

# 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

# 2021

## Interim Report

# CONTENTS

2	Corporate Information
3	Financial Performance Highlights
5	Chairman's Statement
9	Management Discussion and Analysis
23	Report on Review of Interim Financial Information
24	Consolidated Income Statement
25	Consolidated Statement of Comprehensive Income
26	Consolidated Statement of Financial Position
29	Consolidated Statement of Changes in Equity
33	Consolidated Statement of Cash Flows
35	Notes to the Interim Financial Information
83	Other Information
104	Definition



# 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

Iain Ferguson Bruce

(retired with effect from

20 May 2021)

## AUDIT COMMITTEE

Yang Siu Shun (*Chairman*)

Ian Charles Stone

Charles St Leger Searle

Iain Ferguson Bruce

(retired with effect from

20 May 2021)

## CORPORATE GOVERNANCE COMMITTEE

Charles St Leger Searle (*Chairman*)

Ian Charles Stone

Yang Siu Shun

Ke Yang

Iain Ferguson Bruce

(retired with effect from

20 May 2021)

## 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

(appointed with effect from

20 May 2021)

Charles St Leger Searle

Iain Ferguson Bruce

(retired with effect from

20 May 2021)

## 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

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

## TENCENT GROUP HEAD OFFICE

Tencent Binhai Towers  
No. 33 Haitian 2nd Road  
Nanshan District  
Shenzhen, 518054  
The PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

29/F., Three Pacific Place  
No. 1 Queen's Road East  
Wanchai  
Hong Kong

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited  
Suite 3204, Unit 2A  
Block 3, Building D  
P.O. Box 1586  
Gardenia Court  
Camana Bay  
Grand Cayman, KY1-1100  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wan Chai, Hong Kong

## COMPANY WEBSITE

[www.tencent.com](http://www.tencent.com)

## STOCK CODE

700

# Financial Performance Highlights

## SECOND QUARTER OF 2021

	30 June 2021	Unaudited Three months ended			Quarter- on-quarter change
		30 June 2020	Year- on-year change	31 March 2021	
(RMB in millions, unless specified)					
Revenues	<b>138,259</b>	114,883	20%	135,303	2%
Gross profit	<b>62,745</b>	53,210	18%	62,635	stable
Operating profit	<b>52,487</b>	39,311	34%	56,273	-7%
Profit for the period	<b>43,022</b>	32,454	33%	49,008	-12%
Profit attributable to equity holders of the Company	<b>42,587</b>	33,107	29%	47,767	-11%
Non-IFRS profit attributable to equity holders of the Company	<b>34,039</b>	30,153	13%	33,118	3%
EPS (RMB per share)					
– basic	<b>4.472</b>	3.491	28%	5.020	-11%
– diluted	<b>4.387</b>	3.437	28%	4.917	-11%
Non-IFRS EPS (RMB per share)					
– basic	<b>3.574</b>	3.180	12%	3.481	3%
– diluted	<b>3.504</b>	3.130	12%	3.415	3%

# Financial Performance Highlights

## FIRST HALF OF 2021

	<b>Unaudited</b>		
	<b>Six months ended</b>		
	<b>30 June</b>	30 June	Year-
	<b>2021</b>	2020	on-year
	(RMB in millions, unless specified)		
			change
Revenues	<b>273,562</b>	222,948	23%
Gross profit	<b>125,380</b>	106,004	18%
Operating profit	<b>108,760</b>	76,571	42%
Profit for the period	<b>92,030</b>	61,857	49%
Profit attributable to equity holders of the Company	<b>90,354</b>	62,003	46%
Non-IFRS profit attributable to equity holders of the Company	<b>67,157</b>	57,232	17%
EPS (RMB per share)			
– basic	<b>9.492</b>	6.541	45%
– diluted	<b>9.299</b>	6.440	44%
Non-IFRS EPS (RMB per share)			
– basic	<b>7.055</b>	6.038	17%
– diluted	<b>6.916</b>	5.945	16%

## Chairman's Statement

I am pleased to present our interim report for the three and six months ended 30 June 2021 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 2021 increased by 29% and 46% on a year-on-year basis to RMB42,587 million and RMB90,354 million respectively. Basic EPS for the three and six months ended 30 June 2021 were RMB4.472 and RMB9.492 respectively. Diluted EPS for the three and six months ended 30 June 2021 were RMB4.387 and RMB9.299 respectively.

The Group's non-IFRS profit attributable to equity holders of the Company for the three and six months ended 30 June 2021 increased by 13% and 17% on a year-on-year basis to RMB34,039 million and RMB67,157 million respectively. Non-IFRS basic EPS for the three and six months ended 30 June 2021 were RMB3.574 and RMB7.055 respectively. Non-IFRS diluted EPS for the three and six months ended 30 June 2021 were RMB3.504 and RMB6.916 respectively.

### OPERATING INFORMATION

	<b>As at 30 June 2021</b>	As at 30 June 2020	Year- on-year change	As at 31 March 2021	Quarter- on-quarter change
			(in millions, unless specified)		
Combined MAU of Weixin and WeChat	<b>1,251.4</b>	1,206.1	3.8%	1,241.6	0.8%
Mobile device MAU of QQ	<b>590.9</b>	647.6	-8.8%	606.4	-2.6%
Fee-based VAS registered subscriptions	<b>229.4</b>	203.4	12.8%	225.7	1.7%

### BUSINESS REVIEW AND OUTLOOK

In the quarter, we enhanced our services and achieved healthy growth rates across our business lines, particularly Business Services and advertising, while our game revenue benefitted from international growth. We are increasingly deploying our technologies and expertise to help SMEs, public services and corporations collaborate internally and connect with their users externally, which we believe contributes to the real economy and to society at large. During the Henan floods, Tencent Docs, our cloud-based productivity solution, played a valuable role assisting people providing and seeking help, thanks to its collaborative data editing functionality. Here are some highlights of our key products and business lines for the quarter:

## Chairman's Statement

### *Communication and Social*

For Weixin, the active user base and engagement further increased, underscoring the vibrancy of our service and commerce ecosystem. Transaction volume generated from Mini Programs more than doubled year-on-year as we helped businesses thrive by facilitating management of their own channels and user relationships, while also enabling them to achieve higher profit margins than on marketplaces. Brands and merchants can: 1) acquire customers for their Mini Programs offline via QR Codes and Weixin Pay; 2) create and distribute content via their own Official Accounts and Weixin Groups, engaging users and driving repeat visits to their Mini Programs; 3) convert visits into sales with Mini Programs' powerful shopping functionalities; and 4) deepen user connections via Video Accounts and live streaming as additional touchpoints.

For QQ, young users are increasingly active in consuming entertainment content such as anime and comics. To cater to young users' need for immersive social and entertainment experiences, we enriched QQ's Augmented Reality camera effects for video content production and video chat. We also automated the in-app video editing process with smart templates and multimedia tools to drive more appealing user-generated content.

### *Digital Content*

Our fee-based VAS subscriptions grew 13% year-on-year to 229 million. Video subscriptions increased 9% year-on-year to 125 million, benefitting from diversified content across sports, animated series, drama series and movies. Music subscriptions increased 41% year-on-year to 66 million, driven by TME's effective marketing and by increased consumer willingness to subscribe for music services.

### *Games*

We reinforced the IP of our key titles in China and overseas. We adapted Honour of Kings into the drama series, "You Are My Glory", which is the most-watched drama series on Tencent Video by video views per episode year-to-date. PUBG Mobile collaborated with internationally recognised brands such as Godzilla vs. Kong, McLaren and Line Friends to create crossover content. Clash of Clans released a major content upgrade in April 2021 and launched its ninth anniversary event in August 2021, retaining its ranking among the top 10 mobile games by DAU internationally. Valorant achieved 14 million MAU on its first anniversary.

We extended our presence in emerging genres through self-developed games. Alchemy Stars, developed by our Tourdog Studio, became Japan's most downloaded tactical RPG in July 2021, benefitting from its anime art style and unique tile-connecting gameplay. Light and Night, developed by our Aurora Studio, ranked as China's top dating simulation game by DAU in July 2021, enhancing our engagement with female players. Our first SOC game, Undawn, developed by our Lightspeed and Quantum Studios, has accumulated over 30 million pre-registrations in China to date.

## Chairman's Statement

We have sought to pioneer a healthy game playing environment in the game industry. In August 2021, we further tightened our game time and spending limits for Minors in China, beyond regulatory requirement. For Honour of Kings and Peacekeeper Elite, we reduced Minors' daily game time limit to 1 hour on non-statutory holidays and to 2 hours on statutory holidays, versus regulatory requirement of 1.5 hours and 3 hours respectively. We also prevented in-game spending by players aged under 12. These measures will be rolled out in all of our games gradually. We are also cracking down on Minors misusing adult accounts, and transactions of adult accounts on third-party platforms. During the second quarter of 2021, players aged under 16 accounted for 2.6% of our China game grossing receipts. Among which, players aged under 12 accounted for 0.3%.

### *Online Advertising*

We expanded our overall advertiser base by enhancing industry solutions and enabling merchants to better manage their private domain operations within our Weixin ecosystem. More advertisers adopted Mini Programs as landing pages for their Moments advertisements, leading to higher sales conversion and revenue growth. Advertisers increasingly recognised Official Accounts' capability in generating sales leads.

During the Tokyo 2020 Olympic Games, we provided integrated marketing solutions across Weixin, QQ, Tencent Video, Tencent Sports, Tencent News and other properties. Leveraging our strengths in social, long-form and short-form video distribution, as well as in content management, we outperformed other online platforms in terms of video views and user sharing.

### *FinTech*

Daily active users and payment frequency grew at healthy year-on-year rates. SMEs are important contributors to, and beneficiaries of our payment ecosystem growth; we will continue to help SMEs benefit from greater mobile payment acceptance, by charging very low or zero payment take rate in certain cases, and by providing complementary resources and services to support their growth.

### *Cloud and Other Business Services*

We utilise our cloud infrastructure, PaaS and SaaS technologies to assist digitalisation for public services and traditional industries. Enhancements to our technology and product development supported broad customer adoption of our platform and software services such as security, AI and data analytic services. The videolisation trend offers more opportunities for our video cloud solutions, and according to IDC, we ranked first in China in terms of video cloud solution revenue. We deepened connections between our communication and productivity SaaS tools (WeCom, Tencent Meeting and Tencent Docs) to support better collaboration within enterprises, as well as between enterprises and their users.



# Chairman's Statement

## DIVIDEND

The Board did not declare any interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

## APPRECIATION

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

**Ma Huateng**

*Chairman*

Hong Kong, 18 August 2021

# Management Discussion and Analysis

## SECOND QUARTER OF 2021 COMPARED TO SECOND QUARTER OF 2020

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

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>30 June</b>	30 June
	<b>2021</b>	2020
	(RMB in millions)	
Revenues	<b>138,259</b>	114,883
Cost of revenues	<b>(75,514)</b>	(61,673)
Gross profit	<b>62,745</b>	53,210
Interest income	<b>1,630</b>	1,749
Other gains, net	<b>20,763</b>	8,607
Selling and marketing expenses	<b>(10,013)</b>	(7,756)
General and administrative expenses	<b>(22,638)</b>	(16,499)
Operating profit	<b>52,487</b>	39,311
Finance costs, net	<b>(1,942)</b>	(2,005)
Share of losses of associates and joint ventures	<b>(3,857)</b>	(295)
Profit before income tax	<b>46,688</b>	37,011
Income tax expense	<b>(3,666)</b>	(4,557)
Profit for the period	<b>43,022</b>	32,454
Attributable to:		
Equity holders of the Company	<b>42,587</b>	33,107
Non-controlling interests	<b>435</b>	(653)
	<b>43,022</b>	32,454
Non-IFRS profit attributable to equity holders of the Company	<b>34,039</b>	30,153

## Management Discussion and Analysis

*Revenues.* Revenues increased by 20% to RMB138.3 billion for the second quarter of 2021 on a year-on-year basis. The following table sets forth our revenues by line of business for the second quarter of 2021 and the second quarter of 2020:

	<b>Unaudited</b>			
	<b>Three months ended</b>			
	<b>30 June 2021</b>		<b>30 June 2020</b>	
	<b>Amount</b>	<b>% of total revenues</b>	Amount	% of total revenues
	(RMB in millions, unless specified)			
VAS	<b>72,013</b>	<b>52%</b>	65,002	57%
Online Advertising	<b>22,833</b>	<b>17%</b>	18,552	16%
FinTech and Business Services	<b>41,892</b>	<b>30%</b>	29,862	26%
Others	<b>1,521</b>	<b>1%</b>	1,467	1%
Total revenues	<b><u>138,259</u></b>	<b><u>100%</u></b>	<u>114,883</u>	<u>100%</u>

- Revenues from VAS increased by 11% to RMB72.0 billion for the second quarter of 2021 on a year-on-year basis. Games revenues increased by 12% to RMB43.0 billion, primarily driven by the increase in revenues from games such as Honour of Kings, PUBG Mobile, Valorant, Clash of Clans and Moonlight Blade Mobile, partly offset by the decrease in revenues from Peacekeeper Elite. Mobile games VAS revenues (including mobile games revenues attributable to our social networks business) increased by 13% to RMB40.8 billion, while PC client games revenues grew by 1% to RMB11.0 billion for the second quarter of 2021. Social networks revenues grew by 9% to RMB29.0 billion, mainly due to revenue growth from digital content services, as well as in-game virtual item sales.
- Revenues from Online Advertising increased by 23% to RMB22.8 billion for the second quarter of 2021, reflecting rising demand from advertiser categories such as Internet services and consumer staples, as well as consolidation of Bitauto's advertising revenue, which outweighed weakness in education. Social and others advertising revenues grew by 28% to RMB19.5 billion, due to increased adoption of Mini Programs as landing pages, more video advertising inventories inside Weixin Moments, as well as revenue growth from our mobile advertising network. Media advertising revenues were RMB3.3 billion, broadly stable compared to the second quarter of 2020, as greater advertising revenues from our music apps offset lower news advertising revenues.
- Revenues from FinTech and Business Services increased by 40% to RMB41.9 billion for the second quarter of 2021 on a year-on-year basis. FinTech Services revenue growth primarily reflected increasing digital payment transactions. Business Services revenues increased rapidly year-on-year, due to digitalisation of public services and traditional industries, as well as consolidation of Bitauto's Business Services revenue.

