

	Unaudited		
	Six months ended		
	30 June	30 June	Year-
	2023	2022	on-year
	(RMB in millions, unless specified)		
			change
Revenues	299,194	269,505	11%
Gross profit	139,022	114,941	21%
Operating profit	80,729	67,284	20%
Profit for the period	53,417	42,963	24%
Profit attributable to equity holders of the Company	52,009	42,032	24%
EPS (RMB per share)			
– basic	5.486	4.407	24%
– diluted	5.334	4.320	23%
Non-IFRS operating profit	98,511	73,205	35%
Non-IFRS profit attributable to equity holders of the Company	70,086	53,684	31%
Non-IFRS EPS (RMB per share)			
– basic	7.393	5.628	31%
– diluted	7.236	5.516	31%

OPERATING INFORMATION

	As at 30 June 2023	As at 30 June 2022	Year- on-year change	As at 31 March 2023	Quarter- on-quarter change
Combined MAU of Weixin and WeChat	1,327	1,299	2%	1,319	1%
Mobile device MAU of QQ	571	569	0.4%	597	-4%
Fee-based VAS registered subscriptions	241	235	3%	226	7%

BUSINESS REVIEW AND OUTLOOK

During the second quarter of 2023, we sustained a solid revenue growth rate, along with a gravitation toward high quality revenue streams with better margins. This transition, combined with careful cost discipline developed in the previous year, resulted in profit growth exceeding revenue growth. We achieved notably rapid growth in advertising business, benefitting from deploying machine learning on our advertising platform and from Video Accounts monetisation. We will continue to drive innovation, including through generative AI, where we are providing a library of models to our partners via our Tencent Cloud Model-as-a-Service (MaaS) offering, as well as refining our proprietary foundation model. Below are some highlights from our key products and business lines during the reporting period:

Communications and Social Networks

Weixin user engagement increased healthily, benefitting from user time spent growth across Video Accounts, Mini Programs and Moments. Video Accounts total user time spent almost doubled year-on-year. Mini Programs exceeded 1.1 billion MAU, including a notable contribution from Mini Games, which represent the leading casual games platform in China, and which generate distribution and advertising revenues with high margins and platform economics.

Digital Content

Tencent Video subscriptions decreased 5% year-on-year but grew 2% quarter-on-quarter to 115 million, benefitting from our original animated series and drama series. Our music subscriptions reached 100 million in June 2023, as TME enriched offerings in terms of membership privileges and content.

Domestic Games

Our mobile and PC games' MAU and DAU each increased year-on-year, and three of our new game launches from the past two years ranked among the top 10 mobile games by total time spent during the quarter¹. Our evergreen titles also demonstrated vitality, such as Naruto Mobile and DnF. We have recently launched two big PC games in China, VALORANT and Lost Ark. While our Domestic Games revenue was flat year-on-year in the second quarter due to releasing less highly commercial content, we believe this was a temporary phenomenon, and that our Domestic Games revenue should resume year-on-year growth in the third quarter of 2023.

International Games

During the quarter, we saw ongoing revenue growth from PC games, such as VALORANT; signs that the post-pandemic dip in activity is moving behind us in mobile games, notably PUBG MOBILE; and positive contributions from recently released games, including Goddess of Victory: NIKKE.

Online Advertising

We outpaced the overall industry's growth rate, which we attribute to enhancements to machine learning systems powering our advertising platform and robust demand for Video Accounts advertisements. Advertising spending on our platforms grew at a double-digit year-on-year rate from every major advertiser category, except transportation.

FinTech Services

Our commercial payment revenue increased as consumption spending grew, and our wealth management business expanded its users and aggregated customer assets. On the regulatory front, we have completed self-inspection and corresponding rectification for Tenpay, and upgraded the operational compliance capability of our payment business. We look forward to progressing our business and providing innovative services under the supportive regulatory framework.

Cloud and Other Business Services

We launched the Tencent Cloud MaaS library of models and solutions, leveraging our proprietary vector database and high-performance computing clusters. Our MaaS solutions enable enterprises in industries such as tourism and public services to develop customised large models at higher efficiency and lower cost.

¹ Source: by total time spent in 2Q2023, according to QuestMobile

MANAGEMENT DISCUSSION AND ANALYSIS

Second Quarter of 2023 Compared to Second Quarter of 2022

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

	Unaudited	
	Three months ended	
	30 June	30 June
	2023	2022
	(RMB in millions)	
Revenues	149,208	134,034
Cost of revenues	(78,368)	(76,167)
Gross profit	70,840	57,867
Interest income	3,419	1,945
Other gains/(losses), net	(230)	4,420
Selling and marketing expenses	(8,310)	(7,932)
General and administrative expenses	(25,419)	(26,233)
Operating profit	40,300	30,067
Finance costs, net	(3,291)	(1,809)
Share of profit/(loss) of associates and joint ventures, net	1,159	(4,460)
Profit before income tax	38,168	23,798
Income tax expense	(11,145)	(4,568)
Profit for the period	27,023	19,230
Attributable to:		
Equity holders of the Company	26,171	18,619
Non-controlling interests	852	611
	27,023	19,230
Non-IFRS operating profit	50,122	36,667
Non-IFRS profit attributable to equity holders of the Company	37,548	28,139

Revenues. Revenues increased by 11% year-on-year to RMB149.2 billion for the second quarter of 2023. The following table sets forth our revenues by line of business for the second quarter of 2023 and the second quarter of 2022:

	Unaudited			
	Three months ended			
	30 June 2023		30 June 2022	
	Amount	% of total revenues	Amount	% of total revenues
(RMB in millions, unless specified)				
VAS	74,211	50%	71,683	53%
Online Advertising	25,003	17%	18,638	14%
FinTech and Business Services	48,635	32%	42,208	32%
Others	1,359	1%	1,505	1%
Total revenues	<u>149,208</u>	<u>100%</u>	<u>134,034</u>	<u>100%</u>

- Revenues from VAS increased by 4% to RMB74.2 billion for the second quarter of 2023 on a year-on-year basis. International Games revenues increased by 19% to RMB12.7 billion, or up 12% excluding the impact of currency movements, supported by contributions from VALORANT, Triple Match 3D and Goddess of Victory: NIKKE. Domestic Games revenues were stable at RMB31.8 billion, as we released less-commercial content in our biggest games following a strong first quarter, while revenues from emerging competitive eSports titles such as Arena Breakout and Fight of the Golden Spatula increased year-on-year. Social Networks revenues increased by 2% to RMB29.7 billion, driven by increased revenues from mini games and music subscription services, partly offset by decreased revenues from our music- and games-related live streaming services.
- Revenues from Online Advertising increased by 34% year-on-year to RMB25 billion for the second quarter of 2023, reflecting robust demand for Video Accounts advertisements and ongoing improvements in machine learning on our advertising platform, as well as a low base effect from the second quarter of 2022. Video Accounts' advertising revenue exceeded RMB3 billion for the second quarter of 2023.
- Revenues from FinTech and Business Services increased by 15% year-on-year to RMB48.6 billion for the second quarter of 2023. FinTech Services revenue achieved double-digit year-on-year growth, supported by expansion in both offline and online commercial payment activities. Business Services revenue improved to a low double-digit year-on-year growth rate, driven by fees generated from Video Accounts live streaming eCommerce transactions and modest growth in cloud services.

