arrangements with certain associates, which are engaged in various Internet businesses including eCommerce, O2O platforms and FinTech services, in respect of the provision of various services such as FinTech services, business services and online advertising to these associates. As at 30 June 2022, contract liabilities arising from these business co-operation arrangements were RMB2,730 million (31 December 2021: RMB3,262 million).

Other than the transactions and balances disclosed above or elsewhere in the Interim Financial Information, the Group had no other material transactions with related parties during the six months ended 30 June 2022 and 2021, and no other material balances with related parties as at 30 June 2022 and 31 December 2021.

Notes to the Interim Financial Information

36 BUSINESS COMBINATION

Privatisation of Sumo Group PLC (“Sumo”)

On 17 January 2022, the Group completed the privatisation of Sumo, a then-existing listed investee classified as FVOCI (LSE: SUMO; with equity interests held of approximately 9%) of the Group, at a cash consideration of approximately GBP847 million (equivalent to approximately RMB7,289 million) for all of the remaining interest (“Privatisation”). As a result of the Privatisation, Sumo became a wholly-owned subsidiary of the Company upon the closing of the transaction and ceased to be a publicly traded company.

Goodwill of approximately RMB6,705 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 was expected to be deductible for income tax purpose.

The following table summarises the purchase consideration, fair value of assets acquired and liabilities assumed as at the acquisition date of Sumo.

	RMB'Million
Total consideration:	
Cash paid	7,289
Fair value of the previously held interests	657
	<hr/>
	7,946
	<hr/> <hr/>
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Intangible assets	1,044
Cash and cash equivalents	389
Other assets	949
Deferred income tax liabilities	(249)
Other payables and accruals	(358)
Other liabilities	(534)
	<hr/>
Total identifiable net assets	1,241
Goodwill	6,705
	<hr/>
	7,946
	<hr/> <hr/>

Note:

The Group's revenue for the six months ended 30 June 2022 would be increased by not more than 5% and results for the six months ended 30 June 2022 would not be materially different should the transaction had occurred on 1 January 2022.

The related transaction costs of the transaction were not material to the Group's consolidated financial information.

37 SUBSEQUENT EVENTS

There were no material subsequent events during the period from 1 July 2022 to the approval date of the Interim Financial Information.

Other Information

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2022, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or are deemed to have taken, under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

(A) Long position in the shares and underlying shares of the Company

Name of director	Nature of interest	Number of shares/ underlying shares held	Approximate % of shareholding (Note 7)
Ma Huateng	Corporate (Note 1)	804,859,700	8.36%
Lau Chi Ping Martin	Personal *	55,220,994 (Note 2)	0.57%
Li Dong Sheng	Personal *	45,953 (Note 3)	0.0005%
Ian Charles Stone	Personal * Family +	95,156 <hr/> 240,000 335,156 (Note 4)	0.003%
Yang Siu Shun	Personal *	55,987 (Note 5)	0.0006%
Ke Yang	Personal *	28,419 (Note 6)	0.0003%

Other Information

Note:

1. Advance Data Services Limited, a British Virgin Islands company wholly-owned by Mr Ma Huateng, holds 709,859,700 shares directly and 95,000,000 shares indirectly through its wholly-owned subsidiary, Ma Huateng Global Foundation.
2. The interest comprises 32,567,826 shares and 22,653,168 underlying shares in respect of the share options granted pursuant to the Post-IPO Option Scheme II and the Post-IPO Option Scheme IV. Details of the share options granted to this director are set out below under “Share Option Schemes”.
3. The interest comprises 24,977 shares and 20,976 underlying shares in respect of the Awarded Shares granted pursuant to the 2013 Share Award Scheme and the 2019 Share Award Scheme. Details of the Awarded Shares granted to this director are set out below under “Share Award Schemes”.
4. The interest comprises 293,207 shares and 41,949 underlying shares in respect of the Awarded Shares granted pursuant to the 2013 Share Award Scheme and the 2019 Share Award Scheme. Details of the Awarded Shares granted to this director are set out below under “Share Award Schemes”.
5. The interest comprises 18,741 shares and 37,246 underlying shares in respect of the Awarded Shares granted pursuant to the 2013 Share Award Scheme and the 2019 Share Award Scheme. Details of the Awarded Shares granted to this director are set out below under “Share Award Schemes”.
6. The interest comprises 7,839 shares and 20,580 underlying shares in respect of the Awarded Shares granted pursuant to the 2013 Share Award Scheme and the 2019 Share Award Scheme. Details of the Awarded Shares granted to this director are set out below under “Share Award Schemes”.
7. As at 30 June 2022, the total number of issued shares of the Company was 9,622,348,978.

* Interests of beneficial owner

+ Interests of spouse or child under 18 as beneficial owner

(B) Long position in the shares of associated corporations of the Company

Name of director	Name of associated corporation	Nature of interest	Number of shares and class of shares held	Approximate % of shareholding
Ma Huateng	Tencent Computer	Personal	RMB35,285,705 (registered capital)	54.29%
	Shiji Kaixuan	Personal	RMB5,971,427 (registered capital)	54.29%

Save as disclosed above, none of the directors or chief executive of the Company and their associates, had interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations as at 30 June 2022.

Other Information

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. As at 30 June 2022, there were no outstanding share options exercisable under 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, 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. Movements of the share options under the Post-IPO Option Scheme II and the Post-IPO Option Scheme IV during the six months ended 30 June 2022 are detailed in Note 25 to the Interim Financial Information as included in this interim report.

As at 30 June 2022, there were a total of 22,653,168 outstanding share options granted to a director of the Company, details of which are as follows:

Name of director	Date of grant	Number of share options				As at 30 June 2022	Exercise price HKD (Note 3)	Exercise period
		As at 1 January 2022	Granted during the period	Exercised during the period	Waived during the period			
Lau Chi Ping Martin	21 March 2016	3,750,000	-	-	-	3,750,000	144.70	21 March 2017 to 20 March 2023 (Note 1)
	24 March 2017	5,250,000	-	-	-	5,250,000	210.04	24 March 2018 to 23 March 2024 (Note 1)
	9 April 2018	2,411,850	-	-	-	2,411,850	389.62	9 April 2019 to 8 April 2025 (Note 1)
		803,950	-	-	-	803,950	389.36	
	4 April 2019	1,753,290	-	-	-	1,753,290	355.26	4 April 2020 to 3 April 2026 (Note 1)
		876,645	-	-	-	876,645	354.99	
		876,645	-	-	-	876,645	354.46	

Other Information

Name of director	Date of grant	Number of share options				As at 30 June 2022	Exercise price HKD (Note 3)	Exercise period
		As at 1 January 2022	Granted during the period	Exercised during the period	Waived during the period			
Lau Chi Ping Martin	20 March 2020	1,099,953	–	–	–	1,099,953	340.50	20 March 2021 to 19 March 2027 (Note 1)
		1,099,954	–	–	–	1,099,954	340.31	
		1,099,954	–	–	–	1,099,954	339.51	
		1,099,954	–	–	–	1,099,954	338.82	
	30 March 2021	843,657	–	–	843,657	–	618.00	30 March 2022 to 29 March 2028 (Note 1)
		843,657	–	–	–	843,657	588.46	
		843,658	–	–	–	843,658	587.93	
		843,658	–	–	–	843,658	587.39	
Total:	<u>23,496,825</u>	<u>–</u>	<u>–</u>	<u>843,657</u>	<u>22,653,168</u>			

Note:

- For options granted with exercisable date determined based on the grant date of options, the first 25% of the total options shall be vested and can be exercised 1 year after the grant date, and each 25% of the total options will be vested and become exercisable in each subsequent year.
- No options granted to the director were exercised, cancelled or lapsed, and 843,657 options were voluntarily waived by the director during the six months ended 30 June 2022.
- As a result of the Distribution in Specie, pursuant to the scheme rules of the Post-IPO Option Scheme II and the Post-IPO Option Scheme IV, adjustments had been made to the exercise prices of the share options which remained outstanding as at the Ex-dividend Date. The adjusted exercise prices of the share options are reflected above. Please refer to the announcement of the Company dated 14 March 2022 for details.

Other Information

Details of movements of share options granted to employees of the Group (apart from director(s) of the Company) during the six months ended 30 June 2022 are as follows:

Date of grant	Number of share options				As at 30 June 2022	Exercise price HKD (Note 13)	Exercise period
	As at 1 January 2022	Granted during the period	Exercised during the period (Note 12)	Lapsed/ forfeited during the period			
2 Apr 2015	180,000	–	180,000	–	–	149.80	2 Apr 2016 to 1 Apr 2022 (Note 3)
10 Jul 2015	296,451	–	238,025	19,476	38,950	135.50	10 Jul 2016 to 9 Jul 2022 (Note 3)
21 Mar 2016	5,215,000	–	–	–	5,215,000	144.70	21 Mar 2017 to 20 Mar 2023 (Note 3)
6 Jul 2016	132,280	–	132,280	–	–	174.86	6 Jul 2017 to 5 Jul 2023 (Note 3)
	444,861	–	–	–	444,861	161.46	
24 Mar 2017	826,650	–	–	–	826,650	210.04	24 Mar 2018 to 23 Mar 2024 (Note 1)
24 Mar 2017	19,050,875	–	–	–	19,050,875	210.04	24 Mar 2018 to 23 Mar 2024 (Note 3)
10 Jul 2017	4,469	–	–	–	4,469	256.06	10 Jul 2018 to 9 Jul 2024 (Note 2)
10 Jul 2017	239,864	–	239,864	–	–	272.36	10 Jul 2018 to 9 Jul 2024 (Note 3)
	4,458,222	–	233,659	40,285	4,184,278	256.06	
10 Jul 2017	6,336	–	–	–	6,336	256.08	10 Jul 2019 to 9 Jul 2024 (Note 4)
	7,150	–	300	–	6,850	256.06	
23 Nov 2017	71,190	–	–	–	71,190	399.83	23 Nov 2018 to 22 Nov 2024 (Note 2)
16 Jan 2018	132,050	–	–	–	132,050	423.29	16 Jan 2019 to 15 Jan 2025 (Note 2)
9 Apr 2018	1,873,075	–	–	–	1,873,075	389.62	9 Apr 2019 to 8 Apr 2025 (Note 1)
9 Apr 2018	191,555	–	–	–	191,555	389.62	9 Apr 2019 to 8 Apr 2025 (Note 2)
9 Apr 2018	12,439,239	–	–	–	12,439,239	389.62	9 Apr 2019 to 8 Apr 2025 (Note 3)
	4,180,520	–	–	–	4,180,520	389.36	
24 May 2018	26,390	–	–	–	26,390	387.06	24 May 2019 to 23 May 2025 (Note 2)
22 Jun 2018	13,055	–	–	–	13,055	383.14	22 Jun 2019 to 21 Jun 2025 (Note 1)
22 Jun 2018	70,525	–	–	–	70,525	383.14	22 Jun 2019 to 21 Jun 2025 (Note 2)