## Management Discussion and Analysis

*Cost of revenues.* Cost of revenues increased by 22% to RMB75.5 billion for the second quarter of 2021 on a year-on-year basis, reflecting increased bank charges, content costs, server and bandwidth costs, as well as channel and distribution costs. As a percentage of revenues, cost of revenues was 55% for the second quarter of 2021, broadly stable compared to the same quarter of last year. The following table sets forth our cost of revenues by line of business for the second quarter of 2021 and the second quarter of 2020:

	<b>Unaudited</b>			
	<b>Three months ended</b>			
	<b>30 June 2021</b>		<b>30 June 2020</b>	
	<b>Amount</b>	<b>% of segment revenues</b>	<b>Amount</b>	<b>% of segment revenues</b>
	(RMB in millions, unless specified)			
VAS	<b>33,890</b>	<b>47%</b>	30,100	46%
Online Advertising	<b>11,697</b>	<b>51%</b>	9,008	49%
FinTech and Business Services	<b>28,472</b>	<b>68%</b>	21,222	71%
Others	<b>1,455</b>	<b>96%</b>	1,343	92%
Total cost of revenues	<b><u>75,514</u></b>		<b><u>61,673</u></b>	

- Cost of revenues for VAS increased by 13% to RMB33.9 billion for the second quarter of 2021 on a year-on-year basis, mainly due to increased content costs for digital content services, as well as channel and content costs for games.
- Cost of revenues for Online Advertising increased by 30% to RMB11.7 billion for the second quarter of 2021 on a year-on-year basis, primarily driven by increased server and bandwidth costs, content costs, and traffic acquisition costs associated with revenue growth from our mobile advertising network.
- Cost of revenues for FinTech and Business Services increased by 34% to RMB28.5 billion for the second quarter of 2021 on a year-on-year basis, reflecting increased bank charges for payment services due to payment volume growth, and project deployment costs for Cloud services.

## Management Discussion and Analysis

*Other gains, net.* We recorded net other gains of RMB20.8 billion for the second quarter of 2021, which were primarily non-IFRS adjustments such as fair value gains due to increased valuations of investee companies in sectors such as transportation, FinTech and local services, as well as net gains on deemed disposals and disposals of certain investee companies, partly offset by fair value losses or impairment against certain investee companies.

*Selling and marketing expenses.* Selling and marketing expenses increased by 29% to RMB10.0 billion for the second quarter of 2021 on a year-on-year basis, reflecting increased marketing spending on Business Services, digital content services, and games, including marketing spending associated with our consolidation of subsidiaries acquired over the past year. As a percentage of revenues, selling and marketing expenses were 7% for the second quarter of 2021, broadly stable compared to the second quarter of 2020.

*General and administrative expenses.* General and administrative expenses increased by 37% to RMB22.6 billion for the second quarter of 2021 on a year-on-year basis, primarily driven by increased staff costs, including higher share-based compensation expenses. As a percentage of revenues, general and administrative expenses increased to 16% for the second quarter of 2021 from 14% for the second quarter of 2020.

*Finance costs, net.* Net finance costs decreased by 3% to RMB1.9 billion for the second quarter of 2021 on a year-on-year basis, reflecting the decrease in foreign exchange losses recognised this quarter compared to the same quarter of last year, partly offset by the increase in interest expenses as a result of increased indebtedness.

*Share of losses of associates and joint ventures.* We recorded share of losses of associates and joint ventures of RMB3.9 billion for the second quarter of 2021, compared to share of losses of RMB0.3 billion for the second quarter of 2020. The change mainly reflected non-IFRS adjustments of certain associates, and increased investments in community group buying initiatives by certain associates, as well as losses recognised from certain associates.

*Income tax expense.* Income tax expense decreased by 20% to RMB3.7 billion for the second quarter of 2021 on a year-on-year basis.

*Profit attributable to equity holders of the Company.* Profit attributable to equity holders of the Company increased by 29% to RMB42.6 billion for the second quarter of 2021 on a year-on-year basis. Non-IFRS profit attributable to equity holders of the Company increased by 13% to RMB34.0 billion for the second quarter of 2021.

# Management Discussion and Analysis

## SECOND QUARTER OF 2021 COMPARED TO FIRST QUARTER OF 2021

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

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>30 June</b>	31 March
	<b>2021</b>	2021
	(RMB in millions)	
Revenues	<b>138,259</b>	135,303
Cost of revenues	<b>(75,514)</b>	(72,668)
Gross profit	<b>62,745</b>	62,635
Interest income	<b>1,630</b>	1,614
Other gains, net	<b>20,763</b>	19,521
Selling and marketing expenses	<b>(10,013)</b>	(8,530)
General and administrative expenses	<b>(22,638)</b>	(18,967)
Operating profit	<b>52,487</b>	56,273
Finance costs, net	<b>(1,942)</b>	(1,367)
Share of (loss)/profit of associates and joint ventures	<b>(3,857)</b>	1,348
Profit before income tax	<b>46,688</b>	56,254
Income tax expense	<b>(3,666)</b>	(7,246)
Profit for the period	<b>43,022</b>	49,008
Attributable to:		
Equity holders of the Company	<b>42,587</b>	47,767
Non-controlling interests	<b>435</b>	1,241
	<b>43,022</b>	49,008
Non-IFRS profit attributable to equity holders of the Company	<b>34,039</b>	33,118

## Management Discussion and Analysis

*Revenues.* Revenues increased by 2% to RMB138.3 billion for the second quarter of 2021 on a quarter-on-quarter basis.

- Revenues from VAS were RMB72.0 billion for the second quarter of 2021, broadly stable compared to the last quarter, as a revenue decline from games and privileges subscriptions was offset by revenue growth from live broadcast and music subscription services.
- Revenues from Online Advertising increased by 5% to RMB22.8 billion for the second quarter of 2021. Social and others advertising revenues increased by 5% to RMB19.5 billion, mainly reflecting advertising revenue growth from Weixin properties, partly offset by decreased revenues from our mobile advertising network, which was affected by reduced spending by companies providing after-school tutoring due to regulatory changes. Media advertising revenues were RMB3.3 billion, broadly stable compared to the first quarter of 2021.
- Revenues from FinTech and Business Services increased by 7% to RMB41.9 billion for the second quarter of 2021, driven by higher revenues from commercial payment services and Business Services.

*Cost of revenues.* Cost of revenues increased by 4% to RMB75.5 billion for the second quarter of 2021 on quarter-on-quarter basis, mainly reflecting increased content costs, bank charges and Cloud services project deployment costs, partly offset by lower channel and distribution costs. As a percentage of revenues, cost of revenues was 55% for the second quarter of 2021, broadly stable compared to the first quarter of 2021.

- Cost of revenues for VAS increased by 4% to RMB33.9 billion for the second quarter of 2021, due to increased content costs for digital content services, as well as games.
- Cost of revenues for Online Advertising decreased by 2% to RMB11.7 billion for the second quarter of 2021, reflecting decreased traffic acquisition costs for our mobile advertising network, partly offset by increased content costs and server and bandwidth costs.
- Cost of revenues for FinTech and Business Services increased by 8% to RMB28.5 billion for the second quarter of 2021, reflecting increased bank charges costs for payment services due to payment volume growth and project deployment costs for Cloud services.

*Selling and marketing expenses.* Selling and marketing expenses increased by 17% to RMB10.0 billion for the second quarter of 2021 on a quarter-on-quarter basis, primarily driven by seasonality and increased marketing spending on digital content services, games and Business Services.

*General and administrative expenses.* General and administrative expenses increased by 19% to RMB22.6 billion for the second quarter of 2021 on a quarter-on-quarter basis, reflecting increased staff costs, including higher share-based compensation expenses.

## Management Discussion and Analysis

*Share of loss/profit of associates and joint ventures.* We recorded share of losses of associates and joint ventures of RMB3.9 billion for the second quarter of 2021, compared to share of profits of RMB1.3 billion for the first quarter of 2021. The change mainly reflected non-IFRS adjustments including non-recurring fair value gains on investments recognised by certain associates in the first quarter of 2021.

*Profit attributable to equity holders of the Company.* Profit attributable to equity holders of the Company decreased by 11% to RMB42.6 billion for the second quarter of 2021 on a quarter-on-quarter basis. Non-IFRS profit attributable to equity holders of the Company increased by 3% to RMB34.0 billion for the second quarter of 2021.

### OTHER FINANCIAL INFORMATION

	Unaudited			Unaudited	
	Three months ended			Six months ended	
	30 June	31 March	30 June	30 June	30 June
	2021	2021	2020	2021	2020
	(RMB in millions, unless specified)				
EBITDA (a)	<b>44,567</b>	49,355	40,525	<b>93,922</b>	82,753
Adjusted EBITDA (a)	<b>50,347</b>	52,927	43,742	<b>103,274</b>	88,932
Adjusted EBITDA margin (b)	<b>36%</b>	39%	38%	<b>38%</b>	40%
Interest and related expenses	<b>1,912</b>	1,726	1,822	<b>3,638</b>	3,828
Net (debt)/cash (c)	<b>(20,972)</b>	5,581	7,212	<b>(20,972)</b>	7,212
Capital expenditures (d)	<b>6,936</b>	7,734	9,466	<b>14,670</b>	15,617

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



## Management Discussion and Analysis

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

	Unaudited			Unaudited	
	Three months ended			Six months ended	
	30 June	31 March	30 June	30 June	30 June
	2021	2021	2020	2021	2020
	(RMB in millions, unless specified)				
Operating profit	<b>52,487</b>	56,273	39,311	<b>108,760</b>	76,571
Adjustments:					
Interest income	<b>(1,630)</b>	(1,614)	(1,749)	<b>(3,244)</b>	(3,385)
Other gains, net	<b>(20,763)</b>	(19,521)	(8,607)	<b>(40,284)</b>	(12,644)
Depreciation of property, plant and equipment and investment properties	<b>5,374</b>	5,303	4,257	<b>10,677</b>	8,146
Depreciation of right-of-use assets	<b>1,089</b>	1,055	899	<b>2,144</b>	1,773
Amortisation of intangible assets and land use rights	<b>8,010</b>	7,859	6,414	<b>15,869</b>	12,292
EBITDA	<b>44,567</b>	49,355	40,525	<b>93,922</b>	82,753
Equity-settled share-based compensation	<b>5,780</b>	3,572	3,217	<b>9,352</b>	6,179
Adjusted EBITDA	<b>50,347</b>	52,927	43,742	<b>103,274</b>	88,932

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

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

Unaudited three months ended 30 June 2021							
	As reported	Adjustments					Non-IFRS
		Share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/ (reversals) (d)	Income tax effects (e)	
(RMB in millions, unless specified)							
Operating profit	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 three months ended 31 March 2021

	Adjustments						Non-IFRS
	As reported	Share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/ (reversals) (d)	Income tax effects (e)	
	(RMB in millions, unless specified)						
Operating profit	56,273	3,704	(18,331)	1,062	50	–	42,758
Profit for the period	49,008	5,036	(22,231)	2,699	178	(187)	34,503
Profit attributable to equity holders	47,767	4,855	(21,829)	2,352	178	(205)	33,118
EPS (RMB per share)							
– basic	5.020						3.481
– diluted	4.917						3.415
Operating margin	42%						32%
Net margin	36%						26%

Unaudited three months ended 30 June 2020

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

## Management Discussion and Analysis

Unaudited six months ended 30 June 2021

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

Unaudited six months ended 30 June 2020

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

## 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) Income tax effects of non-IFRS adjustments

### INVESTMENTS HELD

As at 30 June 2021, our investment portfolio amounted to approximately RMB844,262 million (31 December 2020: RMB690,886 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.

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.

The fair value of our stakes in listed investee companies (excluding subsidiaries) amounted to RMB1,445,978 million as at 30 June 2021 (31 December 2020: RMB1,204,931 million).

As at 30 June 2021, we were interested in approximately 243 million shares (over 90% of which is non-voting Class A shares) with a value of approximately RMB107.0 billion in Snap Inc., a company operating a social media platform, representing approximately 15% of its total outstanding shares, which accounted for approximately 7% of the Group's total assets as at 30 June 2021. The cost of our investment was approximately RMB20.9 billion. This investment is measured at fair value through other comprehensive income. During the six months ended 30 June 2021, the Group did not receive any dividends from Snap Inc., and there were realised gains of approximately RMB3.4 billion from partial disposal and unrealised gains of approximately RMB28.0 billion from changes in fair value under equity. The Group does not have nor does it exercise any managerial influence in Snap Inc. and regards this as a passive investment. Except Snap Inc., there was no other individual investment with a carrying value of 5% or more of the Group's total assets as at 30 June 2021.

## Management Discussion and Analysis

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 RMB31,160 million for the six months ended 30 June 2021, with an increase of 196% compared to the same period of last year. Details of our return from investment portfolio are as follows:

Income of Principal Investment (Classified by nature of income)	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Dividend income	<b>390</b>	386	<b>540</b>	794
Net gains on disposals and deemed disposals of investee companies	<b>6,106</b>	8,325	<b>9,590</b>	11,972
Net fair value gains	<b>14,298</b>	6,347	<b>29,147</b>	7,972
Impairment provision for investee companies, goodwill and other intangible assets arising from acquisitions	<b>(3,372)</b>	(8,613)	<b>(3,422)</b>	(8,126)
Share of losses of associates and joint ventures	<b>(3,857)</b>	(295)	<b>(2,509)</b>	(576)
Amortisation of intangible assets resulting from acquisitions	<b>(1,124)</b>	(870)	<b>(2,186)</b>	(1,509)

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

# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES

Our cash and debt positions as at 30 June 2021 and 31 March 2021 were as follows:

	<b>Unaudited 30 June 2021</b>	Unaudited 31 March 2021
		(RMB in millions)
Cash and cash equivalents	<b>141,721</b>	148,621
Term deposits and others	<b>113,481</b>	110,197
	<b>255,202</b>	258,818
Borrowings	<b>(128,693)</b>	(130,295)
Notes payable	<b>(147,481)</b>	(122,942)
Net (debt)/cash	<b>(20,972)</b>	5,581
Fair value of our stakes in listed investee companies (excluding subsidiaries)	<b>1,445,978</b>	1,362,324

As at 30 June 2021, the Group had net debt of RMB21.0 billion, compared to net cash of RMB5.6 billion as at 31 March 2021. The sequential change was mainly due to a net cash outflow for M&A activities and payment of our dividend for the year ended 31 December 2020, partly offset by free cash flow generated.

