

OPERATING INFORMATION

	As at 31 March 2023	As at 31 March 2022	Year- on-year change	As at 31 December 2022	Quarter- on-quarter change
Combined MAU of Weixin and WeChat	1,319	1,288	2%	1,313	stable
Mobile device MAU of QQ	597	564	6%	572	4%
Fee-based VAS registered subscriptions	226	239	-5%	234	-3%

BUSINESS REVIEW AND OUTLOOK

During the first quarter of 2023, we achieved solid revenue growth as our payment volumes benefitted from, and facilitated, domestic consumption recovery, our games revenue improved, and our advertising revenue sustained rapid growth. Our non-IFRS net profit increased at a faster pace, reflecting a positive revenue mix shift, operational efficiencies, and an easy base period. We are investing in our AI capabilities and cloud infrastructure to embrace the opportunities brought by foundation models, and expect AI to be a growth multiplier that enables us to better serve our users, customers, and society at large. Below are some highlights from our key products and business lines during the reporting period:

Communications and Social Networks

Within Weixin, Video Accounts consumption continued to grow with rapid increases in time spent and video views. We are nurturing the creator community for Video Accounts by upgrading onboarding support with greater traffic incentives, wider creator coverage and more effective content creator tools. In addition, we have enhanced the eCommerce infrastructure, enabling creators to benefit from sales commissions associated with eCommerce transactions. The Video Accounts creator community is increasingly vibrant: the number of daily active creators and daily video uploads more than doubled year-on-year while the number of creators with over 10,000 followers more than tripled year-on-year.

For QQ, we deployed a new architecture to optimise development efficiency, strengthen security and improve graphical experience. This new architecture will significantly enhance future product deployments of QQ across multiple platforms.

Digital Content

Long-form video subscriptions decreased 9% year-on-year to 113 million while subscription revenue decreased 6% year-on-year, primarily due to delayed content releases. We are enhancing our content to cater to evolving user demands. In April 2023, we released a self-commissioned drama series, *The Long Season*, which became the highest-rated domestic drama series in the past five years, according to the Douban review aggregation website¹. We are extending our collaboration with short-form video services to expand our long-form content popularity and capture more monetisation opportunities. Music subscription revenue grew 30% year-on-year as we upgraded the listening experience and strengthened cooperation with labels and artists, enhancing user engagement and paying propensity.

Domestic Games

As a result of our continued and dedicated Minor protection program, Minors contributed 0.4% of total time spent and 0.7% of total gross receipts for our domestic games during the first quarter of 2023, down by 96% and 90% respectively from the same period three years ago.

We resumed revenue growth as several of our most popular games delivered robust performances. *Honour of Kings* released *ShanHaiJing*-themed outfits with targeted marketing programs, generating record-high gross receipts in the first quarter of 2023. *CrossFire PC*, a game we operated since 2008, attracted returning players with promotions targeting Internet cafes. *CrossFire Mobile*, which we released in 2015, added popular content based on a virtual idol group created for the game. Both *CrossFire PC* and *CrossFire Mobile* achieved record-high gross receipts in the first quarter of 2023.

Our recently launched game titles in high potential genres also reached new milestones. *Fight of the Golden Spatula*, an auto-battler game we released in 2021, increased gross receipts by more than 30% year-on-year in the first quarter of 2023, and achieved a record-high average DAU of over 10 million in April 2023. *Arena Breakout*, an extraction shooter game we released in July 2022, grew and attained record-high DAU and gross receipts in the first quarter of 2023.

International Games

VALORANT increased MAU year-on-year with the release of a new map and a new agent. The game's gross receipts increased by more than 30% year-on-year in the first quarter of 2023, driven by popular Japan-themed and alien-themed weapon items.

¹ As of 16 May 2023

PUBG Mobile resumed sequential growth in DAU, benefitting from new combat features and enhanced player-versus-player gameplay. We introduced a map editing tool to facilitate user-generated content, enhancing user engagement and longevity.

Our subsidiary MiniClip launched Triple Match 3D in April 2022, which became a breakout success in the highly competitive match game genre. Leveraging creative gameplay and effective user acquisition, Triple Match 3D is the only title released within the last two years that is ranked among the top 10 games in the genre².

Online Advertising

We upgraded our machine learning advertising platform to incorporate our deep-learning model and standard product unit (SPU) database, delivering better targeting and higher conversions for advertisers.

Video Accounts attracted new advertisers and incremental spending from existing advertisers. Video Accounts' average eCPM sustained at a premium level versus those of other short-form video platforms, reflecting advertisers' recognition of our capability to route video views to Mini Program transactions within the Weixin app.

For our mobile ad network, on the supply side, we increased advertising inventory in high-conversion-rate properties, such as smart phone manufacturers' apps, while on the demand side, we attracted higher spending from ROI-focused advertisers, such as eCommerce platforms.

FinTech

Growth in commercial payment activities improved significantly. Offline commercial payment activities rebounded more sharply than online commercial payment, benefitting from people going out-and-about.

Cloud and Other Business Services

Business Services year-on-year revenue growth turned positive with notable increase in gross margin in the first quarter of 2023. Our Smart Transportation solutions are assisting the digitalisation of large-scale transportation projects. For example, we leveraged our expertise in areas such as cloud infrastructure, digital map and 3D rendering technologies for smart highway projects in Sichuan and metro systems in Guangzhou. The initial monetisation of technology support fee for live streaming eCommerce transactions also contributed to the revenue growth.

² Source: Top 10 match games by gross receipts in 1Q2023, according to data.ai

MANAGEMENT DISCUSSION AND ANALYSIS

First Quarter of 2023 Compared to First Quarter of 2022

The following table sets forth the comparative figures for the first quarter of 2023 and the first quarter of 2022:

	Unaudited	
	Three months ended	
	31 March	31 March
	2023	2022
	(RMB in millions)	
Revenues	149,986	135,471
Cost of revenues	(81,804)	(78,397)
Gross profit	68,182	57,074
Interest income	2,963	1,737
Other gains/(losses), net	944	13,133
Selling and marketing expenses	(7,018)	(8,058)
General and administrative expenses	(24,642)	(26,669)
Operating profit	40,429	37,217
Finance costs, net	(2,650)	(1,935)
Share of profit/(loss) of associates and joint ventures, net	80	(6,280)
Profit before income tax	37,859	29,002
Income tax expense	(11,465)	(5,269)
Profit for the period	26,394	23,733
Attributable to:		
Equity holders of the Company	25,838	23,413
Non-controlling interests	556	320
	26,394	23,733
Non-IFRS operating profit	48,389	36,538
Non-IFRS profit attributable to equity holders of the Company	32,538	25,545

Revenues. Revenues increased by 11% year-on-year to RMB150 billion for the first quarter of 2023. The following table sets forth our revenues by line of business for the first quarter of 2023 and the first quarter of 2022:

	Unaudited			
	Three months ended			
	31 March 2023		31 March 2022	
	Amount	% of total revenues	Amount	% of total revenues
	(RMB in millions, unless specified)			
VAS	79,337	53%	72,738	54%
Online Advertising	20,964	14%	17,988	13%
FinTech and Business Services	48,701	32%	42,768	32%
Others	984	1%	1,977	1%
Total revenues	<u>149,986</u>	<u>100%</u>	<u>135,471</u>	<u>100%</u>