Cost of revenues. Cost of revenues increased by 3% to RMB78.4 billion for the second quarter of 2023 on a year-on-year basis, driven by higher transaction costs related to FinTech Services and increased channel and distribution costs, partly offset by reduced bandwidth and server costs. In the second quarter of 2023, cost of revenues as a percentage of total revenues declined to 53%, from 57% in the same period last year, mainly attributable to the monetisation of certain newer services, notably Video Accounts, resulting in a higher proportion of high-margin revenue streams, as well as our cost optimisation and efficiency enhancement efforts. The following table sets forth our cost of revenues by line of business for the second quarter of 2023 and the second quarter of 2022:

	Unaudited			
	Three months ended			
	30 June 2023		30 June 2022	
	Amount	% of segment revenues	Amount	% of segment revenues
	(RMB in millions, unless specified)			
VAS	34,166	46%	35,380	49%
Online Advertising	12,767	51%	11,072	59%
FinTech and Business Services	29,970	62%	28,133	67%
Others	1,465	108%	1,582	105%
Total cost of revenues	<u>78,368</u>		<u>76,167</u>	

- Cost of revenues for VAS decreased by 3% year-on-year to RMB34.2 billion for the second quarter of 2023, reflecting lower bandwidth and server costs.
- Cost of revenues for Online Advertising increased by 15% year-on-year to RMB12.8 billion for the second quarter of 2023, primarily due to higher channel and distribution costs driven by the recovery of our mobile ad network.
- Cost of revenues for FinTech and Business Services increased by 7% year-on-year to RMB30 billion for the second quarter of 2023, reflecting higher costs associated with increased commercial payment activities, partly offset by optimised operating costs, including reduced bandwidth and server costs for Business Services.

Other gains/(losses), net. We recorded net other losses of RMB0.2 billion for the second quarter of 2023, mainly attributed to compliance-related costs, notably the approximately RMB2.99 billion fine imposed by the PBOC on Tenpay, largely offset by net gains from deemed disposals and disposals of certain investee companies.

Selling and marketing expenses. Selling and marketing expenses increased by 5% to RMB8.3 billion for the second quarter of 2023 on a year-on-year basis, and their percentage of revenues remained broadly stable at 6% compared to the same period in 2022.

General and administrative expenses. General and administrative expenses decreased by 3% to RMB25.4 billion for the second quarter of 2023 on a year-on-year basis, primarily due to reduced staff costs, including share-based compensation expenses.

Finance costs, net. Net finance costs increased by 82% year-on-year to RMB3.3 billion for the second quarter of 2023, driven by foreign exchange losses recognised in this quarter, compared to gains in the second quarter of 2022 due to exchange rate fluctuations, as well as higher interest expenses.

Share of profit/(loss) of associates and joint ventures, net. We recorded share of profits of associates and joint ventures of RMB1.2 billion for the second quarter of 2023, 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 improved to RMB3.9 billion for the second quarter of 2023 from losses of RMB1 billion for the second quarter of 2022, reflecting better profitability among certain domestic associates, driven by their revenue growth and efficiency improvements.

Income tax expense. Income tax expense rose by 144% year-on-year to RMB11.1 billion for the second quarter of 2023, due to pre-tax profit growth, an increased provision for withholding tax, and a true-up of deferred tax adjustments related to an overseas subsidiary.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 41% to RMB26.2 billion for the second quarter of 2023 on a year-on-year basis. Non-IFRS profit attributable to equity holders of the Company increased by 33% to RMB37.5 billion for the second quarter of 2023.

Second Quarter of 2023 Compared to First Quarter of 2023

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

	Unaudited	
	Three months ended	
	30 June	31 March
	2023	2023
	(RMB in millions)	
Revenues	149,208	149,986
Cost of revenues	(78,368)	(81,804)
Gross profit	70,840	68,182
Interest income	3,419	2,963
Other gains/(losses), net	(230)	944
Selling and marketing expenses	(8,310)	(7,018)
General and administrative expenses	(25,419)	(24,642)
Operating profit	40,300	40,429
Finance costs, net	(3,291)	(2,650)
Share of profit/(loss) of associates and joint ventures, net	1,159	80
Profit before income tax	38,168	37,859
Income tax expense	(11,145)	(11,465)
Profit for the period	27,023	26,394
Attributable to:		
Equity holders of the Company	26,171	25,838
Non-controlling interests	852	556
	27,023	26,394
Non-IFRS operating profit	50,122	48,389
Non-IFRS profit attributable to equity holders of the Company	37,548	32,538

Revenues. Revenues decreased by 1% to RMB149.2 billion for the second quarter of 2023 on a quarter-on-quarter basis.

- Revenues from VAS decreased by 6% to RMB74.2 billion. International Games revenues decreased by 4% to RMB12.7 billion, mainly attributed to lower revenue from Goddess of Victory: NIKKE. Domestic Games revenues decreased by 9% to RMB31.8 billion, reflecting seasonally lower games revenues, and a temporary shift to releasing less-commercial content, after the Chinese New Year period. Social Networks revenues decreased by 4% to RMB29.7 billion due to lower in-game virtual item sales and lower music- and games-related live streaming revenue contributions.
- Revenues from Online Advertising increased by 19% to RMB25 billion, supported by favorable seasonality, including the “618” shopping festival. Additionally, we expanded our market share in categories such as eCommerce, apparels and luxury brands.
- Revenues from FinTech and Business Services were stable quarter-on-quarter at RMB48.6 billion.

Cost of revenues. Cost of revenues decreased by 4% to RMB78.4 billion for the second quarter of 2023 on a quarter-on-quarter basis, due to lower content costs, FinTech transaction costs, and bandwidth and server costs, partly offset by higher channel and distribution costs. As a percentage of revenues, cost of revenues decreased to 53% in the second quarter of 2023 from 55% in the first quarter of 2023.

- Cost of revenues for VAS decreased by 7% to RMB34.2 billion for the second quarter of 2023 driven by reduced content costs and bandwidth and server costs.
- Cost of revenues for Online Advertising increased by 4% to RMB12.8 billion for the second quarter of 2023, primarily due to higher channel and distribution costs related to the continued recovery of our mobile ad network.
- Cost of revenues for FinTech and Business Services decreased by 6% to RMB30 billion for the second quarter of 2023 due to lower FinTech transaction costs and bandwidth and server costs.

Selling and marketing expenses. Selling and marketing expenses increased by 18% to RMB8.3 billion for the second quarter of 2023 on a quarter-on-quarter basis, reflecting increased promotion and advertising activities, including those related to our digital content services, games, and eSports events.

General and administrative expenses. General and administrative expenses increased by 3% to RMB25.4 billion for the second quarter of 2023 on a quarter-on-quarter basis.

Share of profit/(loss) of associates and joint ventures, net. We recorded share of profits of associates and joint ventures of RMB1.2 billion for the second quarter of 2023, compared to share of profits of RMB0.1 billion for the first quarter of 2023. Non-IFRS share of profits of associates and joint ventures was RMB3.9 billion for the second quarter of 2023, compared to non-IFRS share of losses of RMB0.1 billion for the first quarter of 2023. The sequential improvement was due to certain investees benefitting from favorable seasonality in eCommerce activity and thus profitability during the quarter.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 1% to RMB26.2 billion for the second quarter of 2023 on a quarter-on-quarter basis. Non-IFRS profit attributable to equity holders of the Company increased by 15% to RMB37.5 billion for the second quarter of 2023, driven by emerging revenue streams such as Video Accounts advertising and live streaming eCommerce monetisation, improved efficiency, and our associates' net contribution shifting from losses to profits.