For the second quarter of 2021, the Group had free cash flow of RMB17.3 billion. This was a result of net cash flow generated from operating activities of RMB32.0 billion, offset by payments for capital expenditures of RMB7.1 billion, payments for media content of RMB6.4 billion, and payments for lease liabilities of RMB1.2 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 82, which comprises the consolidated statement of financial position of Tencent Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2021 and the consolidated income statement and the consolidated statement of comprehensive income for the three and six months then ended, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. 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, 18 August 2021



## Consolidated Income Statement

For the three and six months ended 30 June 2021

	Note	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2021 RMB'Million	2020 RMB'Million	2021 RMB'Million	2020 RMB'Million
<b>Revenues</b>					
Value-added Services		72,013	65,002	144,456	127,431
Online Advertising		22,833	18,552	44,653	36,265
FinTech and Business Services		41,892	29,862	80,920	56,337
Others		1,521	1,467	3,533	2,915
	6	<b>138,259</b>	114,883	<b>273,562</b>	222,948
Cost of revenues	8	<b>(75,514)</b>	(61,673)	<b>(148,182)</b>	(116,944)
<b>Gross profit</b>		<b>62,745</b>	53,210	<b>125,380</b>	106,004
Interest income		1,630	1,749	3,244	3,385
Other gains, net	7	20,763	8,607	40,284	12,644
Selling and marketing expenses	8	(10,013)	(7,756)	(18,543)	(14,805)
General and administrative expenses	8	(22,638)	(16,499)	(41,605)	(30,657)
<b>Operating profit</b>		<b>52,487</b>	39,311	<b>108,760</b>	76,571
Finance costs, net	9	(1,942)	(2,005)	(3,309)	(3,689)
Share of losses of associates and joint ventures		(3,857)	(295)	(2,509)	(576)
<b>Profit before income tax</b>		<b>46,688</b>	37,011	<b>102,942</b>	72,306
Income tax expense	10	(3,666)	(4,557)	(10,912)	(10,449)
<b>Profit for the period</b>		<b>43,022</b>	32,454	<b>92,030</b>	61,857
<b>Attributable to:</b>					
Equity holders of the Company		42,587	33,107	90,354	62,003
Non-controlling interests		435	(653)	1,676	(146)
		<b>43,022</b>	32,454	<b>92,030</b>	61,857
<b>Earnings per share for profit attributable to equity holders of the Company (in RMB per share)</b>					
– basic	11(a)	<b>4.472</b>	3.491	<b>9.492</b>	6.541
– diluted	11(b)	<b>4.387</b>	3.437	<b>9.299</b>	6.440

The accompanying notes on pages 35 to 82 form an integral part of this interim financial information.

## Consolidated Statement of Comprehensive Income

For the three and six months ended 30 June 2021

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
<b>Profit for the period</b>	<b>43,022</b>	32,454	<b>92,030</b>	61,857
<b>Other comprehensive income, net of tax:</b>				
<i>Items that may be subsequently reclassified to profit or loss</i>				
Share of other comprehensive (loss)/income of associates and joint ventures	(11)	159	277	129
Transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	5	(2)	2	(2)
Currency translation differences	(1,428)	2,358	(7,336)	3,673
Other fair value gains/(losses)	92	(687)	1,255	(2,044)
<i>Items that will not be subsequently reclassified to profit or loss</i>				
Share of other comprehensive income of associates and joint ventures	53	–	434	–
Net gains from changes in fair value of financial assets at fair value through other comprehensive income	46,522	56,797	65,005	48,947
Currency translation differences	(305)	–	(98)	–
Other fair value gains	–	102	–	48
	<b>44,928</b>	58,727	<b>59,539</b>	50,751
<b>Total comprehensive income for the period</b>	<b>87,950</b>	91,181	<b>151,569</b>	112,608
<b>Attributable to:</b>				
Equity holders of the Company	87,511	89,242	151,267	110,262
Non-controlling interests	439	1,939	302	2,346
	<b>87,950</b>	91,181	<b>151,569</b>	112,608

The accompanying notes on pages 35 to 82 form an integral part of this interim financial information.

# Consolidated Statement of Financial Position

As at 30 June 2021

	Note	Unaudited 30 June 2021 RMB'Million	Audited 31 December 2020 RMB'Million
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	61,141	59,843
Land use rights	14	15,953	16,091
Right-of-use assets	15	13,769	12,929
Construction in progress	13	5,805	4,939
Investment properties	13	559	583
Intangible assets	13	161,904	159,437
Investments in associates	16	356,687	297,609
Investments in joint ventures		7,743	7,649
Financial assets at fair value through profit or loss	17	178,915	165,944
Financial assets at fair value through other comprehensive income	18	291,500	213,091
Prepayments, deposits and other assets	19	29,936	24,630
Other financial assets		385	4
Deferred income tax assets	20	22,971	21,348
Term deposits		39,219	31,681
		<b>1,186,487</b>	<b>1,015,778</b>
<b>Current assets</b>			
Inventories		1,020	814
Accounts receivable	21	53,523	44,981
Prepayments, deposits and other assets	19	57,481	40,321
Other financial assets		471	1,133
Financial assets at fair value through profit or loss	17	9,417	6,593
Term deposits		65,330	68,487
Restricted cash		2,322	2,520
Cash and cash equivalents		141,721	152,798
		<b>331,285</b>	<b>317,647</b>
<b>Total assets</b>		<b>1,517,772</b>	<b>1,333,425</b>

# Consolidated Statement of Financial Position

As at 30 June 2021

	Note	Unaudited 30 June 2021 RMB'Million	Audited 31 December 2020 RMB'Million
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	22	–	–
Share premium		58,013	48,793
Shares held for share award schemes		(4,674)	(4,412)
Other reserves		172,666	121,139
Retained earnings		620,202	538,464
		<b>846,207</b>	703,984
<b>Non-controlling interests</b>		<b>80,764</b>	74,059
<b>Total equity</b>		<b>926,971</b>	778,043
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	24	114,007	112,145
Notes payable	25	147,481	122,057
Long-term payables	26	10,876	9,910
Other financial liabilities	27	8,102	9,254
Deferred income tax liabilities	20	15,228	16,061
Lease liabilities	15	10,962	10,198
Deferred revenue	30	6,540	6,678
		<b>313,196</b>	286,303

## Consolidated Statement of Financial Position

As at 30 June 2021

	Note	Unaudited 30 June 2021 RMB'Million	Audited 31 December 2020 RMB'Million
<b>Current liabilities</b>			
Accounts payable	28	99,279	94,030
Other payables and accruals	29	49,637	54,308
Borrowings	24	14,686	14,242
Current income tax liabilities		8,599	12,134
Other tax liabilities		1,404	2,149
Other financial liabilities	27	3,735	5,567
Lease liabilities	15	4,013	3,822
Deferred revenue	30	96,252	82,827
		<u>277,605</u>	<u>269,079</u>
<b>Total liabilities</b>		<u>590,801</u>	<u>555,382</u>
<b>Total equity and liabilities</b>		<u>1,517,772</u>	<u>1,333,425</u>

The accompanying notes on pages 35 to 82 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 2021

	Unaudited							
	Attributable to equity holders of the Company							
	Share capital RMB'Million	Share premium RMB'Million	Shares held for share award schemes RMB'Million	Other reserves RMB'Million	Retained earnings RMB'Million	Total RMB'Million	Non-controlling interests RMB'Million	Total equity RMB'Million
<b>Balance at 1 January 2021</b>	-	48,793	(4,412)	121,139	538,464	703,984	74,059	778,043
<b>Comprehensive income</b>								
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
<b>Total comprehensive income for the period</b>	-	-	-	60,913	90,354	151,267	302	151,569
Transfer of gains on disposal of financial assets at fair value through other comprehensive income 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 2021

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
<b>Transactions with equity holders</b>								
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)	-	-	-
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 liability in respect of non-controlling interests	-	-	-	762	-	762	25	787
Lapses of put option liability in respect of non-controlling interests	-	-	-	783	-	783	-	783
Recognition of put option liabilities arising from business combination	-	-	-	(638)	-	(638)	-	(638)
Transfer of equity interests of subsidiaries to non-controlling interests	-	956	143	(8,751)	-	(7,652)	7,519	(133)
<b>Total transactions with equity holders at their capacity as equity holders for the period</b>	<b>-</b>	<b>9,220</b>	<b>(262)</b>	<b>(7,839)</b>	<b>(12,716)</b>	<b>(11,597)</b>	<b>6,397</b>	<b>(5,200)</b>
<b>Balance at 30 June 2021</b>	<b>-</b>	<b>58,013</b>	<b>(4,674)</b>	<b>172,666</b>	<b>620,202</b>	<b>846,207</b>	<b>80,764</b>	<b>926,971</b>

## Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	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
<b>Balance at 1 January 2020</b>	-	35,271	(4,002)	16,786	384,651	432,706	56,118	488,824
<b>Comprehensive income</b>								
Profit for the period	-	-	-	-	62,003	62,003	(146)	61,857
Other comprehensive income, net of tax:								
- share of other comprehensive income of associates and joint ventures	-	-	-	128	-	128	1	129
- transfer of share of other comprehensive income to profit or loss upon deemed disposal of an associate	-	-	-	(2)	-	(2)	-	(2)
- net gains from changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	47,206	-	47,206	1,741	48,947
- currency translation differences	-	-	-	2,863	-	2,863	810	3,673
- other fair value losses, net	-	-	-	(1,936)	-	(1,936)	(60)	(1,996)
<b>Total comprehensive income for the period</b>	-	-	-	48,259	62,003	110,262	2,346	112,608
Transfer of gains on disposal and deemed disposal of financial assets at fair value through other comprehensive income to retained earnings	-	-	-	(346)	346	-	-	-
Share of other changes in net assets of associates and joint ventures	-	-	-	1,456	-	1,456	(5)	1,451
Transfer of share of other changes in net assets of associates to profit or loss upon deemed disposal of associates	-	-	-	(154)	-	(154)	-	(154)



## Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	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
<b>Transactions with equity holders</b>								
Capital injection	-	-	-	-	-	-	222	222
Employee share option schemes:								
- value of employee services	-	933	-	31	-	964	32	996
- proceeds from shares issued	-	542	-	-	-	542	-	542
Employee share award schemes:								
- value of employee services	-	4,714	-	141	-	4,855	163	5,018
- shares withheld for share award schemes	-	-	(411)	-	-	(411)	-	(411)
- vesting of awarded shares	-	(336)	336	-	-	-	-	-
Tax benefit from share-based payments	-	-	-	214	-	214	-	214
Profit appropriations to statutory reserves	-	-	-	(60)	60	-	-	-
Dividends	-	-	-	-	(10,449)	(10,449)	(324)	(10,773)
Non-controlling interests arising from business combinations	-	-	-	-	-	-	8,685	8,685
Deemed disposal of a subsidiary	-	-	-	-	-	-	5	5
Acquisition of additional equity interests in non wholly-owned subsidiaries	-	-	-	35	-	35	(270)	(235)
Dilution of interests in subsidiaries	-	-	-	(139)	-	(139)	273	134
Changes in put option liability with non-controlling interests	-	-	-	(75)	-	(75)	(35)	(110)
Recognition of financial liabilities in respect of non-controlling interests	-	-	-	(686)	-	(686)	-	(686)
Transfer of equity interests of subsidiaries to non-controlling interests	-	577	118	(4,406)	-	(3,711)	3,654	(57)
<b>Total transactions with equity holders at their capacity as equity holders for the period</b>	<u>-</u>	<u>6,430</u>	<u>43</u>	<u>(4,945)</u>	<u>(10,389)</u>	<u>(8,861)</u>	<u>12,405</u>	<u>3,544</u>
<b>Balance at 30 June 2020</b>	<u>-</u>	<u>41,701</u>	<u>(3,959)</u>	<u>61,056</u>	<u>436,611</u>	<u>535,409</u>	<u>70,864</u>	<u>606,273</u>

The accompanying notes on pages 35 to 82 form an integral part of this interim financial information.

## Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'Million	RMB'Million
<b>Cash flows from operating activities</b>		
Cash generated from operations	99,752	111,478
Income tax paid	(16,796)	(12,753)
<b>Net cash flows generated from operating activities</b>	<b>82,956</b>	<b>98,725</b>
<b>Cash flows from investing activities</b>		
Payments for business combinations, net of cash acquired	(5,015)	(3,182)
Purchase of property, plant and equipment, construction in progress and investment properties	(15,810)	(17,593)
Proceeds from disposals of property, plant and equipment	71	–
Purchase of/prepayments for intangible assets	(14,011)	(11,343)
Purchase of/prepayments for land use rights	(295)	(351)
Payments for acquisition of investments in associates	(26,810)	(14,472)
Proceeds from disposals of investments in associates	2,995	1,133
Payments for acquisition of investments in joint ventures	(26)	(186)
Payments for acquisition of financial assets at fair value through other comprehensive income	(14,320)	(4,240)
Proceeds from disposals of financial assets at fair value through other comprehensive income	6,639	3,597
Payments for acquisition of financial assets at fair value through profit or loss	(40,371)	(28,637)
Proceeds from disposals of financial assets at fair value through profit or loss	11,774	5,092
Payments for acquisitions/settlements of other financial instruments	(1,527)	–
Proceeds from disposals of other financial assets	–	1,462
Payments for investments in other financial assets	–	(273)
Payments for loans to investees and others	(5,458)	(1,277)
Loans repayments from investees and others	582	390
Receipt from maturity of term deposits with initial terms of over three months	34,540	12,336
Placement of term deposits with initial terms of over three months	(39,062)	(38,312)
Interest received	2,781	2,327
Dividends received	1,385	602
<b>Net cash flows used in investing activities</b>	<b>(101,938)</b>	<b>(92,927)</b>

## Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'Million</b>	RMB'Million
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	<b>9,732</b>	5,662
Repayments of short-term borrowings	<b>(12,597)</b>	(8,323)
Proceeds from long-term borrowings	<b>6,527</b>	26,223
Repayments of long-term borrowings	<b>(65)</b>	(5,255)
Net proceeds from issuance of notes payable	<b>27,060</b>	42,509
Repayments of notes payable	–	(10,460)
Principal elements of lease payments	<b>(2,022)</b>	(1,515)
Interest paid	<b>(3,550)</b>	(3,714)
Proceeds from issuance of ordinary shares as a result of exercise of share options	<b>410</b>	542
Shares withheld for share award schemes	<b>(1,268)</b>	(411)
Proceeds from issuance of additional equity of non wholly-owned subsidiaries	<b>227</b>	273
Payments for acquisition of non-controlling interests in non wholly-owned subsidiaries	<b>(1,926)</b>	(343)
Dividends paid to the Company's shareholders	<b>(12,503)</b>	(10,339)
Dividends paid to non-controlling interests	<b>(441)</b>	(351)
	<b>9,584</b>	34,498
<b>Net cash flows generated from financing activities</b>		
	<b>(9,398)</b>	40,296
<b>Net (decrease)/increase in cash and cash equivalents</b>		
Cash and cash equivalents at beginning of the period	<b>152,798</b>	132,991
Exchange (losses)/gains on cash and cash equivalents	<b>(1,679)</b>	431
	<b>141,721</b>	173,718
<b>Cash and cash equivalents at end of the period</b>		

The accompanying notes on pages 35 to 82 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 2021, the consolidated income statement and the consolidated statement of comprehensive income for the three and six months then ended, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes (the “Interim Financial Information”). The Interim Financial Information is presented in 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 2020, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as set out in the 2020 annual report of the Company dated 24 March 2021 (the “2020 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 2020 Financial Statements in all material aspects, which have been prepared in accordance with IFRS under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss (“FVPL”), financial assets at fair value through other comprehensive income (“FVOCI”), certain other financial assets and liabilities, which are carried at fair values.