- Revenues from VAS increased by 9% to RMB79.3 billion for the first quarter of 2023 on a year-on-year basis. International Games revenues increased by 25% to RMB13.2 billion, or up 18% excluding the impact of currency fluctuations, driven by the strong performance of recently launched GODDESS OF VICTORY: NIKKE and Triple Match 3D, as well as the robust growth of VALORANT. Domestic Games revenues grew by 6% to RMB35.1 billion, with increased revenues from established titles such as Honour of Kings, DnF and CrossFire Mobile, as well as recently launched title Arena Breakout. Social Networks revenues increased by 6% to RMB31 billion, driven by in-game virtual item sales and our music subscription service.
- Revenues from Online Advertising increased by 17% to RMB21 billion for the first quarter of 2023 on a year-on-year basis, driven by the addition of Video Accounts as a new advertising revenue stream, growth in advertising activities within Mini Programs and the recovery of our mobile ad network. Most industry categories experienced year-on-year growth in ad spend, which we attribute to the consumption recovery in China, amplified by our enhanced advertising infrastructure. Large eCommerce platforms increasingly recognised our services as a key user acquisition channel and increased their ad spend with us.

- Revenues from FinTech and Business Services increased by 14% year-on-year to RMB48.7 billion for the first quarter of 2023. FinTech Services year-on-year growth accelerated versus the fourth quarter of 2022, primarily driven by the recovery of commercial payment activities due to a consumption rebound in China. Business Services revenues returned to positive year-on-year growth during this period, due to increased sales of certain cloud services, as well as initial revenues generated via technology support fee related to live streaming eCommerce transactions within Video Accounts.

Cost of revenues. Cost of revenues increased by 4% to RMB81.8 billion for the first quarter of 2023 on a year-on-year basis, driven by higher transaction costs associated with FinTech services, increased channel and distribution costs, and content costs, which were partially offset by lower bandwidth and server costs due to technology optimisation. As a percentage of revenues, cost of revenues decreased to 55% for the first quarter of 2023 from 58% for the first quarter of 2022. This decline was due to the growth rebound of certain high-margin business lines, the launch of new revenue-generating services such as Video Accounts, and cost optimisation and efficiency improvement efforts, which led to high revenue growth with low incremental costs. The following table sets forth our cost of revenues by line of business for the first quarter of 2023 and the first quarter of 2022:

	Unaudited			
	Three months ended			
	31 March 2023		31 March 2022	
	Amount	% of segment revenues	Amount	% of segment revenues
(RMB in millions, unless specified)				
VAS	36,598	46%	36,055	50%
Online Advertising	12,225	58%	11,394	63%
FinTech and Business Services	31,900	66%	29,269	68%
Others	1,081	110%	1,679	85%
	<hr/>		<hr/>	
Total cost of revenues	<u>81,804</u>		<u>78,397</u>	

- Cost of revenues for VAS increased by 2% year-on-year to RMB36.6 billion for the first quarter of 2023, reflecting higher channel and distribution costs and content costs related to games.
- Cost of revenues for Online Advertising increased by 7% year-on-year to RMB12.2 billion for the first quarter of 2023, primarily due to higher channel and distribution costs resulting from the recovery of our mobile ad network.
- Cost of revenues for FinTech and Business Services increased by 9% year-on-year to RMB31.9 billion for the first quarter of 2023, primarily due to higher transaction costs arising from increased commercial payment activities, partially offset by optimised operating costs including bandwidth and server costs related to Business Services.

Other gains/(losses), net. We recorded net other gains of RMB0.9 billion for the first quarter of 2023.

Selling and marketing expenses. Selling and marketing expenses decreased by 13% to RMB7 billion for the first quarter of 2023 on a year-on-year basis, reflecting disciplined spending on marketing activities. As a percentage of revenues, selling and marketing expenses decreased to 5% for the first quarter of 2023 from 6% for the first quarter of 2022.

General and administrative expenses. General and administrative expenses decreased by 8% to RMB24.6 billion for the first quarter of 2023 on a year-on-year basis, primarily due to a reduction in staff costs, including those related to share-based compensation.

Finance costs, net. Net finance costs increased by 37% to RMB2.6 billion for the first quarter of 2023, mainly due to higher interest expenses.

Share of profit/(loss) of associates and joint ventures, net. We recorded share of profits of associates and joint ventures of RMB0.1 billion for the first quarter of 2023, compared to share of losses of RMB6.3 billion for the first quarter of 2022. Non-IFRS share of losses of associates and joint ventures improved to RMB0.1 billion for the first quarter of 2023 from losses of RMB2.2 billion for the first quarter of 2022, mainly due to increased profitability of certain domestic associates driven by their revenue growth and cost optimisation measures.

Income tax expense. Income tax expense rose by 118% year-on-year to RMB11.5 billion for the first quarter of 2023, driven by pre-tax profit growth, an increased provision for withholding tax, and a one-time adjustment for deferred taxes related to an overseas subsidiary.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 10% to RMB25.8 billion for the first quarter of 2023 on a year-on-year basis. Non-IFRS profit attributable to equity holders of the Company increased by 27% to RMB32.5 billion for the first quarter of 2023.

First Quarter of 2023 Compared to Fourth Quarter of 2022

The following table sets forth the comparative figures for the first quarter of 2023 and the fourth quarter of 2022:

	Unaudited	
	Three months ended	
	31 March	31 December
	2023	2022
	(RMB in millions)	
Revenues	149,986	144,954
Cost of revenues	(81,804)	(83,132)
Gross profit	68,182	61,822
Interest income	2,963	2,582
Other gains/(losses), net	944	85,854
Selling and marketing expenses	(7,018)	(6,115)
General and administrative expenses	(24,642)	(27,314)
Operating profit	40,429	116,829
Finance costs, net	(2,650)	(3,658)
Share of profit/(loss) of associates and joint ventures, net	80	(1,692)
Profit before income tax	37,859	111,479
Income tax expense	(11,465)	(4,575)
Profit for the period	26,394	106,904
Attributable to:		
Equity holders of the Company	25,838	106,268
Non-controlling interests	556	636
	26,394	106,904
Non-IFRS operating profit	48,389	39,426
Non-IFRS profit attributable to equity holders of the Company	32,538	29,711

Revenues. Revenues increased by 3% to RMB150 billion for the first quarter of 2023 on a quarter-on-quarter basis.

- Revenues from VAS increased by 13% to RMB79.3 billion. International Games revenues decreased by 5% to RMB13.2 billion due to negative seasonality following the holiday period in December. Domestic Games revenues rose by 26% to RMB35.1 billion, driven by positive seasonality during the Chinese New Year period. Notably, games such as Honour of Kings, CrossFire Mobile, DnF and PeaceKeeper Elite witnessed a robust sequential upturn in their revenues. Social Networks revenues increased by 8% to RMB31 billion, primarily attributable to higher in-game virtual item sales.
- Revenues from Online Advertising decreased by 15% to RMB21 billion, reflecting sequentially negative advertising seasonality due to the Chinese New Year period.
- Revenues from FinTech and Business Services increased by 3% to RMB48.7 billion, with higher FinTech revenues driven by a resurgence in offline commercial payment activities, partially offset by lower Business Services revenues due to seasonally fewer cloud project deployments versus the year-end period.