Other Information

Date of grant	Number of share options				As at 30 June 2022	Exercise price HKD (Note 13)	Exercise period
	As at 1 January 2022	Granted during the period	Exercised during the period (Note 12)	Lapsed/ forfeited during the period			
6 Jul 2018	113,608	–	109,775	3,833	–	386.60	6 Jul 2019 to 5 Jul 2025 (Note 3)
	2,164,080	–	5,801	24,150	2,134,129	366.84	
	1,103,629	–	–	10,098	1,093,531	366.38	
6 Jul 2018	2,024	–	–	–	2,024	366.84	6 Jul 2020 to 5 Jul 2025 (Note 4)
	2,013	–	–	–	2,013	366.38	
	2,013	–	–	–	2,013	365.68	
6 Jul 2018	647	–	–	–	647	366.84	6 Jul 2021 to 5 Jul 2025 (Note 5)
	4,532	–	–	–	4,532	366.38	
	4,533	–	–	–	4,533	365.68	
	4,534	–	–	–	4,534	365.19	
24 Aug 2018	17,780	–	–	–	17,780	335.25	24 Aug 2019 to 23 Aug 2025 (Note 2)
24 Aug 2018	1,995	–	–	–	1,995	335.25	6 Jul 2019 to 23 Aug 2025 (Note 8)
	665	–	–	–	665	333.81	
4 Apr 2019	193,866	–	300	–	193,566	355.26	4 Apr 2020 to 3 Apr 2026 (Note 1)
4 Apr 2019	1,141,558	–	–	–	1,141,558	355.26	4 Apr 2020 to 3 Apr 2026 (Note 3)
	570,780	–	–	–	570,780	354.99	
	570,782	–	–	–	570,782	354.46	
4 Apr 2019	17,500,000	–	–	–	17,500,000	354.31	4 Apr 2024 to 3 Apr 2026 (Note 6)
8 Jul 2019	44,614	–	32,136	12,478	–	359.04	8 Jul 2020 to 7 Jul 2026 (Note 3)
	714,173	–	1,146	–	713,027	339.90	
	492,350	–	–	–	492,350	339.46	
	489,089	–	–	–	489,089	338.69	
8 Jul 2019	3,000	–	–	–	3,000	339.90	8 Jul 2021 to 7 Jul 2026 (Note 4)
	3,001	–	–	–	3,001	339.46	
	3,001	–	–	–	3,001	338.69	
	3,003	–	–	–	3,003	338.03	

Other Information

Date of grant	Number of share options				As at 30 June 2022	Exercise price HKD (Note 13)	Exercise period
	As at 1 January 2022	Granted during the period	Exercised during the period (Note 12)	Lapsed/ forfeited during the period			
23 Aug 2019	9,870	–	–	–	9,870	315.52	15 Aug 2020 to 22 Aug 2026 (Note 10)
23 Aug 2019	16,949	–	–	–	16,949	315.95	15 Aug 2020 to 22 Aug 2026 (Note 8)
	16,949	–	–	–	16,949	315.52	
	16,949	–	–	–	16,949	314.78	
23 Aug 2019	99,731	–	–	–	99,731	315.95	15 Aug 2020 to 22 Aug 2026 (Note 7)
	53,498	–	–	–	53,498	315.52	
	53,499	–	–	–	53,499	314.78	
2 Dec 2019	82	–	–	–	82	317.53	15 Nov 2020 to 1 Dec 2026 (Note 10)
	17,582	–	–	–	17,582	316.91	
8 Jan 2020	74,340	–	–	–	74,340	360.78	15 Dec 2020 to 7 Jan 2027 (Note 10)
	37,170	–	–	–	37,170	359.81	
8 Jan 2020	17,500	–	–	–	17,500	360.78	15 Jan 2021 to 7 Jan 2027 (Note 10)
	8,750	–	–	–	8,750	359.82	
20 Mar 2020	2,140	–	2,140	–	–	359.60	21 Jan 2021 to 19 Mar 2027 (Note 9)
	102,255	–	–	–	102,255	340.50	
	190,658	–	818	–	189,840	340.47	
20 Mar 2020	597,545	–	–	–	597,545	340.50	20 Mar 2021 to 19 Mar 2027 (Note 8)
	646,205	–	–	–	646,205	340.31	
	646,205	–	–	–	646,205	339.51	
	670,536	–	–	–	670,536	338.82	
22 May 2020	16,613	–	–	–	16,613	406.98	15 May 2021 to 21 May 2027 (Note 10)
	16,613	–	–	–	16,613	406.50	
	16,614	–	–	–	16,614	405.70	
10 Jul 2020	18,860	–	–	18,860	–	546.50	5 Jul 2021 to 9 Jul 2027 (Note 8)
	325,203	–	–	260	324,943	520.29	
	338,737	–	–	261	338,476	520.16	
	338,812	–	–	261	338,551	518.51	
	338,859	–	–	261	338,598	518.25	

Other Information

Date of grant	Number of share options				As at 30 June 2022	Exercise price HKD (Note 13)	Exercise period
	As at 1 January 2022	Granted during the period	Exercised during the period (Note 12)	Lapsed/ forfeited during the period			
10 Jul 2020	876	-	-	-	876	520.16	5 Jul 2022 to 9 Jul 2027 (Note 8)
	877	-	-	-	877	518.51	
	877	-	-	-	877	518.25	
	877	-	-	-	877	518.08	
21 Aug 2020	12,232	-	-	-	12,232	491.48	15 Jul 2021 to 20 Aug 2027 (Note 9)
	12,233	-	-	-	12,233	491.22	
21 Aug 2020	3,511	-	-	-	3,511	491.48	15 Aug 2021 to 20 Aug 2027 (Note 10)
	3,512	-	-	-	3,512	491.16	
	3,512	-	-	-	3,512	490.57	
21 Aug 2020	1,239	-	-	-	1,239	491.48	15 Aug 2021 to 20 Aug 2027 (Note 8)
	1,240	-	-	-	1,240	491.16	
	1,242	-	-	-	1,242	490.57	
	1,243	-	-	-	1,243	490.30	
23 Nov 2020	54,353	-	-	-	54,353	557.52	15 Oct 2021 to 22 Nov 2027 (Note 9)
	54,355	-	-	-	54,355	557.28	
23 Nov 2020	2,951	-	-	-	2,951	557.52	15 Oct 2021 to 22 Nov 2027 (Note 10)
	2,952	-	-	-	2,952	557.28	
	2,952	-	-	-	2,952	556.65	
23 Nov 2020	4,206	-	-	-	4,206	557.52	15 Nov 2021 to 22 Nov 2027 (Note 8)
	4,206	-	-	-	4,206	557.23	
	4,206	-	-	-	4,206	556.59	
	4,207	-	-	-	4,207	555.91	
23 Dec 2020	7,014	-	-	-	7,014	547.29	15 Dec 2021 to 22 Dec 2027 (Note 9)
	7,014	-	-	-	7,014	546.94	
23 Dec 2020	35,069	-	-	-	35,069	547.29	15 Dec 2021 to 22 Dec 2027 (Note 10)
	35,069	-	-	-	35,069	546.94	
	35,069	-	-	-	35,069	546.44	

Other Information

Date of grant	Number of share options				As at 30 June 2022	Exercise price HKD (Note 13)	Exercise period
	As at 1 January 2022	Granted during the period	Exercised during the period (Note 12)	Lapsed/ forfeited during the period			
30 Mar 2021	531,351	–	–	2,388	528,963	588.81	8 Feb 2022 to 29 Mar 2028 (Note 9)
	531,559	–	–	2,390	529,169	588.52	
30 Mar 2021	25,083	–	–	–	25,083	588.81	8 Feb 2022 to 29 Mar 2028 (Note 8)
	25,083	–	–	–	25,083	588.52	
	25,084	–	–	–	25,084	588.00	
	25,085	–	–	–	25,085	587.47	
30 Mar 2021	1,444	–	–	–	1,444	588.81	15 Feb 2022 to 29 Mar 2028 (Note 10)
	1,444	–	–	–	1,444	588.52	
	1,445	–	–	–	1,445	588.00	
30 Mar 2021	761	–	–	–	761	588.81	15 Feb 2022 to 29 Mar 2028 (Note 8)
	762	–	–	–	762	588.52	
	763	–	–	–	763	588.00	
	763	–	–	–	763	587.45	
30 Mar 2021	966,958	–	–	–	966,958	588.81	30 Mar 2022 to 29 Mar 2028 (Note 8)
	966,958	–	–	–	966,958	588.46	
	966,961	–	–	–	966,961	587.93	
	966,964	–	–	–	966,964	587.39	
10 Jun 2021	2,944	–	–	–	2,944	576.17	5 Jul 2021 to 9 Jun 2028 (Note 8)
	2,944	–	–	–	2,944	576.07	
	2,945	–	–	–	2,945	575.42	
	2,945	–	–	–	2,945	574.88	
10 Jun 2021	50,534	–	–	–	50,534	576.14	15 May 2022 to 9 Jun 2028 (Note 10)
	50,536	–	–	–	50,536	575.50	
	50,537	–	–	–	50,537	575.01	

