

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

Tencent 腾讯
TENCENT HOLDINGS LIMITED
騰訊控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 700)

ANNOUNCEMENT OF THE RESULTS
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2022

The Board is pleased to announce the unaudited consolidated results of the Group for the three and nine months ended 30 September 2022. The Interim Financial Information of the Group has been reviewed by the Auditor in accordance with International Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the International Auditing and Assurance Standards Board, and by the Audit Committee.

FINANCIAL PERFORMANCE HIGHLIGHTS

	30 September 2022	30 September 2021	Unaudited Three months ended		Quarter- on-quarter change
			Year- on-year change	30 June 2022	
(RMB in millions, unless specified)					
Revenues	140,093	142,368	-2%	134,034	5%
Gross profit	61,983	62,747	-1%	57,867	7%
Operating profit	51,593	53,137	-3%	30,067	72%
Profit for the period	38,842	40,075	-3%	19,230	102%
Profit attributable to equity holders of the Company	39,943	39,510	1%	18,619	115%
EPS (RMB per share)					
– basic	4.187	4.143	1%	1.951	115%
– diluted	4.104	4.074	1%	1.915	114%
Non-IFRS operating profit	40,907	40,828	stable	36,667	12%
Non-IFRS profit attributable to equity holders of the Company	32,254	31,751	2%	28,139	15%
Non-IFRS EPS (RMB per share)					
– basic	3.381	3.329	2%	2.949	15%
– diluted	3.306	3.269	1%	2.896	14%

	Unaudited		
	Nine months ended		
	30 September	30 September	Year-
	2022	2021	on-year
	(RMB in millions, unless specified)		
			change
Revenues	409,598	415,930	-2%
Gross profit	176,924	188,127	-6%
Operating profit	118,877	161,897	-27%
Profit for the period	81,805	132,105	-38%
Profit attributable to equity holders of the Company	81,975	129,864	-37%
EPS (RMB per share)			
– basic	8.595	13.634	-37%
– diluted	8.398	13.313	-37%
Non-IFRS operating profit	114,112	126,388	-10%
Non-IFRS profit attributable to equity holders of the Company	85,938	98,908	-13%
Non-IFRS EPS (RMB per share)			
– basic	9.010	10.384	-13%
– diluted	8.796	10.142	-13%

OPERATING INFORMATION

	As at 30 September 2022	As at 30 September 2021	Year- on-year change	As at 30 June 2022	Quarter- on-quarter change
Combined MAU of Weixin and WeChat	1,308.9	1,262.6	3.7%	1,299.1	0.8%
Mobile device MAU of QQ	574.4	573.7	0.1%	568.7	1.0%
Fee-based VAS registered subscriptions	228.7	235.4	-2.8%	234.7	-2.6%

(in millions, unless specified)

BUSINESS REVIEW AND OUTLOOK

During the third quarter, we started to benefit from the adjustments that we have made to reposition ourselves for a new industry paradigm. We activated in-feed advertisements in Video Accounts, achieved breakthroughs in international games publishing, and executed cost efficiency initiatives which re-focused us on core activities and controlled our cost growth. As a result, we achieved year-over-year growth in non-IFRS earnings after four quarters of decline. Leveraging our extensive user reach and products such as Mini Programs and Tencent Meeting, we served society in critical use cases and assisted digitalisation of offline industries. Our resilient businesses, diversified cash flows, sizeable cash balance and substantial investment portfolio enable us to invest in strategic growth areas and innovation, while at the same time returning capital to shareholders. We will distribute the large majority of our Meituan shareholding, which has generated significant returns, both strategically and financially. Below are some highlights from our key products and business lines during the reporting quarter:

Communication and Social

We leveraged the extensive reach of Weixin and the ease of use of Mini Programs to assist the real economy. Within Mini Programs, we accommodated more commerce and municipal service use cases. Mini Programs' DAU surpassed 600 million, representing an increase of over 30% year-on-year. Mini Programs' daily activations grew even faster, by over 50% year-on-year. We deepened the adoption of Mini Programs in key commerce categories such as food and beverage, apparel, and department stores, where offline merchants and brands are increasingly integrating their membership and loyalty programs, and building multi-channel retailing with Mini Programs. The Health Code Mini Programs helped users verify their health and travel status with over 320 billion visits year-to-date¹.

For QQ, we collaborated with brands, such as Gucci and KFC, to launch their virtual spaces within Super QQ Show, where they can provide immersive interactions for users. We enabled users to showcase and share their personalised party rooms with the broader community.

¹ During the period from 1Q 2022 to 3Q 2022

Digital Content

Our fee-based VAS subscriptions decreased by 3% year-on-year to 229 million. For Tencent Video, subscriptions declined moderately to 120 million due to content scheduling delays, while ARPU increased due to our initiative in adjusting membership pricing. We released popular self-commissioned drama series such as Love Like The Galaxy, which ranked first by video views across all online platforms in China².

Domestic Games

With the implementation of our world-leading Minor protection program, we have become fully compliant with China regulations, and fostered a healthier industry environment. Time spent from Minors decreased by 92% year-on-year, and constituted 0.7% of our Domestic Games' total time spent in July 2022. We demonstrated resilience in our adult user base and user engagement, as the industry lapped the impact of Minor protection measures implemented in September 2021. For September 2022, our combined PC and mobile games DAU of adult users increased by a double-digit percentage year-on-year growth rate, while total time spent on our PC and mobile games by adult users increased by a single-digit percentage year-on-year growth rate.

We are successfully extending the longevity of our leading game franchises, such as CrossFire. We published the original CrossFire PC game 14 years ago. As a result of our innovation in areas such as its player versus environment mode and ranked mode, CrossFire remains the leading FPS game on PC in China, achieving a high single-digit percentage year-on-year growth in its grossing receipts in the first nine months of this year. In 2015, we published CrossFire Mobile, developed by TiMi Studio Group, which significantly expanded the franchise's overall player base in China, and which currently remains one of the top 10 mobile games by time spent and grossing receipts in China³, even after we launched a number of other successful FPS games.

International Games

In games development, we are extending the success of our market-leading internally developed franchises. Riot Games applied its experience as the industry pioneer in eSports to drive VALORANT Champions tournament as the most watched eSports event in the tactical shooter genre⁴, expanding VALORANT's fanbase and achieving record-high grossing receipts for the game during the third quarter of 2022. In October 2022, Supercell released the biggest-ever content update for Clash of Clans, boosting user engagement and in-game consumption. Clash of Clans has generally ranked as the top mobile strategy game internationally by annual grossing receipts since its launch in 2012, and maintained the number one position year-to-date in 2022⁵.

² Source: Enlightent, 3Q 2022

³ Source: by time spent according to QuestMobile and by grossing receipts according to data.ai, 3Q 2022

⁴ Source: by hours watched according to Esports Charts, 3Q 2022

⁵ Source: data.ai, during the period from 1 January, 2022 to 14 November, 2022

In games publishing, we achieved breakthroughs with the successful release of two new titles, showcasing the capabilities of our global brand Level Infinite in localised content marketing and user community management. Tower of Fantasy, an open world MMORPG we released in August 2022, was the second highest-ranked MMORPG by DAU internationally in the quarter⁶. Tower of Fantasy achieved commercial success in the most competitive markets, ranking first by grossing receipts among MMORPG in Japan and second in the United States⁶. On 4 November, 2022, we launched GODDESS OF VICTORY: NIKKE, a sci-fi RPG shooter with anime graphics, which ranked first by grossing receipts internationally across all mobile games⁷. GODDESS OF VICTORY: NIKKE was developed by Shift Up, a Korean studio in which we are an investor, and demonstrates our ability to support small sized creative teams via our publishing expertise and resources.

Online Advertising

For Video Accounts, we saw robust advertising demand for in-feed advertisements, particularly from the FMCG category. Advertising in Video Accounts is complementary and incremental to our existing advertising revenue. Excluding Video Accounts, Weixin's advertising revenue grew year-on-year, with rapid growth from Mini Programs.

FinTech

Our commercial payment volume posted double-digit year-on-year growth during the third quarter of 2022, with notable expansion in categories such as groceries, dining services and transportation.

Cloud and Other Business Services

As we scaled back loss-making activities and focused on internally developed products, revenue declined slightly year-on-year, but gross profit increased significantly year-on-year. We are actively assisting non-Internet industries to embrace digital transformation, boosting our revenue contributions from historically offline industries. For example, Tencent Cloud Enterprise enables customers such as banks and municipalities that prefer to host data on private clouds to integrate and deploy our public cloud products within their private clouds, meeting their needs for security and compliance. Public sector organisations, such as hospitals and schools, are increasingly using our key SaaS tools, facilitating efficient collaboration and online education.