Other Financial Information

	Unaudited			Unaudited	
	Three months ended			Six months ended	
	30 June 2023	31 March 2023	30 June 2022	30 June 2023	30 June 2022
	(RMB in millions, unless specified)				
EBITDA (a)	51,918	52,656	38,628	104,574	76,911
Adjusted EBITDA (a)	56,848	57,811	44,668	114,659	90,770
Adjusted EBITDA margin (b)	38%	39%	33%	38%	34%
Interest and related expenses	3,009	2,800	2,327	5,809	4,430
Net cash/(debt) (c)	17,717	31,508	(20,429)	17,717	(20,429)
Capital expenditures (d)	3,953	4,411	3,015	8,364	9,986

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			Unaudited	
	Three months ended			Six months ended	
	30 June 2023	31 March 2023	30 June 2022	30 June 2023	30 June 2022
	(RMB in millions, unless specified)				
Operating profit	40,300	40,429	30,067	80,729	67,284
Adjustments:					
Interest income	(3,419)	(2,963)	(1,945)	(6,382)	(3,682)
Other (gains)/losses, net	230	(944)	(4,420)	(714)	(17,553)
Depreciation of property, plant and equipment and investment properties	4,908	5,073	5,589	9,981	11,275
Depreciation of right-of-use assets	1,704	1,599	1,673	3,303	3,309
Amortisation of intangible assets and land use rights	8,195	9,462	7,664	17,657	16,278
EBITDA	51,918	52,656	38,628	104,574	76,911
Equity-settled share-based compensation	4,930	5,155	6,040	10,085	13,859
Adjusted EBITDA	56,848	57,811	44,668	114,659	90,770

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 second quarter of 2023 and 2022, the first quarter of 2023, as well as the first half of 2023 and 2022 to the nearest measures prepared in accordance with IFRS:

Unaudited three months ended 30 June 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	40,300	5,551	(206)	1,023	82	369	3,003	-	50,122
Profit for the period	27,023	6,859	(287)	2,372	210	369	3,002	(929)	38,619
Profit attributable to equity holders	26,171	6,661	(162)	2,187	193	369	3,002	(873)	37,548
EPS (RMB per share)									
- basic	2.761								3.962
- diluted	2.695								3.875
Operating margin	27%								34%
Net margin	18%								26%

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 30 June 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	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 six months ended 30 June 2023

	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	80,729	11,395	(864)	2,021	323	1,895	3,012	–	98,511
Profit for the period	53,417	14,172	(5,511)	4,643	2,072	1,895	3,011	(1,635)	72,064
Profit attributable to equity holders	52,009	13,755	(5,386)	4,285	2,045	1,895	3,011	(1,528)	70,086
EPS (RMB per share)									
– basic	5.486								7.393
– diluted	5.334								7.236
Operating margin	27%								33%
Net margin	18%								24%

	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	67,284	14,643	(24,098)	2,643	9,834	2,718	181	–	73,205
Profit for the period	42,963	18,074	(24,637)	6,152	11,021	2,718	181	(1,189)	55,283
Profit attributable to equity holders	42,032	17,709	(24,510)	5,624	11,016	2,718	181	(1,086)	53,684
EPS (RMB per share)									
– basic	4.407								5.628
– diluted	4.320								5.516
Operating margin	25%								27%
Net margin	16%								21%

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) Primarily non-recurring compliance-related costs (including the fine imposed by the PBOC on Tenpay which was disclosed in our announcement dated 7 July 2023) and expenses incurred for certain litigation settlements of the Group
- (g) Income tax effects of non-IFRS adjustments

Liquidity and Financial Resources

Our cash and debt positions as at 30 June 2023 and 31 March 2023 were as follows:

	Unaudited 30 June 2023	Unaudited 31 March 2023
	(RMB in millions)	
Cash and cash equivalents	139,647	153,328
Term deposits and others	232,185	217,213
	371,832	370,541
Borrowings	(199,833)	(192,329)
Notes payable	(154,282)	(146,704)
Net cash	17,717	31,508

As at 30 June 2023, the Group had net cash of RMB17.7 billion, compared to net cash of RMB31.5 billion as at 31 March 2023. The sequential change was primarily due to cash outflows for dividend payments for the year ended 31 December 2022 and share repurchases, largely financed by our free cash flow generation.

For the second quarter of 2023, the Group generated free cash flow of RMB29.9 billion. This was a result of net cash flow generated from operating activities of RMB40.7 billion, partly offset by payments for capital expenditures of RMB3 billion, payments for media content of RMB6.3 billion, and payments for lease liabilities of RMB1.5 billion.

As at 30 June 2023, the fair value of our shareholdings² in listed investee companies (excluding subsidiaries) was RMB435.4 billion, and the carrying value of our unlisted investments was RMB347 billion.

² Including those held via special purpose vehicles, on an attributable basis.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2023

	Note	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2023 RMB'Million	2022 RMB'Million	2023 RMB'Million	2022 RMB'Million
Revenues					
Value-added Services		74,211	71,683	153,548	144,421
Online Advertising		25,003	18,638	45,967	36,626
FinTech and Business Services		48,635	42,208	97,336	84,976
Others		1,359	1,505	2,343	3,482
	2	149,208	134,034	299,194	269,505
Cost of revenues	4	(78,368)	(76,167)	(160,172)	(154,564)
Gross profit		70,840	57,867	139,022	114,941
Interest income		3,419	1,945	6,382	3,682
Other gains/(losses), net	3	(230)	4,420	714	17,553
Selling and marketing expenses	4	(8,310)	(7,932)	(15,328)	(15,990)
General and administrative expenses	4	(25,419)	(26,233)	(50,061)	(52,902)
Operating profit		40,300	30,067	80,729	67,284
Finance costs, net		(3,291)	(1,809)	(5,941)	(3,744)
Share of profit/(loss) of associates and joint ventures, net	5	1,159	(4,460)	1,239	(10,740)
Profit before income tax		38,168	23,798	76,027	52,800
Income tax expense	6	(11,145)	(4,568)	(22,610)	(9,837)
Profit for the period		27,023	19,230	53,417	42,963
Attributable to:					
Equity holders of the Company		26,171	18,619	52,009	42,032
Non-controlling interests		852	611	1,408	931
		27,023	19,230	53,417	42,963
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)					
– basic	7(a)	2.761	1.951	5.486	4.407
– diluted	7(b)	2.695	1.915	5.334	4.320

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2023**

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Profit for the period	27,023	19,230	53,417	42,963
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	424	292	(238)	242
Transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	(23)	(14)	(9)	(14)
Transfer to profit or loss upon disposal of financial assets at fair value through other comprehensive income	(3)	2	(2)	2
Net gains/(losses) from changes in fair value of financial assets at fair value through other comprehensive income	17	(8)	39	(24)
Currency translation differences	17,560	6,989	16,360	2,528
Other fair value gains/(losses), net	31	865	(1,120)	4,082
<i>Items that will not be subsequently reclassified to profit or loss</i>				
Share of other comprehensive income of associates and joint ventures	(743)	(379)	(897)	(192)
Loss from changes in fair value of assets held for distribution	-	-	(29,991)	(17,130)
Net (losses)/gains from changes in fair value of financial assets at fair value through other comprehensive income	(20,673)	(61,581)	13,689	(120,431)
Currency translation differences	2,742	2,219	(104)	2,077
	<u>(668)</u>	<u>(51,615)</u>	<u>(2,273)</u>	<u>(128,860)</u>
Total comprehensive income for the period	26,355	(32,385)	51,144	(85,897)
Attributable to:				
Equity holders of the Company	24,416	(32,083)	48,028	(84,360)
Non-controlling interests	1,939	(302)	3,116	(1,537)
	<u>26,355</u>	<u>(32,385)</u>	<u>51,144</u>	<u>(85,897)</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

