

	Unaudited		
	Nine months ended		
	30 September	30 September	Year-
	2023	2022	on-year
	(RMB in millions, unless specified)		
			change
Revenues	453,819	409,598	11%
Gross profit	215,545	176,924	22%
Operating profit	129,204	118,877	9%
Profit for the period	90,198	81,805	10%
Profit attributable to equity holders of the Company	88,191	81,975	8%
EPS (RMB per share)			
– basic	9.312	8.595	8%
– diluted	9.075	8.398	8%
Non-IFRS operating profit	153,994	114,112	35%
Non-IFRS profit attributable to equity holders of the Company	115,007	85,938	34%
Non-IFRS EPS (RMB per share)			
– basic	12.143	9.010	35%
– diluted	11.880	8.796	35%

OPERATING INFORMATION

	As at 30 September 2023	As at 30 September 2022	Year- on-year change	As at 30 June 2023	Quarter- on-quarter change
Combined MAU of Weixin and WeChat	1,336	1,309	2%	1,327	0.7%
Mobile device MAU of QQ	558	574	-3%	571	-2%
Fee-based VAS registered subscriptions	245	229	7%	241	2%

BUSINESS REVIEW AND SELECTED PRODUCT HIGHLIGHTS

During the third quarter of 2023, we achieved solid and high quality revenue growth, notable margin expansion, and structural operating leverage. Relatively new services such as Video Accounts and Mini Games contributed high margin revenue streams while we re-focused away from less-scalable activities. We are increasing investment in our AI models, providing new features to our products and enhancing our targeting capabilities for both content and advertising. We aspire to position our leading AI capability not only as a growth multiplier for ourselves, but also as a value provider to our enterprise customers, and the society at large. Below are some highlights from our key products and services during the reporting period:

- At Weixin, Video Accounts' total video views climbed over 50% year-on-year, supported by a thriving creator community and growing user mindshare. Original content video views increased rapidly and now contribute the large majority of Video Accounts' total video views.
- At QQ, we are adding capabilities to QQ Channels, which enable users with shared hobbies, activities or memberships to operate interest-based communities, utilising software tools such as voice chat and event management.
- Video subscriptions declined 3% year-on-year, but grew 1% quarter-on-quarter, to 117 million.
- Music subscriptions rose 21% year-on-year to 103 million, while ARPU increased 17% year-on-year.

- The 19th Asian Games included esports as a medal event for the first time, and we are the publisher for four out of the seven selected game titles.
- Recent domestic game launches included PC tactical first person game VALORANT, mobile hero first person game Hyper Legends, and mobile MMORPG MapleStory: The Legends of Maple. Recent international game launches included mobile extraction shooter Arena Breakout.
- Weixin's closed-loop advertising revenue (derived from advertisements linking to the landing pages of Weixin Mini Programs, Video Accounts, Official Accounts and WeCom) increased over 30% year-on-year and contributed over half of Weixin advertising revenue.
- Video Accounts advertising revenue grew notably quarter-on-quarter, driven by increases in video views and user time spent, while ad load percentage remained stable.
- We expanded our advertising AI models with more parameters to increase targeting and attribution accuracy. We also started to provide generative AI tools to advertiser partners, enabling them to dynamically generate advertising visuals based on text prompts, and to optimise advertisement sizes for different inventories.
- We are upgrading our proprietary foundation model, Tencent Hunyuan, and deploying it for in-house products, as well as making it available to enterprise customers.

MANAGEMENT DISCUSSION AND ANALYSIS

Third Quarter of 2023 Compared to Third Quarter of 2022

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

	Unaudited	
	Three months ended	
	30 September	30 September
	2023	2022
	(RMB in millions)	
Revenues	154,625	140,093
Cost of revenues	(78,102)	(78,110)
Gross profit	76,523	61,983
Interest income	3,509	2,328
Other gains/(losses), net	2,644	20,886
Selling and marketing expenses	(7,912)	(7,124)
General and administrative expenses	(26,289)	(26,480)
Operating profit	48,475	51,593
Finance costs	(2,784)	(1,950)
Share of profit/(loss) of associates and joint ventures, net	2,098	(3,697)
Profit before income tax	47,789	45,946
Income tax expense	(11,008)	(7,104)
Profit for the period	36,781	38,842
Attributable to:		
Equity holders of the Company	36,182	39,943
Non-controlling interests	599	(1,101)
	36,781	38,842
Non-IFRS operating profit	55,483	40,907
Non-IFRS profit attributable to equity holders of the Company	44,921	32,254