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

## 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 2021:

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

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

The following new standards and amendments to standards have not come into effect for the financial year beginning 1 January 2021 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
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020 Cycle	1 January 2022
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

## Notes to the Interim Financial Information

### 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 2020 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 2020 Financial Statements.

There were no significant changes in any material risk management policies during the six months ended 30 June 2021.

During the three and six months ended 30 June 2021, the Group reported exchange losses of RMB30 million and exchange gains of RMB329 million respectively (three and six months ended 30 June 2020: exchange losses of RMB183 million and exchange gains of RMB139 million respectively) (Note 9), within "Finance costs, net" in the consolidated income statement.

#### (b) Capital risk management

The Group's objectives on 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.

## Notes to the Interim Financial Information

### 5 FINANCIAL RISK MANAGEMENT (continued)

#### (b) Capital risk management (continued)

The Group assesses its creditworthiness based on business and financial risk profile and monitors capital by regularly reviewing 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 debts that reflects financial health and liquidity position. The total debts/adjusted EBITDA ratio calculated by dividing the total debts by adjusted EBITDA is as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2021</b>	2020
	(RMB in million, unless specified)	
Borrowings (Note 24)	<b>128,693</b>	126,387
Notes payable (Note 25)	<b>147,481</b>	122,057
Total debts	<b>276,174</b>	248,444
Adjusted EBITDA for the last twelve months (Note)	<b>197,656</b>	183,314
Total debts/Adjusted EBITDA ratio	<b>1.40</b>	1.36

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 2021 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
<b>As at 30 June 2021 (Unaudited)</b>				
FVPL	26,302	6,058	155,972	188,332
FVOCI	278,070	–	13,430	291,500
Other financial assets	–	382	17	399
Other financial liabilities	–	943	3,099	4,042
<b>As at 31 December 2020 (Audited)</b>				
FVPL	27,620	5,646	139,271	172,537
FVOCI	199,465	–	13,626	213,091
Other financial assets	–	1,120	9	1,129
Other financial liabilities	–	1,957	3,352	5,309



## 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 2021, there was no transfer between level 1 and 2 for recurring fair value measurements. The table below detailed the transfers in and out of level 3 measurements, which presents the changes of financial instruments in level 3 for the six months ended 30 June 2021 and 2020:

	Financial assets		Financial liabilities	
	Unaudited		Unaudited	
	Six months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
<b>Opening balance</b>	<b>152,906</b>	123,093	<b>3,352</b>	1,873
Additions	40,236	25,290	418	237
Disposals/Settlements	(5,642)	(541)	(794)	(1,177)
Transfers	(59,289)	475	–	–
Changes in fair value recognised in other comprehensive income	13,330	399	–	–
Changes in fair value recognised in profit or loss*	30,275	1,520	158	(627)
Currency translation differences	(2,397)	2,521	(35)	(23)
<b>Closing balance</b>	<b>169,419</b>	152,757	<b>3,099</b>	283
* Includes unrealised gains/(losses) recognised in profit or loss attributable to balances held at the end of the reporting period	9,084	1,361	92	(625)

## 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, majority of their fair values have been determined using applicable valuation techniques including 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 comprise:

- 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 inputs at 30 June 2021 are 29% ~ 63% (31 December 2020: 27% ~ 63%) and 0.06% ~ 5.39% (31 December 2020: 0.15% ~ 5.35%), respectively.
- For contingent consideration related to a business combination, which is principally engaged in the television series and film production business, the significant unobservable inputs are growth rate of net profit and expected volatility, which are 10% (31 December 2020: 15%) and 30% (31 December 2020: 35%), respectively. The higher the growth rate, the higher the fair value; and the higher the expected volatility, the lower the fair value.

For the fair value of contingent consideration related to business combination, 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 as at 30 June 2021 and 2020.

# 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 2021 and 2020:

- VAS;
- Online Advertising;
- FinTech and Business Services; and
- Others.

The "Others" business segment consists of the financials of investment in, production of and distribution of, films and television programmes for third parties, copyrights licensing, merchandise sales and various other activities.

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, net, finance costs, net, share of losses of associates and joint ventures and income tax expense are also not allocated to individual operating segment.

There were no material inter-segment sales during the three and six months ended 30 June 2021 and 2020. The revenues from external customers reported to the chief operating decision-makers are measured in a manner consistent with that applied in the consolidated income statement.

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 were no segment assets and 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 2021 and 2020 is as follows:

	Unaudited				Total RMB'Million
	Three months ended 30 June 2021				
	VAS RMB'Million	FinTech		Others RMB'Million	
		Online Advertising RMB'Million	and 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>

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

## Notes to the Interim Financial Information

### 6 SEGMENT INFORMATION AND REVENUES (continued)

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

	Unaudited				Total RMB'Million
	Six months ended 30 June 2021				
	VAS	Online	FinTech	Others	
	RMB'Million	Advertising	and Business		
		RMB'Million	Services	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>

	Unaudited				Total RMB'Million
	Six months ended 30 June 2020				
	VAS	Online	FinTech	Others	
	RMB'Million	Advertising	and Business		
		RMB'Million	Services	RMB'Million	
			RMB'Million		
Segment revenues	<u>127,431</u>	<u>36,265</u>	<u>56,337</u>	<u>2,915</u>	<u>222,948</u>
Gross profit/(loss)	<u>71,754</u>	<u>18,254</u>	<u>16,022</u>	<u>(26)</u>	<u>106,004</u>
Cost of revenues					
Depreciation	2,273	1,542	4,207	47	8,069
Amortisation	<u>7,361</u>	<u>3,128</u>	<u>–</u>	<u>754</u>	<u>11,243</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 2021 and 2020.

## 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	
	2021	2020	2021	2020
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Revenue from contracts with customers				
– VAS	<b>72,013</b>	65,002	<b>144,456</b>	127,431
<i>Games</i>	<b>42,970</b>	38,288	<b>86,620</b>	75,586
<i>Social networks</i>	<b>29,043</b>	26,714	<b>57,836</b>	51,845
– Online Advertising	<b>22,833</b>	18,552	<b>44,653</b>	36,265
<i>Social and others advertising</i>	<b>19,504</b>	15,262	<b>38,000</b>	29,854
<i>Media advertising</i>	<b>3,329</b>	3,290	<b>6,653</b>	6,411
– FinTech and Business Services	<b>41,892</b>	29,862	<b>80,920</b>	56,337
– Others	<b>1,521</b>	1,467	<b>3,533</b>	2,915
	<b>138,259</b>	114,883	<b>273,562</b>	222,948

## Notes to the Interim Financial Information

### 7 OTHER GAINS, NET

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Net gains on disposals and deemed disposals of investee companies (Note (a))	<b>6,106</b>	8,325	<b>9,590</b>	11,972
Net fair value gains on FVPL (Note (b) and Note 17)	<b>14,580</b>	3,717	<b>29,320</b>	5,034
Impairment provision for investee companies, goodwill and other intangible assets arising from acquisitions (Note (c))	<b>(3,372)</b>	(8,613)	<b>(3,422)</b>	(8,126)
Subsidies and tax rebates	<b>2,221</b>	1,657	<b>4,751</b>	3,772
Net fair value (losses)/gains on other financial instruments	<b>(282)</b>	2,630	<b>(173)</b>	2,938
Donations	–	–	<b>(1,600)</b>	(2,600)
Dividends income	<b>390</b>	386	<b>540</b>	794
Others	<b>1,120</b>	505	<b>1,278</b>	(1,140)
	<b>20,763</b>	8,607	<b>40,284</b>	12,644



## Notes to the Interim Financial Information

### 7 OTHER GAINS, NET (continued)

Note:

- (a) The disposal and deemed disposal gains of approximately RMB9,590 million recognised during the six months ended 30 June 2021 mainly comprised the following:
- net gains of approximately RMB6,336 million (six months ended 30 June 2020: RMB5,585 million) on dilution of the Group's equity interests in certain associates due to new equity interests being issued by these associates (Note 16). These investee companies are principally engaged in games developing, finance, online video-sharing platform, eCommerce and Internet-related business; and
  - aggregate net gains of approximately RMB3,254 million (six months ended 30 June 2020: RMB6,387 million) on disposals, partial disposals or deemed disposals of various investments of the Group.
- (b) During the six months ended 30 June 2021, the net fair value gains on FVPL comprised net gains of approximately RMB29,297 million as a result of increases in valuations of certain FVPL, and approximately RMB23 million associated with treasury investments (six months ended 30 June 2020: RMB5,034 million and nil).
- (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	
	2021	2020	2021	2020
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Goodwill and other intangible assets arising from acquisitions	151	4,384	201	4,384
Investments in associates (Note 16(c))	3,194	3,777	3,194	2,432
Others	27	452	27	1,310
	<b>3,372</b>	<b>8,613</b>	<b>3,422</b>	<b>8,126</b>

## Notes to the Interim Financial Information

### 8 EXPENSES BY NATURE

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Transaction costs (Note (a))	<b>30,960</b>	25,570	<b>62,613</b>	47,303
Employee benefits expenses (Note (b))	<b>23,987</b>	16,821	<b>44,388</b>	31,964
Content costs (excluding amortisation of intangible assets)	<b>16,091</b>	14,600	<b>30,910</b>	26,862
Amortisation of intangible assets (Note (c) and Note 13)	<b>7,995</b>	6,414	<b>15,838</b>	12,292
Promotion and advertising expenses	<b>7,694</b>	6,048	<b>14,175</b>	11,597
Depreciation of property, plant and equipment, investment properties and right-of-use assets (Note 13 and Note 15)	<b>6,463</b>	5,156	<b>12,821</b>	9,919
Bandwidth and server custody fees (excluding depreciation of right-of-use assets)	<b>6,552</b>	5,652	<b>12,767</b>	10,773

Note:

- (a) Transaction costs primarily consist of bank handling fees, channel and distribution costs.
- (b) During the three and six months ended 30 June 2021, the Group had incurred expenses for the purpose of research and development of approximately RMB12,828 million and RMB24,129 million (three and six months ended 30 June 2020: approximately RMB9,880 million and RMB17,885 million, respectively), which mainly comprised employee benefits expenses of approximately RMB10,528 million and RMB19,970 million (three and six months ended 30 June 2020: approximately RMB7,771 million and RMB14,571 million, respectively).

During the three and six months ended 30 June 2021, employee benefits expenses included the share-based compensation expenses of approximately RMB6,202 million and RMB9,906 million (three and six months ended 30 June 2020: approximately RMB3,507 million and RMB6,942 million, respectively).

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

- (c) Amortisation charges of intangible assets is mainly in respect of media content including video and music content, game licenses, and other content. During the three and six months ended 30 June 2021, amortisation of media content was approximately RMB7,274 million and RMB14,429 million (three and six months ended 30 June 2020: approximately RMB5,800 million and RMB11,208 million, respectively).

During the three and six months ended 30 June 2021, amortisation of intangible assets included the amortisation of intangible assets resulting from business combinations of approximately RMB1,124 million and RMB2,186 million (three and six months ended 30 June 2020: approximately RMB870 million and RMB1,509 million, respectively).

## Notes to the Interim Financial Information

### 9 FINANCE COSTS, NET

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Interest and related expenses	1,912	1,822	3,638	3,828
Exchange losses/(gains), net	30	183	(329)	(139)
	<u>1,942</u>	<u>2,005</u>	<u>3,309</u>	<u>3,689</u>

Interest and related expenses mainly arose from the borrowings, notes payable and lease liabilities as disclosed in Note 24, Note 25 and Note 15(b), respectively.

### 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 2021 and 2020.

- (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 2021 and 2020.

## Notes to the Interim Financial Information

### 10 TAXATION (continued)

#### (a) Income tax expense (continued)

##### (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 2021 and 2020. The general PRC CIT rate is 25% for the three and six months ended 30 June 2021 and 2020.

Certain subsidiaries of the Group in the Mainland of China were approved as High and New Technology Enterprise, and accordingly, they were subject to a preferential corporate income tax rate of 15% for the three and six months ended 30 June 2021 and 2020. 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 policy of “2-year exemption and 3-year half rate concession” and the preferential tax rate of 15% applicable to some subsidiaries located in certain areas of the Mainland of China upon fulfilment of certain requirements of the respective local governments.

##### (iv) Corporate income tax in other jurisdictions

Income tax on profit arising from other jurisdictions, including the United States, Europe, East Asia and South America, had been calculated on the estimated assessable profit for the three and six months ended 30 June 2021 and 2020 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 fulfilment of certain conditions.

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

## Notes to the Interim Financial Information

### 10 TAXATION (continued)

#### (a) Income tax expense (continued)

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

	Unaudited		Unaudited	
	Three months ended 30 June	2020	Six months ended 30 June	2020
	2021	2020	2021	2020
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Current income tax	4,272	4,730	12,651	12,060
Deferred income tax (Note 20)	(606)	(173)	(1,739)	(1,611)
	<u>3,666</u>	<u>4,557</u>	<u>10,912</u>	<u>10,449</u>

#### (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, offsetting 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 is fully exempted.

## Notes to the Interim Financial Information

### 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	
	2021	2020	2021	2020
Profit attributable to equity holders of the Company (RMB’Million)	<u>42,587</u>	<u>33,107</u>	<u>90,354</u>	<u>62,003</u>
Weighted average number of ordinary shares in issue (million shares)	<u>9,523</u>	<u>9,482</u>	<u>9,519</u>	<u>9,479</u>
Basic EPS (RMB per share)	<u>4.472</u>	<u>3.491</u>	<u>9.492</u>	<u>6.541</u>

#### (b) Diluted

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

## Notes to the Interim Financial Information

### 11 EARNINGS PER SHARE (continued)

#### (b) Diluted (continued)

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

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
Profit attributable to equity holders of the Company (RMB'Million)	42,587	33,107	90,354	62,003
Dilution effect arising from share-based awards issued by non wholly-owned subsidiaries and associates (RMB'Million)	(57)	(49)	(206)	(86)
Profit attributable to equity holders of the Company for the calculation of diluted EPS (RMB'Million)	42,530	33,058	90,148	61,917
Weighted average number of ordinary shares in issue (million shares)	9,523	9,482	9,519	9,479
Adjustments for share options and awarded shares (million shares)	172	136	175	135
Weighted average number of ordinary shares for the calculation of diluted EPS (million shares)	9,695	9,618	9,694	9,614
Diluted EPS (RMB per share)	4.387	3.437	9.299	6.440

### 12 DIVIDENDS

A final dividend in respect of the year ended 31 December 2020 of HKD1.60 per share (2019: HKD1.20 per share) was proposed pursuant to a resolution passed by the Board on 24 March 2021 and approved by the shareholders at the 2021 annual general meeting of the Company held on 20 May 2021. Such dividend amounting to HKD15,238 million (2020: HKD11,378 million) was paid during the six months ended 30 June 2021.

