We Build Connections

For Users:
• Always connected
• Enjoy a wide range of content and entertainment offerings
• Access to a rich mix of services and transact at fingertips

For Enterprises:
• Access to a massive user base
• Advertise efficiently and strengthen CRM across platforms
• Facilitate transactions with online payment solutions
• Embrace digital upgrades
Key Platforms Update

Online Games Platform
• #1 by users in China across PC and smart phone
• #1 globally by revenue

Weixin & WeChat
• #1 smart phone community
• MAU at 1,206m

QQ & Qzone
• QQ smart devices MAU at 648m

Video
• #1 by mobile DAU

News
• #1 news services by MAU

Music
• #1 music services platform

Literature
• #1 online content library and publishing platform

App Store
• #1 by MAU

Mobile Security
• #1 by MAU

Mobile Browser
• #1 by MAU

Cloud
• #2 services provider by revenue

* All rankings above refer to China market, unless otherwise stated. Company data as of June 30, 2020
* QQ smart devices MAU declined due to our continued efforts to proactively clean up accounts that engaged in spamming and bots activities
Largest Communication and Social Platforms in China

Weixin Pay
• Easy and secured online/offline transactions
• #1 mobile payment platform in China; over 1 billion average commercial transactions per day¹

Mini Programs
• Facilitate businesses to build digital presence and provide products, content and services within the Weixin ecosystem
• Over RMB800 billion annual transaction value¹

Official Accounts
• Allow individuals, media and businesses to share original content and engage with readers/customers
• Strengthen brand awareness, innovate author-reader interaction and content management

Over 1.2 billion MAU²
Weixin/WeChat

648 million MAU²
QQ smart device

¹. As of December 31, 2019
². As of June 30, 2020
Embracing the Industrial Internet

- Extend our “Connection” Strategy from connecting people to people, people to content and services, to connecting industries, consumers and business partners
- Customise smart industry solutions based on Tencent Cloud; leverage our high-DAU platforms and proprietary technologies, to assist enterprises in digital transformation

Smart Solutions
- Smart Retail
- Smart Healthcare
- Smart Education
- Smart Finance
- Smart Transportation

High-DAU Platforms
- Weixin
- QQ
- Mini Programs
- Weixin Pay
- WeChat Work

Technologies
- Security
- Autonomous Driving
- YouTu AI Lab
- Tencent AI Lab
- Big Data Analytics
- Location-based Services

Infrastructure
- Comprehensive range of products and services (>280) on top of computing and storage
- Solid infrastructure in 27 regions and 54 availability zones
- Over 1 million paying customers

1. As of June 30, 2020
2. As of December 31, 2019
Strengthening Ecosystem through Investments

**Generate synergies with core businesses**
- Partner with category leaders, allowing management attention and resources to focus on core platforms
- Expand IP portfolio including games, video, music and literature via upstream investments
- Broaden user reach and engagement via investments in vertical platforms

**Capture emerging opportunities**
- Enrich offerings to meet evolving user needs
- Strengthen enterprise-facing and enterprise-dependent services such as payment, advertising and cloud

**Create value for investees**
- Access to our large user base
- Share experience and provide infrastructure, technology and capital support
Our ESG Commitment and Approach

**Environment**
- **Energy consumption control:** maintain PUE at below 1.25 for data centres in low-altitude climate zone
- **Low-carbon operations:** deploy smart systems for air conditioning, water recycling and server cooling
- **Technology investment:** seek to address the global challenges for FEW (Food, Energy and Water)

**Social**
- **Privacy and data security:** adopt “Privacy by Design” concept and leverage security technologies to protect user data
- **Product responsibility:** ensure healthy online environment, e.g., [Healthy Gameplay system](#) and [Tencent Guardian Project](#)
- **Human capital**: promote a diverse and inclusive work environment; provide training via Tencent Academy
- **Charity:** support philanthropy and poverty alleviation via Tencent Foundation and dedicated platforms, e.g., WeCounty