		Unaudited	Audited
		30 June	31 December
		2023	2022
	Note	RMB'Million	RMB'Million
ASSETS			
Non-current assets			
Property, plant and equipment		48,530	53,978
Land use rights		17,775	18,046
Right-of-use assets		20,592	22,524
Construction in progress		13,260	9,229
Investment properties		567	559
Intangible assets		171,952	161,802
Investments in associates	9	246,101	246,043
Investments in joint ventures		8,106	6,672
Financial assets at fair value through profit or loss	10	216,603	206,085
Financial assets at fair value through other comprehensive income	11	213,089	185,247
Prepayments, deposits and other assets		28,351	36,752
Other financial assets		7,222	6,987
Deferred income tax assets		29,627	29,882
Term deposits		25,319	28,336
		1,047,094	1,012,142
Current assets			
Inventories		2,155	2,333
Accounts receivable	12	46,172	45,467
Prepayments, deposits and other assets		89,777	76,685
Other financial assets		1,855	1,278
Financial assets at fair value through profit or loss	10	29,798	27,963
Term deposits		176,427	104,776
Restricted cash		4,578	2,783
Cash and cash equivalents		139,647	156,739
Assets held for distribution		–	147,965
		490,409	565,989
Total assets		1,537,503	1,578,131

		Unaudited	Audited
		30 June	31 December
		2023	2022
	Note	RMB' Million	RMB' Million
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		–	–
Share premium		56,611	62,418
Treasury shares		(2,224)	(1,868)
Shares held for share award schemes		(4,497)	(4,226)
Other reserves		(22,850)	(40,914)
Retained earnings		751,256	705,981
		<u>778,296</u>	<u>721,391</u>
Non-controlling interests		<u>62,520</u>	<u>61,469</u>
Total equity		<u>840,816</u>	<u>782,860</u>
LIABILITIES			
Non-current liabilities			
Borrowings	15	154,079	163,668
Notes payable	16	139,840	148,669
Long-term payables		13,668	9,067
Other financial liabilities		5,095	5,574
Deferred income tax liabilities		14,369	12,162
Lease liabilities		17,452	18,424
Deferred revenue		3,320	3,503
		<u>347,823</u>	<u>361,067</u>
Current liabilities			
Accounts payable	14	100,103	92,381
Other payables and accruals		66,382	61,139
Borrowings	15	45,754	11,580
Notes payable	16	14,442	10,446
Current income tax liabilities		14,070	13,488
Other tax liabilities		4,300	4,698
Other financial liabilities		4,478	3,937
Lease liabilities		6,010	6,354
Deferred revenue		93,325	82,216
Dividends payable for distribution in specie	8(b)	–	147,965
		<u>348,864</u>	<u>434,204</u>
Total liabilities		<u>696,687</u>	<u>795,271</u>
Total equity and liabilities		<u>1,537,503</u>	<u>1,578,131</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 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	-	-	-	-	-	52,009	52,009	1,408	53,417
Other comprehensive income, net of tax:									
- share of other comprehensive income of associates and joint ventures	-	-	-	-	(1,121)	-	(1,121)	(14)	(1,135)
- 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	-	-	-	-	(9)	-	(9)	-	(9)
- net gains from changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	12,680	-	12,680	1,048	13,728
- transfer to profit or loss upon disposal of financial assets at fair value through other comprehensive income	-	-	-	-	(2)	-	(2)	-	(2)
- currency translation differences	-	-	-	-	15,564	-	15,564	692	16,256
- other fair value losses, net	-	-	-	-	(1,102)	-	(1,102)	(18)	(1,120)
Total comprehensive income for the period	-	-	-	-	(3,981)	52,009	48,028	3,116	51,144
Transfer of losses on disposal and deemed disposal of financial instruments to retained earnings	-	-	-	-	18,096	(18,141)	(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	-	-	-	-	2,680	-	2,680	-	2,680
Transfer of share of other changes in net assets of associates and joint ventures to profit or loss upon disposal and deemed disposal	-	-	-	-	(116)	-	(116)	-	(116)
Transactions with equity holders									
Capital injections/(reductions)	-	-	-	-	-	-	-	(17)	(17)
Employee share option schemes:									
- value of employee services	-	826	-	-	44	-	870	38	908
- proceeds from shares issued	-	881	-	-	-	-	881	-	881
Employee share award schemes:									
- value of employee services	-	8,266	-	-	781	-	9,047	184	9,231
- shares withheld for share award schemes	-	-	-	(1,172)	-	-	(1,172)	-	(1,172)
- vesting of awarded shares	-	(901)	-	901	-	-	-	-	-
Tax benefit from share-based payments	-	-	-	-	20	-	20	-	20
Profit appropriations to statutory reserves	-	-	-	-	108	(108)	-	-	-
Repurchase and cancellation of shares	-	(14,879)	1,868	-	-	-	(13,011)	-	(13,011)
Repurchase of shares (to be cancelled)	-	-	(2,224)	-	-	-	(2,224)	-	(2,224)
Cash dividends	-	-	-	-	-	(20,586)	(20,586)	(276)	(20,862)
Dividends under distribution in specie	-	-	-	-	-	32,169	32,169	-	32,169
Non-controlling interests arising from business combinations	-	-	-	-	-	-	-	182	182
Acquisition of additional equity interests in non wholly-owned subsidiaries	-	-	-	-	288	-	288	(1,850)	(1,562)
Dilution of interests in subsidiaries	-	-	-	-	(128)	-	(128)	190	62
Disposal of subsidiaries	-	-	-	-	-	-	-	(66)	(66)
Changes in put option liabilities in respect of non-controlling interests	-	-	-	-	(109)	-	(109)	(16)	(125)
Recognition of put option liabilities arising from business combinations	-	-	-	-	(121)	-	(121)	-	(121)
Transfer of equity interests of subsidiaries to non-controlling interests	-	-	-	-	434	-	434	(434)	-
Total transactions with equity holders at their capacity as equity holders for the period	-	(5,807)	(356)	(271)	1,317	11,475	6,358	(2,065)	4,293
Balance at 30 June 2023	-	56,611	(2,224)	(4,497)	(22,850)	751,256	778,296	62,520	840,816