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

## 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
<b>Net book amount at 1 January 2021</b>	<b>59,843</b>	<b>4,939</b>	<b>583</b>	<b>159,437</b>
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)
<b>Net book amount at 30 June 2021</b>	<b>61,141</b>	<b>5,805</b>	<b>559</b>	<b>161,904</b>
<b>Net book amount at 1 January 2020</b>	46,824	3,935	855	128,860
Business combinations	92	–	–	11,182
Additions	13,447	1,409	–	11,335
Transfers	339	(138)	(201)	–
Disposals	(23)	–	(3)	(814)
Depreciation/amortisation	(8,130)	–	(16)	(12,292)
Impairment	–	–	–	(4,388)
Currency translation differences	16	11	–	1,377
<b>Net book amount at 30 June 2020</b>	<b>52,565</b>	<b>5,217</b>	<b>635</b>	<b>135,260</b>

Non-financial assets that have an indefinite life are not subject to amortisation and depreciation, but are tested for impairment whenever there is any indication of impairment or annually at year-end (31 December). Non-financial assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable.

Except for certain amounts of goodwill and other intangible assets arising from acquisitions were impaired during the six months ended 30 June 2021, there was no indication of impairment for property, plant and equipment, construction in progress, investment properties and intangible assets during the six months ended 30 June 2021.



## Notes to the Interim Financial Information

### 14 LAND USE RIGHTS

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'Million	RMB'Million
<b>Net book amount at 1 January</b>	<b>16,091</b>	15,609
Additions	99	440
Amortisation	(235)	(227)
Currency translation differences	(2)	–
	<u>15,953</u>	<u>15,822</u>
<b>Net book amount at 30 June</b>	<b>15,953</b>	15,822

The land use rights mainly represent prepaid operating lease payments in respect of land in the Mainland of China with remaining lease period of 28 to 50 years.

### 15 LEASES (EXCLUDING LAND USE RIGHTS)

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

Except recognition of lease liabilities, movement of right-of-use assets (excluding land use rights, disclosed in Note 14) is analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'Million	RMB'Million
<b>Net book amount at 1 January</b>	<b>12,929</b>	10,847
Business combinations	16	95
Additions	3,179	1,494
Reduction (Note)	(126)	(77)
Depreciation	(2,144)	(1,773)
Currency translation differences	(85)	36
	<u>13,769</u>	<u>10,622</u>
<b>Net book amount at 30 June</b>	<b>13,769</b>	10,622

Note:

The reduction of right-of-use assets during the six months ended 30 June 2021 and 2020 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

The consolidated income statement shows 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	
	2021	2020	2021	2020
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
<b>Depreciation charge of right-of-use assets</b>				
Buildings	501	422	1,005	841
Computer and other operating equipment	582	472	1,127	923
Others	6	5	12	9
	<u>1,089</u>	<u>899</u>	<u>2,144</u>	<u>1,773</u>
Interest expense (included in finance costs, net)	166	130	322	262
Expense relating to short-term leases not included in lease liabilities (included in cost of revenues and expenses)	425	441	834	746
Expense relating to variable lease payments not included in lease liabilities (included in cost of revenues and expenses)	1,180	888	2,305	1,770

## Notes to the Interim Financial Information

### 15 LEASES (EXCLUDING LAND USE RIGHTS) (continued)

#### (b) Amounts recognised in consolidated income statement (continued)

Some computer and other operating equipment contains 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 condition that triggers those payments occur. Variable lease payments relating to computer and other operating equipment leases during the six months ended 30 June 2021 were considered to be insignificant.

The total cash outflow in financing activities for leases during six months ended 30 June 2021 was approximately RMB2,346 million (six months ended 30 June 2020: RMB1,777 million), including principal elements of lease payments of approximately RMB2,022 million (six months ended 30 June 2020: RMB1,515 million) and related interest paid of approximately RMB324 million (six months ended 30 June 2020: RMB262 million), respectively.

### 16 INVESTMENTS IN ASSOCIATES

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>RMB'Million</b>	RMB'Million
Investments in associates		
– Listed entities (Note)	<b>234,480</b>	171,048
– Unlisted entities	<b>122,207</b>	126,561
	<b>356,687</b>	297,609

Note:

As at 30 June 2021, the fair value of the investments in associates which are listed entities was RMB1,145,427 million (31 December 2020: RMB981,902 million).

## Notes to the Interim Financial Information

### 16 INVESTMENTS IN ASSOCIATES (continued)

Movement of investments in associates is analysed as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'Million</b>	RMB'Million
<b>At beginning of period</b>	<b>297,609</b>	213,614
Additions (Note (a))	<b>26,413</b>	15,521
Transfers (Note (b))	<b>32,710</b>	(8,138)
Dilution gains on deemed disposal (Note 7(a))	<b>6,336</b>	5,585
Share of loss of associates	<b>(2,580)</b>	(241)
Share of other comprehensive income of associates	<b>710</b>	148
Share of other changes in net assets of associates	<b>2,650</b>	1,443
Dividends	<b>(155)</b>	(71)
Disposals	<b>(2,468)</b>	(1,621)
Impairment provision (Note (c))	<b>(3,194)</b>	(2,432)
Currency translation differences	<b>(1,344)</b>	945
	<b><u>356,687</u></b>	<u>224,753</u>
<b>At end of period</b>	<b>356,687</b>	224,753

Note:

- (a) During the six months ended 30 June 2021, the Group's additions to investments in associates mainly comprised the following:
- (i) a consortium (the "UMG Consortium") formed together with Tencent Music Entertainment Group ("TME"), a non wholly-owned subsidiary of the Company, and certain global financial investors to acquire additional 10% equity interests in Universal Music Group ("UMG") from its parent company, Vivendi S.A.. The Group's additional investment in the UMG Consortium amounted to approximately EUR975 million (equivalent to approximately RMB7,792 million), and the investment remained as an associate;
  - (ii) the Group made additional investment in the ordinary shares of an existing investee engaged in games developing at a cash consideration of approximately RMB2,795 million. Upon completion of the additional investment, the Group's equity interests in the investee have been increased from 5% to 10%. Since there is no change in the assessment of significant influence, this investment continues to be considered as an associate of the Group; and
  - (iii) new associates and additional investments in existing associates with an aggregate amount of approximately RMB15,826 million during the six months ended 30 June 2021. These associates are principally engaged in games developing, online medical platform and other Internet-related business.

## Notes to the Interim Financial Information

### 16 INVESTMENTS IN ASSOCIATES (continued)

Note: (continued)

- (b) During the six months ended 30 June 2021, transfers mainly comprised investments in associates of approximately RMB33,374 million transferred from FVPL mainly due to conversion of the redeemable instruments into ordinary shares upon their Initial Public Offerings (“IPOs”) or obtaining board representatives.
- (c) During the six months ended 30 June 2021, the Group had made an aggregate net impairment provision of approximately RMB3,194 million (six months ended 30 June 2020: RMB2,432 million) against the carrying amounts of certain investments in associates. The impairment provision mainly resulted from revisions of financial/business outlook of the associates and changes in the market environment.

Management has assessed the level of influence that the Group exercises on certain associates with the respective shareholding below 20% and certain associates with shareholding over 50% (voting power is below 50%), with total carrying amounts of RMB256,243 million and RMB21,563 million as at 30 June 2021, respectively (31 December 2020: RMB212,349 million and RMB15,936 million, respectively). Management determined that it has significant influence thereon through the board representation or other arrangements made, and it has no control or joint control over such investees as the Group has no power to direct relevant activities due to other arrangements made. Consequently, these investments have been classified as associates.

## Notes to the Interim Financial Information

### 17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

FVPL include the following:

	<b>Unaudited 30 June 2021 RMB'Million</b>	Audited 31 December 2020 RMB'Million
<b>Included in non-current assets:</b>		
Investments in listed entities	<b>22,481</b>	23,554
Investments in unlisted entities	<b>145,519</b>	133,506
Treasury investments and others	<b>10,915</b>	8,884
	<b>178,915</b>	165,944
<b>Included in current assets:</b>		
Investments in listed entities	–	10
Treasury investments and others	<b>9,417</b>	6,583
	<b>9,417</b>	6,593
	<b>188,332</b>	172,537

Movement of FVPL is analysed as follows:

	<b>Unaudited Six months ended 30 June</b>	
	<b>2021 RMB'Million</b>	2020 RMB'Million
<b>At beginning of period</b>	<b>172,537</b>	135,936
Additions and transfers (Note (a) and Note 16(b))	<b>3,469</b>	30,167
Changes in fair value (Note 7)	<b>29,320</b>	5,034
Disposals and others	<b>(14,488)</b>	(5,123)
Currency translation differences	<b>(2,506)</b>	2,704
<b>At end of period</b>	<b>188,332</b>	168,718

## 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 2021, the Group's additions and transfers mainly comprised the following:
- (i) new investments and additional investments with an aggregate amount of approximately RMB41,977 million in listed and unlisted entities. These companies are principally engaged in express delivery, eCommerce, Internet platform, technology and other Internet-related businesses; and
  - (ii) except as described in Note 16(b), transfers also mainly comprised certain FVPL of an aggregate amount of approximately RMB5,089 million redesignated to FVOCI upon their IPOs.
- (b) Management has assessed the level of influence that the Group exercises on certain FVPL with shareholding exceeding 20%. Since these investments are either held in form of redeemable instruments or interests in limited life partnership without significant influence, these investments have been classified as FVPL.

### 18 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

FVOCI include the following:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>RMB'Million</b>	RMB'Million
Equity investments in listed entities	<b>278,070</b>	199,465
Equity investments in unlisted entities	<b>13,430</b>	13,626
	<b><u>291,500</u></b>	<u>213,091</u>

## Notes to the Interim Financial Information

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

Movement of FVOCI is analysed as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'Million</b>	RMB'Million
<b>At beginning of period</b>	<b>213,091</b>	81,721
Additions and transfers (Note (a) and Note 17(a))	<b>21,900</b>	9,091
Changes in fair value	<b>64,758</b>	49,817
Disposals	<b>(6,647)</b>	(2,905)
Currency translation differences	<b>(1,602)</b>	1,297
	<b><u>291,500</u></b>	<u>139,021</u>
<b>At end of period</b>	<b>291,500</b>	139,021

Note:

(a) During the six months ended 30 June 2021, the Group's additions mainly comprised the following:

- (i) an additional investment in an eCommerce entity of approximately JPY72,406 million (equivalent to approximately RMB4,294 million); and
- (ii) new investments and additional investments with an aggregate amount of approximately RMB11,920 million in listed and unlisted entities. These companies are principally engaged in Internet platform, technology and other Internet-related businesses.



## Notes to the Interim Financial Information

### 19 PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>RMB'Million</b>	RMB'Million
<b>Included in non-current assets:</b>		
Prepayments for media contents and game licences	<b>15,792</b>	15,415
Loans to investees and investees' shareholders (Note (a))	<b>4,176</b>	1,078
Prepayments for capital investments in investees	<b>1,771</b>	889
Running royalty fees for online games (Note (b))	<b>699</b>	667
Others	<b>7,498</b>	6,581
	<b>29,936</b>	24,630
<b>Included in current assets:</b>		
Running royalty fees for online games (Note(b))	<b>17,084</b>	14,499
Prepayments and prepaid expenses	<b>15,546</b>	10,244
Receivables related to financial services	<b>9,385</b>	3,700
Interest receivables	<b>4,477</b>	2,948
Refundable value-added tax	<b>1,502</b>	865
Lease deposits and other deposits	<b>1,174</b>	966
Loans to investees and investees' shareholders (Note (a))	<b>569</b>	258
Dividend and other investment-related receivables	<b>289</b>	182
Others	<b>7,455</b>	6,659
	<b>57,481</b>	40,321
	<b>87,417</b>	64,951

Note:

- (a) As at 30 June 2021, 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 12.0% per annum (31 December 2020: not higher than 12.0% per annum).
- (b) Running royalty fees for online games comprised prepaid royalty fees, unamortised running royalty fees and deferred service fees collected from third party platforms.

As at 30 June 2021, the carrying amounts of deposits and other assets (excludes prepayments and refundable value-added tax) approximated their fair values. As at 30 June 2021, loss allowances made against the gross amounts of deposits and other assets were not significant.

## Notes to the Interim Financial Information

### 20 DEFERRED INCOME TAXES

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

	<b>Deferred income tax assets RMB'Million</b>	<b>Unaudited Deferred income tax liabilities RMB'Million</b>	<b>Deferred income tax, net RMB'Million</b>
<b>At 1 January 2021</b>	<b>21,348</b>	<b>(16,061)</b>	<b>5,287</b>
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 tax assets/liabilities	(807)	807	–
	<u>22,971</u>	<u>(15,228)</u>	<u>7,743</u>
<b>At 30 June 2021</b>	<b>22,971</b>	<b>(15,228)</b>	<b>7,743</b>
<b>At 1 January 2020</b>	18,209	(12,841)	5,368
Business combinations	90	(574)	(484)
Credited/(charged) to consolidated income statement (Note 10)	3,862	(2,251)	1,611
Withholding taxes paid	–	1,925	1,925
Charged to consolidated statement of changes in equity	(129)	(741)	(870)
Currency translation differences	54	(64)	(10)
Set-off of deferred tax assets/liabilities	(1,112)	1,112	–
	<u>20,974</u>	<u>(13,434)</u>	<u>7,540</u>
<b>At 30 June 2020</b>	<b>20,974</b>	<b>(13,434)</b>	<b>7,540</b>

Note:

Deferred 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

### 21 ACCOUNTS RECEIVABLE

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

	<b>Unaudited</b> <b>30 June</b> <b>2021</b> <b>RMB'Million</b>	Audited 31 December 2020 RMB'Million
0 ~ 30 days	<b>18,597</b>	19,708
31 ~ 60 days	<b>14,853</b>	10,867
61 ~ 90 days	<b>6,896</b>	4,506
Over 90 days	<b>13,177</b>	9,900
	<b><u>53,523</u></b>	<u>44,981</u>

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

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

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

As at 30 June 2021, loss allowances made against the gross amounts of accounts receivable were not significant.