⁶ Source: data.ai, 3Q 2022

⁷ Source: data.ai, during the period from 4 November, 2022 to 14 November, 2022

MANAGEMENT DISCUSSION AND ANALYSIS

Third Quarter of 2022 Compared to Third Quarter of 2021

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

	Unaudited	
	Three months ended	
	30 September	30 September
	2022	2021
	(RMB in millions)	
Revenues	140,093	142,368
Cost of revenues	(78,110)	(79,621)
Gross profit	61,983	62,747
Interest income	2,328	1,703
Other gains, net	20,886	22,984
Selling and marketing expenses	(7,124)	(10,435)
General and administrative expenses	(26,480)	(23,862)
Operating profit	51,593	53,137
Finance costs, net	(1,950)	(1,942)
Share of profit/(loss) of associates and joint ventures, net	(3,697)	(5,668)
Profit before income tax	45,946	45,527
Income tax expense	(7,104)	(5,452)
Profit for the period	38,842	40,075
Attributable to:		
Equity holders of the Company	39,943	39,510
Non-controlling interests	(1,101)	565
	38,842	40,075
Non-IFRS operating profit	40,907	40,828
Non-IFRS profit attributable to equity holders of the Company	32,254	31,751

Revenues. Revenues decreased by 2% to RMB140.1 billion for the third quarter of 2022 on a year-on-year basis. The following table sets forth our revenues by line of business for the third quarter of 2022 and the third quarter of 2021:

	Unaudited			
	Three months ended			
	30 September 2022		30 September 2021	
	Amount	% of total revenues	Amount	% of total revenues
(RMB in millions, unless specified)				
VAS	72,727	52%	75,203	53%
Online Advertising	21,443	15%	22,495	16%
FinTech and Business Services	44,844	32%	43,317	30%
Others	1,079	1%	1,353	1%
Total revenues	<u>140,093</u>	<u>100%</u>	<u>142,368</u>	<u>100%</u>

- Revenues from VAS⁸ decreased by 3% to RMB72.7 billion for the third quarter of 2022 on a year-on-year basis. International Games revenues increased by 3% to RMB11.7 billion, or 1% in constant currency terms, amid the ongoing industry normalisation post-COVID. During the quarter, we saw robust growth from VALORANT, the successful launch of Tower of Fantasy, and an expanded game portfolio at Miniclip, versus decreased revenue from PUBG Mobile. Domestic Games revenues decreased by 7% to RMB31.2 billion, as transitional industry challenges resulted in lower paying user counts. By title, we saw decreased revenues from Honour of Kings and Peacekeeper Elite influenced by the Minor protection measures which took effect from September 2021 onward, versus incremental revenues from recently launched League of Legends: Wild Rift, Return to Empire, and League of Legends Esports Manager. Social Networks revenues decreased by 2% to RMB29.8 billion, reflecting increased revenues from our Video Accounts live streaming service and music subscription service, versus decreased revenues from music- and games-related live streaming services and our video subscription service.

⁸ Mobile games VAS revenues (including mobile games revenues attributable to our Social Networks business) decreased by 4% year-on-year to RMB41 billion, while PC client games revenues were broadly stable at RMB11.7 billion, for the third quarter of 2022.

- Revenues from Online Advertising decreased by 5% to RMB21.5 billion for the third quarter of 2022 on a year-on-year basis. The rate of year-on-year decline narrowed from the previous quarter, driven by the improvement of games, eCommerce and FMCG categories, as well as the lapping of certain industry-specific headwinds from 2021. Social and Others Advertising revenues decreased by 1% to RMB18.9 billion, reflecting continued weakness in certain ad categories, offset by strong demand for our Video Accounts in-feed ads. Media Advertising revenues decreased by 26% to RMB2.6 billion, reflecting lower advertising revenue from Tencent Video, primarily due to fewer releases of popular drama series, and to comparison versus Tokyo Olympic Games in the same period last year.
- Revenues from FinTech and Business Services grew by 4% to RMB44.8 billion for the third quarter of 2022 on a year-on-year basis. FinTech Services revenue growth was higher than the previous quarter, benefitting from the recovery of online and offline commercial payment activities. Business Services revenues decreased slightly year-on-year, reflecting our continued efforts to scale back loss-making activities.

Cost of revenues. Cost of revenues decreased by 2% to RMB78.1 billion for the third quarter of 2022 on a year-on-year basis, reflecting more disciplined spending on channel and distribution costs, cloud project deployment costs, as well as content costs, versus increased server and bandwidth costs particularly those associated with the growth of our Video Accounts services. As a percentage of revenues, cost of revenues was 56% for the third quarter of 2022, broadly stable compared to the third quarter of 2021, reflecting the benefits from the efficiency measures implemented across our organisation, versus our continued investments in key strategic areas, most notably Video Accounts services. The following table sets forth our cost of revenues by line of business for the third quarter of 2022 and the third quarter of 2021:

	Unaudited			
	Three months ended			
	30 September 2022		30 September 2021	
	Amount	% of segment revenues	Amount	% of segment revenues
	(RMB in millions, unless specified)			
VAS	35,139	48%	35,344	47%
Online Advertising	11,506	54%	12,051	54%
FinTech and Business Services	29,902	67%	30,955	71%
Others	1,563	145%	1,271	94%
Total cost of revenues	<u>78,110</u>		<u>79,621</u>	

- Cost of revenues for VAS decreased by 1% to RMB35.1 billion for the third quarter of 2022 on a year-on-year basis, reflecting increases in revenue sharing costs associated with the growth of our Video Accounts live streaming service, and VALORANT eSports events production costs, versus decreases in revenue sharing costs associated with music- and games-related live streaming services, and optimised channel and distribution costs.
- Cost of revenues for Online Advertising decreased by 5% to RMB11.5 billion for the third quarter of 2022 on a year-on-year basis, reflecting more tightly controlled content costs, channel and distribution costs associated with our mobile advertising network, versus increased server and bandwidth costs associated with our Video Accounts.
- Cost of revenues for FinTech and Business Services decreased by 3% to RMB29.9 billion for the third quarter of 2022 on a year-on-year basis, primarily due to our decreased cloud project deployment costs as we scaled back loss-making activities, and decreased server and bandwidth costs associated with Business Services as a result of our efficiency measures.

Other gains, net. We recorded net other gains of RMB20.9 billion for the third quarter of 2022, which were primarily non-IFRS adjustment items such as net gains on deemed disposals and disposals of certain investee companies (including a RMB41.3 billion gain from the deemed disposal of Sea Limited), net fair value losses from revaluation of certain investee companies, and impairment provisions against certain investee companies in verticals such as online entertainment and FinTech.

Selling and marketing expenses. Selling and marketing expenses decreased by 32% to RMB7.1 billion for the third quarter of 2022 on a year-on-year basis, reflecting more disciplined spending on marketing activities across our organisation, particularly for our digital content services, Business Services, games and utility products. As a percentage of revenues, selling and marketing expenses decreased to 5% for the third quarter of 2022 from 7% for the third quarter of 2021.

General and administrative expenses. General and administrative expenses increased by 11% to RMB26.5 billion for the third quarter of 2022 on a year-on-year basis, reflecting increased R&D expenses, staff costs, as well as operating lease and office expenses.

Finance costs, net. Net finance costs were RMB2 billion for the third quarter of 2022, broadly stable compared to the same period last year, reflecting increases in foreign exchange gains largely offset by increases in interest expenses.

Share of profit/(loss) of associates and joint ventures, net. We recorded share of losses of associates and joint ventures of RMB3.7 billion for the third quarter of 2022, compared to share of losses of RMB5.7 billion for the third quarter of 2021. Non-IFRS share of profits of associates and joint ventures was RMB2.4 billion for the third quarter of 2022, compared to non-IFRS share of losses of RMB0.3 billion for the third quarter of 2021. The change primarily reflected improved profitability at certain domestic associates as a result of their cost optimisation measures.

Income tax expense. Income tax expense increased by 30% to RMB7.1 billion for the third quarter of 2022 on a year-on-year basis, reflecting our provision of withholding tax during the quarter.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 1% to RMB39.9 billion for the third quarter of 2022 on a year-on-year basis. Non-IFRS profit attributable to equity holders of the Company increased by 2% to RMB32.3 billion for the third quarter of 2022, reflecting our business rationalisation and cost efficiency initiatives, as well as associates' net contribution turning from losses to profits.

Third Quarter of 2022 Compared to Second Quarter of 2022

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

	Unaudited	
	Three months ended	
	30 September	30 June
	2022	2022
	(RMB in millions)	
Revenues	140,093	134,034
Cost of revenues	(78,110)	(76,167)
Gross profit	61,983	57,867
Interest income	2,328	1,945
Other gains, net	20,886	4,420
Selling and marketing expenses	(7,124)	(7,932)
General and administrative expenses	(26,480)	(26,233)
Operating profit	51,593	30,067
Finance costs, net	(1,950)	(1,809)
Share of profit/(loss) of associates and joint ventures, net	(3,697)	(4,460)
Profit before income tax	45,946	23,798
Income tax expense	(7,104)	(4,568)
Profit for the period	38,842	19,230
Attributable to:		
Equity holders of the Company	39,943	18,619
Non-controlling interests	(1,101)	611
	38,842	19,230
Non-IFRS operating profit	40,907	36,667
Non-IFRS profit attributable to equity holders of the Company	32,254	28,139

Revenues. Revenues increased by 5% to RMB140.1 billion for the third quarter of 2022 on a quarter-on-quarter basis.