Revenues. Revenues increased by 10% to RMB154.6 billion for the third quarter of 2023 on a year-on-year basis. The following table sets forth our revenues by line of business for the third quarter of 2023 and the third quarter of 2022:

	Unaudited			
	Three months ended			
	30 September 2023		30 September 2022	
	Amount	% of total revenues	Amount	% of total revenues
(RMB in millions, unless specified)				
VAS	75,748	49%	72,727	52%
Online Advertising	25,721	16%	21,443	15%
FinTech and Business Services	52,048	34%	44,844	32%
Others	1,108	1%	1,079	1%
Total revenues	<u>154,625</u>	<u>100%</u>	<u>140,093</u>	<u>100%</u>

- Revenues from VAS increased by 4% to RMB75.7 billion for the third quarter of 2023 on a year-on-year basis. International Games revenues increased by 14% to RMB13.3 billion, or up 7% excluding the impact of currency movements. By title, we saw a revenue recovery for PUBG Mobile, alongside healthy revenue contributions from Goddess of Victory: NIKKE, VALORANT, and Triple Match 3D, versus decreased revenue from Tower of Fantasy, attributable to a tough comparison against its launch quarter in the same period last year. Domestic Games revenues grew by 5% to RMB32.7 billion, driven by the recent launches of Lost Ark and VALORANT, as well as increased revenues from evergreen titles such as Honour of Kings and DnF. Social Networks revenues were broadly stable at RMB29.7 billion, supported by revenue growth from music subscriptions, Mini Games platform service fees, and app-based game virtual item sales, offset by revenue declines from music-related and games-related live streaming services.
- Revenues from Online Advertising were RMB25.7 billion for the third quarter of 2023, up 20% year-on-year, propelled by robust advertising demand for Video Accounts, our mobile ad network, and Weixin Search, with notable growth in the local services and FMCG categories.

- Revenues from FinTech and Business Services increased by 16% year-on-year to RMB52 billion for the third quarter of 2023. FinTech Services maintained double-digit year-on-year growth, driven by increased commercial payment activities and higher revenues from wealth management services. Business Services achieved a faster year-on-year growth rate compared to the second quarter of 2023, benefitting from our cloud services restructuring undertaken in prior periods, as well as higher eCommerce technology service fees within Video Accounts.

Cost of revenues. Cost of revenues for the third quarter of 2023 were RMB78.1 billion, largely stable year-on-year. Growth in revenues and stability in cost of revenues resulted in cost of revenues as a percentage of total revenues declining to 51%, from 56% in the same period last year. This decline was due to our structural mix shift toward higher-margin revenue streams, including Mini Games platform service fees, as well as newer services such as Video Accounts advertising and eCommerce technology service fees, and away from lower-margin revenue streams, notably music-related and games-related live streaming services. Our cost efficiency initiatives also contributed to this positive margin outcome. Transaction costs, and channel and distribution costs increased, while bandwidth and server costs, and content costs decreased, due to ongoing cost discipline. The following table sets forth our cost of revenues by line of business for the third quarter of 2023 and the third quarter of 2022:

	Unaudited			
	Three months ended			
	30 September 2023		30 September 2022	
	Amount	% of segment revenues	Amount	% of segment revenues
	(RMB in millions, unless specified)			
VAS	33,703	44%	35,139	48%
Online Advertising	12,274	48%	11,506	54%
FinTech and Business Services	30,738	59%	29,902	67%
Others	1,387	125%	1,563	145%
Total cost of revenues	<u>78,102</u>		<u>78,110</u>	

- Cost of revenues for VAS decreased by 4% year-on-year to RMB33.7 billion for the third quarter of 2023, primarily due to reduced costs associated with music-related and games-related live streaming services, as well as to our cost optimisation measures implemented in long-form video content production and procurement.
- Cost of revenues for Online Advertising increased by 7% year-on-year to RMB12.3 billion for the third quarter of 2023, driven by higher channel and distribution costs attributed to the growth of our mobile ad network.

- Cost of revenues for FinTech and Business Services increased by 3% year-on-year to RMB30.7 billion for the third quarter of 2023, reflecting higher transaction costs associated with increased commercial payment activities, partly offset by reduced bandwidth and server costs for Business Services as a result of our cost management and efficiency enhancement efforts.