Cost of revenues. Cost of revenues decreased by 2% to RMB81.8 billion for the first quarter of 2023 on a quarter-on-quarter basis, reflecting reduced content costs and lower bandwidth and server costs, partially offset by increased channel and distribution costs and FinTech transaction costs. As a percentage of revenues, cost of revenues decreased to 55% for the first quarter of 2023 from 57% for the fourth quarter of 2022.

- Cost of revenues for VAS increased by 4% to RMB36.6 billion for the first quarter of 2023, due to higher channel and distribution costs related to games.
- Cost of revenues for Online Advertising decreased by 11% to RMB12.2 billion for the first quarter of 2023, mainly due to reduced content costs and lower bandwidth and server costs.
- Cost of revenues for FinTech and Business Services increased by 2% to RMB31.9 billion for the first quarter of 2023, primarily due to the resurgence in commercial payment activities, which resulted in higher FinTech transaction costs.

Selling and marketing expenses. Selling and marketing expenses increased by 15% to RMB7 billion for the first quarter of 2023 on a quarter-on-quarter basis.

General and administrative expenses. General and administrative expenses decreased by 10% to RMB24.6 billion for the first quarter of 2023 on a quarter-on-quarter basis, mainly due to reduced staff costs.

Share of profit/(loss) of associates and joint ventures, net. We recorded share of profits of associates and joint ventures of RMB0.1 billion for the first quarter of 2023, compared to share of losses of RMB1.6 billion for the fourth quarter of 2022. Non-IFRS share of losses of associates and joint ventures was RMB0.1 billion for the first quarter of 2023, compared to non-IFRS share of profits of RMB3.1 billion for the fourth quarter of 2022. The sequential change was due to certain investees experiencing fourth quarter peak seasonality for eCommerce activity and profitability.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company decreased by 76% to RMB25.8 billion for the first quarter of 2023 on a quarter-on-quarter basis. Non-IFRS profit attributable to equity holders of the Company increased by 10% to RMB32.5 billion for the first quarter of 2023, driven by the growth rebound of certain high-margin business lines, emerging revenue streams such as Video Accounts advertising and eCommerce monetisation, and improved efficiency.

Other Financial Information

	Unaudited		
	Three months ended		
	31 March	31 December	31 March
	2023	2022	2022
	(RMB in millions, unless specified)		
EBITDA (a)	52,656	44,002	38,283
Adjusted EBITDA (a)	57,811	49,606	46,102
Adjusted EBITDA margin (b)	39%	34%	34%
Interest and related expenses	2,800	2,826	2,103
Net cash/(debt) (c)	31,508	(14,832)	(11,035)
Capital expenditures (d)	4,411	5,651	6,971

Note:

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

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

	Unaudited		
	Three months ended		
	31 March	31 December	31 March
	2023	2022	2022
	(RMB in millions, unless specified)		
Operating profit	40,429	116,829	37,217
Adjustments:			
Interest income	(2,963)	(2,582)	(1,737)
Other (gains)/losses, net	(944)	(85,854)	(13,133)
Depreciation of property, plant and equipment and investment properties	5,073	5,160	5,686
Depreciation of right-of-use assets	1,599	1,718	1,636
Amortisation of intangible assets and land use rights	9,462	8,731	8,614
EBITDA	52,656	44,002	38,283
Equity-settled share-based compensation	5,155	5,604	7,819
Adjusted EBITDA	57,811	49,606	46,102

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 first quarter of 2023 and 2022, the fourth quarter of 2022 to the nearest measures prepared in accordance with IFRS:

Unaudited three months ended 31 March 2023									
Adjustments									
As reported	Share-based compensation	Net (gains)/ losses from investee companies	Amortisation of intangible assets	Impairment provisions/ (reversals)	SSV & CPP	Others	Income tax effects	Non-IFRS	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)		
(RMB in millions, unless specified)									
Operating profit	40,429	5,844	(658)	998	241	1,526	9	-	48,389
Profit for the period	26,394	7,313	(5,224)	2,271	1,862	1,526	9	(706)	33,445
Profit attributable to equity holders	25,838	7,094	(5,224)	2,098	1,852	1,526	9	(655)	32,538
EPS (RMB per share)									
- basic	2.725								3.431
- diluted	2.639								3.353
Operating margin	27%								32%
Net margin	18%								22%

Unaudited three months ended 31 December 2022									
Adjustments									
As reported	Share-based compensation	Net (gains)/ losses from investee companies	Amortisation of intangible assets	Impairment provisions/ (reversals)	SSV & CPP	Others	Income tax effects	Non-IFRS	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)		
(RMB in millions, unless specified)									
Operating profit	116,829	5,680	(107,945)	1,241	22,007	1,600	14	-	39,426
Profit for the period	106,904	7,217	(107,955)	2,601	23,700	1,600	206	(3,717)	30,556
Profit attributable to equity holders	106,268	7,124	(107,928)	2,420	23,693	1,600	206	(3,672)	29,711
EPS (RMB per share)									
- basic	11.173								3.124
- diluted	10.977								3.042
Operating margin	81%								27%
Net margin	74%								21%

	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	37,217	8,136	(18,559)	1,388	7,003	1,348	5	–	36,538
Profit for the period	23,733	9,635	(18,552)	3,163	7,832	1,348	5	(868)	26,296
Profit attributable to equity holders	23,413	9,452	(18,542)	2,857	7,827	1,348	5	(815)	25,545
EPS (RMB per share)									
– basic	2.455								2.678
– diluted	2.404								2.620
Operating margin	27%								27%
Net margin	18%								19%

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 non-recurring compliance-related costs and expenses incurred for 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 31 March 2023 and 31 December 2022 were as follows:

	Unaudited 31 March 2023	Audited 31 December 2022
	(RMB in millions)	
Cash and cash equivalents	153,328	156,739
Term deposits and others	217,213	162,792
	370,541	319,531
Borrowings	(192,329)	(175,248)
Notes payable	(146,704)	(159,115)
Net cash/(debt)	31,508	(14,832)

As at 31 March 2023, the Group had net cash of RMB31.5 billion, compared to net debt of RMB14.8 billion as at 31 December 2022. The sequential improvement was mainly due to strong free cash flow generation.

For the first quarter of 2023, the Group generated free cash flow of RMB51.8 billion. This was a result of net cash flow generated from operating activities of RMB62.3 billion, partly offset by payments for capital expenditures of RMB4.6 billion, payments for media content of RMB4.4 billion, and payments for lease liabilities of RMB1.5 billion.

As at 31 March 2023, the fair value of our shareholdings³ in listed investee companies (excluding subsidiaries) was RMB472.8 billion, and the carrying value of our unlisted investments was RMB332.5 billion.

³ Including those held via special purpose vehicles, on an attributable basis.