- Revenues from VAS increased by 1% to RMB72.7 billion. International Games revenues increased by 9% to RMB11.7 billion, driven by the successful launch of Tower of Fantasy and the robust performance of VALORANT. Domestic Games revenues decreased by 2% to RMB31.2 billion, reflecting incremental revenues from newly launched League of Legends Esports Manager and Arena Breakout, versus decreased revenues from certain existing titles. Social Networks revenues increased by 2% to RMB29.8 billion, reflecting increased revenues from our music and video subscription services and Video Accounts live streaming service, versus decreased revenue from music-related live streaming service.
- Revenues from Online Advertising increased by 15% to RMB21.5 billion. Social and Others Advertising revenues increased by 17% to RMB18.9 billion, benefitting from positive seasonality, the initial monetisation of Video Accounts in-feed ads, and our ongoing efforts to improve our targeting technology. Media Advertising revenues increased by 3% to RMB2.6 billion.
- Revenues from FinTech and Business Services increased by 6% to RMB44.8 billion, driven primarily by FinTech revenue sequential growth attributable to the improvement in commercial payment activities.

Cost of revenues. Cost of revenues increased by 3% to RMB78.1 billion for the third quarter of 2022 on a quarter-on-quarter basis. We saw increased transaction costs of FinTech Services and content costs, versus decreased server and bandwidth costs and cloud project deployment costs as we further enhanced cost efficiency relative to the previous quarter. As a percentage of revenues, cost of revenues decreased to 56% for the third quarter of 2022 from 57% for the second quarter of 2022.

- Cost of revenues for VAS decreased by 1% to RMB35.1 billion for the third quarter of 2022, due to our tightened control measures on channel and distribution costs.
- Cost of revenues for Online Advertising increased by 4% to RMB11.5 billion for the third quarter of 2022, due to increased content costs and channel and distribution costs driven by sequentially improved online advertising revenues.
- Cost of revenues for FinTech and Business Services increased by 6% to RMB29.9 billion for the third quarter of 2022. We saw increased transaction costs of FinTech Services as a result of sequentially higher payment volumes, versus decreased server and bandwidth costs and cloud project deployment costs associated with Business Services reflecting our continued efficiency measures.

Selling and marketing expenses. Selling and marketing expenses decreased by 10% to RMB7.1 billion for the third quarter of 2022 on a quarter-on-quarter basis, reflecting more disciplined spending on marketing activities across our organisation.

General and administrative expenses. General and administrative expenses were RMB26.5 billion for the third quarter of 2022, broadly stable on a quarter-on-quarter basis.

Share of profit/(loss) of associates and joint ventures, net. We recorded share of losses of associates and joint ventures of RMB3.7 billion for the third quarter of 2022, compared to share of losses of RMB4.5 billion for the second quarter of 2022. Non-IFRS share of profits of associates and joint ventures was RMB2.4 billion for the third quarter of 2022, compared to non-IFRS share of losses of RMB1 billion for the second quarter of 2022, reflecting sequentially improved profitability at certain domestic associates as a result of their cost optimisation measures.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 115% to RMB39.9 billion for the third quarter of 2022 on a quarter-on-quarter basis. Non-IFRS profit attributable to equity holders of the Company increased by 15% to RMB32.3 billion for the third quarter of 2022, reflecting our business rationalisation and cost efficiency initiatives, as well as associates' net contribution turning from losses to profits.

Other Financial Information

	Unaudited Three months ended			Unaudited Nine months ended	
	30 September 2022	30 June 2022	30 September 2021	30 September 2022	30 September 2021
	(RMB in millions, unless specified)				
EBITDA (a)	43,124	38,628	42,683	120,035	136,605
Adjusted EBITDA (a)	48,610	44,668	49,257	139,380	152,531
Adjusted EBITDA margin (b)	35%	33%	35%	34%	37%
Interest and related expenses	2,729	2,327	2,092	7,159	5,730
Net (debt)/cash (c)	(27,271)	(20,429)	(26,146)	(27,271)	(26,146)
Capital expenditures (d)	2,377	3,015	7,061	12,363	21,731

Note:

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

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

	Unaudited			Unaudited	
	Three months ended			Nine months ended	
	30 September	30 June	30 September	30 September	30 September
	2022	2022	2021	2022	2021
	(RMB in millions, unless specified)				
Operating profit	51,593	30,067	53,137	118,877	161,897
Adjustments:					
Interest income	(2,328)	(1,945)	(1,703)	(6,010)	(4,947)
Other gains, net	(20,886)	(4,420)	(22,984)	(38,439)	(63,268)
Depreciation of property, plant and equipment and investment properties	5,289	5,589	5,374	16,564	16,051
Depreciation of right-of-use assets	1,693	1,673	1,129	5,002	3,273
Amortisation of intangible assets and land use rights	7,763	7,664	7,730	24,041	23,599
EBITDA	43,124	38,628	42,683	120,035	136,605
Equity-settled share-based compensation	5,486	6,040	6,574	19,345	15,926
Adjusted EBITDA	48,610	44,668	49,257	139,380	152,531

Non-IFRS Financial Measures

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

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

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

Unaudited three months ended 30 September 2022									
Adjustments									
As reported	Share-based compensation	Net (gains)/ losses from		Amortisation of intangible assets	Impairment provisions/ (reversals)	SSV & CPP	Others	Income tax effects	Non-IFRS
		investee companies	(b)						
(a)	(a)	(b)	(c)	(c)	(d)	(e)	(f)	(g)	
(RMB in millions, unless specified)									
Operating profit	51,593	5,925	(32,341)	1,313	12,962	1,445	10	-	40,907
Profit for the period	38,842	8,020	(32,106)	3,065	13,283	1,445	1,738	(933)	33,354
Profit attributable to equity holders	39,943	7,818	(32,402)	2,836	11,617	1,445	1,738	(741)	32,254
EPS (RMB per share)									
- basic	4.187								3.381
- diluted	4.104								3.306
Operating margin	37%								29%
Net margin	28%								24%

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

Unaudited three months ended 30 September 2021

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

Unaudited nine months ended 30 September 2022

	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)	SSV & CPP (e)	Others (f)	Income tax effects (g)	
	(RMB in millions, unless specified)								
Operating profit	118,877	20,568	(56,439)	3,956	22,796	4,163	191	–	114,112
Profit for the period	81,805	26,094	(56,743)	9,217	24,304	4,163	1,919	(2,122)	88,637
Profit attributable to equity holders	81,975	25,527	(56,912)	8,460	22,633	4,163	1,919	(1,827)	85,938
EPS (RMB per share)									
– basic	8.595								9.010
– diluted	8.398								8.796
Operating margin	29%								28%
Net margin	20%								22%

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

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) Mainly including impairment provisions/(reversals) for associates, joint ventures, goodwill and other intangible assets arising from acquisitions
- (e) Mainly including donations and expenses incurred for the Group's SSV & CPP initiatives
- (f) Mainly including expenses incurred for regulatory fines and certain litigation settlements of the Group and/or arising from investee companies
- (g) Income tax effects of non-IFRS adjustments

Liquidity and Financial Resources

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

	Unaudited 30 September 2022	Unaudited 30 June 2022
	(RMB in millions)	
Cash and cash equivalents	160,177	184,658
Term deposits and others	155,436	131,257
	315,613	315,915
Borrowings	(180,703)	(183,050)
Notes payable	(162,181)	(153,294)
Net debt	(27,271)	(20,429)

As at 30 September 2022, the Group had net debt of RMB27.3 billion, compared to net debt of RMB20.4 billion as at 30 June 2022. The sequential change was mainly due to the effect of foreign currency translation differences on our US dollar denominated indebtedness, partly offset by free cash flow generation and other payments.

For the third quarter of 2022, the Group had free cash flow of RMB27.6 billion. This was a result of net cash flow generated from operating activities of RMB41 billion, versus payments for capital expenditures of RMB5 billion, payments for media content of RMB6.4 billion, and payments for lease liabilities of RMB2 billion.

As at 30 September 2022, the fair value of our shareholdings⁹ in listed investee companies (excluding subsidiaries) was RMB532.5 billion, and the carrying value of our unlisted investments was RMB339.5 billion.

⁹ Including those held via special purpose vehicles, on an attributable basis.