Other Information

Date of grant	Number of share options				As at 30 June 2022	Exercise price HKD (Note 13)	Exercise period
	As at 1 January 2022	Granted during the period	Exercised during the period (Note 12)	Lapsed/ forfeited during the period			
14 Jul 2021	5,292	–	–	5,292	–	556.50	5 Jul 2022 to 13 Jul 2028 (Note 8)
	1,986,044	–	–	10,706	1,975,338	529.43	
	1,986,342	–	–	10,708	1,975,634	528.86	
	1,986,635	–	–	10,711	1,975,924	528.24	
	1,986,971	–	–	10,714	1,976,257	527.66	
16 Nov 2021	57,632	–	–	–	57,632	477.31	15 Sep 2022 to 15 Nov 2028 (Note 10)
	57,632	–	–	–	57,632	476.59	
	57,633	–	–	–	57,633	474.28	
16 Nov 2021	5,231	–	–	–	5,231	475.09	15 Oct 2022 to 15 Nov 2028 (Note 10)
	5,231	–	–	–	5,231	474.37	
	5,232	–	–	–	5,232	474.15	
24 Mar 2022	–	35,803	–	–	35,803	384.08	5 Jul 2022 to 23 Mar 2029 (Note 8 and Note 11)
24 Mar 2022	–	1,589,461	–	2,059	1,587,402	384.08	27 Jan 2023 to 23 Mar 2029 (Note 9 and Note 11)
24 Mar 2022	–	9,282	–	–	9,282	384.08	15 Feb 2023 to 23 Mar 2029 (Note 10 and Note 11)
24 Mar 2022	–	29,919	–	–	29,919	384.08	15 Feb 2023 to 23 Mar 2029 (Note 8 and Note 11)
24 Mar 2022	–	5,597,422	–	–	5,597,422	384.08	24 Mar 2023 to 23 Mar 2029 (Note 8 and Note 11)
Total:	<u>93,338,573</u>	<u>7,261,887</u>	<u>1,176,244</u>	<u>185,191</u>	<u>99,239,025</u>		

Other Information

Note:

1. For options granted with exercisable date determined based on the grant date of options, the first 50% of the total options shall be vested and can be exercised 1 year after the grant date, and the remaining 50% of the total options will be vested and become exercisable in the subsequent year.
2. For options granted with exercisable date determined based on the grant date of options, the first 33.33% (one-third) of the total options shall be vested and can be exercised 1 year after the grant date, and each 33.33% (one-third) of the total options will be vested and become exercisable in each subsequent year.
3. For options granted with exercisable date determined based on the grant date of options, the first 25% of the total options shall be vested and can be exercised 1 year after the grant date, and each 25% of the total options will be vested and become exercisable in each subsequent year.
4. For options granted with exercisable date determined based on the grant date of options, the first 25% of the total options shall be vested and can be exercised 2 years after the grant date, and each 25% of the total options will be vested and become exercisable in each subsequent year.
5. For options granted with exercisable date determined based on the grant date of options, the first 25% of the total options shall be vested and can be exercised 3 years after the grant date, and each 25% of the total options will be vested and become exercisable in each subsequent year.
6. For options granted with exercisable date determined based on the grant date of options, 100% of the total options shall be vested and can be exercised 5 years after the grant date.
7. Subject to the satisfaction of certain conditions, the first 25% of the total options shall be vested and can be exercised on the dates as specified in the relevant grant letters, and each 25% of the total options will be vested and become exercisable in each subsequent year.
8. The first 25% of the total options shall be vested and can be exercised on the dates as specified in the relevant grant letters, and each 25% of the total options will be vested and become exercisable in each subsequent year.
9. The first 50% of the total options shall be vested and can be exercised on the dates as specified in the relevant grant letters, and the remaining 50% of the total options will be vested and become exercisable in the subsequent year.
10. The first 33.33% (one-third) of the total options shall be vested and can be exercised on the dates as specified in the relevant grant letters, and each 33.33% (one-third) of the total options will be vested and become exercisable in each subsequent year.
11. The closing price immediately before the date on which the options were granted on 24 March 2022 was HKD389 per share.
12. The weighted average closing price immediately before the date on which the options were exercised was HKD411.17 per share.
13. As a result of the Distribution in Specie, pursuant to the scheme rules of the Post-IPO Option Scheme II and the Post-IPO Option Scheme IV, adjustments had been made to the exercise prices of the share options which remained outstanding as at the Ex-dividend Date. The adjusted exercise prices of the share options are reflected above. Please refer to the announcement of the Company dated 14 March 2022 for details.
14. No options granted to the employees of the Group were cancelled during the six months ended 30 June 2022.

Movements of TME's share options

Details of movements of share options granted to employees and certain external consultants of TME under the share option plans adopted by TME, a subsidiary of the Company, during the six months ended 30 June 2022 are as follows:

Date of grant	Number of share options				As at 30 June 2022	Exercise price USD	Exercise period
	As at 1 January 2022	Granted during the period (Note 8)	Exercised during the period (Note 7)	Lapsed/ forfeited during the period			
Employees							
1 Mar 2015	292,744	–	83,334	–	209,410	0.000076	1 Mar 2016 to 28 Feb 2025 (Note 1)
1 Mar 2015	179,020	–	25,580	–	153,440	0.27	1 Mar 2016 to 28 Feb 2025 (Note 1)
30 Mar 2015	403,284	–	245,810	–	157,474	0.27	30 Mar 2016 to 29 Mar 2025 (Note 1)
1 Oct 2015	63,760	–	27,710	–	36,050	0.27	1 Oct 2016 to 30 Sep 2025 (Note 1)
31 Dec 2015	196,016	–	40,116	–	155,900	0.27	31 Dec 2016 to 30 Dec 2025 (Note 1)
1 Mar 2016	50,745	–	4,350	–	46,395	0.27	1 Mar 2017 to 28 Feb 2026 (Note 1)
31 Mar 2016	72,634	–	48,550	–	24,084	0.27	31 Mar 2017 to 30 Mar 2026 (Note 1)
30 Jun 2016	1,540,774	–	787,198	–	753,576	0.27	30 Jun 2017 to 29 Jun 2026 (Note 1)
16 Jun 2017	3,662	–	–	–	3,662	2.32	5 Jul 2017 to 15 Jun 2027 (Note 2)
16 Jun 2017	1,430,058	–	–	–	1,430,058	2.32	31 Mar 2018 to 15 Jun 2027 (Note 2)
31 Aug 2017	1,271,442	–	302,946	–	968,496	0.27	31 Aug 2018 to 30 Aug 2027 (Note 1)
20 Dec 2017	2,836,672	–	–	–	2,836,672	2.32	20 Dec 2018 to 19 Dec 2027 (Note 2)
16 Apr 2018	325,000	–	–	–	325,000	4.04	16 Apr 2019 to 15 Apr 2028 (Note 2)
17 Oct 2018	1,696,500	–	–	–	1,696,500	7.14	12 Jul 2019 to 16 Oct 2028 (Note 2)
17 Oct 2018	2,763,500	–	–	52,500	2,711,000	7.14	12 Jul 2020 to 16 Oct 2028 (Note 3)

Other Information

Date of grant	Number of share options				As at 30 June 2022	Exercise price USD	Exercise period
	As at 1 January 2022	Granted during the period (Note 8)	Exercised during the period (Note 7)	Lapsed/ forfeited during the period			
Employees							
14 Jun 2019	1,621,618	–	–	–	1,621,618	7.05	14 Jun 2020 to 13 Jun 2029 (Note 2)
12 Jun 2020	4,093,832	–	–	98,070	3,995,762	6.20	12 Jun 2021 to 11 Jun 2030 (Note 2)
15 Aug 2020	208,790	–	–	–	208,790	7.56	15 Aug 2021 to 14 Aug 2030 (Note 4)
15 Oct 2020	71,930	–	–	–	71,930	7.17	15 Oct 2021 to 14 Oct 2030 (Note 4)
15 Dec 2020	169,080	–	–	–	169,080	9.53	15 Dec 2021 to 14 Dec 2030 (Note 4)
15 May 2021	1,262,240	–	–	–	1,262,240	7.61	15 May 2022 to 14 May 2031 (Note 2)
15 Jul 2021	148,130	–	–	–	148,130	6.37	15 Jul 2022 to 14 Jul 2031 (Note 4)
30 Jul 2021	6,327,742	–	–	392,852	5,934,890	5.29	30 Jul 2022 to 29 Jul 2031 (Note 2)
15 Sep 2021	254,952	–	–	–	254,952	4.24	15 Sep 2022 to 14 Sep 2031 (Note 4)
15 Dec 2021	307,792	–	–	–	307,792	3.32	15 Dec 2022 to 14 Dec 2031 (Note 4)
15 Mar 2022	–	18,090	–	–	18,090	6.20	12 Jun 2022 to 11 Jun 2031 (Note 4 and Note 6)
15 Mar 2022	–	15,000	–	–	15,000	7.14	12 Jul 2022 to 11 Jul 2031 (Note 5 and Note 6)
15 Mar 2022	–	3,906,398	–	26,626	3,879,772	1.93	15 Mar 2023 to 14 Mar 2032 (Note 5 and Note 6)
15 Mar 2022	–	12,303,780	–	–	12,303,780	1.93	15 Mar 2023 to 14 Mar 2032 (Note 2 and Note 6)
Sub-total:	<u>27,591,917</u>	<u>16,243,268</u>	<u>1,565,594</u>	<u>570,048</u>	<u>41,699,543</u>		
External consultants							
1 Mar 2015	<u>192,801</u>	–	<u>120,000</u>	–	<u>72,801</u>	0.000076	1 Mar 2016 to 28 Feb 2025 (Note 1)
Sub-total:	<u>192,801</u>	–	<u>120,000</u>	–	<u>72,801</u>		
Total:	<u>27,784,718</u>	<u>16,243,268</u>	<u>1,685,594</u>	<u>570,048</u>	<u>41,772,344</u>		