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2023

		Unaudited	
		Three months ended 31 March	
		2023	2022
	Note	RMB' Million	RMB' Million
Revenues			
Value-added Services		79,337	72,738
Online Advertising		20,964	17,988
FinTech and Business Services		48,701	42,768
Others		984	1,977
		<u>149,986</u>	<u>135,471</u>
Cost of revenues	2	(81,804)	(78,397)
		<u>68,182</u>	<u>57,074</u>
Gross profit			
Interest income		2,963	1,737
Other gains/(losses), net	3	944	13,133
Selling and marketing expenses	4	(7,018)	(8,058)
General and administrative expenses	4	(24,642)	(26,669)
		<u>40,429</u>	<u>37,217</u>
Operating profit			
Finance costs, net		(2,650)	(1,935)
Share of profit/(loss) of associates and joint ventures, net	5	80	(6,280)
		<u>37,859</u>	<u>29,002</u>
Profit before income tax			
Income tax expense	6	(11,465)	(5,269)
		<u>26,394</u>	<u>23,733</u>
Profit for the period			
Attributable to:			
Equity holders of the Company		25,838	23,413
Non-controlling interests		556	320
		<u>26,394</u>	<u>23,733</u>
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)			
– basic	7(a)	<u>2.725</u>	<u>2.455</u>
– diluted	7(b)	<u>2.639</u>	<u>2.404</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2023**

	Unaudited	
	Three months ended 31 March	
	2023	2022
	RMB' Million	RMB' Million
Profit for the period	26,394	23,733
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	(662)	(50)
Transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	14	–
Transfer to profit or loss upon disposal of financial assets at fair value through other comprehensive income	1	–
Net gains/(losses) from changes in fair value of financial assets at fair value through other comprehensive income	22	(16)
Currency translation differences	(1,200)	(4,461)
Other fair value (losses)/gains, net	(1,151)	3,217
<i>Items that will not be subsequently reclassified to profit or loss</i>		
Share of other comprehensive income of associates and joint ventures	(154)	187
Loss from changes in fair value of assets held for distribution	(29,991)	(17,130)
Net gains/(losses) from changes in fair value of financial assets at fair value through other comprehensive income	34,362	(58,850)
Currency translation differences	(2,846)	(142)
	<u>(1,605)</u>	<u>(77,245)</u>
Total comprehensive income for the period	<u>24,789</u>	<u>(53,512)</u>
Attributable to:		
Equity holders of the Company	23,612	(52,277)
Non-controlling interests	1,177	(1,235)
	<u>24,789</u>	<u>(53,512)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023**

		Unaudited 31 March 2023	Audited 31 December 2022
	Note	RMB' Million	RMB' Million
ASSETS			
Non-current assets			
Property, plant and equipment		50,134	53,978
Land use rights		17,905	18,046
Right-of-use assets		20,529	22,524
Construction in progress		12,196	9,229
Investment properties		555	559
Intangible assets		162,230	161,802
Investments in associates	9	245,659	246,043
Investments in joint ventures		6,702	6,672
Financial assets at fair value through profit or loss	10	202,670	206,085
Financial assets at fair value through other comprehensive income	11	224,187	185,247
Prepayments, deposits and other assets		34,259	36,752
Other financial assets		5,313	6,987
Deferred income tax assets		29,618	29,882
Term deposits		31,070	28,336
		1,043,027	1,012,142
Current assets			
Inventories		2,015	2,333
Accounts receivable	12	45,410	45,467
Prepayments, deposits and other assets		83,597	76,685
Other financial assets		871	1,278
Financial assets at fair value through profit or loss	10	33,941	27,963
Term deposits		151,143	104,776
Restricted cash		3,874	2,783
Cash and cash equivalents		153,328	156,739
Assets held for distribution		–	147,965
		474,179	565,989
Total assets		1,517,206	1,578,131

		Unaudited 31 March 2023	Audited 31 December 2022
	Note	RMB' Million	RMB' Million
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		–	–
Share premium		62,425	62,418
Treasury shares		(1,541)	(1,868)
Shares held for share award schemes		(4,412)	(4,226)
Other reserves		(22,201)	(40,914)
Retained earnings		744,212	705,981
		778,483	721,391
Non-controlling interests		62,890	61,469
Total equity		841,373	782,860
LIABILITIES			
Non-current liabilities			
Borrowings	15	166,408	163,668
Notes payable	16	146,704	148,669
Long-term payables		12,232	9,067
Other financial liabilities		5,711	5,574
Deferred income tax liabilities		13,927	12,162
Lease liabilities		16,926	18,424
Deferred revenue		3,529	3,503
		365,437	361,067
Current liabilities			
Accounts payable	14	102,317	92,381
Other payables and accruals		53,705	61,139
Borrowings	15	25,921	11,580
Notes payable	16	–	10,446
Current income tax liabilities		16,639	13,488
Other tax liabilities		4,518	4,698
Other financial liabilities		4,024	3,937
Lease liabilities		6,127	6,354
Deferred revenue		97,145	82,216
Dividends payable for distribution in specie	8(b)	–	147,965
		310,396	434,204
Total liabilities		675,833	795,271
Total equity and liabilities		1,517,206	1,578,131

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2023

	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 2023	-	62,418	(1,868)	(4,226)	(40,914)	705,981	721,391	61,469	782,860
Comprehensive income									
Profit for the period	-	-	-	-	-	25,838	25,838	556	26,394
Other comprehensive income, net of tax:									
– share of other comprehensive income of associates and joint ventures	-	-	-	-	(811)	-	(811)	(5)	(816)
– loss from changes in fair value of assets held for distribution	-	-	-	-	(29,991)	-	(29,991)	-	(29,991)
– transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	-	-	-	-	14	-	14	-	14
– net gains from changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	33,644	-	33,644	740	34,384
– transfer to profit or loss upon disposal of financial assets at fair value through other comprehensive income	-	-	-	-	1	-	1	-	1
– currency translation differences	-	-	-	-	(3,955)	-	(3,955)	(91)	(4,046)
– other fair value losses, net	-	-	-	-	(1,128)	-	(1,128)	(23)	(1,151)
Total comprehensive income for the period	-	-	-	-	(2,226)	25,838	23,612	1,177	24,789
Transfer of losses on disposal and deemed disposal of financial instruments to retained earnings	-	-	-	-	19,561	(19,606)	(45)	-	(45)
Transfer of share of other comprehensive income to retained earnings upon disposal and deemed disposal of associates and joint ventures	-	-	-	-	68	(68)	-	-	-
Share of other changes in net assets of associates and joint ventures	-	-	-	-	1,391	-	1,391	-	1,391
Transfer of share of other changes in net assets of associates and joint ventures to profit or loss upon disposal and deemed disposal	-	-	-	-	(3)	-	(3)	-	(3)
Transactions with equity holders									
Capital injection	-	-	-	-	-	-	-	3	3
Employee share option schemes:									
– value of employee services	-	472	-	-	22	-	494	19	513
– proceeds from shares issued	-	470	-	-	-	-	470	-	470
Employee share award schemes:									
– value of employee services	-	4,209	-	-	357	-	4,566	81	4,647
– shares withheld for share award schemes	-	-	-	(966)	-	-	(966)	-	(966)
– vesting of awarded shares	-	(780)	-	780	-	-	-	-	-
Tax benefit from share-based payments	-	-	-	-	1	-	1	-	1
Profit appropriations to statutory reserves	-	-	-	-	102	(102)	-	-	-
Repurchase and cancellation of shares	-	(4,364)	1,868	-	-	-	(2,496)	-	(2,496)
Repurchase of shares (to be cancelled)	-	-	(1,541)	-	-	-	(1,541)	-	(1,541)
Cash dividends	-	-	-	-	-	-	-	(257)	(257)
Dividends under distribution in specie	-	-	-	-	-	32,169	32,169	-	32,169
Non-controlling interests arising from business combinations	-	-	-	-	-	-	-	91	91
Acquisition of additional equity interests in non wholly-owned subsidiaries	-	-	-	-	33	-	33	(38)	(5)
Dilution of interests in subsidiaries	-	-	-	-	(115)	-	(115)	101	(14)
Changes in put option liabilities in respect of non-controlling interests	-	-	-	-	(99)	-	(99)	(14)	(113)
Recognition of put option liabilities arising from business combinations	-	-	-	-	(121)	-	(121)	-	(121)
Transfer of equity interests of subsidiaries to non-controlling interests	-	-	-	-	(258)	-	(258)	258	-
Total transactions with equity holders at their capacity as equity holders for the period	-	7	327	(186)	(78)	32,067	32,137	244	32,381
Balance at 31 March 2023	-	62,425	(1,541)	(4,412)	(22,201)	744,212	778,483	62,890	841,373