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2022

	Note	Unaudited		Unaudited	
		Three months ended 30 September		Nine months ended 30 September	
		2022	2021	2022	2021
		RMB'Million	RMB'Million	RMB'Million	RMB'Million
Revenues					
Value-added Services		72,727	75,203	217,148	219,659
Online Advertising		21,443	22,495	58,069	67,148
FinTech and Business Services		44,844	43,317	129,820	124,237
Others		1,079	1,353	4,561	4,886
	2	<u>140,093</u>	142,368	<u>409,598</u>	415,930
Cost of revenues	4	<u>(78,110)</u>	(79,621)	<u>(232,674)</u>	(227,803)
Gross profit		61,983	62,747	176,924	188,127
Interest income		2,328	1,703	6,010	4,947
Other gains, net	3	20,886	22,984	38,439	63,268
Selling and marketing expenses	4	(7,124)	(10,435)	(23,114)	(28,978)
General and administrative expenses	4	(26,480)	(23,862)	(79,382)	(65,467)
Operating profit		51,593	53,137	118,877	161,897
Finance costs, net		(1,950)	(1,942)	(5,694)	(5,251)
Share of profit/(loss) of associates and joint ventures, net		(3,697)	(5,668)	(14,437)	(8,177)
Profit before income tax		45,946	45,527	98,746	148,469
Income tax expense	5	<u>(7,104)</u>	(5,452)	<u>(16,941)</u>	(16,364)
Profit for the period		<u>38,842</u>	<u>40,075</u>	<u>81,805</u>	<u>132,105</u>
Attributable to:					
Equity holders of the Company		39,943	39,510	81,975	129,864
Non-controlling interests		(1,101)	565	(170)	2,241
		<u>38,842</u>	<u>40,075</u>	<u>81,805</u>	<u>132,105</u>
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)					
– basic	6(a)	<u>4.187</u>	4.143	<u>8.595</u>	<u>13.634</u>
– diluted	6(b)	<u>4.104</u>	4.074	<u>8.398</u>	<u>13.313</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2022**

	Unaudited		Unaudited	
	Three months ended 30 September 2022	2021	Nine months ended 30 September 2022	2021
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Profit for the period	38,842	40,075	81,805	132,105
Other comprehensive income, net of tax:				
<i>Items that may be subsequently reclassified to profit or loss</i>				
Share of other comprehensive income of associates and joint ventures	948	(157)	1,190	120
Transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	42	–	28	2
Transfer to profit or loss upon disposal of financial assets at fair value through other comprehensive income	–	–	2	–
Net losses from changes in fair value of financial assets at fair value through other comprehensive income	(8)	–	(32)	–
Currency translation differences	5,809	(4,607)	8,337	(11,943)
Other fair value gains, net	1,830	133	5,912	1,388
<i>Items that will not be subsequently reclassified to profit or loss</i>				
Share of other comprehensive income of associates and joint ventures	503	(16)	311	418
Loss from changes in fair value of assets held for distribution	–	–	(17,130)	–
Net (losses)/gains from changes in fair value of financial assets at fair value through other comprehensive income	(26,433)	(36,411)	(146,864)	28,594
Currency translation differences	2,245	(130)	4,322	(228)
	(15,064)	(41,188)	(143,924)	18,351
Total comprehensive income for the period	23,778	(1,113)	(62,119)	150,456
Attributable to:				
Equity holders of the Company	24,826	(594)	(59,534)	150,673
Non-controlling interests	(1,048)	(519)	(2,585)	(217)
	23,778	(1,113)	(62,119)	150,456

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022**

		Unaudited	Audited
		30 September	31 December
		2022	2021
	Note	RMB'Million	RMB'Million
ASSETS			
Non-current assets			
Property, plant and equipment		55,406	61,914
Land use rights		18,195	17,728
Right-of-use assets		22,448	20,468
Construction in progress		7,671	5,923
Investment properties		555	517
Intangible assets		175,744	171,376
Investments in associates	8	301,846	316,574
Investments in joint ventures		6,796	6,614
Financial assets at fair value through profit or loss	9	207,222	192,184
Financial assets at fair value through other comprehensive income	10	169,918	250,257
Prepayments, deposits and other assets		37,054	37,177
Other financial assets		7,563	1,261
Deferred income tax assets		28,358	26,068
Term deposits		24,945	19,491
		1,063,721	1,127,552
Current assets			
Inventories		2,933	1,063
Accounts receivable	11	44,837	49,331
Prepayments, deposits and other assets		71,615	65,390
Other financial assets		1,521	1,749
Financial assets at fair value through profit or loss	9	21,089	10,573
Term deposits		109,636	83,813
Restricted cash		2,614	2,476
Cash and cash equivalents		160,177	167,966
Assets held for distribution		–	102,451
		414,422	484,812
Total assets		1,478,143	1,612,364

		Unaudited	Audited
		30 September	31 December
		2022	2021
	Note	RMB' Million	RMB' Million
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		–	–
Share premium		68,636	67,330
Treasury shares		(3,193)	–
Shares held for share award schemes		(4,565)	(4,843)
Other reserves		(54,303)	73,901
Retained earnings		749,345	669,911
		755,920	806,299
Non-controlling interests		62,486	70,394
Total equity		818,406	876,693
LIABILITIES			
Non-current liabilities			
Borrowings	14	171,009	136,936
Notes payable	15	151,535	145,590
Long-term payables		10,246	9,966
Other financial liabilities		5,679	5,912
Deferred income tax liabilities		13,895	13,142
Lease liabilities		18,082	16,501
Deferred revenue		3,944	4,526
		374,390	332,573
Current liabilities			
Accounts payable	13	99,789	109,470
Other payables and accruals		55,176	60,582
Borrowings	14	9,694	19,003
Notes payable	15	10,646	–
Current income tax liabilities		10,555	12,506
Other tax liabilities		2,864	2,240
Other financial liabilities		5,738	3,554
Lease liabilities		6,207	5,446
Deferred revenue		84,678	87,846
Dividends payable for distribution in specie	7(b)	–	102,451
		285,347	403,098
Total liabilities		659,737	735,671
Total equity and liabilities		1,478,143	1,612,364

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

	Unaudited								
	Attributable to equity holders of the Company								
	Share capital RMB'Million	Share premium RMB'Million	Treasury shares RMB'Million	Shares held for share award schemes RMB'Million	Other reserves RMB'Million	Retained earnings RMB'Million	Total RMB'Million	Non- controlling interests RMB'Million	Total equity RMB'Million
Balance at 1 January 2022	-	67,330	-	(4,843)	73,901	669,911	806,299	70,394	876,693
Comprehensive income									
Profit for the period	-	-	-	-	-	81,975	81,975	(170)	81,805
Other comprehensive income, net of tax:									
– share of other comprehensive income of associates and joint ventures	-	-	-	-	1,421	-	1,421	80	1,501
– loss from changes in fair value of assets held for distribution	-	-	-	-	(17,130)	-	(17,130)	-	(17,130)
– transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	-	-	-	-	28	-	28	-	28
– net losses from changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	(144,629)	-	(144,629)	(2,267)	(146,896)
– transfer to profit or loss upon disposal of financial assets at fair value through other comprehensive income	-	-	-	-	1	-	1	1	2
– currency translation differences	-	-	-	-	13,009	-	13,009	(350)	12,659
– other fair value gains, net	-	-	-	-	5,791	-	5,791	121	5,912
Total comprehensive income for the period	-	-	-	-	(141,509)	81,975	(59,534)	(2,585)	(62,119)
Transfer of losses on disposal and deemed disposal of financial instruments to retained earnings	-	-	-	-	7,327	(7,374)	(47)	-	(47)
Transfer of share of other comprehensive income to retained earnings upon disposal and deemed disposal of associates and joint ventures	-	-	-	-	(4)	4	-	-	-
Share of other changes in net assets of associates and joint ventures	-	-	-	-	5,474	-	5,474	-	5,474
Transfer of share of other changes in net assets of associates and joint ventures to profit or loss upon disposal and deemed disposal	-	-	-	-	(2,224)	-	(2,224)	-	(2,224)
Transactions with equity holders									
Capital injection	-	-	-	-	-	-	-	3	3
Employee share option schemes:									
– value of employee services	-	1,533	-	-	84	-	1,617	74	1,691
– proceeds from shares issued	-	279	-	-	-	-	279	-	279
Employee share award schemes:									
– value of employee services	-	16,162	-	-	1,131	-	17,293	341	17,634
– shares withheld for share award schemes	-	-	-	(2,713)	-	-	(2,713)	-	(2,713)
– vesting of awarded shares	-	(2,738)	-	2,738	-	-	-	-	-
Tax benefit from share-based payments	-	-	-	-	9	-	9	-	9
Profit appropriations to statutory reserves	-	-	-	-	30	(30)	-	-	-
Repurchase and cancellation of shares	-	(14,709)	-	-	-	-	(14,709)	-	(14,709)
Repurchase of shares (to be cancelled)	-	-	(3,193)	-	-	-	(3,193)	-	(3,193)
Cash dividends	-	-	-	-	-	(12,950)	(12,950)	(527)	(13,477)
Dividends under distribution in specie (Note 7(b))	-	-	-	-	-	17,809	17,809	-	17,809
Non-controlling interests arising from business combinations	-	-	-	-	-	-	-	908	908
Acquisition of additional equity interests in non wholly-owned subsidiaries	-	-	-	-	678	-	678	(4,284)	(3,606)
Dilution of interests in subsidiaries	-	-	-	-	(1,004)	-	(1,004)	972	(32)
Disposal of subsidiaries	-	-	-	-	-	-	-	(1)	(1)
Changes in put option liabilities in respect of non-controlling interests	-	-	-	-	336	-	336	30	366
Recognition of put option liabilities arising from business combinations	-	-	-	-	(175)	-	(175)	-	(175)
Transfer of equity interests of subsidiaries to non-controlling interests	-	779	-	253	1,643	-	2,675	(2,839)	(164)
Total transactions with equity holders at their capacity as equity holders for the period	-	1,306	(3,193)	278	2,732	4,829	5,952	(5,323)	629
Balance at 30 September 2022	-	68,636	(3,193)	(4,565)	(54,303)	749,345	755,920	62,486	818,406