Other Information

Note:

1. The first 25% of the total options shall be vested and can be exercised 1 year after the commencement dates as specified in the relevant grant letters, and each 12.5% of the total options will be vested and become exercisable in each subsequent six months.
2. Subject to the satisfaction of certain conditions, the first 25% of the total options shall be vested and can be exercised on the dates as specified in the relevant grant letters, and each 25% of the total options will be vested and become exercisable in each subsequent year.
3. The first 25% of the total options shall be vested and can be exercised 2 years after the commencement date as specified in the relevant grant letters, and each 25% of the total options will be vested and become exercisable in each subsequent year.
4. The first 33.33% (one-third) of the total options shall be vested and can be exercised 1 year after the commencement date as specified in the relevant grant letters, and each 33.33% (one-third) of the total options will be vested and become exercisable in each subsequent year.
5. The first 50% of the total options shall be vested and can be exercised 1 year after the commencement dates as specified in the relevant grant letters, and the remaining 50% of the total options will be vested and become exercisable in the subsequent year.
6. The closing price immediately before the date on which the options were granted on 15 March 2022 was USD1.56 per share.
7. The weighted average closing price immediately before the date on which the options were exercised by employees of TME was USD2.80 per share.

The weighted average closing price immediately before the date on which the options were exercised by certain external consultants of TME was USD2.80 per share.

8. The fair value of the options as at the respective grant date was determined using the “Enhanced FAS 123” binomial model which is to be expensed over the relevant vesting period. The weighted average fair value of options granted to employees of TME during the six months ended 30 June 2022 was USD0.92 per share. Other than the exercise price mentioned above, significant assumptions (which are subject to subjectivity and uncertainty) used to estimate the fair value of the options include risk-free rate (2.15%), dividend yield (nil) and expected volatility* (55%).

* The expected volatility was estimated based on the historical volatility of the share prices of similar United States public companies for a period equal to the expected life preceding the grant date.

9. No options granted to employees and certain external consultants of TME were cancelled during the six months ended 30 June 2022.

Other Information

Movements of HUYA's share options

Details of movements of share options granted to employees of HUYA under the share option scheme adopted by HUYA, a subsidiary of the Company, during the six months ended 30 June 2022 are as follows:

Date of grant	Number of share options				As at 30 June 2022	Exercise price USD	Exercise period
	As at 1 January 2022	Granted during the period	Exercised during the period (Note 1)	Lapsed/ forfeited during the period			
9 Aug 2017	159,000	–	15,500	–	143,500	2.55	Till 8 Aug 2027 (Note 2)
9 Aug 2017	<u>100,315</u>	<u>–</u>	<u>82,813</u>	<u>–</u>	<u>17,502</u>	2.55	Till 8 Aug 2027 (Note 2)
Total:	<u>259,315</u>	<u>–</u>	<u>98,313</u>	<u>–</u>	<u>161,002</u>		

Note:

1. The weighted average closing price immediately before the date on which the options were exercised was USD4.09 per share.
2. All outstanding options were granted before HUYA became our subsidiary, and became vested and exercisable prior to or upon HUYA becoming our subsidiary.
3. No options granted to the employees of HUYA were cancelled or lapsed during the six months ended 30 June 2022.

Movements of China Literature's share options

Details of movements of share options granted to directors and employees of China Literature under the share option plan adopted by China Literature, a subsidiary of the Company, during the six months ended 30 June 2022 are as follows:

Name of director	Date of grant	Number of share options				As at 30 June 2022	Exercise price HKD	Exercise period
		As at 1 January 2022	Granted during the period	Exercised during the period	Lapsed/ forfeited during the period			
Directors								
Cheng Wu	12 Jul 2021	2,900,000	–	–	–	2,900,000	82.85	12 Jul 2021 to 12 Jul 2031 (Note 1)
Hou Xiaonan	12 Jul 2021	2,175,000	–	–	–	2,175,000	82.85	12 Jul 2021 to 12 Jul 2031 (Note 1)
	Sub-total:	<u>5,075,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>5,075,000</u>		
Employees								
	12 Jul 2021	949,914	–	–	59,061	890,853	82.85	12 Jul 2022 to 12 Jul 2032 (Note 2)
	5 Nov 2021	1,786,539	–	–	–	1,786,539	53.14	5 Nov 2022 to 5 Nov 2032 (Note 2)
	Sub-total:	<u>2,736,453</u>	<u>–</u>	<u>–</u>	<u>59,061</u>	<u>2,677,392</u>		
	Total:	<u>7,811,453</u>	<u>–</u>	<u>–</u>	<u>59,061</u>	<u>7,752,392</u>		

Note:

1. The first 25% of the total options shall be vested and can be exercised after the grant date, and each 25% of the total options will be vested and become exercisable in each subsequent year.
2. The first 25% of the total options shall be vested and can be exercised 1 year after the grant date, and each 25% of the total options will be vested and become exercisable in each subsequent year.
3. No options granted to directors and employees of China Literature were exercised or cancelled during the six months ended 30 June 2022.

Other Information

Movements of Riot Games' share options

Details of movements of share options granted to employees of Riot Games under the share option scheme adopted by Riot Games, a subsidiary of the Company, during the six months ended 30 June 2022 are as follows:

Date of grant	Number of share options				As at 30 June 2022	Exercise price USD	Exercise period
	As at 1 January 2022 (Note 5)	Granted during the period (Note 4)	Exercised during the period	Lapsed/ forfeited during the period			
29 Dec 2021	915,108	–	–	–	915,108	91.79	29 Dec 2021 to 29 Dec 2031 (Note 1)
17 Jan 2022	–	1,076,914	–	–	1,076,914	91.79	12 Jan 2024 to 17 Jan 2032 (Note 2)
17 Jan 2022	–	64,590	–	–	64,590	91.79	12 Jan 2024 to 17 Jan 2032 (Note 3)
Total:	<u>915,108</u>	<u>1,141,504</u>	<u>–</u>	<u>–</u>	<u>2,056,612</u>		

Note:

- For options granted on 29 December 2021, the first 37.5% of the total options has been vested and became exercisable on 29 December 2021, and the remaining of the options granted will be vested and become exercisable according to the following schedule: 20.83% on 15 December 2022, 16.67% on 15 December 2023, 16.67% on 15 December 2024, and 8.33% on 15 December 2025. Each tranche of these options can be exercised from the time of the related vesting to a period of up to 10 years from the date of the grant.
- The options shall be vested and become exercisable (i) with respect to 30% of the shares underlying the option on the second (2nd) anniversary of the vesting commencement date, (ii) with respect to 30% of the shares underlying the option on the third (3rd) anniversary of the vesting commencement date, and (iii) with respect to 40% of the shares underlying the option on the fourth (4th) anniversary of the vesting commencement date (subject to the grantee remaining as an employee of Riot Games). The vesting commencement date is 12 January 2022. Each tranche of these options can be exercised from the time of vesting to a period of up to 10 years from the date of the grant.

Other Information

- The options shall be vested and become exercisable upon the satisfaction of (a) the Service-Vesting Component and (b) (i) Liquidity Event-Vesting Component to a period of up to 10 years from the date of the grant or (ii) upon obtaining the approval of local regulators (if required). The Service-Vesting Component and Liquidity Event-Vesting Component are defined below:

Service-Vesting Component: Subject to and conditioned upon the participant's continued status as an employee of Riot Games through the applicable service-vesting date, the participant shall satisfy the "Service-Vesting Component" (i) with respect to 30% of the options on the second (2nd) anniversary of the vesting commencement date, (ii) with respect to 30% of the options on the third (3rd) anniversary of the vesting commencement date, and (iii) with respect to 40% of the options on the fourth (4th) anniversary of the vesting commencement date, such that all options shall have satisfied the Service-Vesting Component on the fourth (4th) anniversary of the vesting commencement date. The vesting commencement date is 12 January 2022.

Liquidity Event-Vesting Component: With respect to any portion of the option that remains outstanding immediately prior thereto, the "Liquidity Event-Vesting Component" will be satisfied upon the first to occur of: (1) Riot Games becoming a publicly listed company where Riot Games' common stock is listed on one or more national securities exchange(s) or (2) the consummation of a change of control through merger, sale, or another qualifying transaction (in either case, a "Liquidity Event"), in each case, provided the Liquidity Event occurs on or prior to the expiration date of the options, which is a maximum of 10 years from the grant date.

- The fair value of the options as at the grant date in 2022 was determined using the Black-Scholes valuation model which is to be expensed over the relevant vesting period. The weighted average fair value of options granted during the six months ended 30 June 2022 was USD35.23 per share. Other than the exercise price mentioned above, significant assumptions (which are subject to subjectivity and uncertainty) used to estimate the fair value of the options including risk-free rate (1.7%), expected term (6.25 years), dividend yield (nil) and expected volatility* (36.3%).