	Unaudited								
	Attributable to equity holders of the Company								
	Share capital	Share premium	Treasury shares	Shares held for share award schemes	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
RMB' Million	RMB' Million	RMB' Million	RMB' Million	RMB' Million	RMB' Million	RMB' Million	RMB' Million	RMB' Million	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	–	–	–	–	–	23,413	23,413	320	23,733
Other comprehensive income, net of tax:									
– share of other comprehensive income of associates and joint ventures	–	–	–	–	106	–	106	31	137
– loss from changes in fair value of assets held for distribution	–	–	–	–	(17,130)	–	(17,130)	–	(17,130)
– net losses from changes in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	(57,681)	–	(57,681)	(1,185)	(58,866)
– currency translation differences	–	–	–	–	(4,137)	–	(4,137)	(466)	(4,603)
– other fair value gains, net	–	–	–	–	3,152	–	3,152	65	3,217
Total comprehensive income for the period	–	–	–	–	(75,690)	23,413	(52,277)	(1,235)	(53,512)
Transfer of losses on disposal and deemed disposal of financial instruments to retained earnings	–	–	–	–	8,264	(8,264)	–	–	–
Share of other changes in net assets of associates and joint ventures	–	–	–	–	1,444	–	1,444	–	1,444
Transfer of share of other changes in net assets of associates and joint ventures to profit or loss upon disposal and deemed disposal	–	–	–	–	(282)	–	(282)	–	(282)
Transactions with equity holders									
Capital injection	–	–	–	–	–	–	–	3	3
Employee share option schemes:									
– value of employee services	–	552	–	–	14	–	566	14	580
– proceeds from shares issued	–	167	–	–	–	–	167	–	167
Employee share award schemes:									
– value of employee services	–	6,707	–	–	327	–	7,034	109	7,143
– shares withheld for share award schemes	–	–	–	(983)	–	–	(983)	–	(983)
– vesting of awarded shares	–	(1,140)	–	1,140	–	–	–	–	–
Tax benefit from share-based payments	–	–	–	–	4	–	4	–	4
Profit appropriations to statutory reserves	–	–	–	–	13	(13)	–	–	–
Repurchase and cancellation of shares	–	(1,799)	–	–	–	–	(1,799)	–	(1,799)
Repurchase of shares (to be cancelled)	–	–	(1,222)	–	–	–	(1,222)	–	(1,222)
Cash dividends	–	–	–	–	–	–	–	(208)	(208)
Dividends under distribution in specie	–	–	–	–	–	17,809	17,809	–	17,809
Non-controlling interests arising from business combinations	–	–	–	–	–	–	–	228	228
Acquisition of additional equity interests in non wholly-owned subsidiaries	–	–	–	–	(129)	–	(129)	(388)	(517)
Dilution of interests in subsidiaries	–	–	–	–	(124)	–	(124)	50	(74)
Changes in put option liabilities in respect of non-controlling interests	–	–	–	–	(22)	–	(22)	–	(22)
Recognition of put option liabilities arising from business combinations	–	–	–	–	(175)	–	(175)	–	(175)
Transfer of equity interests of subsidiaries to non-controlling interests	–	–	–	–	1,549	–	1,549	(1,549)	–
Total transactions with equity holders at their capacity as equity holders for the period	–	4,487	(1,222)	157	1,457	17,796	22,675	(1,741)	20,934
Balance at 31 March 2022	–	71,817	(1,222)	(4,686)	9,094	702,856	777,859	67,418	845,277

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2023**

	Unaudited	
	Three months ended 31 March	
	2023	2022
	RMB'Million	RMB'Million
Net cash flows generated from operating activities	62,297	33,822
Net cash flows used in investing activities	(65,199)	(20,105)
Net cash flows generated from financing activities	359	7,597
Net (decrease)/increase in cash and cash equivalents	(2,543)	21,314
Cash and cash equivalents at beginning of the period	156,739	167,966
Exchange losses on cash and cash equivalents	(868)	(454)
Cash and cash equivalents at end of the period	<u>153,328</u>	<u>188,826</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 31 March 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months then ended, and notes, comprising material accounting policy information and other explanatory information (the “Interim Financial 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 2022, which have been prepared in accordance with IFRS, as set out in the 2022 annual report of the Company dated 22 March 2023 (the “2022 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 2022 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 new standard and amendments to standards have been adopted by the Group for the financial year beginning on 1 January 2023:

IFRS 17	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has changed its accounting policies following the adoption of Amendments to IAS 12. From the effective date on 1 January 2023, the Group recognised deferred income tax assets and deferred income tax liabilities for the temporary differences arising on leases that gave rise to equal amounts of taxable and deductible temporary differences on initial recognition date.

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

2 Segment information and revenues

The Group has the following reportable segments for the three months ended 31 March 2023 and 2022:

- 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 months ended 31 March 2023 and 2022. 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 months ended 31 March 2023 and 2022 is as follows:

	Unaudited Three months ended 31 March 2023				
	VAS RMB'Million	Online Advertising RMB'Million	FinTech and Business Services RMB'Million	Others RMB'Million	Total RMB'Million
Segment revenues	79,337	20,964	48,701	984	149,986
Gross profit/(loss)	42,739	8,739	16,801	(97)	68,182
Cost of revenues					
Depreciation	1,403	1,444	2,319	16	5,182
Amortisation	5,812	2,849	41	194	8,896

	Unaudited Three months ended 31 March 2022				
	VAS RMB'Million	Online Advertising RMB'Million	FinTech and Business Services RMB'Million	Others RMB'Million	Total RMB'Million
Segment revenues	72,738	17,988	42,768	1,977	135,471
Gross profit	36,683	6,594	13,499	298	57,074
Cost of revenues					
Depreciation	1,714	1,558	2,501	27	5,800
Amortisation	4,946	2,359	64	448	7,817

3 Other gains/(losses), net

	Unaudited	
	Three months ended 31 March	
	2023	2022
	RMB'Million	RMB'Million
Net gains on disposals and deemed disposals of investee companies (a)	1,044	18,892
Net fair value gains/(losses) on FVPL ((b) and Note 10)	76	(355)
Impairment provisions for investments in associates (Note 9(c))	(271)	(7,000)
Impairment reversals/(provisions) for investments in joint ventures	30	(3)
Net fair value (losses)/gains on other financial instruments (c)	(208)	75
Subsidies and tax rebates	2,740	2,920
Donations (d)	(1,426)	(1,273)
Dividend income	96	43
Others	(1,137)	(166)
	<u>944</u>	<u>13,133</u>