Unaudited

	Attributable to equity holders of the Company								
	Share capital RMB' Million	Share premium RMB' Million	Treasury shares RMB' Million	Shares held for share award schemes RMB' Million	Other reserves RMB' Million	Retained earnings RMB' Million	Total RMB' Million	Non-controlling interests RMB' Million	Total equity RMB' Million
Balance at 1 January 2021	-	48,793	-	(4,412)	121,139	538,464	703,984	74,059	778,043
Comprehensive income									
Profit for the period	-	-	-	-	-	129,864	129,864	2,241	132,105
Other comprehensive income, net of tax:									
- share of other comprehensive income of associates and joint ventures	-	-	-	-	534	-	534	4	538
- transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	-	-	-	-	2	-	2	-	2
- net gains/(losses) from changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	29,809	-	29,809	(1,215)	28,594
- currency translation differences	-	-	-	-	(10,873)	-	(10,873)	(1,298)	(12,171)
- other fair value gains, net	-	-	-	-	1,337	-	1,337	51	1,388
Total comprehensive income for the period	-	-	-	-	20,809	129,864	150,673	(217)	150,456
Transfer of gains on disposal and deemed disposal of financial instruments to retained earnings	-	-	-	-	(20,123)	20,123	-	-	-
Transfer of share of other comprehensive income to retained earnings upon disposal and deemed disposal of associates and joint ventures	-	-	-	-	(2)	(3)	(5)	(4)	(9)
Share of other changes in net assets of associates and joint ventures	-	-	-	-	6,210	-	6,210	1	6,211
Transfer of share of other changes in net assets of associates and joint ventures to profit or loss upon disposal and deemed disposal	-	-	-	-	(354)	-	(354)	5	(349)
Transactions with equity holders									
Capital injection	-	-	-	-	-	-	-	510	510
Employee share option schemes:									
- value of employee services	-	1,405	-	-	37	-	1,442	38	1,480
- proceeds from shares issued	-	943	-	-	-	-	943	-	943
Employee share award schemes:									
- value of employee services	-	13,553	-	-	450	-	14,003	402	14,405
- shares withheld for share award schemes	-	-	-	(2,633)	-	-	(2,633)	-	(2,633)
- vesting of awarded shares	-	(1,874)	-	1,874	-	-	-	-	-
Tax benefit from share-based payments	-	-	-	-	454	-	454	-	454
Profit appropriations to statutory reserves	-	-	-	-	33	(33)	-	-	-
Repurchase and cancellation of shares	-	(1,735)	(435)	-	-	-	(2,170)	-	(2,170)
Cash dividends	-	-	-	-	-	(12,683)	(12,683)	(315)	(12,998)
Distributions from a non wholly-owned subsidiary	-	-	-	-	-	-	-	(1,401)	(1,401)
Non-controlling interests arising from business combinations	-	-	-	-	-	-	-	1,086	1,086
Acquisition of additional equity interests in non wholly-owned subsidiaries	-	-	-	-	(731)	-	(731)	(3,137)	(3,868)
Dilution of interests in subsidiaries	-	-	-	-	103	-	103	577	680
Disposal of subsidiaries	-	-	-	-	-	-	-	(32)	(32)
Changes in put option liabilities in respect of non-controlling interests	-	-	-	-	730	-	730	14	744
Lapses of put option liabilities in respect of non-controlling interests	-	-	-	-	783	-	783	-	783
Recognition of put option liabilities arising from business combinations	-	-	-	-	(826)	-	(826)	-	(826)
Transfer of equity interests of subsidiaries to non-controlling interests	-	956	-	143	(4,486)	-	(3,387)	3,254	(133)
Total transactions with equity holders at their capacity as equity holders for the period	-	13,248	(435)	(616)	(3,453)	(12,716)	(3,972)	996	(2,976)
Balance at 30 September 2021	-	62,041	(435)	(5,028)	124,226	675,732	856,536	74,840	931,376

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022**

	Unaudited	
	Nine months ended	
	30 September	
	2022	2021
	RMB'Million	RMB'Million
Net cash flows generated from operating activities	110,488	123,935
Net cash flows used in investing activities	(86,533)	(144,051)
Net cash flows (used in)/generated from financing activities	(39,281)	39,724
Net (decrease)/increase in cash and cash equivalents	(15,326)	19,608
Cash and cash equivalents at beginning of the period	167,966	152,798
Exchange gains/(losses) on cash and cash equivalents	7,537	(1,533)
Cash and cash equivalents at end of the period	<u>160,177</u>	<u>170,873</u>

Note:

1 General information, basis of preparation and presentation

The Company was incorporated in the Cayman Islands with limited liability. The shares of the Company have been listed on the Main Board of the Stock Exchange since 16 June 2004.

The Company is an investment holding company. The Group is principally engaged in the provision of VAS, Online Advertising services and FinTech and Business Services.

The condensed consolidated interim financial information comprises the consolidated statement of financial position as at 30 September 2022, the consolidated income statement and the consolidated statement of comprehensive income for the three months and nine months then ended, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months then ended, and notes, comprising significant accounting policies and other explanatory information. The Interim Financial Information is presented in RMB, unless otherwise stated.

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

The Interim Financial Information has been prepared in accordance with IAS 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2021, which have been prepared in accordance with IFRS, as set out in the 2021 annual report of the Company dated 23 March 2022 (the “2021 Financial Statements”).

Except as described below, the accounting policies and method of computation used in the preparation of the Interim Financial Information are generally consistent with those used in the 2021 Financial Statements in all material aspects, which have been prepared in accordance with IFRS under the historical cost convention, as modified by the revaluation of FVPL, FVOCI, dividends payable for distribution in specie, certain other financial assets and liabilities, which are carried at fair values.

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

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

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

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

2 Segment information

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

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

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

There were no material inter-segment sales during the three and nine months ended 30 September 2022 and 2021. The revenues from external customers reported to the chief operating decision-makers are measured in a manner consistent with that applied in the consolidated income statement.

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

	Unaudited Three months ended 30 September 2022				
	VAS RMB'Million	Online Advertising RMB'Million	FinTech and Business Services RMB'Million	Others RMB'Million	Total RMB'Million
Segment revenues	72,727	21,443	44,844	1,079	140,093
Gross profit/(loss)	37,588	9,937	14,942	(484)	61,983
Cost of revenues					
Depreciation	1,530	1,643	2,237	2	5,412
Amortisation	4,887	1,600	57	351	6,895
	Unaudited Three months ended 30 September 2021				
	VAS RMB'Million	Online Advertising RMB'Million	FinTech and Business Services RMB'Million	Others RMB'Million	Total RMB'Million
Segment revenues	75,203	22,495	43,317	1,353	142,368
Gross profit	39,859	10,444	12,362	82	62,747
Cost of revenues					
Depreciation	1,429	1,300	2,590	26	5,345
Amortisation	4,574	2,094	18	346	7,032

	Unaudited Nine months ended 30 September 2022				
	VAS RMB'Million	Online Advertising RMB'Million	FinTech and Business Services RMB'Million	Others RMB'Million	Total RMB'Million
Segment revenues	<u>217,148</u>	<u>58,069</u>	<u>129,820</u>	<u>4,561</u>	<u>409,598</u>
Gross profit/(loss)	<u>110,574</u>	<u>24,097</u>	<u>42,516</u>	<u>(263)</u>	<u>176,924</u>
Cost of revenues					
Depreciation	4,778	4,939	7,133	35	16,885
Amortisation	<u>14,407</u>	<u>5,641</u>	<u>160</u>	<u>1,331</u>	<u>21,539</u>

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

3 Other gains, net

	Unaudited		Unaudited	
	Three months ended 30 September		Nine months ended 30 September	
	2022	2021	2022	2021
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Net gains on disposals and deemed disposals of				
investee companies (a)	42,327	17,932	66,190	27,522
Subsidies and tax rebates	3,051	2,130	8,861	6,881
Net fair value (losses)/gains on FVPL ((b) and Note 9)	(9,867)	8,629	(8,790)	37,949
Dividend income	45	85	790	625
Impairment provision for investee companies, goodwill and other intangible assets arising from acquisitions (c)	(12,962)	(6,389)	(22,796)	(9,811)
Donations (d)	(1,300)	–	(3,838)	(1,600)
Net fair value gains/(losses) on other financial instruments (e)	82	57	(576)	(116)
Others	(490)	540	(1,402)	1,818
	<u>20,886</u>	<u>22,984</u>	<u>38,439</u>	<u>63,268</u>

Note:

- (a) The disposal and deemed disposal gains of approximately RMB66,190 million recognised during the nine months ended 30 September 2022 mainly comprised the following:
- step down gain of approximately RMB41,299 million arising from transfer of the investment in Sea Limited (NYSE: SE) to FVOCI as a result of resignation of the board of directors representative in that investee company on 5 September 2022, details of which are explained in Note 8(b);
 - gain of approximately RMB18,481 million arising from partial divestment of Sea Limited on 4 January 2022, details of which are explained in Note 8(c); and
 - aggregate net gains of approximately RMB3,606 million (nine months ended 30 September 2021: approximately RMB9,193 million) on disposals, partial disposals or deemed disposals of various investments of the Group, and net gains of approximately RMB2,804 million (nine months ended 30 September 2021: approximately RMB18,329 million) on dilution of the Group's equity interests due to new equity interests being issued by certain associates and a joint venture. These investee companies are principally engaged in games development, insurance and Internet-related businesses.
- (b) During the three and nine months ended 30 September 2022, the net fair value losses on FVPL mainly comprised net losses of approximately RMB10,086 million and RMB9,193 million as a result of decreases in valuations of certain investee companies (three and nine months ended 30 September 2021: net gains of approximately RMB8,580 million and RMB37,877 million, respectively).