Other gains/(losses), net. We recorded net other gains of RMB2.6 billion for the third quarter of 2023, including subsidies and tax rebates, and net gains from revaluation and disposals/deemed disposals of certain investee companies.

Selling and marketing expenses. Selling and marketing expenses increased by 11% to RMB7.9 billion for the third quarter of 2023 on a year-on-year basis, reflecting our increased promotion and advertising efforts on games and long-form video content. As a percentage of revenues, selling and marketing expenses remained broadly stable at 5% compared to the same period in 2022.

General and administrative expenses. General and administrative expenses amounted to RMB26.3 billion for the third quarter of 2023, broadly stable on a year-on-year basis.

Finance costs. Finance costs increased by 43% year-on-year to RMB2.8 billion for the third quarter of 2023, mainly due to a decrease in foreign exchange gains recognised this quarter, and, to a lesser extent, higher interest expenses.

Share of profit/(loss) of associates and joint ventures, net. We recorded share of profits of associates and joint ventures of RMB2.1 billion for the third quarter of 2023, compared to share of losses of RMB3.7 billion for the third quarter of 2022. Non-IFRS share of profits of associates and joint ventures improved to RMB4.8 billion for the third quarter of 2023 from RMB2.4 billion for the third quarter of 2022, reflecting better profitability among certain associates, attributed to their revenue growth and efficiency improvements, and to a notably successful game release by an overseas game studio investee.

Income tax expense. Income tax expense rose by 55% year-on-year to RMB11 billion for the third quarter of 2023, driven by pre-tax profit growth as well as an increased provision for withholding tax.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company decreased by 9% to RMB36.2 billion for the third quarter of 2023 on a year-on-year basis. Non-IFRS profit attributable to equity holders of the Company increased by 39% to RMB44.9 billion for the third quarter of 2023.

Third Quarter of 2023 Compared to Second Quarter of 2023

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

	Unaudited	
	Three months ended	
	30 September	30 June
	2023	2023
	(RMB in millions)	
Revenues	154,625	149,208
Cost of revenues	(78,102)	(78,368)
Gross profit	76,523	70,840
Interest income	3,509	3,419
Other gains/(losses), net	2,644	(230)
Selling and marketing expenses	(7,912)	(8,310)
General and administrative expenses	(26,289)	(25,419)
Operating profit	48,475	40,300
Finance costs	(2,784)	(3,291)
Share of profit/(loss) of associates and joint ventures, net	2,098	1,159
Profit before income tax	47,789	38,168
Income tax expense	(11,008)	(11,145)
Profit for the period	36,781	27,023
Attributable to:		
Equity holders of the Company	36,182	26,171
Non-controlling interests	599	852
	36,781	27,023
Non-IFRS operating profit	55,483	50,122
Non-IFRS profit attributable to equity holders of the Company	44,921	37,548

Revenues. Revenues increased by 4% to RMB154.6 billion for the third quarter of 2023 on a quarter-on-quarter basis.

- Revenues from VAS increased by 2% to RMB75.7 billion. International Games revenues were RMB13.3 billion, up 5% quarter-on-quarter, primarily driven by higher revenue from PUBG Mobile. Domestic Games revenues increased by 3% to RMB32.7 billion due to the recent launches of Lost Ark, VALORANT, and MapleStory: The Legends of Maple. Social Networks revenues were stable at RMB29.7 billion, reflecting revenue growth from long-form video and music subscriptions, app-based game virtual item sales and Mini Games platform service fees, offset by revenue declines from music-related and games-related live streaming services.
- Revenues from Online Advertising increased by 3% to RMB25.7 billion, driven by robust advertising demand for Video Accounts and long-form video content, offsetting negative seasonality for eCommerce advertising spending during the third quarter.
- Revenues from FinTech and Business Services rose by 7% quarter-on-quarter to RMB52 billion, attributed to growth in both commercial payment activities and Video Accounts eCommerce technology service fees.

Cost of revenues. Cost of revenues were RMB78.1 billion for the third quarter of 2023, broadly stable on a quarter-on-quarter basis, reflecting higher FinTech transaction costs offset by lower content costs. As a percentage of revenues, cost of revenues decreased to 51% in the third quarter of 2023 from 53% in the second quarter of 2023.

- Cost of revenues for VAS decreased by 1% to RMB33.7 billion, attributed to reduced costs associated with music-related and games-related live streaming services.
- Cost of revenues for Online Advertising decreased by 4% to RMB12.3 billion due to our long-form video content cost optimisation.
- Cost of revenues for FinTech and Business Services increased by 3% to RMB30.7 billion, driven by costs associated with increased commercial payment activities.