Note:

- (a) The disposal and deemed disposal gains of approximately RMB1,044 million recognised during the three months ended 31 March 2023 mainly comprised the following:
- aggregate net gains of approximately RMB888 million (three months ended 31 March 2022: RMB19,196 million) on disposals, partial disposals or deemed disposals of investee companies of the Group; and
 - aggregate net gains of approximately RMB156 million (three months ended 31 March 2022: net losses of approximately RMB304 million) on dilution of the Group's equity interests in certain associates due to new equity interests being issued by these associates. These investee companies are principally engaged in entertainment, local services and Internet-related businesses.
- (b) During the three months ended 31 March 2023, the net fair value gains on FVPL comprised net gains of approximately RMB249 million associated with treasury investments (three months ended 31 March 2022: RMB53 million) and net losses of approximately RMB173 million as a result of changes in valuations of certain investee companies (three months ended 31 March 2022: RMB408 million).

- (c) During the three months ended 31 March 2023, the net fair value losses on other financial instruments mainly included net losses of approximately RMB213 million as a result of changes in valuations of investment-related financial instruments (three months ended 31 March 2022: net gains of approximately RMB75 million).
- (d) During the three months ended 31 March 2023, donations mainly included approximately RMB1,391 million for SSV & CPP of the Group (three months ended 31 March 2022: RMB1,253 million).

4 Expenses by nature

	Unaudited	
	Three months ended 31 March	
	2023	2022
	RMB'Million	RMB'Million
Transaction costs (a)	33,271	30,899
Employee benefits expenses (b)	27,299	29,229
Content costs (excluding amortisation of intangible assets)	15,306	15,733
Amortisation of intangible assets (c)	9,442	8,597
Bandwidth and server custody fees (excluding depreciation of right-of-use assets)	6,266	7,476
Depreciation of property, plant and equipment, investment properties and right-of-use assets	6,672	7,322
Promotion and advertising expenses	4,264	5,339

Note:

- (a) Transaction costs primarily consist of bank handling fees, channel and distribution costs.
- (b) During the three months ended 31 March 2023, the Group had incurred expenses for the purpose of R&D of approximately RMB15,181 million (three months ended 31 March 2022: RMB15,383 million), which mainly comprised employee benefits expenses of approximately RMB13,051 million (three months ended 31 March 2022: RMB13,067 million).

No significant development expenses had been capitalised for the three months ended 31 March 2023 and 2022.

During the three months ended 31 March 2023, employee benefits expenses included the share-based compensation expenses of approximately RMB5,844 million (three months ended 31 March 2022: RMB8,136 million), which contained those incurred for employees related to SSV & CPP of approximately RMB18 million (three months ended 31 March 2022: RMB16 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 months ended 31 March 2023, amortisation of media content was approximately RMB8,804 million (three months ended 31 March 2022: RMB7,638 million).

During the three months ended 31 March 2023, amortisation of intangible assets included the amortisation of intangible assets arising from acquisitions of approximately RMB998 million (three months ended 31 March 2022: RMB1,388 million).

- (d) During the three months ended 31 March 2023, expenses incurred related to SSV & CPP (excluding share-based compensation expenses) were approximately RMB135 million (three months ended 31 March 2022: RMB95 million).
- (e) During the three months ended 31 March 2023, non-recurring compliance-related costs and expenses incurred for certain litigation settlements were approximately RMB9 million, which were included in “General and administrative expenses” (three months ended 31 March 2022: RMB5 million, which were included in “Other gains/(losses), net”).

5 Share of profit/(loss) of associates and joint ventures, net

During the three months ended 31 March 2023, it represented the Group’s share of its associates and joint ventures’ post-acquisition profit or loss, including share of their impairment provisions for investee companies, goodwill and other intangible assets arising from acquisitions of approximately RMB1,621 million (three months ended 31 March 2022: RMB829 million), amortisation of intangible assets arising from acquisitions of approximately RMB1,273 million (three months ended 31 March 2022: RMB1,775 million), share-based compensation expenses of approximately RMB1,469 million (three months ended 31 March 2022: RMB1,499 million) and other net gains from investee companies of approximately RMB4,566 million (three months ended 31 March 2022: other net losses of approximately RMB7 million).

6 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 months ended 31 March 2023 and 2022.

(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 months ended 31 March 2023 and 2022.

(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 months ended 31 March 2023 and 2022. The general PRC CIT rate was 25% for the three months ended 31 March 2023 and 2022.

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 months ended 31 March 2023 and 2022. 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 were 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 months ended 31 March 2023 and 2022 at the respective rates prevailing in the relevant jurisdictions, which were not higher than 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 months ended 31 March 2023 and 2022 is analysed as follows:

	Unaudited	
	Three months ended 31 March	
	2023	2022
	RMB'Million	RMB'Million
Current income tax	9,148	7,018
Deferred income tax	2,317	(1,749)
	<u>11,465</u>	<u>5,269</u>

7 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	
	Three months ended 31 March	
	2023	2022
Profit attributable to equity holders of the Company (RMB'Million)	<u>25,838</u>	<u>23,413</u>
Weighted average number of ordinary shares in issue (million shares)	<u>9,483</u>	<u>9,538</u>
Basic EPS (RMB per share)	<u>2.725</u>	<u>2.455</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 of the Company (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 31 March	
	2023	2022
Profit attributable to equity holders of the Company (RMB' Million)	25,838	23,413
Dilution effect arising from share-based awards granted by non wholly-owned subsidiaries and associates (RMB' Million)	<u>(351)</u>	<u>(121)</u>
Profit attributable to equity holders of the Company for the calculation of diluted EPS (RMB' Million)	<u>25,487</u>	<u>23,292</u>
Weighted average number of ordinary shares in issue (million shares)	9,483	9,538
Adjustments for share options and awarded shares (million shares)	<u>174</u>	<u>151</u>
Weighted average number of ordinary shares for the calculation of diluted EPS (million shares)	<u>9,657</u>	<u>9,689</u>
Diluted EPS (RMB per share)	<u>2.639</u>	<u>2.404</u>

8 Dividends

(a) Final dividends

A final dividend in respect of the year ended 31 December 2022 of HKD2.40 per share (2021: HKD1.60 per share) was proposed pursuant to a resolution passed by the Board on 22 March 2023 and subject to the approval of the shareholders at the 2023 AGM. This proposed dividend is not reflected as dividend payable in the Interim Financial Information.

(b) **Interim dividend by way of distribution in specie**

On 16 November 2022, 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 948 million Class B ordinary shares of Meituan to the shareholders. The share certificates of the relevant shares of Meituan in respect of the distribution to qualifying shareholders under the Distribution in Specie were dispatched to qualifying shareholders on 24 March 2023 (the “Share Certificate Dispatch Date”).