* The expected volatility was estimated based on the average volatility of comparable publicly traded companies over the expected term.

- As at 1 January 2021 and 31 December 2021, there was nil and 915,108 outstanding options, respectively. The fair value of the options as at the grant date in 2021 was determined using the Black-Scholes valuation model which is to be expensed over the relevant vesting period. The weighted average fair value of options granted during the year ended 31 December 2021 was USD34.24 per share. Other than the exercise price mentioned above, significant assumptions (which are subject to subjectivity and uncertainty) used to estimate the fair value of the options including risk-free rate (1.4%), expected term (6.25 years), dividend yield (nil) and expected volatility* (35.6%).

* The expected volatility was estimated based on the average volatility of comparable publicly traded companies over the expected term.

- No options granted to employees of Riot Games were exercised, cancelled or lapsed during the year ended 31 December 2021 and the six months ended 30 June 2022.

Other Information

A summary of the share option plan of TME, which was approved by the Company's shareholders on 17 May 2017 (the "TME Plan"), is set out below:

1. Purpose
The purpose of the TME Plan is to motivate and reward its employees and other individuals who are expected to contribute significantly to the success of TME and its subsidiaries to perform at the highest level and to further the best interests of TME and its shareholders.
2. Eligible participants
 - a) Any employee of TME or any other individual who provides services to TME or any of its affiliates as determined by the compensation committee of the board of directors of TME or such other committee as may be designated by the board of directors of TME shall be eligible to receive an award under the TME Plan.
 - b) Holders of options and other types of awards granted by a company acquired by TME or with which TME combines with are eligible for grants of substitute awards under the TME Plan to the extent permitted under applicable regulations of any stock exchange on which TME is listed.
3. Maximum number of shares
The maximum number of Class A ordinary shares of TME available for issuance (as refreshed by the Company's shareholders at the extraordinary general meeting held on 18 May 2022) upon exercise of options which may be granted under the TME Plan is 118,884,829, which represents 3.5% of the total issued shares of TME and 7.1% of the total Class A ordinary shares of TME as at the date of this interim report, respectively.
4. Maximum entitlement of each participant
1% of the total outstanding shares of TME in issue from time to time within any 12-month period up to the date of the latest grant unless TME obtains the approval of the Company's shareholders.
5. Option period
The term of each option shall be fixed by the compensation committee of the board of directors of TME or such other committee as may be designated by the board of directors of TME but shall not exceed 10 years from the date of grant of such option. There is no minimum period for which an option must be held before it can be exercised.
6. Acceptance of offer
Options granted must generally be accepted within 28 days of the date of grant as specified in the award agreement. Grantees are not required to pay any premium for the acceptance of options.
7. Exercise price
Exercise price shall be at least the higher of (i) the nominal value of a TME share; (ii) the fair market value of a TME share of such option on the date of grant; and (iii) the average fair market value of a TME share of such option for the 5 business days immediately preceding the date of grant.
8. Remaining life of the scheme
No options shall be granted after 17 May 2027, being the 10th anniversary of the effective date, unless the TME Plan is otherwise terminated earlier.

Note:

The total number of options available for grant under the TME Plan is 45,621,523, which represents approximately 1.3% and 2.7% of the total issued shares and the total Class A ordinary shares of TME as at the date of this interim report, respectively.

Other Information

A summary of the share option plan of China Literature, which took effect on 24 May 2021 (the “China Literature Plan”), is set out below:

1. Purpose

The purpose of the China Literature Plan is to (i) provide incentives and rewards to the directors, employees, advisors, consultants and business partners of China Literature and its subsidiaries (the “China Literature Group”) for their contributions to, and continuing efforts to promote the interest of, China Literature; (ii) recognise the contributions that the eligible participants have made to China Literature with an opportunity to acquire a proprietary interest in China Literature; (iii) encourage and retain such individuals for the continual operation and development of the China Literature Group; (iv) provide additional incentives for them to achieve performance goals; (v) attract suitable personnel for further development of the China Literature Group; and (vi) motivate the participants to maximise the value of China Literature for the benefits of both the eligible participants and China Literature, with a view to achieving the objectives of increasing the value of the China Literature Group and aligning the interests of the eligible participants directly to the shareholders of China Literature through ownership of shares of China Literature.
2. Eligible Participants

(i) any employee (whether full time or part time), executives or officers, directors (including executive, non-executive and independent non-executive directors) of any member of the China Literature Group; and (ii) any individual or entity that is (as applicable) either (a) a business partner of (“Business Partner”) of (1) any member of the China Literature Group or (2) any entity in which any member of the China Literature Group holds an equity interest, and shall, for the purpose of the China Literature Plan, exclude any members of the China Literature Group (“Invested Entity”), (b) a consultant, adviser or agent of any member of the China Literature Group, any Invested Entity or any Business Partner or (c) an employee (whether full time or part time), executives or officers, directors (including executive, non-executive and independent non-executive directors) of any Invested Entity or any Business Partner who, in the sole opinion of the board of directors of China Literature, have contributed or will contribute to the growth and development of the China Literature Group or any Invested Entity.
3. Scheme Limit, refreshment of Scheme Limit and maximum number of shares which may be issued

A total of 25,470,141 shares may be granted under the China Literature Plan, representing 2.5% of the issued share capital as at the date of the adoption of the China Literature Plan (the “Scheme Limit”) and 2.5% of the issued share capital as at the date of this interim report, respectively, unless otherwise permitted by the Listing Rules or China Literature obtaining the approval of its shareholders to refresh the Scheme Limit.

China Literature may seek the approval of its shareholders in general meeting to refresh the Scheme Limit such that the total number of shares which may be issued upon exercise of all options that may be granted under the China Literature Plan and any other option scheme/plan involving the issue or grant of options over shares or other securities by China Literature under the limit as refreshed shall not exceed 10% of the issued share capital of China Literature as at the date of approval of the refreshed limit.

Other Information

3. Scheme Limit, refreshment of Scheme Limit and maximum number of shares which may be issued
(continued)

China Literature may seek the approval of its shareholders in general meeting to grant options which will result in the number of shares in respect of all the options granted under the China Literature Plan and all the options granted under any other option scheme exceeding 10% of the issued share capital of China Literature, provided that such options are granted only to participants specifically identified by China Literature before the approval of shareholders is sought.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the China Literature Plan and any other options granted and yet to be exercised under any other option scheme shall not exceed 30% of the issued share capital of China Literature from time to time.
4. Maximum entitlement of each eligible participant

No option may be granted to any eligible participant which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of the options already granted or to be granted to such eligible participant under the China Literature Plan (including exercised, cancelled and outstanding options) in the 12-month period up to and including the grant date of such new grant exceeding 1% in aggregate of the issued share capital of China Literature as at the grant date of such new grant. Any grant of further options above this limit shall be subject to the requirements provided under the Listing Rules.
5. Vesting schedule and exercise period

The board of directors of China Literature or the chairman of China Literature (as the case may be) may specify the exercise period and the vesting schedule of the options in the grant letter. Unless the options have been withdrawn and cancelled or been forfeited in whole or in part, the grantee may exercise his rights under the China Literature Plan according to the vesting schedule set out in the relevant grant letter. The option must be exercised no more than 10 years from the grant date. There is no minimum period for which an option must be held before it can be exercised.
6. Acceptance of offer

An amount of RMB1.00 must be paid by the grantee to China Literature upon acceptance of options within 3 days after such acceptance or other time as prescribed by China Literature, and such remittance shall not be refundable and shall not be deemed to be a part payment of the subscription price.
7. Subscription price

The subscription price shall be a price determined by the board of directors of China Literature or the chairman of China Literature (as the case may be) and notified to grantee and will be the highest of: (a) the closing price of a share as stated in the Stock Exchange's daily quotations sheet on the grant date of the relevant options, which must be a business day; (b) an amount equivalent to the average closing price of a share as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the grant date of the relevant options; and (c) the nominal value per share on the grant date.
8. Remaining life of the scheme

The China Literature Plan is valid and effective for a period of 10 years commencing on 24 May 2021, unless the China Literature Plan is otherwise terminated earlier.

Note:

The total number of options available for grant under the China Literature Plan is 17,658,688, which represents approximately 1.73% of the issued shares of China Literature as at the date of this interim report.

Other Information

A summary of the share option scheme of Riot Games, which was approved by the Company's shareholders on 14 May 2014 (the "Riot Scheme"), is set out below:

1. Purpose

To advance the interests of the stockholders of Riot Games by enhancing the ability of Riot Games and its direct and indirect subsidiaries (collectively, the "Riot Group") to attract, retain and motivate employees, consultants or directors of the Riot Group who make (or are expected to make) important contributions to the Riot Group by providing such persons with equity ownership opportunities and thereby better aligning the interests of such persons with those of Riot Games' stockholders.
2. Qualifying participants

Any employee, consultant or director of the Riot Group who have contributed or will contribute to the growth and development of the Riot Group.
3. Maximum number of shares

The maximum number of shares of common stock of Riot Games in respect of which options or other equity awards may be granted under the Riot Scheme shall be 10,486,542 shares of Riot Games, representing 10% of the outstanding common stock of Riot Games in issue on 14 May 2014 (the date of approval of the Riot Scheme by shareholders of the Company) and 8.0% of the outstanding common stock of Riot Games in issue as at the date of this interim report, respectively. The maximum number of shares of common stock of Riot Games which may be issued upon exercise of all outstanding options granted and yet to be exercised and other equity awards under the Riot Scheme and any other share schemes, must not in aggregate exceed 30% of the issued shares of common stock of Riot Games from time to time.
4. Maximum entitlement of each participant

1% of the issued shares of common stock of Riot Games from time to time within any 12-month period up to the date of the latest grant.
5. Option period

The option period is determined by the administrator of the Riot Scheme, provided that it shall not exceed 10 years from the date of grant of the options. The administrator of the Riot Scheme may require a minimum period for which an option must be held before it can be exercised.
6. Acceptance of Offer

The Riot Scheme does not specify any amount to be payable on application or acceptance of option and the period within which such payments must be paid. The administrator shall have authority to set all terms and conditions of the options.
7. Exercise price

The administrator of the Riot Scheme shall establish the exercise price of each option and specify the exercise price in the applicable award agreement, in compliance with applicable law from time to time. The exercise price shall be not less than 100% of the fair market value on the date the option is granted.
8. Remaining life of the scheme

It shall be valid and effective for a period of 10 years commencing on 14 May 2014. No awards shall be granted under the Riot Scheme after such period.