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

## Notes to the Interim Financial Information

### 22 SHARE CAPITAL

As at 30 June 2021 and 31 December 2020, 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	
	2021	2020
At beginning of period	9,593,912,711	9,552,615,286
Issuance of shares under share option schemes	1,987,296	2,550,183
At end of period	9,595,900,007	9,555,165,469

As at 30 June 2021, the total number of issued ordinary shares of the Company included 70,656,949 shares (31 December 2020: 81,517,187 shares) held under the Share Award Schemes.

### 23 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 2021, there were no outstanding options exercisable of the Pre-IPO Option Scheme, the Post-IPO Option Scheme I and the Post-IPO Option Scheme III.

In respect of the Post-IPO Option Scheme IV which continues to be in force, the Board may, at its discretion, grant options to any qualifying participants to subscribe for shares in the Company, subject to the terms and conditions stipulated therein. The exercise price must be in compliance with the requirement under the Rules Governing the Listing of Securities on the Stock Exchange. In addition, the option vesting period is determined by the Board provided that it is not later than the last day of a 7-year period for the Post-IPO Option Scheme IV after the date of grant of option.

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

## Notes to the Interim Financial Information

### 23 SHARE-BASED PAYMENTS (continued)

#### (a) Share option schemes (continued)

##### (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 Scheme II		Unaudited Post-IPO Option Scheme IV		Total No. of options
	Average		Average		
	exercise price	No. of options	exercise price	No. of options	
<b>At 1 January 2021</b>	<b>HKD205.36</b>	<b>37,435,134</b>	<b>HKD380.50</b>	<b>67,806,750</b>	<b>105,241,884</b>
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)
<b>At 30 June 2021</b>	<b>HKD206.60</b>	<b>36,520,108</b>	<b>HKD408.39</b>	<b>75,151,857</b>	<b>111,671,965</b>
<b>Exercisable as at 30 June 2021</b>	<b>HKD206.56</b>	<b>36,398,295</b>	<b>HKD383.52</b>	<b>27,658,828</b>	<b>64,057,123</b>
<b>At 1 January 2020</b>	HKD185.86	50,358,800	HKD375.36	61,738,193	112,096,993
Granted	–	–	HKD360.47	7,564,144	7,564,144
Exercised	HKD185.92	(1,513,080)	HKD308.70	(1,037,103)	(2,550,183)
Lapsed/forfeited	HKD174.86	(4,425)	HKD347.62	(281,780)	(286,205)
<b>At 30 June 2020</b>	HKD185.86	48,841,295	HKD374.84	67,983,454	116,824,749
<b>Exercisable as at 30 June 2020</b>	HKD179.54	41,717,167	HKD384.17	17,782,134	59,499,301

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

During the six months ended 30 June 2021, 1,987,296 options (six months ended 30 June 2020: 2,550,183 options) were exercised. The weighted average price of the shares at the time these options were exercised was HKD611.53 per share (equivalent to approximately RMB509.59 per share) (six months ended 30 June 2020: HKD433.52 per share (equivalent to approximately RMB395.51 per share)).

## Notes to the Interim Financial Information

### 23 SHARE-BASED PAYMENTS (continued)

#### (a) Share option schemes (continued)

##### (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 2021 and 31 December 2020 are as follows:

Expiry Date	Range of exercise price	No. of share options	
		Unaudited 30 June 2021	Audited 31 December 2020
7 years commencing from the date of grant of options (Post-IPO Option Scheme II and Post-IPO Option Scheme IV)	HKD116.40~HKD174.86	<b>10,276,868</b>	11,082,519
	HKD225.44~HKD272.36	<b>31,821,265</b>	32,520,471
	HKD334.20~HKD386.60	<b>36,976,900</b>	37,549,600
	HKD403.16~HKD444.20	<b>22,314,079</b>	22,362,446
	HKD518.00~HKD618.00	<b>10,282,853</b>	1,726,848
		<b><u>111,671,965</u></b>	<b><u>105,241,884</u></b>

The outstanding share options as of 30 June 2021 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.

## Notes to the Interim Financial Information

### 23 SHARE-BASED PAYMENTS (continued)

#### (a) Share option schemes (continued)

##### (iii) Fair value of options

The directors of the Company have 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 2021 was HKD188.45 per share (equivalent to approximately RMB159.06 per share) (six months ended 30 June 2020: HKD106.05 per share (equivalent to approximately RMB97.05 per share)).

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

	Unaudited	
	Six months ended 30 June	
	2021	2020
Weighted average share price at the grant date	<b>HKD609.33</b>	HKD360.36
Risk-free rate	<b>0.95% ~ 1.18%</b>	0.57% ~ 1.52%
Dividend yield	<b>0.23%</b>	0.23%
Expected volatility (Note)	<b>31.00% ~ 32.00%</b>	30.00%

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

### 23 SHARE-BASED PAYMENTS (continued)

#### (b) Share award schemes

The Company has adopted three share award schemes (the “Share Award Schemes”) as of 30 June 2021, which are administered by an independent trustee appointed by the Group. The vesting period of the awarded shares is determined by the Board.

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

	<b>No. of awarded shares</b>	
	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
<b>At beginning of period</b>	<b>82,594,936</b>	76,615,755
Granted	<b>34,514,780</b>	13,426,868
Lapsed/forfeited	<b>(2,252,506)</b>	(1,617,473)
Vested and transferred	<b>(13,236,489)</b>	(8,360,461)
<b>At end of period</b>	<b><u>101,620,721</u></b>	<u>80,064,689</u>
<b>Vested but not transferred as at the end of period</b>	<b><u>12,131</u></b>	<u>32,554</u>

During the six months ended 30 June 2021, 40,500 awarded shares were granted to four independent non-executive directors of the Company (six months ended 30 June 2020: 59,500 awarded shares had been granted to five 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 dates. The expected dividends during the vesting period have 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 2021 was HKD609.18 per share (equivalent to approximately RMB513.23 per share) (six months ended 30 June 2020: HKD373.40 per share (equivalent to approximately RMB340.83 per share)).

The outstanding awarded shares as of 30 June 2021 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.



## Notes to the Interim Financial Information

### 23 SHARE-BASED PAYMENTS (continued)

#### (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 six EISs established in 2014, 2015, 2016, 2017 and 2021 are in effect as at 30 June 2021. 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 2021 and 2020 were insignificant to the Group.

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

Certain subsidiaries of the Group operate their own share-based compensation plans (share option and/or share award schemes). Their exercise prices of the 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 ("Repurchase Transaction"). The Group has discretion to settle the Repurchase Transaction by using either 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 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 2021, the Expected Retention Rate of the Group's wholly-owned subsidiaries were assessed to be not lower than 91% (31 December 2020: not lower than 91%).

## Notes to the Interim Financial Information

### 24 BORROWINGS

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>RMB'Million</b>	RMB'Million
<b>Included in non-current liabilities:</b>		
Non-current portion of long-term USD bank borrowings, unsecured (Note (a))	<b>113,879</b>	110,629
Non-current portion of long-term EUR bank borrowings, unsecured (Note (a))	–	1,204
Non-current portion of long-term EUR bank borrowings, secured (Note (a))	<b>12</b>	12
Non-current portion of long-term JPY bank borrowings, unsecured (Note (a))	<b>11</b>	–
Non-current portion of long-term JPY bank borrowings, secured (Note (a))	<b>5</b>	–
Non-current portion of long-term RMB bank borrowings, unsecured (Note (a))	<b>100</b>	300
	<b>114,007</b>	112,145
<b>Included in current liabilities:</b>		
USD bank borrowings, unsecured (Note (b))	<b>9,690</b>	9,135
HKD bank borrowings, secured (Note (b))	–	144
RMB bank borrowings, unsecured (Note (b))	<b>813</b>	4,079
RMB bank borrowings, secured (Note (b))	–	100
KRW bank borrowings, unsecured (Note (b))	<b>2</b>	–
Current portion of long-term USD bank borrowings, unsecured (Note (a))	<b>2,823</b>	783
Current portion of long-term RMB bank borrowings, unsecured (Note (a))	<b>200</b>	–
Current portion of long-term JPY bank borrowings, unsecured (Note (a))	<b>2</b>	–
Current portion of long-term JPY bank borrowings, secured (Note (a))	<b>1</b>	–
Current portion of long-term EUR bank borrowings, secured (Note (a))	<b>2</b>	1
Current portion of long-term EUR bank borrowings, unsecured (Note (a))	<b>1,153</b>	–
	<b>14,686</b>	14,242
	<b>128,693</b>	126,387

## Notes to the Interim Financial Information

### 24 BORROWINGS (continued)

Note:

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

	Unaudited 30 June 2021		Audited 31 December 2020	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
USD bank borrowings	USD18,065	LIBOR + 0.70% ~ 1.27%	USD17,075	LIBOR + 0.70% ~ 1.27%
EUR bank borrowings	EUR152	0.52% ~ 1.00%	EUR151	0.52% ~ 1.00%
JPY bank borrowings	JPY334	0.60% ~ 2.50%	–	–
RMB bank borrowings	RMB300	5.70%	RMB300	5.70%

The long-term bank borrowings were repayable as follows:

	Unaudited 30 June 2021 RMB' Million	Audited 31 December 2020 RMB' Million
Within 1 year	4,181	784
Between 1 and 2 years	3,142	4,409
Between 2 and 5 years	110,857	107,735
Over 5 years	8	1
	<b>118,188</b>	<b>112,929</b>

## Notes to the Interim Financial Information

### 24 BORROWINGS (continued)

Note: (continued)

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

	Unaudited 30 June 2021		Audited 31 December 2020	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
USD bank borrowings	<b>USD1,500</b>	<b>LIBOR + 0.45% ~ 0.50%</b>	USD1,400	LIBOR + 0.45% ~ 0.50%
HKD bank borrowings	–	–	HKD171	HIBOR + 0.90% ~ 3.90%
RMB bank borrowings	<b>RMB813</b>	<b>3.85% ~ 5.10%</b>	RMB4,179	3.55% ~ 5.22%
KRW bank borrowings	<b>KRW300</b>	<b>2.68%</b>	–	–

The Group had entered into certain interest rate swap contracts to hedge its exposure arising from its long-term bank borrowings carried at floating rates. The Group's outstanding interest rate swap contracts as at 30 June 2021 are detailed in Note 27.

As at 30 June 2021, 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 2021 and 2020.

## Notes to the Interim Financial Information

### 25 NOTES PAYABLE

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>RMB'Million</b>	RMB'Million
<b>Included in non-current liabilities:</b>		
Non-current portion of long-term USD notes payable	<u><b>147,481</b></u>	<u>122,057</u>

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

The Group had entered into certain interest rate swap contracts to hedge its exposure arising from its senior notes carried at floating rates. The Group's outstanding interest rate swap contracts as at 30 June 2021 are detailed in Note 27.

Notes payable are repayable as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>RMB'Million</b>	RMB'Million
Between 1 and 2 years	<b>9,676</b>	–
Between 2 and 5 years	<b>30,265</b>	30,572
More than 5 years	<u><b>107,540</b></u>	<u>91,485</u>
	<u><b>147,481</b></u>	<u>122,057</u>

## Notes to the Interim Financial Information

### 25 NOTES PAYABLE (continued)

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

In April 2021, the Company updated the Global Medium Term Note Programme (the “Programme”) to include, among other things, the Company’s recent corporate and financial information.

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

As at 30 June 2021, the fair value of the notes payable amounted to RMB156,314 million (31 December 2020: RMB132,037 million). The respective fair values are assessed based on the active market price of these notes on the reporting date or by making reference to similar instruments traded in the observable market.

### 26 LONG-TERM PAYABLES

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>RMB'Million</b>	RMB'Million
Payables relating to media contents and running royalty fee for online games	<b>7,647</b>	7,290
Cash-settled share-based compensation payables	<b>1,392</b>	1,018
Purchase consideration payables for investee companies	<b>101</b>	104
Others	<b>1,736</b>	1,498
	<b>10,876</b>	9,910

## Notes to the Interim Financial Information

### 27 OTHER FINANCIAL LIABILITIES

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>RMB'Million</b>	RMB'Million
<b>Measured at amortised cost:</b>		
Redemption liability (Note (a))	<u>7,795</u>	<u>9,512</u>
<b>Measured at fair value:</b>		
Contingent consideration	<b>2,898</b>	3,308
Interest rate swap (Note (b))	<b>943</b>	1,937
Others	<u>201</u>	<u>64</u>
	<u><b>11,837</b></u>	<u>14,821</u>
<b>Included in:</b>		
Non-current liabilities	<b>8,102</b>	9,254
Current liabilities	<u><b>3,735</b></u>	<u>5,567</u>
	<u><b>11,837</b></u>	<u>14,821</u>

Note:

- (a) It mainly comprises redemption liability arising from put option arrangement with non-controlling shareholders of acquired subsidiaries of approximately RMB7,795 million (31 December 2020: RMB9,512 million).
- (b) As at 30 June 2021, the aggregate notional principal amounts of the Group's outstanding interest rate swap contracts are USD7,955 million (equivalent to approximately RMB51,390 million) (31 December 2020: USD15,058 million (equivalent to approximately RMB98,252 million)).

## Notes to the Interim Financial Information

### 28 ACCOUNTS PAYABLE

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

	<b>Unaudited</b> <b>30 June</b> <b>2021</b> <b>RMB'Million</b>	Audited 31 December 2020 RMB'Million
0 ~ 30 days	<b>90,531</b>	82,916
31 ~ 60 days	<b>2,606</b>	2,196
61 ~ 90 days	<b>2,808</b>	665
Over 90 days	<b>3,334</b>	8,253
	<b><u>99,279</u></b>	<b><u>94,030</u></b>

### 29 OTHER PAYABLES AND ACCRUALS

	<b>Unaudited</b> <b>30 June</b> <b>2021</b> <b>RMB'Million</b>	Audited 31 December 2020 RMB'Million
Staff costs and welfare accruals	<b>19,407</b>	25,541
Selling and marketing expense accruals	<b>7,423</b>	7,015
General and administrative expenses accruals	<b>3,079</b>	2,750
Purchase consideration payables for investee companies	<b>2,423</b>	2,548
Interest payable	<b>1,263</b>	1,119
Purchase of land use rights and construction related costs	<b>867</b>	844
Prepayments received from customers and others	<b>844</b>	894
Others (Note)	<b>14,331</b>	13,597
	<b><u>49,637</u></b>	<b><u>54,308</u></b>

Note:

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



## Notes to the Interim Financial Information

### 30 DEFERRED REVENUE

Deferred revenue mainly comprises contract liabilities in relation to the unamortised virtual items, prepaid subscription fees, pre-paid tokens or cards, prepaid advertising and cloud services fees, Internet traffic and other support to be offered under strategic cooperation agreements to certain investee companies in the future periods measured at their fair values on the inception dates (Note 33), and customer loyalty incentives offered to the customers.

### 31 CONTINGENCIES

The Group had no material contingent liabilities outstanding as at 30 June 2021.