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	-	-	-	-	-	42,032	42,032	931	42,963
Other comprehensive income, net of tax:									
- share of other comprehensive income of associates and joint ventures	-	-	-	-	8	-	8	42	50
- 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	-	-	-	-	(14)	-	(14)	-	(14)
- net losses from changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	(118,329)	-	(118,329)	(2,126)	(120,455)
- transfer to profit or loss upon disposal of financial assets at fair value through other comprehensive income	-	-	-	-	2	-	2	-	2
- currency translation differences	-	-	-	-	5,069	-	5,069	(464)	4,605
- other fair value gains, net	-	-	-	-	4,002	-	4,002	80	4,082
Total comprehensive income for the period	-	-	-	-	(126,392)	42,032	(84,360)	(1,537)	(85,897)
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	-	-	-	-	3,349	-	3,349	-	3,349
Transfer of share of other changes in net assets of associates and joint ventures to profit or loss upon disposal and deemed disposal	-	-	-	-	(341)	-	(341)	-	(341)
Transactions with equity holders									
Capital injections	-	-	-	-	-	-	-	3	3
Employee share option schemes:									
- value of employee services	-	1,072	-	-	37	-	1,109	35	1,144
- proceeds from shares issued	-	219	-	-	-	-	219	-	219
Employee share award schemes:									
- value of employee services	-	11,787	-	-	683	-	12,470	212	12,682
- shares withheld for share award schemes	-	-	-	(1,248)	-	-	(1,248)	-	(1,248)
- vesting of awarded shares	-	(1,346)	-	1,346	-	-	-	-	-
Tax benefit from share-based payments	-	-	-	-	9	-	9	-	9
Profit appropriations to statutory reserves	-	-	-	-	13	(13)	-	-	-
Repurchase and cancellation of shares	-	(5,362)	-	-	-	-	(5,362)	-	(5,362)
Repurchase of shares (to be cancelled)	-	-	(776)	-	-	-	(776)	-	(776)
Cash dividends	-	-	-	-	-	(12,950)	(12,950)	(374)	(13,324)
Dividends under distribution in specie	-	-	-	-	-	17,809	17,809	-	17,809
Non-controlling interests arising from business combinations	-	-	-	-	-	-	-	747	747
Acquisition of additional equity interests in non wholly-owned subsidiaries	-	-	-	-	123	-	123	(1,856)	(1,733)
Dilution of interests in subsidiaries	-	-	-	-	(265)	-	(265)	240	(25)
Disposal of subsidiaries	-	-	-	-	-	-	-	(2)	(2)
Changes in put option liabilities in respect of non-controlling interests	-	-	-	-	83	-	83	26	109
Recognition of put option liabilities arising from business combinations	-	-	-	-	(175)	-	(175)	-	(175)
Transfer of equity interests of subsidiaries to non-controlling interests	-	-	-	-	501	-	501	(501)	-
Total transactions with equity holders at their capacity as equity holders for the period	-	6,370	(776)	98	1,009	4,846	11,547	(1,470)	10,077
Balance at 30 June 2022	-	73,700	(776)	(4,745)	(40,210)	708,525	736,494	67,387	803,881

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'Million	RMB'Million
Net cash flows generated from operating activities	102,983	69,523
Net cash flows used in investing activities	(84,724)	(47,731)
Net cash flows used in financing activities	(37,596)	(9,213)
Net (decrease)/increase in cash and cash equivalents	(19,337)	12,579
Cash and cash equivalents at beginning of the period	156,739	167,966
Exchange gains on cash and cash equivalents	2,245	4,113
Cash and cash equivalents at end of the period	<u>139,647</u>	<u>184,658</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

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 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
Amendments to IAS 12	International Tax Reform - Pillar Two Model Rules

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.

Except for Amendments to IAS 12, the adoption of these new and amended standards does not have significant impact on the condensed consolidated interim financial statements of the Group.

2 Segment information and revenues

The Group has the following reportable segments for the three and six months ended 30 June 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 and six months ended 30 June 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 condensed consolidated income statement.

The segment information provided to the chief operating decision-makers for the reportable segments for the three and six months ended 30 June 2023 and 2022 is as follows:

	Unaudited Three months ended 30 June 2023				
	VAS RMB'Million	Online Advertising RMB'Million	FinTech and Business Services RMB'Million	Others RMB'Million	Total RMB'Million
Segment revenues	74,211	25,003	48,635	1,359	149,208
Gross profit/(loss)	40,045	12,236	18,665	(106)	70,840
Cost of revenues					
Depreciation	1,343	1,514	2,222	17	5,096
Amortisation	4,685	2,396	41	504	7,626
	Unaudited Three months ended 30 June 2022				
	VAS RMB'Million	Online Advertising RMB'Million	FinTech and Business Services RMB'Million	Others RMB'Million	Total RMB'Million
Segment revenues	71,683	18,638	42,208	1,505	134,034
Gross profit/(loss)	36,303	7,566	14,075	(77)	57,867
Cost of revenues					
Depreciation	1,534	1,738	2,395	6	5,673
Amortisation	4,574	1,682	39	532	6,827

	Unaudited Six months ended 30 June 2023				
	FinTech and				
	VAS	Online	Business	Others	Total
	RMB'Million	Advertising	Services	RMB'Million	RMB'Million
		RMB'Million	RMB'Million		
Segment revenues	<u>153,548</u>	<u>45,967</u>	<u>97,336</u>	<u>2,343</u>	<u>299,194</u>
Gross profit/(loss)	<u>82,784</u>	<u>20,975</u>	<u>35,466</u>	<u>(203)</u>	<u>139,022</u>
Cost of revenues					
Depreciation	2,746	2,958	4,541	33	10,278
Amortisation	<u>10,497</u>	<u>5,245</u>	<u>82</u>	<u>698</u>	<u>16,522</u>

	Unaudited Six months ended 30 June 2022				
	FinTech and				
	VAS	Online	Business	Others	Total
	RMB'Million	Advertising	Services	RMB'Million	RMB'Million
		RMB'Million	RMB'Million		
Segment revenues	<u>144,421</u>	<u>36,626</u>	<u>84,976</u>	<u>3,482</u>	<u>269,505</u>
Gross profit	<u>72,986</u>	<u>14,160</u>	<u>27,574</u>	<u>221</u>	<u>114,941</u>
Cost of revenues					
Depreciation	3,248	3,296	4,896	33	11,473
Amortisation	<u>9,520</u>	<u>4,041</u>	<u>103</u>	<u>980</u>	<u>14,644</u>

3 Other gains/(losses), net

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Net fair value (losses)/gains on FVPL ((a) and Note 10)	(3,088)	1,432	(3,012)	1,077
Net gains on disposals and deemed disposals of investee companies (b)	2,077	4,971	3,121	23,863
Net fair value gains/(losses) on other financial instruments (c)	1,449	(733)	1,241	(658)
Impairment provisions for investments in associates (Note 9(c))	(804)	(2,743)	(1,075)	(9,743)
Impairment reversals/(provisions) for investments in joint ventures and others	722	(88)	752	(91)
Tenpay-related fine (d)	(2,995)	–	(2,995)	–
Subsidies and tax rebates	2,854	2,890	5,594	5,810
Dividend income	331	702	427	745
Donations (e)	(174)	(1,265)	(1,600)	(2,538)
Others	(602)	(746)	(1,739)	(912)
	<u>(230)</u>	<u>4,420</u>	<u>714</u>	<u>17,553</u>

Note:

- (a) During the three and six months ended 30 June 2023, the net fair value losses on FVPL mainly comprised net losses of approximately RMB3,344 million and RMB3,517 million as a result of changes in valuations of certain investee companies (three and six months ended 30 June 2022: net gains of approximately RMB1,301 million and RMB893 million).
- (b) The disposal and deemed disposal gains of approximately RMB3,121 million recognised during the six months ended 30 June 2023 comprised the following:
- aggregate net gains of approximately RMB1,752 million (six months ended 30 June 2022: RMB18,828 million) on disposals and partial disposals of investee companies of the Group;
 - aggregate net gains of approximately RMB1,936 million (six months ended 30 June 2022: RMB2,223 million) on deemed disposals of investee companies of the Group; and
 - aggregate net losses of approximately RMB567 million (six months ended 30 June 2022: net gains of approximately RMB2,782 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.

- (c) During the three and six months ended 30 June 2023, the net fair value gains on other financial instruments mainly included net gains of approximately RMB1,473 million and RMB1,260 million, respectively, as a result of changes in valuations of investment-related financial instruments (three and six months ended 30 June 2022: net losses of approximately RMB733 million and RMB658 million, respectively).
- (d) In July 2023, Tenpay received a notice from the PBOC regarding its decision to impose a fine amounted to approximately RMB2.99 billion for its past regulatory breaches in relation to the provision of payment services in the Mainland of China. The amount had been accrued during the six months ended 30 June 2023.
- (e) During the three and six months ended 30 June 2023, donations mainly included approximately RMB174 million and RMB1,565 million for SSV & CPP of the Group (three and six months ended 30 June 2022: RMB1,251 million and RMB2,504 million).