**Governance**
- **Board:** committed to enhance diversity in gender, background, skills and expertise
- **Anti-corruption:** implement stringent and effective internal control and risk management, with Tencent’s Sunshine Code of Conduct, “Three Lines of Defence” model, and Anti-fraud and Whistleblowing policies
- **AML and sanctions:** apply group-level anti-money laundering and sanction policies

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Tencent website on [Corporate Social Responsibility](#)
1. Tencent was voted as one of the best employers in the PRC for 14 consecutive years since 2006 by Zhaopin.com and Institute of Social Science Survey, Peking University
2. Women In Tech series in our Tencent Perspective column introduce female role models for employees
3. Female Independent Non-executive Director, Professor Ke Yang, joined the Board and the Corporate Governance Committee in August 2019
1. Business Model

2. Financials
Our Business Model

Fee-based revenue

VAS: Social Networks
- Digital media subscriptions
- Membership privileges
- Virtual item sales

VAS: Online Games
- Smart phone games
- PC games

Traffic-based revenue

Online Advertising
- Social & Others Ads: Moments, Official Accounts, app store, browser and mobile ad network
- Media Ads: news, video & music properties

Transaction-based revenue

FinTech and Business Services
- FinTech Services
- Business Services
Social Networks

Massive and engaged user base with network effects across our platforms

Communication and Social

Media and digital content

Utilities

Multiple proven monetisation levers

Membership privileges

Upgrade to paid membership to enjoy higher privileged services (on top of free basic services)

Digital content subscriptions

Monthly subscription packages for digital media and content services

- Total video subscriptions: 114 million
- Total music subscriptions: 47 million

Virtual item sales

- Users buy virtual gifts to support their friends and favorite artists/hosts
- In-game item sales

1. As of June 30, 2020
# Online Games

## Diversity of game portfolio
- Over 140 game titles
- Multiple genres including battle arena, racing, strategy and tactical tournament

## Clear leader in China
- #1 smart phone games publisher & developer with 52% market share in China on iOS (1)
- #1 PC games publisher & developer with 60% market share in China (1)

## Global Presence
- Business cooperation or equity investment with 8 out of top 10 game companies, expanding our global footprint
- Developed 5 of the top 10 smart phone games by MAU globally, together with our majority owned subsidiaries (2)

## Strong Development, Publishing & Operational Capabilities
- In-house developed titles gaining global popularity:
  - **Honour of Kings**
    - #1 China smart phone game by DAU (3)
  - **Peacekeeper Elite**
    - #2 China smart phone game by DAU (3)
  - **PUBG Mobile**
    - #1 international smart phone game by DAU (4)
  - **League of Legends**
    - #1 global top grossing PC game (5)

## Notes:
1. According to iResearch and Analysys, market share based on revenues of public Chinese online game companies in 2019.
2. According to global MAU data from QuestMobile and App Annie, as of June 2020.
3. According to QuestMobile, as of June 2020.
5. According to Superdata, global grossing ranking as of May 2020.
Social and Others Advertising

**In-feed ad**
Customised design for interaction in Qzone

**Rewarded video ad**
Get in-program rewards by watching ads on Mini Programs

**Location-based ad**
Bid for ad space in the “Mini Programs Nearby” list

**Live broadcast ad**
Link Moments ads to live broadcast shows in Mini Programs
Media Advertising

**Banner**
Embed image ads in apps to direct traffic to advertisers’ website.

**In-feed / native video ads**
Integrate ads relevant to content feed to achieve higher click-throughs.

**Video pre-roll**
Play video commercials before users’ selected programme.

**Full-screen ads**
Show immersive full-screen vertical ads on the landing page.

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**QQ.com Tencent News App**

**Video Portal Video App**
FinTech and Business Services

Widespread payment adoption provides opportunities for other FinTech services

- Take-rate on commercial transactions collected from merchants
- Cash withdrawal fee and credit card repayment charges collected from users