### 32 COMMITMENTS

#### (a) Capital commitments

Capital commitments as at 30 June 2021 and 31 December 2020 are analysed as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>RMB'Million</b>	RMB'Million
Contracted:		
Construction/purchase of buildings and purchase of land use rights	<b>3,273</b>	3,541
Purchase of other property, plant and equipment	<b>422</b>	391
Capital investments in investees	<b>19,824</b>	21,656
	<b>23,519</b>	25,588

## Notes to the Interim Financial Information

### 32 COMMITMENTS (continued)

#### (b) Other commitments

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

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>RMB'Million</b>	RMB'Million
Contracted:		
Not later than one year	<b>14,339</b>	11,443
Later than one year and not later than five years	<b>10,499</b>	9,847
Later than five years	<b>5,194</b>	4,199
	<b><u>30,032</u></b>	<u>25,489</u>

### 33 RELATED PARTY TRANSACTIONS

Except as disclosed in Note 19 (Loans to investees and investees' shareholders), and Note 23 (Share-based payments) to this Interim Financial Information, other significant transactions carried out between the Group and its related parties during the 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 2021, amounted to RMB5,798 million, RMB17,731 million and RMB1,413 million, respectively (six months ended 30 June 2020: RMB5,017 million, RMB13,013 million and RMB795 million, respectively).

The Group has commercial arrangements with certain associates 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 2021, amounted to RMB4,888 million, RMB3,272 million, RMB2,044 million and RMB825 million, respectively (six months ended 30 June 2020: RMB3,598 million, RMB2,354 million, RMB1,389 million and RMB803 million, respectively).

## Notes to the Interim Financial Information

### 33 RELATED PARTY TRANSACTIONS (continued)

#### (b) Period end balances with related parties

As at 30 June 2021, trade receivables and other receivables from related parties arising from the above transactions were RMB14,762 million and RMB105 million, respectively (31 December 2020: RMB9,840 million and RMB67 million, respectively).

As at 30 June 2021, trade payables and other payables to related parties arising from the above transactions were RMB5,444 million and RMB123 million, respectively (31 December 2020: RMB3,719 million and RMB333 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 2021, contract liabilities arising from these business co-operation arrangements were RMB4,454 million (31 December 2020: RMB5,469 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 2021 and 2020, and no other material balances with related parties as at 30 June 2021 and 31 December 2020.

## Other Information

### DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2021, 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
Ma Huateng	Corporate (Note 1)	804,859,700	8.39%
Lau Chi Ping Martin	Personal *	56,064,651 (Note 2)	0.58%
Li Dong Sheng	Personal *	36,375 (Note 3)	0.0004%
Ian Charles Stone	Personal * Family †	76,000 <hr/> 240,000	0.003%
		316,000 (Note 4)	
Yang Siu Shun	Personal *	58,974 (Note 5)	0.0006%
Ke Yang	Personal *	18,984 (Note 6)	0.0002%

## Other Information

Note:

1. Advance Data Services Limited, a British Virgin Islands company wholly-owned by 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 23,496,825 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 17,125 shares and 19,250 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 277,500 shares and 38,500 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 25,224 shares and 33,750 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 2,996 shares and 15,988 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”.
- \* 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 2021.

## 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. 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 options under the Post-IPO Option Scheme II and the Post-IPO Option Scheme IV during the six months ended 30 June 2021 are detailed in Note 23 to the Interim Financial Information as included in this interim report.

As at 30 June 2021, there were a total of 23,496,825 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 2021	Exercise price HKD	Exercise period
		As at 1 January 2021	Granted during the period	Exercised during the period			
Lau Chi Ping Martin	21 March 2016	3,750,000	–	–	3,750,000	158.10	21 March 2017 to 20 March 2023 (Note 1)
	24 March 2017	5,250,000	–	–	5,250,000	225.44	24 March 2018 to 23 March 2024 (Note 1)
	9 April 2018	3,215,800	–	–	3,215,800	410.00	9 April 2019 to 8 April 2025 (Note 1)
	4 April 2019	3,506,580	–	–	3,506,580	376.00	4 April 2020 to 3 April 2026 (Note 1)
	20 March 2020	4,399,815	–	–	4,399,815	359.60	20 March 2021 to 19 March 2027 (Note 1)
	30 March 2021	–	3,374,630 (Note 2)	–	3,374,630	618.00	30 March 2022 to 29 March 2028 (Note 1)
Total:		<u>20,122,195</u>	<u>3,374,630</u>	<u>–</u>	<u>23,496,825</u>		

## Other Information

Note:

1. For options granted with exercisable date determined based on the grant date of options, the first 25% of the total options can be exercised 1 year after the grant date, and each 25% of the total options will become exercisable in each subsequent year.
2. The closing price immediately before the date on which the options were granted on 30 March 2021 was HKD612 per share.
3. No options were cancelled or lapsed during the period.

## 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 2021 are as follows:

Date of grant	Number of share options				As at 30 June 2021	Exercise price HKD	Exercise period
	As at 1 January 2021	Granted during the period	Exercised during the period (Note 13)	Lapsed/ forfeited during the period			
10 Jul 2014	319,988	–	309,000	–	10,988	124.30	10 Jul 2015 to 9 Jul 2021 (Note 3)
12 Dec 2014	40,350	–	–	–	40,350	116.40	12 Dec 2016 to 11 Dec 2021 (Note 4)
2 Apr 2015	215,000	–	15,000	–	200,000	149.80	2 Apr 2016 to 1 Apr 2022 (Note 3)
10 Jul 2015	404,820	–	75,569	–	329,251	148.90	10 Jul 2016 to 9 Jul 2022 (Note 3)
21 Mar 2016	5,590,000	–	275,000	–	5,315,000	158.10	21 Mar 2017 to 20 Mar 2023 (Note 3)
6 Jul 2016	762,361	–	131,082	–	631,279	174.86	6 Jul 2017 to 5 Jul 2023 (Note 3)
24 Mar 2017	942,365	–	–	–	942,365	225.44	24 Mar 2018 to 23 Mar 2024 (Note 1)
24 Mar 2017	20,160,250	–	109,375	–	20,050,875	225.44	24 Mar 2018 to 23 Mar 2024 (Note 3)
10 Jul 2017	4,469	–	–	–	4,469	272.36	10 Jul 2018 to 9 Jul 2024 (Note 2)
10 Jul 2017	6,144,941	–	550,036	36,335	5,558,570	272.36	10 Jul 2018 to 9 Jul 2024 (Note 3)
10 Jul 2017	18,446	–	3,460	–	14,986	272.36	10 Jul 2019 to 9 Jul 2024 (Note 4)
23 Nov 2017	71,190	–	–	–	71,190	419.60	23 Nov 2018 to 22 Nov 2024 (Note 2)
16 Jan 2018	144,050	–	12,000	–	132,050	444.20	16 Jan 2019 to 15 Jan 2025 (Note 2)
9 Apr 2018	1,948,915	–	25,000	–	1,923,915	410.00	9 Apr 2019 to 8 Apr 2025 (Note 1)
9 Apr 2018	191,555	–	–	–	191,555	410.00	9 Apr 2019 to 8 Apr 2025 (Note 2)
9 Apr 2018	16,631,126	–	11,367	–	16,619,759	410.00	9 Apr 2019 to 8 Apr 2025 (Note 3)
24 May 2018	26,390	–	–	–	26,390	407.00	24 May 2019 to 23 May 2025 (Note 2)
22 Jun 2018	13,055	–	–	–	13,055	403.16	22 Jun 2019 to 21 Jun 2025 (Note 1)
22 Jun 2018	70,525	–	–	–	70,525	403.16	22 Jun 2019 to 21 Jun 2025 (Note 2)
6 Jul 2018	4,093,568	–	269,139	63,092	3,761,337	386.60	6 Jul 2019 to 5 Jul 2025 (Note 3)
6 Jul 2018	8,050	–	2,000	–	6,050	386.60	6 Jul 2020 to 5 Jul 2025 (Note 4)



## Other Information

Date of grant	Number of share options				As at 30 June 2021	Exercise price HKD	Exercise period
	As at 1 January 2021	Granted during the period	Exercised during the period (Note 13)	Lapsed/ forfeited during the period			
6 Jul 2018	34,230	–	–	6,440	27,790	386.60	6 Jul 2021 to 5 Jul 2025 (Note 5)
24 Aug 2018	17,780	–	–	–	17,780	354.00	24 Aug 2019 to 23 Aug 2025 (Note 2)
24 Aug 2018	2,660	–	–	–	2,660	354.00	6 Jul 2019 to 23 Aug 2025 (Note 8)
4 Apr 2019	288,972	–	83,703	–	205,269	376.00	4 Apr 2020 to 3 Apr 2026 (Note 1)
4 Apr 2019	2,283,120	–	–	–	2,283,120	376.00	4 Apr 2020 to 3 Apr 2026 (Note 3)
4 Apr 2019	17,500,000	–	–	–	17,500,000	376.00	4 Apr 2024 to 3 Apr 2026 (Note 6)
8 Jul 2019	665	–	–	–	665	359.04	8 Jul 2020 to 7 Jul 2026 (Note 1)
8 Jul 2019	1,952,356	–	47,010	32,710	1,872,636	359.04	8 Jul 2020 to 7 Jul 2026 (Note 3)
8 Jul 2019	12,005	–	–	–	12,005	359.04	8 Jul 2021 to 7 Jul 2026 (Note 4)
23 Aug 2019	19,740	–	–	–	19,740	334.20	15 Aug 2020 to 22 Aug 2026 (Note 10)
23 Aug 2019	67,795	–	16,948	–	50,847	334.20	15 Aug 2020 to 22 Aug 2026 (Note 8)
23 Aug 2019	213,990	–	7,262	–	206,728	334.20	15 Aug 2020 to 22 Aug 2026 (Note 7)
2 Dec 2019	35,164	–	–	–	35,164	335.84	15 Nov 2020 to 1 Dec 2026 (Note 10)
8 Jan 2020	111,510	–	–	–	111,510	382.00	15 Dec 2020 to 7 Jan 2027 (Note 10)
8 Jan 2020	26,250	–	–	–	26,250	382.00	15 Jan 2021 to 7 Jan 2027 (Note 10)
20 Mar 2020	390,530	–	20,016	51	370,463	359.60	21 Jan 2021 to 19 Mar 2027 (Note 9)
20 Mar 2020	2,584,820	–	24,329	–	2,560,491	359.60	20 Mar 2021 to 19 Mar 2027 (Note 8)
22 May 2020	49,840	–	–	–	49,840	429.52	15 May 2021 to 21 May 2027 (Note 10)
10 Jul 2020	1,428,182	–	–	28,664	1,399,518	546.50	5 Jul 2021 to 9 Jul 2027 (Note 8)
10 Jul 2020	3,507	–	–	–	3,507	546.50	5 Jul 2022 to 9 Jul 2027 (Note 8)
21 Aug 2020	24,465	–	–	–	24,465	518.00	15 Jul 2021 to 20 Aug 2027 (Note 9)
21 Aug 2020	10,535	–	–	–	10,535	518.00	15 Aug 2021 to 20 Aug 2027 (Note 10)

## Other Information

Date of grant	Number of share options				As at 30 June 2021	Exercise price HKD	Exercise period
	As at 1 January 2021	Granted during the period	Exercised during the period (Note 13)	Lapsed/ forfeited during the period			
21 Aug 2020	4,964	–	–	–	4,964	518.00	15 Aug 2021 to 20 Aug 2027 (Note 8)
23 Nov 2020	110,280	–	–	1,572	108,708	586.00	15 Oct 2021 to 22 Nov 2027 (Note 9)
23 Nov 2020	8,855	–	–	–	8,855	586.00	15 Oct 2021 to 22 Nov 2027 (Note 10)
23 Nov 2020	16,825	–	–	–	16,825	586.00	15 Nov 2021 to 22 Nov 2027 (Note 8)
23 Dec 2020	14,028	–	–	–	14,028	575.80	15 Dec 2021 to 22 Dec 2027 (Note 9)
23 Dec 2020	105,207	–	–	–	105,207	575.80	15 Dec 2021 to 22 Dec 2027 (Note 10)
30 Mar 2021	–	1,078,655	–	5,987	1,072,668	618.00	8 Feb 2022 to 29 Mar 2028 (Note 9 and Note 11)
30 Mar 2021	–	100,335	–	–	100,335	618.00	8 Feb 2022 to 29 Mar 2028 (Note 8 and Note 11)
30 Mar 2021	–	4,333	–	–	4,333	618.00	15 Feb 2022 to 29 Mar 2028 (Note 10 and Note 11)
30 Mar 2021	–	3,049	–	–	3,049	618.00	15 Feb 2022 to 29 Mar 2028 (Note 8 and Note 11)
30 Mar 2021	–	3,867,841	–	–	3,867,841	618.00	30 Mar 2022 to 29 Mar 2028 (Note 8 and Note 11)
10 Jun 2021	–	11,778	–	–	11,778	606.30	5 Jul 2022 to 9 Jun 2028 (Note 8 and Note 12)
10 Jun 2021	–	151,607	–	–	151,607	606.30	15 May 2022 to 9 Jun 2028 (Note 10 and Note 12)
Total:	<u>85,119,689</u>	<u>5,217,598</u>	<u>1,987,296</u>	<u>174,851</u>	<u>88,175,140</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 can be exercised 1 year after the grant date, and the remaining 50% of the total options will 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 can be exercised 1 year after the grant date, and each 33.33% (one-third) of the total options will 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 can be exercised 1 year after the grant date, and each 25% of the total options will 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 can be exercised 2 years after the grant date, and each 25% of the total options will 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 can be exercised 3 years after the grant date, and each 25% of the total options will 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 can be exercised 5 years after the grant date.
7. Subject to the satisfaction of certain conditions, the first 25% of the total options can be exercised on the dates as specified in the relevant grant letters, and each 25% of the total options will become exercisable in each subsequent year.
8. The first 25% of the total options can be exercised on the dates as specified in the relevant grant letters, and each 25% of the total options will become exercisable in each subsequent year.
9. The first 50% of the total options can be exercised on the dates as specified in the relevant grant letters, and the remaining 50% of the total options will become exercisable in the subsequent year.
10. The first 33.33% (one-third) of the total options can be exercised on the dates as specified in the relevant grant letters, and each 33.33% (one-third) of the total options will become exercisable in each subsequent year.
11. The closing price immediately before the date on which the options were granted on 30 March 2021 was HKD612 per share.
12. The closing price immediately before the date on which the options were granted on 10 June 2021 was HKD603 per share.
13. The weighted average closing price immediately before the date on which the options were exercised was HKD609.45 per share.

