

Management Discussion and Analysis

Cost of revenues. Cost of revenues increased by 20% to RMB59,659 million for the fourth quarter of 2019 on a year-on-year basis. The increase was mainly due to greater costs of FinTech services, channel costs and content costs. As a percentage of revenues, cost of revenues decreased to 56% for the fourth quarter of 2019 from 59% for the fourth quarter of 2018. The following table sets forth our cost of revenues by line of business for the fourth quarter of 2019 and the fourth quarter of 2018:

	Unaudited			
	Three months ended			
	31 December 2019		31 December 2018	
	Amount	% of segment revenues	Amount	% of segment revenues
			(Restated)	(Restated)
(RMB in millions, unless specified)				
VAS	26,120	50%	20,330	47%
FinTech and Business Services	21,520	72%	16,310	76%
Online Advertising	9,241	46%	10,800	63%
Others	2,778	84%	2,304	88%
Total cost of revenues	59,659		49,744	

- Cost of revenues for VAS increased by 28% to RMB26,120 million for the fourth quarter of 2019 on a year-on-year basis. The increase mainly reflected greater channel costs for smart phone games due to increased revenues, including the channel costs attributable to Supercell, as well as higher content costs for services and products such as live broadcast services, online games and music streaming.
- Cost of revenues for FinTech and Business Services increased by 32% to RMB21,520 million for the fourth quarter of 2019 on a year-on-year basis. The increase was primarily driven by scale expansion of our payment-related services and cloud business.
- Cost of revenues for Online Advertising decreased by 14% to RMB9,241 million for the fourth quarter of 2019 on a year-on-year basis. The decrease was mainly due to lower content costs for video advertising as a result of fewer major content releases, and to cost management.