4 Expenses by nature

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Transaction costs (a)	32,561	29,976	65,832	60,875
Employee benefits expenses (b)	26,770	27,550	54,069	56,779
Content costs (excluding amortisation of intangible assets)	15,732	16,157	31,038	31,890
Amortisation of intangible assets (c)	8,175	7,644	17,617	16,241
Bandwidth and server custody fees (excluding depreciation of right-of-use assets)	5,590	7,906	11,856	15,382
Depreciation of property, plant and equipment, investment properties and right-of-use assets	6,612	7,262	13,284	14,584
Promotion and advertising expenses	5,571	5,290	9,835	10,629

Note:

- (a) Transaction costs primarily consist of bank handling fees, channel and distribution costs.
- (b) During the three and six months ended 30 June 2023, the Group had incurred expenses for the purpose of R&D of approximately RMB16,010 million and RMB31,191 million (three and six months ended 30 June 2022: RMB15,010 million and RMB30,393 million, respectively), which mainly comprised employee benefits expenses of approximately RMB13,233 million and RMB26,284 million (three and six months ended 30 June 2022: RMB12,191 million and RMB25,258 million, respectively).

No significant development expenses had been capitalised for the three and six months ended 30 June 2023 and 2022.

During the three and six months ended 30 June 2023, employee benefits expenses included the share-based compensation expenses of approximately RMB5,551 million and RMB11,395 million (three and six months ended 30 June 2022: RMB6,507 million and RMB14,643 million, respectively), which contained those incurred for employees related to SSV & CPP of approximately RMB17 million and RMB35 million, respectively (three and six months ended 30 June 2022: RMB18 million and RMB34 million, respectively).

- (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 six months ended 30 June 2023, amortisation of media content was approximately RMB7,587 million and RMB16,391 million, respectively (three and six months ended 30 June 2022: RMB6,670 million and RMB14,308 million, respectively).

During the three and six months ended 30 June 2023, amortisation of intangible assets included the amortisation of intangible assets arising from acquisitions of approximately RMB1,023 million and RMB2,021 million, respectively (three and six months ended 30 June 2022: RMB1,255 million and RMB2,643 million, respectively).

- (d) During the three and six months ended 30 June 2023, expenses incurred related to SSV & CPP (excluding share-based compensation expenses) were approximately RMB195 million and RMB330 million, respectively (three and six months ended 30 June 2022: RMB119 million and RMB214 million, respectively).
- (e) During the three and six months ended 30 June 2023, except as disclosed in Note 3(d), non-recurring compliance-related costs and expenses incurred for certain litigation settlements were approximately RMB8 million and RMB17 million, respectively, which were included in “General and administrative expenses” (three and six months ended 30 June 2022: RMB176 million and RMB181 million, respectively, of which RMB12 million and RMB17 million were included in “Other gains/(losses), net”).

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

During the three and six months ended 30 June 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 RMB128 million and RMB1,749 million (three and six months ended 30 June 2022: RMB358 million and RMB1,187 million), amortisation of intangible assets arising from acquisitions of approximately RMB1,349 million and RMB2,622 million (three and six months ended 30 June 2022: RMB1,734 million and RMB3,509 million), share-based compensation expenses of approximately RMB1,308 million and RMB2,777 million (three and six months ended 30 June 2022: RMB1,932 million and RMB3,431 million) and other net gains from investee companies of approximately RMB81 million and RMB4,647 million (three and six months ended 30 June 2022: RMB546 million and RMB539 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 and six months ended 30 June 2023 and 2022.

(b) Hong Kong profits tax

Hong Kong profits tax had been provided for at the rate of 16.5% on the estimated assessable profits for the three and six months ended 30 June 2023 and 2022.

(c) PRC CIT

PRC CIT had been provided for at applicable tax rates under the relevant regulations of the PRC after considering the available preferential tax benefits from refunds and allowances, and on the estimated assessable profit of entities within the Group established in the Mainland of China for the three and six months ended 30 June 2023 and 2022. The general PRC CIT rate was 25% for the three and six months ended 30 June 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 and six months ended 30 June 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 and six months ended 30 June 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 fulfilment of certain conditions.

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

The income tax expense of the Group for the three and six months ended 30 June 2023 and 2022 is analysed as follows:

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Current income tax	8,920	5,709	18,068	12,727
Deferred income tax	2,225	(1,141)	4,542	(2,890)
	<u>11,145</u>	<u>4,568</u>	<u>22,610</u>	<u>9,837</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		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
Profit attributable to equity holders of the Company (RMB'Million)	<u>26,171</u>	<u>18,619</u>	<u>52,009</u>	<u>42,032</u>
Weighted average number of ordinary shares in issue (million shares)	<u>9,478</u>	<u>9,542</u>	<u>9,481</u>	<u>9,538</u>
Basic EPS (RMB per share)	<u>2.761</u>	<u>1.951</u>	<u>5.486</u>	<u>4.407</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 30 June		Unaudited Six months ended 30 June	
	2023	2022	2023	2022
Profit attributable to equity holders of the Company (RMB' Million)	26,171	18,619	52,009	42,032
Dilution effect arising from share-based awards granted by non wholly-owned subsidiaries and associates (RMB' Million)	(234)	(88)	(626)	(191)
Profit attributable to equity holders of the Company for the calculation of diluted EPS (RMB' Million)	<u>25,937</u>	<u>18,531</u>	<u>51,383</u>	<u>41,841</u>
Weighted average number of ordinary shares in issue (million shares)	9,478	9,542	9,481	9,538
Adjustments for share options and awarded shares (million shares)	147	133	153	147
Weighted average number of ordinary shares for the calculation of diluted EPS (million shares)	<u>9,625</u>	<u>9,675</u>	<u>9,634</u>	<u>9,685</u>
Diluted EPS (RMB per share)	<u>2.695</u>	<u>1.915</u>	<u>5.334</u>	<u>4.320</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 approved by the shareholders at the 2023 AGM. Such dividend amounted to HKD22,762 million (2022: HKD15,260 million) was paid during the six months ended 30 June 2023.

(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 amounted to approximately RMB30 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 amounted to approximately RMB19 billion were transferred from other reserves to retained earnings.

The Board did not declare any interim dividend for the six months ended 30 June 2023 and 2022.

9 Investments in associates

	Unaudited 30 June 2023 RMB'Million	Audited 31 December 2022 RMB'Million
Investments in associates		
– Listed entities (Note)	124,440	125,535
– Unlisted entities	121,661	120,508
	246,101	246,043

Note:

As at 30 June 2023, the fair value of the investments in associates consisting of directly and indirectly held listed equity interests was approximately RMB235,613 million (31 December 2022: RMB264,090 million).