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

	Unaudited		Unaudited	
	Three months ended 30 September		Nine months ended 30 September	
	2022	2021	2022	2021
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Investments in associates (Note 8(d))	7,382	5,704	17,125	8,898
Investments in joint ventures and others	1,686	685	1,777	712
Goodwill and other intangible assets arising from acquisitions	3,894	–	3,894	201
	<u>12,962</u>	<u>6,389</u>	<u>22,796</u>	<u>9,811</u>

- (d) During the three and nine months ended 30 September 2022, donations mainly included approximately RMB1,259 million and RMB3,763 million for SSV & CPP of the Group (three and nine months ended 30 September 2021: nil).

- (e) During the three and nine months ended 30 September 2022, the net fair value gains/(losses) on other financial instruments mainly included net gains of approximately RMB100 million and net losses of approximately RMB558 million, respectively, as a result of changes in valuations of investment-related financial instruments (three and nine months ended 30 September 2021: net gains of approximately RMB57 million and net losses of approximately RMB116 million, respectively).

4 Expenses by nature

	Unaudited		Unaudited	
	Three months ended 30 September		Nine months ended 30 September	
	2022	2021	2022	2021
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Transaction costs (a)	32,404	33,108	93,279	95,721
Employee benefits expenses (b)	27,390	25,963	84,169	70,351
Content costs (excluding amortisation of intangible assets)	16,598	16,932	48,488	47,842
Amortisation of intangible assets (c)	7,743	7,710	23,984	23,548
Bandwidth and server custody fees (excluding depreciation of right-of-use assets)	7,368	7,107	22,750	19,874
Depreciation of property, plant and equipment, investment properties and right-of-use assets	6,982	6,503	21,566	19,324
Promotion and advertising expenses	4,596	8,024	15,225	22,199

Note:

- (a) Transaction costs primarily consist of bank handling fees, channel and distribution costs.
- (b) During the three and nine months ended 30 September 2022, the Group had incurred expenses for the purpose of R&D of approximately RMB15,082 million and RMB45,475 million, respectively (three and nine months ended 30 September 2021: approximately RMB13,730 million and RMB37,859 million, respectively), which mainly comprised employee benefits expenses of approximately RMB12,369 million and RMB37,627 million, respectively (three and nine months ended 30 September 2021: approximately RMB11,348 million and RMB31,318 million, respectively).

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

During the three and nine months ended 30 September 2022, employee benefits expenses included the share-based compensation expenses of approximately RMB5,925 million and RMB20,568 million, respectively (three and nine months ended 30 September 2021: approximately RMB6,652 million and RMB16,558 million, respectively), which contained those incurred for employees related to SSV & CPP of approximately RMB20 million and RMB54 million, respectively (three and nine months ended 30 September 2021: approximately RMB10 million).

- (c) Amortisation charges of intangible assets are mainly in respect of media content including video and music content, game licenses, and other content. During the three and nine months ended 30 September 2022, amortisation of media content was approximately RMB6,753 million and RMB21,061 million, respectively (three and nine months ended 30 September 2021: approximately RMB6,990 million and RMB21,419 million, respectively).

During the three and nine months ended 30 September 2022, amortisation of intangible assets included the amortisation of intangible assets arising from acquisitions of approximately RMB1,313 million and RMB3,956 million, respectively (three and nine months ended 30 September 2021: RMB1,149 million and RMB3,335 million, respectively).

- (d) During the three and nine months ended 30 September 2022, expenses incurred related to SSV & CPP (excluding share-based compensation expenses) were approximately RMB186 million and RMB400 million, respectively (three and nine months ended 30 September 2021: RMB70 million).
- (e) During the three and nine months ended 30 September 2022, expenses incurred for regulatory fines and certain litigation settlements were approximately RMB10 million and RMB191 million, respectively (three and nine months ended 30 September 2021: nil), of which approximately RMB3 million and RMB20 million (three and nine months ended 30 September 2021: nil) were included in “Other gains, net”.

5 Income tax expense

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

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

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

(b) Hong Kong profits tax

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the three and nine months ended 30 September 2022 and 2021.

(c) PRC CIT

PRC CIT has been provided for at applicable tax rates under the relevant regulations of the PRC after considering the available preferential tax benefits from refunds and allowances, and on the estimated assessable profit of entities within the Group established in the Mainland of China for the three and nine months ended 30 September 2022 and 2021. The general PRC CIT rate is 25% for the three and nine months ended 30 September 2022 and 2021.

Certain subsidiaries of the Company in the Mainland of China were approved as High and New Technology Enterprise, and they were subject to a preferential corporate income tax rate of 15% for the three and nine months ended 30 September 2022 and 2021. Moreover, according to announcement and circular issued by relevant government authorities, a subsidiary which was qualified as a national key software enterprise was subject to a preferential corporate income tax rate of 10%.

In addition, certain subsidiaries of the Company are entitled to other tax concessions, mainly including the preferential tax rate of 15% applicable to some subsidiaries located in certain areas of the Mainland of China upon fulfillment of certain requirements of the respective local governments.

(d) Corporate income tax in other jurisdictions

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

(e) **Withholding tax**

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

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

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

	Unaudited		Unaudited	
	Three months ended 30 September 2022	2021	Three months ended 30 September 2022	2021
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Current income tax	4,787	7,202	17,514	19,853
Deferred income tax	2,317	(1,750)	(573)	(3,489)
	<u>7,104</u>	<u>5,452</u>	<u>16,941</u>	<u>16,364</u>

6 Earnings per share

(a) **Basic**

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

	Unaudited		Unaudited	
	Three months ended 30 September 2022	2021	Three months ended 30 September 2022	2021
Profit attributable to equity holders of the Company (RMB'Million)	<u>39,943</u>	<u>39,510</u>	<u>81,975</u>	<u>129,864</u>
Weighted average number of ordinary shares in issue (million shares)	<u>9,541</u>	<u>9,536</u>	<u>9,538</u>	<u>9,525</u>
Basic EPS (RMB per share)	<u>4.187</u>	<u>4.143</u>	<u>8.595</u>	<u>13.634</u>

(b) **Diluted**

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

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

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2022	2021	2022	2021
Profit attributable to equity holders of the Company (RMB' Million)	39,943	39,510	81,975	129,864
Dilution effect arising from share-based awards issued by non wholly-owned subsidiaries and associates (RMB' Million)	(219)	(85)	(440)	(209)
Profit attributable to equity holders of the Company for the calculation of diluted EPS (RMB' Million)	39,724	39,425	81,535	129,655
Weighted average number of ordinary shares in issue (million shares)	9,541	9,536	9,538	9,525
Adjustments for share options and awarded shares (million shares)	137	140	171	214
Weighted average number of ordinary shares for the calculation of diluted EPS (million shares)	9,678	9,676	9,709	9,739
Diluted EPS (RMB per share)	4.104	4.074	8.398	13.313

7 Dividends

(a) Final dividends

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

(b) Interim dividend by way of distribution in specie

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

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

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

8 Investments in associates

	Unaudited 30 September 2022 RMB'Million	Audited 31 December 2021 RMB'Million
Investments in associates		
– Listed entities (Note)	176,496	200,785
– Unlisted entities	125,350	115,789
	301,846	316,574

Note:

As at 30 September 2022, the fair value of the investments in associates consisting of directly and indirectly held listed equity interests was approximately RMB376,076 million (31 December 2021: RMB634,661 million).

Movement of investments in associates is analysed as follows:

	Unaudited	
	Nine months ended 30 September	
	2022	2021
	RMB'Million	RMB'Million
At beginning of period	316,574	297,609
Additions (a)	10,530	42,127
Transfers (b)	(5,720)	27,461
Dilution gains on deemed disposals	2,774	18,329
Share of profit/(loss) of associates, net	(14,617)	(8,353)
Share of other comprehensive income of associates	1,496	533
Share of other changes in net assets of associates	5,474	6,211
Dividends	(662)	(1,296)
Disposals (c)	(2,030)	(2,645)
Impairment provision ((d) and Note 3(c))	(17,125)	(8,898)
Currency translation differences	5,152	(1,637)
	<hr/>	<hr/>
At end of period	301,846	369,441
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (a) During the nine months ended 30 September 2022, the Group's additions to investments in associates mainly comprised the following:
- (i) the Group subscribed for 49.9% equity interests in an investment holding company at a consideration of approximately EUR300 million (equivalent to approximately RMB2,132 million), which in turn owns equity interests of a listed company engaged in game development; and
 - (ii) new associates and additional investments in existing associates with an aggregate amount of approximately RMB8,398 million during the nine months ended 30 September 2022, which are principally engaged in games development, FinTech, High-tech manufacturing, comic development and other Internet-related businesses.
- (b) On 5 September 2022, the Group's entire investment in Sea Limited with a carrying amount of approximately RMB4,441 million was transferred from investment in an associate to financial instruments as a result of resignation of the board of directors representative in that investee company, and the Group irrevocably designated it as FVOCI with step down gain of approximately RMB41,299 million recognised in "Other gains, net" (Note 3(a)).