Note:

The total number of options and other equity awards available for grant under the Riot Scheme is 2,100,644, which represents approximately 1.6% of the issued shares of common stock of Riot Games as at the date of this interim report.

Other Information

SHARE AWARD SCHEMES

The Company has adopted three share award schemes, namely, the 2007 Share Award Scheme, the 2013 Share Award Scheme and the 2019 Share Award Scheme, in which eligible participants (including any director) of the Group will be entitled to participate.

2007 Share Award Scheme

Unless terminated earlier by the Board, the 2007 Share Award Scheme shall be valid and effective for a term of 15 years commencing on the Adoption Date I. The maximum number of shares which can be awarded under the 2007 Share Award Scheme and to a Selected Participant are limited to 2% (i.e. 178,776,160 shares) and 1% (i.e. 89,388,080 shares) of the issued shares of the Company respectively as at the Adoption Date I.

Pursuant to the 2007 Share Award Scheme, the Board shall select the Eligible Person(s) for participation in the 2007 Share Award Scheme and determine the number of shares to be awarded.

The Awarded Shares and the related income derived therefrom are subject to a vesting scale to be determined by the Board at the date of grant of the award. Vesting of the Awarded Shares will be conditional on the Selected Participants satisfying all vesting conditions specified by the Board at the time of making the award and, for the majority of the Selected Participants, the relevant Awarded Shares will be transferred to the Selected Participants on or after the relevant vesting dates.

2013 Share Award Scheme

The 2013 Share Award Scheme took effect on the Adoption Date II and is valid and effective unless and until being terminated on the earlier of: (i) the 15th anniversary date of the Adoption Date II; and (ii) such date of early termination as determined by the Board provided that such termination does not affect any subsisting rights of any Selected Participant. The maximum number of shares which can be awarded under the 2013 Share Award Scheme and to a Selected Participant are limited to 3% (i.e. 278,937,260 shares) and 1% (i.e. 92,979,085 shares) of the issued shares of the Company respectively as at the Adoption Date II.

Pursuant to the 2013 Share Award Scheme, the Board may, from time to time, at its absolute discretion select any Eligible Person to be a Selected Participant and grant to such Selected Participant Awarded Shares.

Subject to the rules of the 2013 Share Award Scheme, the vesting of the Awarded Shares is subject to the Selected Participant remaining at all times after the Grant Date and on the date of vesting an Eligible Person. Subject to the satisfaction of all vesting conditions as prescribed in the 2013 Share Award Scheme, the Selected Participants will be entitled to receive the Awarded Shares.

2019 Share Award Scheme

The 2019 Share Award Scheme took effect on the Adoption Date III and is valid and effective unless and until being terminated on the earlier of: (i) the 15th anniversary date of the Adoption Date III; and (ii) such date of early termination as determined by the Board provided that such termination does not affect any subsisting rights of any Selected Participant. The maximum number of shares which can be awarded under the 2019 Share Award Scheme and to a Selected Participant are limited to 2% (i.e. 191,047,317 shares) and 1% (i.e. 95,523,658 shares) of the issued shares of the Company respectively as at the Adoption Date III.

Pursuant to the 2019 Share Award Scheme, the Board may, from time to time, at its absolute discretion select any Eligible Person to be a Selected Participant and grant to such Selected Participant Awarded Shares.

Subject to the rules of the 2019 Share Award Scheme, the vesting of the Awarded Shares is subject to the Selected Participant remaining at all times after the Grant Date and on the date of vesting an Eligible Person. Subject to the satisfaction of all vesting conditions as prescribed in the 2019 Share Award Scheme, the Selected Participants will be entitled to receive the Awarded Shares.

For the above three share award schemes, upon granting of the Awarded Shares, shares will be acquired by the Trustee at the cost of the Company or shares will be allotted to the Trustee under the general mandate granted or to be granted by the shareholders of the Company at general meetings from time to time (except for those shares granted to the directors or substantial shareholders of the Company), and will be held in trust for the Selected Participants until the end of each vesting period. Vested shares will be transferred at no cost to the Selected Participants.

During the six months ended 30 June 2022, a total of 167,935 and 18,486,443 Awarded Shares were granted under the 2013 Share Award Scheme and the 2019 Share Award Scheme respectively and out of which, 52,000 Awarded Shares were granted to the independent non-executive directors of the Company under the 2019 Share Award Scheme. In addition, a total of 3,606,234 additional Awarded Shares were awarded pursuant to adjustments made as a result of the Distribution in Specie and out of which, 3,182 Awarded Shares were awarded to the independent non-executive directors of the Company. Details of the movements in the Share Award Schemes during the six months ended 30 June 2022 are set out in Note 25 to the Interim Financial Information as included in this interim report.

Other Information

As at 30 June 2022, there were a total of 120,751 outstanding Awarded Shares granted to the directors of the Company, details of which are as follows:

Name of director	Date of grant	Number of Awarded Shares					As at 30 June 2022	Vesting period
		As at 1 January 2022	Granted during the period	Additional Awarded Shares (Note)	Vested during the period	As at 30 June 2022		
Ian Charles Stone	9 April 2018	3,250	–	98	3,348	–	9 April 2019 to 9 April 2022	
	4 April 2019	8,500	–	255	4,377	4,378	4 April 2020 to 4 April 2023	
	20 March 2020	12,750	–	383	4,377	8,756	20 March 2021 to 20 March 2024	
	30 March 2021	14,000	–	420	3,605	10,815	30 March 2022 to 30 March 2025	
	24 March 2022	–	18,000	–	–	18,000	24 March 2023 to 24 March 2026	
	Total:	<u>38,500</u>	<u>18,000</u>	<u>1,156</u>	<u>15,707</u>	<u>41,949</u>		
Li Dong Sheng	9 April 2018	1,625	–	49	1,674	–	9 April 2019 to 9 April 2022	
	4 April 2019	4,250	–	128	2,188	2,190	4 April 2020 to 4 April 2023	
	20 March 2020	6,375	–	191	2,188	4,378	20 March 2021 to 20 March 2024	
	30 March 2021	7,000	–	210	1,802	5,408	30 March 2022 to 30 March 2025	
	24 March 2022	–	9,000	–	–	9,000	24 March 2023 to 24 March 2026	
	Total:	<u>19,250</u>	<u>9,000</u>	<u>578</u>	<u>7,852</u>	<u>20,976</u>		

Other Information

Name of director	Date of grant	Number of Awarded Shares					As at 30 June 2022	Vesting period
		As at 1 January 2022	Granted during the period	Additional Awarded Shares (Note)	Vested during the period	As at 30 June 2022		
Yang Siu Shun	9 April 2018	2,500	–	75	2,575	–	9 April 2019 to 9 April 2022	
	4 April 2019	7,500	–	225	3,862	3,863	4 April 2020 to 4 April 2023	
	20 March 2020	11,250	–	338	3,862	7,726	20 March 2021 to 20 March 2024	
	30 March 2021	12,500	–	375	3,218	9,657	30 March 2022 to 30 March 2025	
	24 March 2022	–	16,000	–	–	16,000	24 March 2023 to 24 March 2026	
Total:		<u>33,750</u>	<u>16,000</u>	<u>1,013</u>	<u>13,517</u>	<u>37,246</u>		
Ke Yang	23 August 2019	2,992	–	90	–	3,082	23 August 2020 to 23 August 2023	
	20 March 2020	4,500	–	135	1,545	3,090	20 March 2021 to 20 March 2024	
	30 March 2021	7,000	–	210	1,802	5,408	30 March 2022 to 30 March 2025	
	24 March 2022	–	9,000	–	–	9,000	24 March 2023 to 24 March 2026	
Total:		<u>14,492</u>	<u>9,000</u>	<u>435</u>	<u>3,347</u>	<u>20,580</u>		
Grand Total:		<u><u>105,992</u></u>	<u><u>52,000</u></u>	<u><u>3,182</u></u>	<u><u>40,423</u></u>	<u><u>120,751</u></u>		

Note:

As a result of the Distribution of Specie, pursuant to the scheme rules of the 2013 Share Award Scheme and the 2019 Share Award Scheme, adjustments had been made to the number of shares of the Company subject to share awards which remained unvested as at the Ex-dividend Date. The number of additional Awarded Shares awarded pursuant to the adjustment is shown above. Please refer to the announcement of the Company dated 14 March 2022 for details.