Movement of investments in associates is analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'Million	RMB'Million
At beginning of period	246,043	316,574
Additions (a)	5,042	6,988
Transfers (b)	(2,389)	398
Dilution (losses)/gains on deemed disposals (Note 3(b))	(567)	2,782
Share of profit/(loss) of associates, net	1,019	(10,822)
Share of other comprehensive income of associates	(1,138)	51
Share of other changes in net assets of associates	2,678	3,349
Dividends	(4,767)	(263)
Disposals	(1,812)	(1,203)
Impairment provisions ((c) and Note 3)	(1,075)	(9,743)
Currency translation differences	3,067	2,098
	<hr/>	<hr/>
At end of period	246,101	310,209
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (a) During the six months ended 30 June 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 six months ended 30 June 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 RMB1,317 million transferred to FVPL due to resignation of board representatives.
- (c) During the six months ended 30 June 2023, an aggregate impairment loss of approximately RMB1,075 million (six months ended 30 June 2022: RMB9,743 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 30 June 2023 RMB'Million	Audited 31 December 2022 RMB'Million
Included in non-current assets:		
Investments in listed entities	12,957	12,443
Investments in unlisted entities	197,842	187,502
Treasury investments and others	5,804	6,140
	<u>216,603</u>	<u>206,085</u>
Included in current assets:		
Investments in listed entities	2	2
Treasury investments and others	29,796	27,961
	<u>29,798</u>	<u>27,963</u>
	<u><u>246,401</u></u>	<u><u>234,048</u></u>

Movement of FVPL is analysed as follows:

	Unaudited Six months ended 30 June 2023 RMB'Million	2022 RMB'Million
At beginning of period	234,048	202,757
Additions and transfers (a)	33,695	19,289
Changes in fair value (Note 3)	(3,012)	1,077
Disposals and others	(25,112)	(12,102)
Currency translation differences	6,782	8,139
	<u>246,401</u>	<u>219,160</u>

Note:

- (a) During the six months ended 30 June 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 RMB34,549 million in treasury investments, investee companies which are principally engaged in digital payment and eCommerce, and others.

11 Financial assets at fair value through other comprehensive income

FVOCI include the following:

	Unaudited 30 June 2023 RMB'Million	Audited 31 December 2022 RMB'Million
Equity investments in listed entities	186,834	159,861
Equity investments in unlisted entities	24,280	22,838
Treasury investments	1,975	2,548
	213,089	185,247

Movement of FVOCI is analysed as follows:

	Unaudited Six months ended 30 June 2023 RMB'Million	2022 RMB'Million
At beginning of period	185,247	250,257
Additions and transfers (a)	9,413	12,158
Changes in fair value	14,812	(120,864)
Disposals	(4,526)	(4,495)
Currency translation differences	8,143	6,507
At end of period	213,089	143,563

Note:

- (a) During the six months ended 30 June 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 RMB5,795 million in investee companies which are principally engaged in eCommerce, social network platform and other Internet-related businesses.

12 Accounts receivable

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

	Unaudited 30 June 2023 RMB'Million	Audited 31 December 2022 RMB'Million
0 ~ 30 days	22,480	25,279
31 ~ 60 days	11,228	9,247
61 ~ 90 days	6,103	6,545
Over 90 days	6,361	4,396
	<hr/> 46,172 <hr/>	<hr/> 45,467 <hr/>

Receivable balances as at 30 June 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 had adopted six 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, the Post-IPO Option Scheme IV and the 2023 Share Option Scheme.

The Pre-IPO Option Scheme, the Post-IPO Option Scheme I, the Post-IPO Option Scheme II and the Post-IPO Option Scheme III expired on 31 December 2011, 23 March 2014, 16 May 2017 and 13 May 2019, respectively. Upon the expiry of these schemes, no further options would be granted under these schemes, but the options granted prior to such expiry continued to be valid and exercisable in accordance with provisions of the schemes. As at 30 June 2023, there were no outstanding share options exercisable under the Pre-IPO Option Scheme, the Post-IPO Option Scheme I and the Post-IPO Option Scheme III.

The Post-IPO Option Scheme IV had been terminated upon the completion of the transfer of the outstanding share options of the Post-IPO Option Scheme IV to the 2023 Share Option Scheme in accordance with the circular of the Company dated 24 April 2023.

In respect of the 2023 Share Option Scheme, the Board may, at its discretion, grant options to any qualifying participant 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 10-year period after the date of grant of option.

The Company allowed certain of the grantees under the Post-IPO Option Scheme II, the Post-IPO Option Scheme IV and the 2023 Share Option Scheme 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 Scheme II		Unaudited Post-IPO Option Scheme IV		2023 Share Option Scheme		Total Number of options
	Average exercise price	Number of options	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	HKD145.81	(6,109,141)	HKD262.55	(752,225)	HKD261.61	(45,072)	(6,906,438)
Lapsed/forfeited	-	-	HKD453.51	(276,898)	HKD425.73	(73,380)	(350,278)
Transferred	-	-	HKD355.55	(92,792,712)	HKD355.55	92,792,712	-
At 30 June 2023	HKD185.59	<u>23,152,725</u>	-	<u>-</u>	HKD355.54	<u>92,674,260</u>	<u>115,826,985</u>
Exercisable as at 30 June 2023	HKD185.59	<u>23,043,350</u>	-	<u>-</u>	HKD352.94	<u>49,285,296</u>	<u>72,328,646</u>

	Post-IPO Option Scheme II		Unaudited Post-IPO Option Scheme IV		Total
	Average exercise price	Number of options	Average exercise price	Number of options	Number of options
	At 1 January 2022	HKD191.64	35,146,117	HKD402.75	81,689,281
Granted	-	-	HKD384.08	7,261,887	7,261,887
Exercised	HKD146.42	(550,305)	HKD292.18	(625,939)	(1,176,244)
Lapsed/forfeited/waived	HKD135.50	(19,476)	HKD584.78	(1,009,372)	(1,028,848)
At 30 June 2022	HKD192.39	<u>34,576,336</u>	HKD399.88	<u>87,315,857</u>	<u>121,892,193</u>
Exercisable as at 30 June 2022	HKD192.34	<u>34,464,261</u>	HKD374.06	<u>39,696,325</u>	<u>74,160,586</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 six months ended 30 June 2023, no options were granted to any executive director of the Company (six months ended 30 June 2022: Nil).

(b) Share award schemes

As of 30 June 2023, the Company had adopted three share award schemes which were administered by an independent trustee appointed by the Group. The vesting period of the awarded shares is determined by the Board. As disclosed in the circular of the Company dated 24 April 2023, upon the completion of the transfer of the shares held by the trustee for the purpose of satisfying the outstanding share awards under the 2013 Share Award Scheme and the 2019 Share Award Scheme to the trustee administering the 2023 Share Award Scheme, the 2013 Share Award Scheme and the 2019 Share Award Scheme would be terminated, upon which the 2023 Share Award Scheme would become the only effective share award scheme of the Company.

Movements in the number of awarded shares for the six months ended 30 June 2023 and 2022 are as follows:

	Unaudited	
	Number of awarded shares	
	Six months ended 30 June	
	2023	2022
At beginning of period	123,861,178	121,314,396
Granted (Note)	16,267,451	22,260,612
Lapsed/forfeited	(3,876,842)	(3,993,977)
Vested and transferred	(16,883,923)	(19,437,812)
	<u>119,367,864</u>	<u>120,143,219</u>
At end of period		
	<u>26,289</u>	<u>18,243</u>
Vested but not transferred as at the end of period		

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 six months ended 30 June 2023 included a total of 6,186,967 additional awarded shares which were awarded pursuant to such adjustments.

During the six months ended 30 June 2023, 74,542 awarded shares were granted to five independent non-executive directors of the Company (six months ended 30 June 2022: 52,000 awarded shares were granted to four independent non-executive directors of the Company).