- (c) On 4 January 2022, the Group entered into a transaction to divest an aggregate of 14,492,751 Class A ordinary shares of Sea Limited with a carrying amount of approximately RMB825 million, and to convert all its supervoting Class B ordinary shares to Class A ordinary shares (collectively, the “Transaction”). Upon the completion of the Transaction, the Group’s equity interest in Sea Limited was reduced from 21.3% to 18.7% with its voting power reduced to less than 10%, and a disposal gain of approximately RMB18,481 million was recognised in “Other gains, net” (Note 3(a)).
- (d) During the nine months ended 30 September 2022, an aggregate impairment loss of approximately RMB17,125 million (nine months ended 30 September 2021: RMB8,898 million) had been recognised for associates with impairment indicators, and the majority of these associates’ recoverable amounts were determined using fair value less costs of disposal.

9 Financial assets at fair value through profit or loss

FVPL include the following:

	Unaudited 30 September 2022 RMB’Million	Audited 31 December 2021 RMB’Million
Included in non-current assets:		
Investments in listed entities	9,939	19,802
Investments in unlisted entities	189,057	163,382
Treasury investments and others	8,226	9,000
	207,222	192,184
Included in current assets:		
Investments in listed entities	3	4
Treasury investments and others	21,086	10,569
	21,089	10,573
	228,311	202,757

Movement of FVPL is analysed as follows:

	Unaudited	
	Nine months ended 30 September	
	2022	2021
	RMB'Million	RMB'Million
At beginning of period	202,757	172,537
Additions and transfers (a)	33,898	23,061
Changes in fair value (Note 3)	(8,790)	37,949
Disposals and others	(18,006)	(23,366)
Currency translation differences	18,452	(2,482)
	<hr/>	<hr/>
At end of period	228,311	207,699
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (a) During the nine months ended 30 September 2022, the Group's additions and transfers mainly comprised the following:
- (i) new investments and additional investments with an aggregate amount of approximately RMB36,225 million made in listed entities, unlisted entities and treasury investments. These investee companies are principally engaged in social media platforms and other Internet-related businesses; and
 - (ii) an existing investee company engaged in Online-To-Offline service platform with an amount of approximately RMB4,390 million had been redesignated as FVOCI upon the conversion of its preferred shares into ordinary shares upon its IPO.

10 Financial assets at fair value through other comprehensive income

FVOCI include the following:

	Unaudited	Audited
	30 September	31 December
	2022	2021
	RMB'Million	RMB'Million
Equity investments in listed entities	146,333	227,788
Equity investments in unlisted entities	22,473	22,392
Treasury investments	1,112	77
	<hr/>	<hr/>
	169,918	250,257
	<hr/> <hr/>	<hr/> <hr/>

Movement of FVOCI is analysed as follows:

	Unaudited	
	Nine months ended 30 September	
	2022	2021
	RMB'Million	RMB'Million
At beginning of period	250,257	213,091
Additions and transfers (a)	59,645	31,316
Changes in fair value	(146,443)	27,903
Disposals	(6,827)	(27,119)
Currency translation differences	13,286	(1,251)
	<hr/>	<hr/>
At end of period	169,918	243,940
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (a) During the nine months ended 30 September 2022, except as described in Note 8(b) and Note 9(a)(ii), the Group's additions and transfers mainly comprised the following:
- (i) additional investment in a listed entity engaged in social network platform of approximately USD787 million (equivalent to approximately RMB5,236 million);
 - (ii) new investments and additional investments with an aggregate amount of approximately RMB5,172 million made in listed entities, unlisted entities and treasury investments. These investee companies are principally engaged in FinTech services and other Internet-related businesses;
 - (iii) an existing investee company with a carrying amount of approximately RMB1,757 million had been transferred from investment in an associate to FVOCI as a result of resignation of the board of directors representative in that associate; and
 - (iv) an existing investee company engaged in games development with a carrying amount of approximately RMB657 million had been transferred from investment in FVOCI to a subsidiary upon completion of a business combination.

11 Accounts receivable

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

	Unaudited 30 September 2022 RMB' Million	Audited 31 December 2021 RMB' Million
0 ~ 30 days	19,902	21,639
31 ~ 60 days	8,982	13,255
61 ~ 90 days	6,580	6,105
Over 90 days	9,373	8,332
	44,837	49,331

Receivable balances as at 30 September 2022 and 31 December 2021 mainly represented amounts due from online advertising customers and agencies, FinTech and cloud customers, content production related customers, and third party platform providers.

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

12 Share-based payments

(a) Share option schemes

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

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

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

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

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

	Post-IPO Option		Unaudited Post-IPO Option		Total Number of options
	Scheme II		Scheme IV		
	Average exercise price	Number of options	Average exercise price	Number of options	
At 1 January 2022 (Note)	HKD191.64	35,146,117	HKD402.75	81,689,281	116,835,398
Granted	-	-	HKD353.22	12,778,815	12,778,815
Exercised	HKD145.80	(647,665)	HKD283.03	(838,192)	(1,485,857)
Lapsed/forfeited/waived	HKD135.50	(22,176)	HKD565.68	(1,250,801)	(1,272,977)
At 30 September 2022	HKD192.54	<u>34,476,276</u>	HKD394.77	<u>92,379,103</u>	<u>126,855,379</u>
Exercisable as at 30 September 2022	HKD192.48	<u>34,366,901</u>	HKD382.18	<u>43,466,458</u>	<u>77,833,359</u>
At 1 January 2021	HKD205.36	37,435,134	HKD380.50	67,806,750	105,241,884
Granted	-	-	HKD588.22	16,596,659	16,596,659
Exercised	HKD189.96	(2,177,144)	HKD322.88	(2,224,941)	(4,402,085)
Lapsed/forfeited	HKD124.30	(10,938)	HKD410.22	(253,452)	(264,390)
At 30 September 2021	HKD206.34	<u>35,247,052</u>	HKD424.05	<u>81,925,016</u>	<u>117,172,068</u>
Exercisable as at 30 September 2021	HKD206.30	<u>35,125,239</u>	HKD380.14	<u>30,595,176</u>	<u>65,720,415</u>

Note:

As a result of the distribution in specie of JD.com Shares (Note 7(b)), pursuant to the scheme rules of the Post-IPO Option Scheme II and the Post-IPO Option Scheme IV, adjustments had been made to the exercise prices of the outstanding share options thereunder as at the Ex-dividend Date, and were reflected in the average exercise prices of related outstanding share options listed above.

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

(b) Share award schemes

The Company has adopted the Share Award Schemes as of 30 September 2022, which are administered by an independent trustee appointed by the Group. The vesting period of the awarded shares is determined by the Board.

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

	Number of awarded shares	
	Unaudited	
	Nine months ended 30 September	
	2022	2021
At beginning of period	121,314,396	82,594,936
Granted (Note)	55,765,718	63,413,575
Lapsed/forfeited	(7,043,445)	(4,469,574)
Vested and transferred	(44,198,741)	(28,547,171)
	<hr/>	<hr/>
At end of period	125,837,928	112,991,766
	<hr/> <hr/>	<hr/> <hr/>
Vested but not transferred as at the end of period	22,799	18,972
	<hr/> <hr/>	<hr/> <hr/>

Note:

As a result of the distribution in specie of JD.com Shares (Note 7(b)), pursuant to the scheme rules of the 2013 Share Award Scheme and the 2019 Share Award Scheme, adjustments had been made to the number of shares subject to share awards which remained unvested as at the Ex-dividend Date. The number of awarded shares granted during the nine months ended 30 September 2022 included a total of 3,606,234 additional awarded shares which were awarded pursuant to such adjustments.

During the nine months ended 30 September 2022, 58,398 awarded shares (excluding the additional 3,182 awarded shares awarded pursuant to adjustments as a result of the distribution in specie of JD.com Shares) were granted to five independent non-executive directors of the Company (nine months ended 30 September 2021: 40,500 awarded shares were granted to four independent non-executive directors of the Company).