![Weixin Pay](image)

- Fees and commissions from financial institution partners
  - LiCaiTong: wealth management platform offering high-quality financial products from partners; aggregated customer assets exceeded RMB800 billion¹.
  - WeilIdai: micro-loan product provided by WeBank
  - WeSure: insurance platform

Strong infrastructure and technology capabilities assist enterprises digitalisation

- **Cloud services**: usage-based billing or service fees on IaaS, PaaS, SaaS and technology solutions from enterprise customers
- **Other business services**: facilitate digital upgrades via WeChat Work, Tencent Meeting (international version VooV Meeting), etc.

![Tencent Cloud](image)
![WeChat Work](image)
![Tencent Meeting](image)

- **Smart industry solutions**: service fees from industry partners e.g., education, financial, healthcare, eCommerce, tourism, etc.

![Smart Education](image)
![Smart Healthcare](image)
![Smart Retail](image)

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¹ In the fourth quarter of 2019
1. Business Model

2. Financials
Diversified Revenue Streams

In billion RMB

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</thead>
<tbody>
<tr>
<td>VAS (Social Networks + Online Games)</td>
<td>60.4</td>
<td>78.9</td>
<td>102.9</td>
<td>151.9</td>
<td>237.8</td>
<td>312.7</td>
<td>377.3</td>
<td>426.0</td>
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<td>Online Advertising</td>
<td></td>
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<td>Others</td>
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<td>eCommerce Transactions</td>
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1. Effective from 10 Mar 2014, we have divested our B2C and C2C eCommerce marketplaces and deconsolidated such revenues
2. Others revenues for 1Q2015 include revenue from eCommerce transactions
3. From first quarter of 2019, we separately report the financials of FinTech and Business Services, with comparative figure in 2018 restated accordingly
4. Last twelve months as of June 30, 2020
Sustainable Cash Generation

Operating Cash Flow, Capital Expenditure Paid and Dividends Paid

1. Capital expenditure paid includes purchase of property, plant and equipment, constructions in progress and investment properties, payments for land use rights and payments for intangible assets (excluding media content, game licenses and other contents). Dividends paid include dividends paid to both the Company’s shareholders and non-controlling interests.

2. In 2019, we have reclassified interest paid from operating to financing cash flows, with comparative figures restated since 2018.

3. Last twelve months as of June 30, 2020

Source: Company financial reports
### Other Financial Metrics

<table>
<thead>
<tr>
<th>Metric</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>LTM 2020</th>
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<tbody>
<tr>
<td>Total debt / Adjusted EBITDA (^1)</td>
<td>1.4x</td>
<td>1.5x</td>
<td>1.5x</td>
<td>1.7x</td>
</tr>
<tr>
<td>Adjusted EBITDA / Interest expense</td>
<td>31.3x</td>
<td>24.1x</td>
<td>19.2x</td>
<td>20.0x</td>
</tr>
<tr>
<td>Total debt / (Adjusted EBITDA – CAPEX paid) (^3)</td>
<td>1.6x</td>
<td>1.9x</td>
<td>1.9x</td>
<td>2.1x</td>
</tr>
<tr>
<td>Total debt / Total capitalization (^4)</td>
<td>32.3%</td>
<td>33.5%</td>
<td>31.1%</td>
<td>31.1%</td>
</tr>
</tbody>
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**Fair value of shareholdings in listed investee companies, excluding subsidiaries:**

RMB726.2 billion (USD102.6 billion) as at June 30, 2020

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1. Total debt consists of borrowings and notes payable; Adjusted EBITDA consists of EBITDA plus equity-settled share-based compensation expenses
2. Last twelve months as of June 30, 2020, same for the other three charts
3. Capital expenditure paid includes purchase of property, plant and equipment, constructions in progress and investment properties, payments for land use rights and payments for intangible assets (excluding media contents, game licences and other contents)
4. Total capitalization consists of total debt plus total equity (book value)

Source: Company filings and disclosures