Dividends payable for distribution in specie was approximately RMB115.8 billion right before the Share Certificate Dispatch Date, measured at fair value using the market price of the Meituan Shares to be distributed. Fair value changes on the dividends payable amounting to approximately RMB30.0 billion from 1 January 2023 to the Share Certificate Dispatch Date were recognised in equity as a result of the changes in the fair value of the Meituan Shares to be distributed. Upon the dispatch of the share certificates of the Meituan Shares to be distributed, the assets held for distribution and dividends payable for distribution in specie were derecognised and the cumulative fair value losses of assets held for distribution amounting to approximately RMB19.0 billion were transferred from other reserves to retained earnings.

The Board did not declare any interim dividend for the three months ended 31 March 2023 and 2022.

9 Investments in associates

	Unaudited 31 March 2023 RMB'Million	Audited 31 December 2022 RMB'Million
Investments in associates		
– Listed entities (Note)	122,497	125,535
– Unlisted entities	123,162	120,508
	245,659	246,043

Note:

As at 31 March 2023, the fair value of the investments in associates consisting of directly and indirectly held listed equity interests was approximately RMB259,990 million (31 December 2022: RMB264,090 million).

Movement of investments in associates is analysed as follows:

	Unaudited	
	Three months ended 31 March	
	2023	2022
	RMB'Million	RMB'Million
At beginning of period	246,043	316,574
Additions (a)	2,418	4,379
Transfers (b)	(1,945)	2,205
Dilution gains/(losses) on deemed disposals	156	(304)
Share of profit/(loss) of associates, net	7	(6,246)
Share of other comprehensive income of associates	(816)	141
Share of other changes in net assets of associates	1,389	1,444
Dividends	(195)	–
Disposals	(631)	(870)
Impairment provisions ((c) and Note 3)	(271)	(7,000)
Currency translation differences	(496)	(693)
	<hr/>	<hr/>
At end of period	245,659	309,630
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (a) During the three months ended 31 March 2023, the Group's additions mainly comprised new investments and additional investments in certain investee companies which are engaged in games development.
- (b) During the three months ended 31 March 2023, the Group's transfers mainly comprised the following:
- (i) investment in an associate of approximately RMB2,304 million transferred from FVPL due to conversion of the redeemable instruments into ordinary shares upon its IPO in January 2023; and this investment with a carrying amount of approximately RMB2,291 million was transferred from investment in an associate to FVOCI due to resignation of the board representative in March 2023; and
 - (ii) investments in associates with an aggregate amount of approximately RMB1,045 million transferred to FVPL due to resignation of board representatives.
- (c) During the three months ended 31 March 2023, an aggregate impairment loss of approximately RMB271 million (three months ended 31 March 2022: RMB7,000 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.

10 Financial assets at fair value through profit or loss

FVPL include the following:

	Unaudited 31 March 2023 RMB'Million	Audited 31 December 2022 RMB'Million
Included in non-current assets:		
Investments in listed entities	13,596	12,443
Investments in unlisted entities	183,748	187,502
Treasury investments and others	5,326	6,140
	202,670	206,085
Included in current assets:		
Investments in listed entities	2	2
Treasury investments and others	33,939	27,961
	33,941	27,963
	236,611	234,048

Movement of FVPL is analysed as follows:

	Unaudited Three months ended 31 March	
	2023	2022
	RMB'Million	RMB'Million
At beginning of period	234,048	202,757
Additions and transfers (a)	12,002	12,151
Changes in fair value (Note 3)	76	(355)
Disposals and others	(6,591)	(4,422)
Currency translation differences	(2,924)	(1,228)
At end of period	236,611	208,903

Note:

- (a) During the three months ended 31 March 2023, except as described in Note 9(b), the Group's additions and transfers mainly comprised new investments and additional investments with an aggregate amount of approximately RMB12,044 million in treasury investments, investee companies and others.

11 Financial assets at fair value through other comprehensive income

FVOCI include the following:

	Unaudited 31 March 2023 RMB' Million	Audited 31 December 2022 RMB' Million
Equity investments in listed entities	198,581	159,861
Equity investments in unlisted entities	22,994	22,838
Treasury investments	2,612	2,548
	224,187	185,247

Movement of FVOCI is analysed as follows:

	Unaudited Three months ended 31 March 2023 RMB' Million	2022 RMB' Million
At beginning of period	185,247	250,257
Additions and transfers (a)	6,027	3,848
Changes in fair value	35,595	(59,350)
Disposals	(1,050)	(3,450)
Currency translation differences	(1,632)	(1,312)
At end of period	224,187	189,993

Note:

- (a) During the three months ended 31 March 2023, except as described in Note 9(b)(i), the Group's additions and transfers mainly comprised certain new investments and additional investments with an aggregate amount of approximately RMB2,983 million in investee companies which are principally engaged in business services, social media platform and other Internet-related businesses.

12 Accounts receivable

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

	Unaudited 31 March 2023 RMB'Million	Audited 31 December 2022 RMB'Million
0 ~ 30 days	20,007	25,279
31 ~ 60 days	9,971	9,247
61 ~ 90 days	7,194	6,545
Over 90 days	8,238	4,396
	45,410	45,467

Receivable balances as at 31 March 2023 and 31 December 2022 mainly represented amounts due from online advertising customers and agents, FinTech and cloud customers, content production related customers, and third party platform providers.

Some online advertising customers and agents 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.

13 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 31 March 2023, 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 2023 (Note)	HKD177.28	29,261,866	HKD354.26	90,161,910	119,423,776
Granted	-	-	HKD375.60	3,659,925	3,659,925
Exercised	HKD131.00	(4,307,036)	HKD272.37	(263,538)	(4,570,574)
Lapsed/forfeited	-	-	HKD462.71	(214,340)	(214,340)
At 31 March 2023	HKD185.27	<u>24,954,830</u>	HKD355.08	<u>93,343,957</u>	<u>118,298,787</u>
Exercisable as at 31 March 2023	HKD185.27	<u>24,845,455</u>	HKD352.92	<u>48,377,555</u>	<u>73,223,010</u>
At 1 January 2022	HKD191.64	35,146,117	HKD402.75	81,689,281	116,835,398
Granted	-	-	HKD384.08	7,261,887	7,261,887
Exercised	HKD154.09	(323,224)	HKD298.65	(513,526)	(836,750)
Lapsed/forfeited/waived	HKD135.50	(19,476)	HKD588.10	(969,296)	(988,772)
At 31 March 2022	HKD192.02	<u>34,803,417</u>	HKD399.75	<u>87,468,346</u>	<u>122,271,763</u>
Exercisable as at 31 March 2022	HKD191.97	<u>34,691,342</u>	HKD371.92	<u>33,338,126</u>	<u>68,029,468</u>

Note:

As a result of the distribution in specie of Meituan Shares, 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 5 January 2023, and were reflected in the average exercise prices of related outstanding share options listed above.

During the three months ended 31 March 2023, no options were granted to any executive director of the Company (three months ended 31 March 2022: Nil).

(b) **Share award schemes**

The Company has adopted two share award schemes which were administered by an independent trustee appointed by the Group, and remained valid as of 31 March 2023. The vesting period of the awarded shares is determined by the Board.