14 Accounts payable

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

	Unaudited	Audited
	30 June	31 December
	2023	2022
	RMB' Million	RMB' Million
0 ~ 30 days	94,968	87,612
31 ~ 60 days	1,651	1,512
61 ~ 90 days	920	180
Over 90 days	2,564	3,077
	<u>100,103</u>	<u>92,381</u>

15 Borrowings

	Unaudited 30 June 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)	114,529	141,090
Non-current portion of long-term RMB bank borrowings, unsecured (a)	39,503	22,514
Non-current portion of long-term JPY bank borrowings, unsecured (a)	34	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)	5	7
Non-current portion of long-term EUR bank borrowings, secured (a)	5	9
	<u>154,079</u>	<u>163,668</u>
Included in current liabilities:		
USD bank borrowings, unsecured (b)	18,787	–
RMB bank borrowings, unsecured (b)	8,402	5,981
RMB bank borrowings, secured (b)	100	–
Current portion of long-term USD bank borrowings, unsecured (a)	18,425	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 RMB bank borrowings, unsecured (a)	12	–
Current portion of long-term EUR bank borrowings, unsecured (a)	5	4
Current portion of long-term EUR bank borrowings, secured (a)	4	3
	<u>45,754</u>	<u>11,580</u>
	<u><u>199,833</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 30 June 2023		Audited 31 December 2022	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
RMB bank borrowings	RMB39,515	2.45% ~ 4.80%	RMB22,514	2.80% ~ 4.80%
USD bank borrowings	USD18,400	LIBOR + 0.80% ~ 0.95%	USD20,998	LIBOR + 0.80%
USD bank borrowings	-	-	USD60	1.41%
JPY bank borrowings	JPY1,065	0.00% ~ 1.86%	JPY1,250	0.00% ~ 1.86%
JPY bank borrowings	JPY29	TIBOR + 1.70%	JPY36	TIBOR + 1.70%
EUR bank borrowings	EUR2	1.00% ~ 2.54%	EUR3	1.00% ~ 2.54%

Following the IBOR benchmark reform, all the borrowings the Group held as at 30 June 2023 which referenced to USD LIBOR had been transitioned to SOFR-referenced in July 2023.

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 June 2023		Audited 31 December 2022	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
RMB bank borrowings	RMB8,508	1.50% ~ 4.80%	RMB6,007	1.50% ~ 4.80%
USD bank borrowings	USD2,600	SOFR + 0.50% ~ 0.55%	-	-

16 Notes payable

	Unaudited 30 June 2023 RMB'Million	Audited 31 December 2022 RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD notes payable	<u>139,840</u>	<u>148,669</u>
Included in current liabilities:		
Current portion of long-term USD notes payable	<u>14,442</u>	<u>10,446</u>
	<u>154,282</u>	<u>159,115</u>

Note:

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

	Unaudited 30 June 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%

Following the IBOR benchmark reform, the notes payable the Group held as at 30 June 2023 which referenced to USD LIBOR had been transitioned to Term SOFR-referenced in July 2023.

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

17 Subsequent events

Except as disclosed in Note 3(d), there were no other material subsequent events during the period from 1 July 2023 to the approval date of the Interim Financial Information.

OTHER INFORMATION

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

During the six months ended 30 June 2023, the Company repurchased a total of 48,346,500 shares on the Stock Exchange for an aggregate consideration of approximately HKD16.9 billion before expenses. The repurchased shares were subsequently cancelled. The repurchase was effected for the enhancement of shareholder value in the long term. Details of the shares repurchased are as follows:

Month of purchase in the six months ended 30 June 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	2,873,963,974.54
March	4,620,000	393.80	362.80	1,755,093,825.00
April	4,640,000	390.80	354.40	1,759,793,152.00
May	7,740,000	345.40	306.00	2,514,634,060.00
June	23,493,400	361.00	311.40	7,971,702,166.14
Total	<u>48,346,500</u>			<u>16,875,187,177.68</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 six months ended 30 June 2023.

Employee and Remuneration Policies

As at 30 June 2023, the Group had 104,503 employees (30 June 2022: 110,715). The number of employees employed by the Group varies from time to time depending on needs and employees are remunerated based on industry practice.

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

The total remuneration cost incurred by the Group for the six months ended 30 June 2023 was RMB54,069 million (for the six months ended 30 June 2022: RMB56,779 million).

Audit Committee

The Audit Committee, together with the Auditor, has reviewed the Group's unaudited Interim Financial Information for the three and six months ended 30 June 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

Code provision B.2.2 of the CG Code provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to the Articles of Association, one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation, provided that the chairman of the Board shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. In compliance with the provisions in the Articles of Association, Messrs Lau Chi Ping Martin and Jacobus Petrus (Koos) Bekker retired at the 2023 AGM and Mr Jacobus Petrus (Koos) Bekker was re-elected whilst Mr Lau Chi Ping Martin did not offer himself for re-election. Professor Zhang Xiulan, who was appointed as director of the Company with effect from 18 August 2022, was re-elected at the 2023 AGM pursuant to Article 86(3) of the Articles of Association. As the re-election of Mr Charles St Leger Searle and Professor Ke Yang, who were re-elected in 2020, was not considered at the 2023 AGM, there is a deviation from code provision B.2.2 of the CG Code. Considering that the re-election of Mr Charles St Leger Searle and Professor Ke Yang will be considered at the subsequent annual general meeting, the Board believes that such deviation from code provision B.2.2 of the CG Code does not have a material impact on the operation of the Company as a whole.

Save as disclosed above and those disclosed in the corporate governance report in the 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 30 June 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 extend my heartfelt gratitude to our entire staff and management team for their tremendous contribution and dedication to the Group which enable us to achieve robust and sustainable performance amid continuing challenges. I would also like to express our sincere appreciation to our shareholders and stakeholders for their continued trust and confidence in the Company.

We remain committed to our guiding principle of “Value for Users, Tech for Good” and will persist to create long-term value for our shareholders. We will also continue our efforts to promote technological innovation and contribute to the sustainable development of society.

By Order of the Board
Ma Huateng
Chairman

Hong Kong, 16 August 2023

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

Executive Director:

Ma Huateng;

Non-Executive Directors:

Jacobus Petrus (Koos) 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 held on 17 May 2023
“2023 Share Award Scheme”	the share award scheme adopted by the Company on 17 May 2023, as amended from time to time
“2023 Share Option Scheme”	the share option scheme adopted by the Company on 17 May 2023, as amended from time to time
“AI”	artificial intelligence
“Articles of Association”	the third amended and restated articles of association of the Company adopted by special resolution passed on 18 May 2022
“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
“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
“IBOR”	InterBank Offered Rate
“IFRS”	International Financial Reporting Standards

“Interim Financial Information”	the condensed consolidated interim financial statements for the six months ended 30 June 2023
“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 were to be distributed pursuant to the Distribution in Specie
“PBOC”	People’s Bank of China
“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
“SOFR”	Secured Overnight Financing Rate
“SSV & CPP”	Sustainable Social Value and Common Prosperity Programmes
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenpay”	Tenpay Payment Technology Co., Ltd., a member of the Group operating in the Mainland of China and engaging in the provision of payment services
“Term SOFR”	the term SOFR reference rate administered by CME Group Benchmark Administration Limited for the relevant period published by CME Group Benchmark Administration Limited
“TIBOR”	Tokyo InterBank Offered Rate
“TME”	Tencent Music Entertainment Group, a non wholly-owned subsidiary of the Company which is incorporated in the Cayman Islands with limited liability and the shares of which are listed on the New York Stock Exchange and the Stock Exchange
“United States”	the United States of America
“USD”	the lawful currency of the United States
“VAS”	value-added services