Other Information

BIOGRAPHICAL DETAILS AND OTHER INFORMATION OF DIRECTORS

Ma Huateng, age 50, is an executive director, Chairman of the Board and Chief Executive Officer of the Company. Mr Ma has overall responsibilities for strategic planning and positioning and management of the Group. Mr Ma is one of the core founders and has been employed by the Group since 1999. Prior to his current employment, Mr Ma was in charge of research and development for Internet paging system development at China Motion Telecom Development Limited, a supplier of telecommunications services and products in China. Mr Ma is a deputy to the 13th National People's Congress. Mr Ma has a Bachelor of Science degree specialising in Computer and its Application obtained in 1993 from Shenzhen University and more than 28 years of experience in the telecommunications and Internet industries. He is a director of Advance Data Services Limited, which has an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. Mr Ma also serves as a director of certain subsidiaries of the Company. Mr Ma is entitled to an annual base salary of RMB8,478,210 for the year 2022 which was covered by the current service contract with the Company and the basis of determining his emoluments including the base salary and bonus as set out in the service contract remained the same.

Lau Chi Ping Martin, age 49, is an executive director and President of the Company. Mr Lau joined the Company in 2005 as the Chief Strategy and Investment Officer and was responsible for corporate strategies, investments, mergers and acquisitions and investor relations. In 2006, Mr Lau was promoted to President of the Company to manage the day-to-day operation of the Company. In 2007, he was appointed as an executive director of the Company. Prior to joining the Company, Mr Lau was an executive director at Goldman Sachs (Asia) L.L.C.'s investment banking division and the Chief Operating Officer of its Telecom, Media and Technology Group. Prior to that, he worked at McKinsey & Company, Inc. as a management consultant. Mr Lau received a Bachelor of Science degree in Electrical Engineering from University of Michigan, a Master of Science degree in Electrical Engineering from Stanford University and an MBA degree from Kellogg Graduate School of Management, Northwestern University. Mr Lau is currently a non-executive director of Meituan, a leading eCommerce platform for services in China, that is publicly listed on the Stock Exchange. Mr Lau is also a director of Vipshop Holdings Limited, an online discount retailer company, that is listed on the New York Stock Exchange. Mr Lau was a non-executive director of Kingsoft Corporation Limited, an Internet based software developer, distributor and software service provider, that is publicly listed on the Stock Exchange, up to 23 August 2022. Mr Lau was a director of Leju Holdings Limited, an online-to-offline real estate services provider in China, up to 18 August 2020, DiDi Global Inc., a leading mobility technology platform in China, up to 13 April 2022, and TME, an online music entertainment platform in China, up to 26 May 2022, all of these companies are listed on the New York Stock Exchange. Mr Lau was also a director of JD.com, an online direct sales company in China, that is listed on NASDAQ and the Stock Exchange, up to 23 December 2021. Mr Lau also serves as a director/corporate representative of certain subsidiaries of the Company. Mr Lau is entitled to an annual base salary of USD1,270,080 for the year 2022 which was covered by the current service contract with the Company and the basis of determining his emoluments including the base salary and bonus as set out in the service contract remained the same.

Other Information

Jacobus Petrus (Koo) Bekker, age 69, has been a non-executive director since November 2012. Koo led the founding team of the M-Net/MultiChoice pay-television business in 1985. He was also a founder director of MTN in cellular telephony. Koo headed the MIH group in its international and Internet expansions until 1997, when he became chief executive of Naspers, which is listed on the Johannesburg Stock Exchange. He serves on the boards of other companies within the group and associates, as well as other bodies. In April 2015, he became non-executive chair. On 14 August 2019, he was appointed as non-executive chair of Prosus N.V., which is listed on Euronext Amsterdam and on the Johannesburg Stock Exchange. Academic qualifications include BA Hons and honorary doctorate in commerce (Stellenbosch University), LLB (University of the Witwatersrand) and MBA (Columbia University, New York). Koo as a non-executive director is not entitled to any director's fee or emoluments.

Charles St Leger Searle, age 58, has been a non-executive director since June 2001. Mr Searle is currently the Chief Executive Officer of Naspers Internet Listed Assets. He serves on the board of a number of companies associated with the Naspers Group, and was a director of VK Company Limited (formerly known as Mail.ru Group Limited) that is listed on the London Stock Exchange and the Moscow Exchange until his resignation on 4 March 2022. Mr Searle was a director of MakeMyTrip Limited that is listed on NASDAQ, up to 30 August 2019. Prior to joining the Naspers Group, he held positions at Cable & Wireless plc and at Deloitte & Touche in London and Sydney. Mr Searle is a graduate of the University of Cape Town and a member of the Institute of Chartered Accountants in Australia and New Zealand. Mr Searle has more than 28 years of international experience in the telecommunications and Internet industries. Mr Searle also serves as a director of certain subsidiaries of the Company. Mr Searle as a non-executive director is not entitled to any director's fee or emoluments.

Li Dong Sheng, age 65, has been an independent non-executive director since April 2004. Mr Li is the Chairman and Chief Executive Officer of TCL Technology Group Corporation that is listed on the Shenzhen Stock Exchange, and the strategic development consultant of TCL Electronics Holdings Limited that is listed on the Stock Exchange, both of which produce consumer electronic products. Mr Li graduated from South China University of Technology in 1982 with a Bachelor degree in radio technology and has more than 27 years of experience in the information technology field. Mr Li was a non-executive director of Fantasia Holdings Group Co., Limited, a leading property developer and property related service provider in China, that is listed on the Stock Exchange, up to 29 May 2020, and was the Chairman and an executive director of TCL Electronics Holdings Limited, up to 9 August 2021. Mr Li is entitled to a director's fee of HKD900,000 for the year 2022, which is determined with reference to his duties and responsibilities with the Company.

Ian Charles Stone, age 71, has been an independent non-executive director since April 2004. Mr Stone is currently an independent advisor on Technology, Media and Telecoms after retiring from PCCW in Hong Kong in 2011. His career in the last 32 years has been primarily in leading mobile telecoms businesses, and new wireless and Internet technology, during which time he held senior roles in PCCW, SmarTone, First Pacific, Hong Kong Telecom and CSL, as Chief Executive or at Director level, primarily in Hong Kong, and also in London and Manila. Since 2011, Mr Stone has provided telecoms advisory services to telecom companies and investors in Hong Kong (China), the Mainland of China, South East Asia and the Middle East and has more than 51 years of experience in the telecom and mobile industries. Mr Stone is also an independent director of Summit Healthcare Acquisition Corp. that is listed on NASDAQ. Mr Stone is a fellow member of The Hong Kong Institute of Directors. Mr Stone is entitled to a director's fee of HKD1,200,000 for the year 2022, which is determined with reference to his duties and responsibilities with the Company.

Other Information

Yang Siu Shun, age 66, has been an independent non-executive director since July 2016. Mr Yang is currently serving as a Member of the 13th National Committee of the Chinese People's Political Consultative Conference, a Justice of the Peace in Hong Kong, a Steward of the Hong Kong Jockey Club, and an independent non-executive director of Industrial and Commercial Bank of China Limited which is publicly listed on the Stock Exchange and the Shanghai Stock Exchange. Mr Yang is also an independent non-executive director of Man Wah Holdings Limited and Xinyi Glass Holdings Limited, both of these companies are publicly listed on the Stock Exchange. Mr Yang retired from PricewaterhouseCoopers ("PwC") on 30 June 2015. Before his retirement, he served as the Chairman and Senior Partner of PwC Hong Kong, the Executive Chairman and Senior Partner of PwC China and Hong Kong, one of the five members of the Global Network Leadership Team of PwC and the PwC Asia Pacific Chairman. Mr Yang served as a Board Member and the Audit Committee Chairman of The Hang Seng University of Hong Kong (formerly known as Hang Seng Management College), up to 30 September 2018 and the Deputy Chairman of the Council of Hong Kong Metropolitan University ("HKMU") (formerly known as The Open University of Hong Kong), up to 19 June 2019. Mr Yang also served as a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority, up to 31 August 2021. Mr Yang graduated from the London School of Economics and Political Science in 1978 and was awarded the degree of Honorary Doctor of Social Sciences by HKMU in 2019. Mr Yang is a Fellow Member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants. Mr Yang is entitled to a director's fee of HKD1,200,000 for the year 2022, which is determined with reference to his duties and responsibilities with the Company.

Ke Yang, age 67, has been an independent non-executive director since August 2019. Professor Ke is currently the Director of Laboratory of Genetics of Peking University Cancer Hospital and an international member of the United States National Academy of Medicine. Professor Ke is also Vice-president of the Peking University Alumni Association, President of the Peking University Health Science Center Alumni Association, Vice-president of China Medical Women's Association, President of the Health Professional Education Committee of the Chinese Association of Higher Education, and Vice-president of Cancer Foundation of China. Professor Ke's research focus is on the upper gastrointestinal tumors, including the cloning of gastric cancer related genes and the functional study of such genes. Together with her team, she has also established the population cohort in esophageal cancer high incidence regions in China, studied the etiology of esophageal cancer, and evaluated the effects and economic efficacy of early screening of the disease. She has published more than 100 papers and had registered patents and been granted awards at national and provincial levels for technological and educational achievements. Professor Ke was a member of the 11th and 12th National Committee of the Chinese People's Political Consultative Conference, an executive Vice-president of Peking University and of the Peking University Health Science Center (formerly known as Beijing Medical College), a member of the Committee of Academic Degrees of the State Council, a member of the Healthcare Reform Advisory Committee of the State Council, the Chairperson of the Working Committee for Graduate Medical and Pharmaceutical Education of the Office of Academic Degrees of the State Council, Vice-president of the 24th and 25th Chinese Medical Association, and Vice-chairperson of the Steering Committee of Clinical Medicine of the Committee of Academic Degrees of the State Council. Professor Ke graduated from the Peking University Health Science Center in 1982. From 1985 to 1988, Professor Ke worked at the National Cancer Institute of the National Institutes of Health of the United States as a postdoctoral fellow. Professor Ke is currently an independent non-executive director of KeyMed Biosciences Inc. which is publicly listed on the Stock Exchange. Professor Ke is entitled to a director's fee of HKD900,000 for the year 2022, which is determined with reference to her duties and responsibilities with the Company.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2022, the following persons, other than the directors or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the shares of the Company:

Long/ short position in the shares of the Company

Name of shareholder	Long/ short position	Nature of interest/ capacity	Number of shares/ underlying shares held	Approximate % of shareholding (Note 3)
MIH TC	Long position	Corporate (Note 1)	2,765,417,700	28.74%
Advance Data Services Limited	Long position	Corporate (Note 2)	804,859,700	8.36%

Note:

- MIH TC is controlled by Naspers Limited and held through its non wholly-owned subsidiary, Prosus N.V., which in turn holds MIH TC through MIH Internet Holdings B.V. MIH TC and MIH Internet Holdings B.V. are both wholly-owned subsidiaries of Prosus N.V. As such, Naspers Limited, Prosus N.V., MIH Internet Holdings B.V. and MIH TC are deemed to be interested in the same block of 2,765,417,700 shares under Part XV of the SFO.
- Advance Data Services Limited holds 709,859,700 shares directly and 95,000,000 shares indirectly through its wholly-owned subsidiary, Ma Huateng Global Foundation. As Advance Data Services Limited is wholly-owned by Mr Ma Huateng, Mr Ma has an interest in these shares as disclosed under the section of "Directors' Interests in Securities".
- As at 30 June 2022, the total number of issued shares of the Company was 9,622,348,978.

Save as disclosed above, the Company had not been notified of any other persons (other than the directors or chief executive of the Company) who, as at 30 June 2022, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Other Information

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2022, the Company repurchased 18,604,400 shares on the Stock Exchange for an aggregate consideration of approximately HKD7,304 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 six months ended 30 June 2022	No. of shares purchased	Purchase consideration per share		Aggregate consideration paid HKD
		Highest price paid HKD	Lowest price paid HKD	
January	4,831,400	477.40	421.00	2,196,128,575
March	4,033,000	388.20	352.80	1,500,840,680
April	7,240,000	390.00	353.20	2,701,808,700
June	2,500,000	370.00	354.00	905,252,360
Total:	<u>18,604,400</u>			<u>7,304,030,315</u>

Save as disclosed above and in the Note 24 to the Interim Financial Information, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2022, the Group had 110,715 employees (30 June 2021: 94,182). The number of employees employed by the Group varies from time to time depending on needs and employees are remunerated based on industry practice.

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

The total remuneration cost incurred by the Group for the six months ended 30 June 2022 was RMB56,779 million (for the six months ended 30 June 2021: RMB44,388 million).

AUDIT COMMITTEE

The Audit Committee, together with the Auditor, has reviewed the Group's unaudited Interim Financial Information for the three and six months ended 30 June 2022. 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.

ADOPTION OF CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. The directors of the Company have complied with such code of conduct throughout the accounting period covered by this interim report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Code provision B.2.2 of the CG Code provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to the Articles of Association, one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation, provided that the chairman of the Board shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. In compliance with the provisions in the Articles of Association, Messrs Li Dong Sheng and Ian Charles Stone retired and were re-elected at the 2022 AGM. As the re-election of Mr Jacobus Petrus (Koos) Bekker, who was re-elected in 2019, was not considered at the 2022 AGM, there is a deviation from code provision B.2.2 of the CG Code. Considering that the re-election of Mr Jacobus Petrus (Koos) Bekker will be considered at the subsequent annual general meeting, the Board believes that such deviation from code provision B.2.2 of the CG Code does not have a material impact on the operation of the Company as a whole.

Save as disclosed above and those disclosed in the corporate governance report in the 2021 annual report of the Company, none of the directors of the Company is aware of any information which would reasonably indicate that the Company has not complied with the code provisions as set out in the CG Code during the period from 1 January 2022 to 30 June 2022.

As to the deviation from code provisions B.2.2 (regarding the retirement and re-election of directors) and C.2.1 (regarding the segregation of the roles of chairman and chief executive) 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.

Definition

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

Term	Definition
“2007 Share Award Scheme”	the share award scheme adopted by the Company on Adoption Date I, as amended
“2013 Share Award Scheme”	the share award scheme adopted by the Company on Adoption Date II, as amended from time to time
“2019 Share Award Scheme”	the share award scheme adopted by the Company on Adoption Date III, as amended from time to time
“2022 AGM”	the annual general meeting of the Company held on 18 May 2022
“Adoption Date I”	13 December 2007, being the date on which the Company adopted the 2007 Share Award Scheme
“Adoption Date II”	13 November 2013, being the date on which the Company adopted the 2013 Share Award Scheme
“Adoption Date III”	25 November 2019, being the date on which the Company adopted the 2019 Share Award Scheme
“AI”	artificial intelligence
“Articles of Association”	the third amended and restated articles of association of the Company adopted by special resolution passed on 18 May 2022
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the auditor of the Company
“Awarded Share(s)”	the share(s) of the Company awarded under the Share Award Schemes
“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

Term	Definition
“DAU”	daily active user accounts
“Distribution in Specie”	the distribution of a special interim dividend by the Company in the form of a distribution in specie of the JD.com Shares held by the Group to the shareholders whose names appeared on the register of members of the Company on 25 January 2022 in proportion to their then respective shareholdings in the Company on the basis of 1 Class A ordinary share of JD.com for every 21 shares of the Company held by the shareholders
“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, China
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“eCPM”	effective cost per mille
“Eligible Person(s)”	any person(s) eligible to participate in the respective Share Award Schemes
“EPS”	earnings per share
“EUR”	the lawful currency of the European Union
“Ex-dividend Date”	20 January 2022, being the date of commencement of dealing in the shares of the Company on an ex-entitlement basis following the declaration of interim dividend by way of the Distribution in Specie as announced by the Company on 23 December 2021
“FinTech”	financial technology
“GBP”	the lawful currency of the United Kingdom of Great Britain and Northern Ireland
“Grant Date”	in relation to any Awarded Share, the date on which the Awarded Share is, was or is to be granted
“Group”	the Company and its subsidiaries
“HKD”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region, the PRC

Definition

Term	Definition
“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
“IFRS”	International Financial Reporting Standards
“Interim Financial Information”	the condensed consolidated interim financial information, comprising the consolidated statement of financial position as at 30 June 2022, the consolidated income statement and the consolidated statement of comprehensive income for the three-month and six-month periods then ended, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information
“International Games”	for the purpose of preparing financial and operating information, International Games refers to our games business other than our Domestic Games business
“IPO”	initial public offering
“JD.com”	JD.com, Inc., a company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability, whose American depositary shares are listed on NASDAQ and whose Class A ordinary shares are listed on the Stock Exchange
“JD.com Shares”	the approximately 457 million Class A ordinary shares in the share capital of JD.com with a par value of USD0.00002 each, held by the Group conferring a holder of a Class A ordinary share to one vote per share on any resolution tabled at JD.com’s general meeting and which were distributed pursuant to the Distribution in Specie
“JPY”	the lawful currency of Japan
“LIBOR”	London InterBank Offered Rate
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MAU”	monthly active user accounts

Term	Definition
“MIH TC”	MIH TC Holdings Limited
“Miniclip”	Miniclip Group SA, a limited liability company incorporated in Switzerland
“Minor(s)”	players who are aged under 18
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“NASDAQ”	NASDAQ Global Select Market
“O2O”	online-to-offline, or offline-to-online
“PaaS”	Platform-as-a-Service
“PC”	personal computer
“Post-IPO Option Scheme I”	the Post-IPO Share Option Scheme adopted by the Company on 24 March 2004
“Post-IPO Option Scheme II”	the Post-IPO Share Option Scheme adopted by the Company on 16 May 2007
“Post-IPO Option Scheme III”	the Post-IPO Share Option Scheme adopted by the Company on 13 May 2009
“Post-IPO Option Scheme IV”	the Post-IPO Share Option Scheme adopted by the Company on 17 May 2017
“PRC” or “China”	the People’s Republic of China
“PRC CIT”	PRC corporate income tax as defined in the “Corporate Income Tax Law of the People’s Republic of China”
“Pre-IPO Option Scheme”	the Pre-IPO Share Option Scheme adopted by the Company on 27 July 2001
“PUBG”	PlayerUnknown’s Battlegrounds
“R&D”	research and development
“Riot Games”	Riot Games, Inc., a company established in the US
“RMB”	the lawful currency of the PRC
“SaaS”	Software-as-a-Service
“Selected Participant(s)”	any Eligible Person(s) selected by the Board to participate in the respective Share Award Schemes
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

Definition

Term	Definition
“Share Award Schemes”	the 2007 Share Award Scheme, the 2013 Share Award Scheme and the 2019 Share Award Scheme
“Shiji Kaixuan”	Shenzhen Shiji Kaixuan Technology Company Limited
“SOFR”	Secured Overnight Financing Rate
“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
“SONIA”	Sterling Overnight Index Average
“SSV & CPP”	Sustainable Social Value and Common Prosperity Programme
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stunlock”	Stunlock Studios AB, a limited liability company incorporated in Sweden
“SYBO”	Sybo ApS, a limited liability company incorporated in Denmark
“TDSQL”	Tencent Database SQL
“Tencent Computer”	Shenzhen Tencent Computer Systems Company Limited
“TIBOR”	Tokyo InterBank Offered Rate
“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
“Trustee”	an independent trustee appointed by the Company for managing the Share Award Schemes
“United States” or “US”	the United States of America
“USD”	the lawful currency of the United States
“VAS”	value-added services



Tencent 腾讯

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