Movements in the number of awarded shares for the three months ended 31 March 2023 and 2022 are as follows:

	Unaudited	
	Number of awarded shares	
	Three months ended 31 March	
	2023	2022
At beginning of period	123,861,178	121,314,396
Granted (Note)	16,267,451	20,363,266
Lapsed/forfeited	(2,050,561)	(1,501,942)
Vested and transferred	(13,831,033)	(15,828,970)
	<hr/>	<hr/>
At end of period	124,247,035	124,346,750
	<hr/>	<hr/>
Vested but not transferred as at the end of period	23,677	19,210
	<hr/>	<hr/>

Note:

As a result of the distribution in specie of Meituan Shares, 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 5 January 2023. The number of awarded shares granted during the three months ended 31 March 2023 included a total of 6,186,967 additional awarded shares which were awarded pursuant to such adjustments.

During the three months ended 31 March 2023, 74,542 awarded shares were granted to five independent non-executive directors of the Company (excluding the additional 2,600 awarded shares awarded pursuant to adjustments as a result of the distribution in specie of Meituan Shares) (three months ended 31 March 2022: 52,000 awarded shares were granted to four independent non-executive directors of the Company (excluding the additional 3,182 awarded shares awarded pursuant to adjustments as a result of the distribution in specie of Class A ordinary shares of JD.com, Inc.)).

14 Accounts payable

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

	Unaudited	Audited
	31 March	31 December
	2023	2022
	RMB'Million	RMB'Million
0 ~ 30 days	98,076	87,612
31 ~ 60 days	1,370	1,512
61 ~ 90 days	269	180
Over 90 days	2,602	3,077
	<hr/>	<hr/>
	102,317	92,381
	<hr/>	<hr/>

15 Borrowings

	Unaudited 31 March 2023 RMB'Million	Audited 31 December 2022 RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD bank borrowings, unsecured (a)	126,838	141,090
Non-current portion of long-term RMB bank borrowings, unsecured (a)	39,515	22,514
Non-current portion of long-term JPY bank borrowings, unsecured (a)	38	45
Non-current portion of long-term JPY bank borrowings, secured (a)	3	3
Non-current portion of long-term EUR bank borrowings, unsecured (a)	6	7
Non-current portion of long-term EUR bank borrowings, secured (a)	8	9
	<u>166,408</u>	<u>163,668</u>
Included in current liabilities:		
RMB bank borrowings, unsecured (b)	8,441	5,981
Current portion of long-term USD bank borrowings, unsecured (a)	17,454	5,572
Current portion of long-term JPY bank borrowings, unsecured (a)	18	19
Current portion of long-term JPY bank borrowings, secured (a)	1	1
Current portion of long-term EUR bank borrowings, unsecured (a)	4	4
Current portion of long-term EUR bank borrowings, secured (a)	3	3
	<u>25,921</u>	<u>11,580</u>
	<u><u>192,329</u></u>	<u><u>175,248</u></u>

Note:

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

	Unaudited 31 March 2023		Audited 31 December 2022	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
USD bank borrowings	USD20,998	LIBOR + 0.80% ~ 0.95%	USD20,998	LIBOR + 0.80% ~ 0.95%
USD bank borrowings	–	–	USD60	1.41%
RMB bank borrowings	RMB39,515	2.45% ~ 4.80%	RMB22,514	2.80% ~ 4.80%
JPY bank borrowings	JPY1,118	0.00% ~ 1.86%	JPY1,250	0.00% ~ 1.86%
JPY bank borrowings	JPY33	TIBOR + 1.70%	JPY36	TIBOR + 1.70%
EUR bank borrowings	EUR3	1.00% ~ 2.54%	EUR3	1.00% ~ 2.54%

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 31 March 2023		Audited 31 December 2022	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
RMB bank borrowings	RMB8,457	1.50% ~ 4.80%	RMB6,007	1.50% ~ 4.80%

16 Notes payable

	Unaudited 31 March 2023 RMB'Million	Audited 31 December 2022 RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD notes payable	<u>146,704</u>	<u>148,669</u>
Included in current liabilities:		
Current portion of long-term USD notes payable	<u>–</u>	<u>10,446</u>
	<u>146,704</u>	<u>159,115</u>

Note:

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

	Unaudited 31 March 2023		Audited 31 December 2022	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
USD notes payable	USD750	LIBOR + 0.910%	USD1,250	LIBOR + 0.605% ~ 0.910%
USD notes payable	USD20,700	1.375% ~ 4.700%	USD21,700	1.375% ~ 4.700%

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

17 Subsequent events

There were no material subsequent events during the period from 1 April 2023 to the approval date of the Interim Financial Information.

OTHER INFORMATION

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

During the three months ended 31 March 2023, the Company repurchased 12,473,100 shares on the Stock Exchange for an aggregate consideration of approximately HKD4,629 million before expenses. The repurchased shares were subsequently cancelled. The repurchase was effected by the Board for the enhancement of shareholder value in the long term. Details of the shares repurchased are as follows:

Month of purchase in the three months ended 31 March 2023	No. of shares purchased	Purchase consideration per share		Aggregate consideration paid HKD
		Highest price paid HKD	Lowest price paid HKD	
January	7,853,100	384.80	329.00	2,873,963,975
March	4,620,000	393.80	362.80	1,755,093,825
Total	<u>12,473,100</u>			<u>4,629,057,800</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 31 March 2023.

Employee and Remuneration Policies

As at 31 March 2023, the Group had 106,221 employees (31 March 2022: 116,213). 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 31 March 2023 was RMB27,299 million (for the three months ended 31 March 2022: RMB29,229 million).

Audit Committee

The Audit Committee, together with the Auditor, has reviewed the Group's unaudited Interim Financial Information for the three months ended 31 March 2023. 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 corporate governance report in the 2022 annual report of the Company, none of the directors of the Company is aware of any information which would reasonably indicate that the Company has not complied with the code provisions as set out in the CG Code during the period from 1 January 2023 to 31 March 2023.

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 express our sincere appreciation to all our staff and management team for their incredible dedication, integrity and commitment to the Group which enable us to strive through the ongoing challenges and deliver strong and sustainable performance. I would also like to express our heartfelt gratitude to all our shareholders and stakeholders for their unwavering support and trust.

We are confident that our solid commitment to innovation and excellence will ensure that we can continue to adhere to our belief in “Value for Users, Tech for Good” to create more value for our users, foster sustainable innovations and promote common prosperity initiatives.

By Order of the Board
Ma Huateng
Chairman

Hong Kong, 17 May 2023

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)s 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
“2023 AGM”	the annual general meeting of the Company to be held on 17 May 2023 or any adjournment thereof
“AI”	artificial intelligence
“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

“DnF”	Dungeon and Fighter
“Domestic Games”	for the purpose of preparing financial and operating information, Domestic Games refers to our games business in the PRC, excluding Hong Kong, the Macao Special Administrative Region and Taiwan, China
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“eCPM”	effective cost per mille
“EPS”	earnings per share
“EUR”	the lawful currency of the European Union
“FinTech”	financial technology
“FVOCI”	financial assets at fair value through other comprehensive income
“FVPL”	financial assets at fair value through profit or loss
“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 31 March 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months then ended, and notes, comprising material accounting policy information 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
“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
“Meituan Shares”	the 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
“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
“RMB”	the lawful currency of the PRC
“ROI”	return of investments for ad spend
“SSV & CPP”	Sustainable Social Value and Common Prosperity Programme
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TIBOR”	Tokyo InterBank Offered Rate
“United States”	the United States of America
“USD”	the lawful currency of the United States
“VAS”	value-added services