## Other Information

Details of movements of share options granted to employees and certain external consultants under the share option schemes adopted by TME, a subsidiary of the Group, during the six months ended 30 June 2021 are as follows:

Date of grant	Number of share options				As at 30 June 2021	Exercise price USD	Exercise period
	As at 1 January 2021	Granted during the period (Note 7)	Exercised during the period (Note 6)	Lapsed/ forfeited during the period			
<b>Employees</b>							
1 Mar 2015	460,220	–	145,476	–	314,744	0.000076	1 Mar 2016 to 28 Feb 2025 (Note 1)
1 Mar 2015	417,410	–	211,400	–	206,010	0.27	1 Mar 2016 to 28 Feb 2025 (Note 1)
30 Mar 2015	700,882	–	253,858	–	447,024	0.27	30 Mar 2016 to 29 Mar 2025 (Note 1)
1 Oct 2015	125,100	–	37,030	–	88,070	0.27	1 Oct 2016 to 30 Sep 2025 (Note 1)
31 Dec 2015	599,658	–	347,538	–	252,120	0.27	31 Dec 2016 to 30 Dec 2025 (Note 1)
1 Mar 2016	107,889	–	41,734	–	66,155	0.27	1 Mar 2017 to 28 Feb 2026 (Note 1)
31 Mar 2016	98,938	–	17,100	–	81,838	0.27	31 Mar 2017 to 30 Mar 2026 (Note 1)
30 Jun 2016	81,638	–	–	–	81,638	0.000076	30 Jun 2017 to 29 Jun 2026 (Note 1)
30 Jun 2016	3,063,364	–	1,182,268	–	1,881,096	0.27	30 Jun 2017 to 29 Jun 2026 (Note 1)
16 Jun 2017	367,892	–	364,230	–	3,662	2.32	5 Jul 2017 to 15 Jun 2027 (Note 2)
16 Jun 2017	2,370,864	–	940,806	–	1,430,058	2.32	31 Mar 2018 to 15 Jun 2027 (Note 2)
31 Aug 2017	2,748,802	–	1,053,996	32,822	1,661,984	0.27	31 Aug 2018 to 30 Aug 2027 (Note 1)
20 Dec 2017	3,973,756	–	918,262	–	3,055,494	2.32	20 Dec 2018 to 19 Dec 2027 (Note 2)
16 Apr 2018	650,000	–	325,000	–	325,000	4.04	16 Apr 2019 to 15 Apr 2028 (Note 2)
17 Oct 2018	1,821,500	–	–	70,000	1,751,500	7.14	12 Jul 2019 to 16 Oct 2028 (Note 2)
17 Oct 2018	2,846,000	–	52,500	22,500	2,771,000	7.14	12 Jul 2020 to 16 Oct 2028 (Note 3)
14 Jun 2019	1,637,002	–	15,384	–	1,621,618	7.05	14 Jun 2020 to 13 Jun 2029 (Note 2)
12 Jun 2020	4,285,570	–	81,198	98,480	4,105,892	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)

## Other Information

Date of grant	Number of share options				As at 30 June 2021	Exercise price USD	Exercise period
	As at 1 January 2021	Granted during the period (Note 7)	Exercised during the period (Note 6)	Lapsed/ forfeited during the period			
<b>Employees</b>							
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 and Note 5)
Sub-total:	<u>26,806,285</u>	<u>1,262,240</u>	<u>5,987,780</u>	<u>223,802</u>	<u>21,856,943</u>		
<b>External consultants</b>							
1 Mar 2015	278,801	–	80,000	–	198,801	0.000076	1 Mar 2016 to 28 Feb 2025 (Note 1)
1 Mar 2015	<u>50,000</u>	<u>–</u>	<u>50,000</u>	<u>–</u>	<u>–</u>	0.27	1 Mar 2016 to 28 Feb 2025 (Note 1)
Sub-total:	<u>328,801</u>	<u>–</u>	<u>130,000</u>	<u>–</u>	<u>198,801</u>		
Total:	<u>27,135,086</u>	<u>1,262,240</u>	<u>6,117,780</u>	<u>223,802</u>	<u>22,055,744</u>		

Note:

- The first 25% of the total options 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 become exercisable in each subsequent six months.
- Subject to the satisfaction of certain conditions, the first 25% of the total options can be exercised on the dates as specified in the relevant grant letters, and each 25% of the total options will become exercisable in each subsequent year.
- The first 25% of the total options can be exercised 2 years after the commencement date as specified in the relevant grant letters, and each 25% of the total options will become exercisable in each subsequent year.
- The first 33.33% (one-third) of the total options 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 become exercisable in each subsequent year.
- The closing price immediately before the date on which the options were granted on 15 May 2021 was USD7.61 per share.
- The weighted average closing price immediately before the date on which the options were exercised was USD10.54 per share.
- The fair value of the options as at the 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 the options granted during the six months ended 30 June 2021 was USD3.73 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 (1.63%), dividend yield (nil) and expected volatility\* (43.5%).

\* 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.

## Other Information

Details of movements of share options under the share option schemes adopted by HUYA, a subsidiary of the Group, during the six months ended 30 June 2021 are as follows:

Date of grant	Number of share options				As at 30 June 2021	Exercise price USD	Exercise period
	As at 1 January 2021	Granted during the period	Exercised during the period (Note 2)	Lapsed/ forfeited during the period			
9 Aug 2017	206,238	–	34,000	–	172,238	2.55	Till 9 Aug 2027 (Note 1)
9 Aug 2017	577,502	–	204,187	–	373,315	2.55	Till 9 Aug 2027 (Note 1)
1 Jul 2018	9,000	–	9,000	–	–	2.55	Till 1 Jul 2028 (Note 1)
Total:	<u>792,740</u>	<u>–</u>	<u>247,187</u>	<u>–</u>	<u>545,553</u>		

Note:

1. All outstanding options were granted before HUYA became our subsidiary, and became vested and exercisable prior to or upon HUYA becoming our subsidiary.
2. The weighted average closing price immediately before the date on which the options were exercised was USD19.78 per share.

## 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 shall be 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.

## Other Information

### 2019 Share Award Scheme

The 2019 Share Award Scheme shall be 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 2021, a total of 2,280,922 and 32,233,858 Awarded Shares were granted under the 2013 Share Award Scheme and the 2019 Share Award Scheme respectively and out of which, 40,500 Awarded Shares were granted to the independent non-executive directors of the Company under the 2019 Share Award Scheme. Details of the movements in the Share Award Schemes during the six months ended 30 June 2021 are set out in Note 23 to the Interim Financial Information as included in this interim report.



## Other Information

As at 30 June 2021, there were a total of 107,488 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 2021	Vesting period
		As at 1 January 2021	Granted during the period	Vested during the period		
Ian Charles Stone	24 March 2017	5,000	–	5,000	–	24 March 2018 to 24 March 2021
	9 April 2018	6,500	–	3,250	3,250	9 April 2019 to 9 April 2022
	4 April 2019	12,750	–	4,250	8,500	4 April 2020 to 4 April 2023
	20 March 2020	17,000	–	4,250	12,750	20 March 2021 to 20 March 2024
	30 March 2021	–	14,000	–	14,000	30 March 2022 to 30 March 2025
	Total:	<u>41,250</u>	<u>14,000</u>	<u>16,750</u>	<u>38,500</u>	
Li Dong Sheng	24 March 2017	2,500	–	2,500	–	24 March 2018 to 24 March 2021
	9 April 2018	3,250	–	1,625	1,625	9 April 2019 to 9 April 2022
	4 April 2019	6,375	–	2,125	4,250	4 April 2020 to 4 April 2023
	20 March 2020	8,500	–	2,125	6,375	20 March 2021 to 20 March 2024
	30 March 2021	–	7,000	–	7,000	30 March 2022 to 30 March 2025
	Total:	<u>20,625</u>	<u>7,000</u>	<u>8,375</u>	<u>19,250</u>	

## Other Information

Name of director	Date of grant	Number of Awarded Shares			As at 30 June 2021	Vesting period
		As at 1 January 2021	Granted during the period	Vested during the period		
Yang Siu Shun	24 March 2017	2,500	–	2,500	–	24 March 2018 to 24 March 2021
	9 April 2018	5,000	–	2,500	2,500	9 April 2019 to 9 April 2022
	4 April 2019	11,250	–	3,750	7,500	4 April 2020 to 4 April 2023
	20 March 2020	15,000	–	3,750	11,250	20 March 2021 to 20 March 2024
	30 March 2021	–	12,500	–	12,500	30 March 2022 to 30 March 2025
	Total:	<u>33,750</u>	<u>12,500</u>	<u>12,500</u>	<u>33,750</u>	
Ke Yang	23 August 2019	4,488	–	–	4,488	23 August 2020 to 23 August 2023
	20 March 2020	6,000	–	1,500	4,500	20 March 2021 to 20 March 2024
	30 March 2021	–	7,000	–	7,000	30 March 2022 to 30 March 2025
	Total:	<u>10,488</u>	<u>7,000</u>	<u>1,500</u>	<u>15,988</u>	
Grand Total:	<u>106,113</u>	<u>40,500</u>	<u>39,125</u>	<u>107,488</u>		

## Other Information

### BIOGRAPHICAL DETAILS AND OTHER INFORMATION OF DIRECTORS

**Ma Huateng**, age 49, 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 27 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 2021 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 48, 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 Kingsoft Corporation Limited, an Internet based software developer, distributor and software service provider, and Meituan, a leading eCommerce platform for services in China, both of these companies are publicly listed on the Stock Exchange. Mr Lau is also a director of Vipshop Holdings Limited, an online discount retailer company, TME, an online music entertainment platform in China, and DiDi Global Inc., a leading mobility technology platform in China, all of these companies are listed on the New York Stock Exchange. Mr Lau is also a director of JD.com, Inc., an online direct sales company in China, that is listed on NASDAQ and the Stock Exchange. Mr Lau was a director of Leju Holdings Limited, an online-to-offline real estate services provider in China that is listed on the New York Stock Exchange, up to 18 August 2020. 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 2021 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 (Koos) Bekker**, age 68, has been a non-executive director since November 2012. Koos 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. Koos 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 and London 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). Koos as a non-executive director is not entitled to any director's fee or emoluments.

**Charles St Leger Searle**, age 57, 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, including Mail.ru Group Limited that is listed on the London Stock Exchange and the Moscow Exchange. 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 27 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 64, 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 Chairman and an executive director 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 26 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. Mr Li is entitled to a director's fee of HKD900,000 for the year 2021, which is determined with reference to his duties and responsibilities with the Company.

**Ian Charles Stone**, age 70, 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 31 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 50 years of experience in the telecom and mobile industries. Mr Stone is also an independent director of Summit Healthcare Acquisition Corp. which 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 2021, which is determined with reference to his duties and responsibilities with the Company.

## Other Information

**Yang Siu Shun**, age 65, 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 Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority, 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 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 also 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 The Open University of Hong Kong ("OUHK"), up to 19 June 2019. 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 OUHK 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 2021, which is determined with reference to his duties and responsibilities with the Company.

**Ke Yang**, age 66, 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, Vice-chairperson of the Steering Committee of Clinical Medicine of the Committee of Academic Degrees of the State Council, 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, and Vice-president of the 24th and 25th Chinese Medical Association. 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 2021, which is determined with reference to her duties and responsibilities with the Company.

## Other Information

### INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, 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
MIH TC	Long position	Corporate (Note 1)	2,769,333,600	28.86%
Advance Data Services Limited	Long position	Corporate (Note 2)	804,859,700	8.39%

Note:

1. 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 2,769,333,600 shares under Part XV of the SFO.
2. 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 Ma Huateng, Mr Ma has an interest in these shares as disclosed under the section of "Directors' Interests in Securities".

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 2021, 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**

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 2021.

### **EMPLOYEE AND REMUNERATION POLICIES**

As at 30 June 2021, the Group had 94,182 employees (30 June 2020: 70,756). 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 2021 was RMB44,388 million (for the six months ended 30 June 2020: RMB31,964 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 2021. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

### **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.

## Other Information

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Code provision A.4.2 of the CG Code provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to the Articles of Association, one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation, provided that the chairman of the Board shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. In compliance with the provisions in the Articles of Association, Messrs Iain Ferguson Bruce and Yang Siu Shun retired at the 2021 AGM and Mr Yang Siu Shun was re-elected whilst Mr Iain Ferguson Bruce did not offer himself for re-election. As the re-election of Mr Li Dong Sheng, who was re-elected in 2018, was not considered at the 2021 AGM, there is a deviation from code provision A.4.2 of the CG Code. Considering that the re-election of Mr Li Dong Sheng will be considered at the subsequent annual general meeting, the Board believes that such deviation from code provision A.4.2 of the CG Code does not have a material impact on the operation of the Company as a whole.

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

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



## Definition

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

<b>Term</b>	<b>Definition</b>
“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
“2019 Share Award Scheme”	the share award scheme adopted by the Company on Adoption Date III, as amended
“2021 AGM”	the annual general meeting of the Company held on 20 May 2021
“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 second amended and restated articles of association of the Company adopted by special resolution passed on 13 May 2020
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the auditor of the Company
“Awarded Share(s)”	the share(s) of the Company awarded under the Share Award Schemes

## Definition

<b>Term</b>	<b>Definition</b>
“Bitauto”	Bitauto Holdings Limited, a company incorporated in the Cayman Islands with limited liability, which became a non wholly-owned subsidiary of the Company following completion of its privatisation in November 2020
“Board”	the board of directors of the Company
“CG Code”	the corporate governance code as set out in Appendix 14 to the Listing Rules
“Company”	Tencent Holdings Limited, a limited liability company organised and existing under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange
“DAU”	daily active user accounts
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“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
“FinTech”	financial technology
“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

<b>Term</b>	<b>Definition</b>
“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
“IDC”	International Data Corporation
“IFRS”	International Financial Reporting Standards
“IP”	intellectual property
“IPO”	initial public offering
“JPY”	the lawful currency of Japan
“KRW”	the lawful currency of the Republic of Korea
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“M&A”	mergers and acquisitions
“MAU”	monthly active user accounts
“MIH TC”	MIH TC Holdings Limited
“Minors”	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

## Definition

<b>Term</b>	<b>Definition</b>
“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
“QR Codes”	Quick Response Codes
“RMB”	the lawful currency of the PRC
“RPG”	role playing game
“SaaS”	Software-as-a-Service
“Selected Participant(s)”	any Eligible Person(s) selected by the Board to participate in the Share Award Schemes

## Definition

<b>Term</b>	<b>Definition</b>
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“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
“SMEs”	small and medium enterprises
“SOC”	Survival, Open World, Crafting
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tencent Computer”	Shenzhen Tencent Computer Systems Company Limited
“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”	the United States of America
“USD”	the lawful currency of the United States
“VAS”	value-added services

# Tencent 腾讯

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