13 Accounts payable

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

	Unaudited	Audited
	30 September	31 December
	2022	2021
	RMB'Million	RMB'Million
0 ~ 30 days	96,110	102,396
31 ~ 60 days	973	2,999
61 ~ 90 days	379	1,329
Over 90 days	2,327	2,746
	<hr/>	<hr/>
	99,789	109,470
	<hr/> <hr/>	<hr/> <hr/>

14 Borrowings

	Unaudited 30 September 2022 RMB'Million	Audited 31 December 2021 RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD bank borrowings, unsecured (a)	148,443	136,874
Non-current portion of long-term RMB bank borrowings, unsecured (a)	22,514	–
Non-current portion of long-term JPY bank borrowings, unsecured (a)	33	47
Non-current portion of long-term JPY bank borrowings, secured (a)	3	4
Non-current portion of long-term EUR bank borrowings, unsecured (a)	8	–
Non-current portion of long-term EUR bank borrowings, secured (a)	8	11
	<hr/> 171,009 <hr/>	<hr/> 136,936 <hr/>
Included in current liabilities:		
RMB bank borrowings, unsecured (b)	6,274	13,340
RMB bank borrowings, secured (b)	200	200
USD bank borrowings, secured (b)	2	–
Current portion of long-term USD bank borrowings, unsecured (a)	3,195	4,061
Current portion of long-term JPY bank borrowings, unsecured (a)	15	16
Current portion of long-term JPY bank borrowings, secured (a)	1	1
Current portion of long-term EUR bank borrowings, unsecured (a)	4	1,083
Current portion of long-term EUR bank borrowings, secured (a)	3	2
Current portion of long-term RMB bank borrowings, unsecured (a)	–	300
	<hr/> 9,694 <hr/>	<hr/> 19,003 <hr/>
	<hr/> 180,703 <hr/>	<hr/> 155,939 <hr/>

Note:

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

	Unaudited 30 September 2022		Audited 31 December 2021	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
USD bank borrowings	USD21,298	LIBOR +0.80% ~ 0.95%	USD22,045	LIBOR + 0.80% ~ 1.27%
USD bank borrowings	USD60	1.41%	USD60	1.41%
RMB bank borrowings	RMB22,514	2.80% ~ 4.80%	RMB300	5.70%
JPY bank borrowings	JPY1,002	0.00% ~ 1.86%	JPY1,234	0.00% ~ 2.50%
JPY bank borrowings	JPY40	TIBOR + 1.70%	–	–
EUR bank borrowings	EUR3	1.00% ~ 2.54%	EUR152	0.52% ~ 1.00%

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

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

	Unaudited 30 September 2022		Audited 31 December 2021	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
RMB bank borrowings	RMB6,502	1.55% ~ 4.40%	RMB13,540	2.45% ~ 5.10%
USD bank borrowings	–	SOFR + 3.19%	–	–

15 Notes payable

	Unaudited 30 September 2022 RMB'Million	Audited 31 December 2021 RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD notes payable	<u>151,535</u>	<u>145,590</u>
Included in current liabilities:		
Current portion of long-term USD notes payable	<u>10,646</u>	<u>–</u>
	<u>162,181</u>	<u>145,590</u>

Note:

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

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

16 Business combination

Privatisation of Sumo Group PLC (“Sumo”)

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

Goodwill of approximately RMB6.7 billion was recognised as a result of the transaction. It was mainly attributable to the operating synergies and economies of scale expected to be derived from combining the operations. None of the goodwill was expected to be deductible for income tax purpose.

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

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

17 Subsequent events

Following the declaration of the Distribution in Specie of the Meituan Shares and the resignation of the Group’s board representative in Meituan on 16 November 2022, Meituan will no longer be accounted for as an associate. The Group’s investment in Meituan will be designated as FVOCI, with a step down gain to be recognised during the three-month period ending 31 December 2022.

OTHER INFORMATION

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

During the three months ended 30 September 2022, the Company repurchased 42,840,000 shares on the Stock Exchange for an aggregate consideration of approximately HKD13.3 billion before expenses. The repurchased shares were subsequently cancelled. The repurchase was effected by the Board for the enhancement of shareholder value in the long term. Details of the shares repurchased are as follows:

Month of purchase in the three months ended 30 September 2022	No. of shares purchased	Purchase consideration per share		Aggregate consideration paid HKD
		Highest price paid HKD	Lowest price paid HKD	
July	7,870,000	356.00	332.40	2,708,481,780
August	9,950,000	334.00	307.80	3,163,872,380
September	25,020,000	332.20	263.80	7,391,913,354
Total	<u>42,840,000</u>			<u>13,264,267,514</u>

Save as disclosed above and in the “Financial Information” section, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the three months ended 30 September 2022.

Employee and Remuneration Policies

As at 30 September 2022, the Group had 108,836 employees (30 September 2021: 107,348). The number of employees employed by the Group varies from time to time depending on needs and employees are remunerated based on industry practice.

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

The total remuneration cost incurred by the Group for the three months ended 30 September 2022 was RMB27,390 million (for the three months ended 30 September 2021: RMB25,963 million).

Audit Committee

The Audit Committee, together with the Auditor, has reviewed the Group's unaudited Interim Financial Information for the three and nine months ended 30 September 2022. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

Compliance with the Corporate Governance Code

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

As to the deviation from code provisions B.2.2 (regarding the retirement and re-election of directors) and C.2.1 (regarding the segregation of the roles of chairman and chief executive) of the CG Code, the Board will continue to review the current structure from time to time and shall make necessary changes when appropriate and inform the shareholders accordingly.

APPRECIATION

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

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

By Order of the Board
Ma Huateng
Chairman

Hong Kong, 16 November 2022

As at the date of this announcement, the directors of the Company are:

Executive Directors:

Ma Huateng and Lau Chi Ping Martin;

Non-Executive Directors:

Jacobus Petrus (Koo) Bekker and Charles St Leger Searle; and

Independent Non-Executive Directors:

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

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

DEFINITION

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

Term	Definition
“2013 Share Award Scheme”	the share award scheme adopted by the Company on 13 November 2013, as amended from time to time
“2019 Share Award Scheme”	the share award scheme adopted by the Company on 25 November 2019, as amended from time to time
“2022 AGM”	the annual general meeting of the Company held on 18 May 2022
“ARPU”	average revenue per user
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the auditor of the Company
“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
“Distribution in Specie”	the distribution of a special interim dividend by the Company in the form of a distribution in specie of the Meituan Shares held by the Group to the qualifying shareholders in proportion to their respective shareholdings in the Company on the basis of an entitlement to 1 Class B ordinary share of Meituan for every 10 shares of the Company held by each qualifying shareholder as at the record date

“Domestic Games”	for the purpose of preparing financial and operating information, Domestic Games refers to our games business in the PRC, excluding the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan, China
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“EPS”	earnings per share
“EUR”	the lawful currency of European Union
“Ex-dividend Date”	20 January 2022, being the date of commencement of dealing in the shares of the Company on an ex-entitlement basis following the declaration of interim dividend by way of distribution in specie as announced by the Company on 23 December 2021
“FinTech”	financial technology
“FMCG”	fast-moving consumer goods
“FPS”	first-person shooter
“FVOCI”	financial assets at fair value through other comprehensive income
“FVPL”	financial assets at fair value through profit or loss
“GBP”	the lawful currency of the United Kingdom of Great Britain and Northern Ireland
“Group”	the Company and its subsidiaries
“HKD”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region, the PRC
“IAS”	International Accounting Standards
“IFRS”	International Financial Reporting Standards

“Interim Financial Information”	the condensed consolidated interim financial information, comprising the consolidated statement of financial position as at 30 September 2022, the consolidated income statement and the consolidated statement of comprehensive income for the three months and nine months then ended, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months then ended, and notes, comprising significant accounting policies and other explanatory information
“International Games”	for the purpose of preparing financial and operating information, International Games refers to our games business other than our Domestic Games business
“IPO”	initial public offering
“JD.com”	JD.com, Inc., a company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability, whose American depositary shares are listed on NASDAQ and whose Class A ordinary shares are listed on the Stock Exchange
“JD.com Shares”	the approximately 457 million Class A ordinary shares in the share capital of JD.com with a par value of USD0.00002 each, held by the Group conferring a holder of a Class A ordinary share to one vote per share on any resolution tabled at JD.com’s general meeting and which were distributed on 25 March 2022
“JPY”	the lawful currency of Japan
“LIBOR”	London InterBank Offered Rate
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MAU”	monthly active user accounts
“Meituan”	Meituan, a company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability, whose Class B ordinary shares are listed on the Stock Exchange (stock code: 3690)

“Meituan Shares”	the approximately 958 million Class B ordinary shares in the share capital of Meituan with a par value of USD0.00001 each, held by the Group which are to be distributed pursuant to the Distribution in Specie
“Miniclip”	Miniclip Group SA, a limited liability company incorporated in Switzerland
“Minor(s)”	players who are aged under 18
“MMORPG”	massive multiplayer online role playing game
“NASDAQ”	NASDAQ Global Select Market
“PC”	personal computer
“Post-IPO Option Scheme I”	the Post-IPO Share Option Scheme adopted by the Company on 24 March 2004
“Post-IPO Option Scheme II”	the Post-IPO Share Option Scheme adopted by the Company on 16 May 2007
“Post-IPO Option Scheme III”	the Post-IPO Share Option Scheme adopted by the Company on 13 May 2009
“Post-IPO Option Scheme IV”	the Post-IPO Share Option Scheme adopted by the Company on 17 May 2017
“PRC” or “China”	the People’s Republic of China
“PRC CIT”	PRC corporate income tax as defined in the “Corporate Income Tax Law of the People’s Republic of China”
“Pre-IPO Option Scheme”	the Pre-IPO Share Option Scheme adopted by the Company on 27 July 2001
“PUBG”	PlayerUnknown’s Battlegrounds
“R&D”	research and development
“Riot Games”	Riot Games, Inc., a company established in the US

“RMB”	the lawful currency of the PRC
“RPG”	role playing game
“SaaS”	Software-as-a-Service
“Share Award Schemes”	the share award scheme adopted by the Company on 13 December 2007, the 2013 Share Award Scheme and the 2019 Share Award Scheme, as amended from time to time
“SOFR”	Secured Overnight Financing Rate
“SSV & CPP”	Sustainable Social Value and Common Prosperity Programme
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supercell”	Supercell Oy, a private company incorporated in Finland
“TIBOR”	Tokyo InterBank Offered Rate
“United States” or “US”	the United States of America
“USD”	the lawful currency of the United States
“VAS”	value-added services