Selling and marketing expenses. Selling and marketing expenses decreased by 5% to RMB7.9 billion for the third quarter of 2023 on a quarter-on-quarter basis, mainly due to lower promotion and advertising expenses.

General and administrative expenses. General and administrative expenses increased by 3% to RMB26.3 billion for the third 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 RMB2.1 billion for the third quarter of 2023, compared to share of profits of RMB1.2 billion for the second quarter of 2023. Non-IFRS share of profits of associates and joint ventures was RMB4.8 billion for the third quarter of 2023, compared to non-IFRS share of profits of RMB3.9 billion for the second quarter of 2023. The sequential improvement was due to better profitability among certain domestic associates, and to a notably successful game release by an overseas game studio investee.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 38% to RMB36.2 billion for the third quarter of 2023 on a quarter-on-quarter basis. Non-IFRS profit attributable to equity holders of the Company increased by 20% to RMB44.9 billion for the third quarter of 2023.

Other Financial Information

	Unaudited			Unaudited	
	Three months ended			Nine months ended	
	30 September	30 June	30 September	30 September	30 September
	2023	2023	2022	2023	2022
	(RMB in millions, unless specified)				
EBITDA (a)	55,824	51,918	43,124	160,398	120,035
Adjusted EBITDA (a)	61,301	56,848	48,610	175,960	139,380
Adjusted EBITDA margin (b)	40%	38%	35%	39%	34%
Interest and related expenses	3,061	3,009	2,729	8,870	7,159
Net cash/(debt) (c)	36,431	17,717	(27,271)	36,431	(27,271)
Capital expenditures (d)	8,005	3,953	2,377	16,369	12,363

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 long-form video and music content, game licences and other content).

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

	Unaudited			Unaudited	
	Three months ended			Nine months ended	
	30 September	30 June	30 September	30 September	30 September
	2023	2023	2022	2023	2022
	(RMB in millions, unless specified)				
Operating profit	48,475	40,300	51,593	129,204	118,877
Adjustments:					
Interest income	(3,509)	(3,419)	(2,328)	(9,891)	(6,010)
Other (gains)/losses, net	(2,644)	230	(20,886)	(3,358)	(38,439)
Depreciation of property, plant and equipment and investment properties	4,810	4,908	5,289	14,791	16,564
Depreciation of right-of-use assets	1,550	1,704	1,693	4,853	5,002
Amortisation of intangible assets and land use rights	7,142	8,195	7,763	24,799	24,041
EBITDA	55,824	51,918	43,124	160,398	120,035
Equity-settled share-based compensation	5,477	4,930	5,486	15,562	19,345
Adjusted EBITDA	61,301	56,848	48,610	175,960	139,380

Non-IFRS Financial Measures

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

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

The following tables set forth the reconciliations of the Group's non-IFRS financial measures for the third quarter of 2023 and 2022, the second quarter of 2023, as well as the first nine months of 2023 and 2022 to the nearest measures prepared in accordance with IFRS:

Unaudited three months ended 30 September 2023								
Adjustments								
	As reported	Share-based compensation	Net (gains)/ losses from investee companies	Amortisation of intangible assets	Impairment provisions/ (reversals)	SSV & CPP	Income tax effects	Non-IFRS
	(a)	(b)	(c)	(d)	(e)	(g)		
(RMB in millions, unless specified)								
Operating profit	48,475	5,655	(703)	1,434	321	301	-	55,483
Profit for the period	36,781	6,948	(565)	2,666	346	301	(640)	45,837
Profit attributable to equity holders	36,182	6,833	(583)	2,458	309	301	(579)	44,921
EPS (RMB per share)								
- basic	3.828							4.753
- diluted	3.752							4.657
Operating margin	31%							36%
Net margin	24%							30%

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 30 September 2022

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

Unaudited nine months ended 30 September 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	129,204	17,050	(1,567)	3,455	644	2,196	3,012	–	153,994
Profit for the period	90,198	21,120	(6,076)	7,309	2,418	2,196	3,011	(2,275)	117,901
Profit attributable to equity holders	88,191	20,588	(5,969)	6,743	2,354	2,196	3,011	(2,107)	115,007
EPS (RMB per share)									
– basic	9.312								12.143
– diluted	9.075								11.880
Operating margin	28%								34%
Net margin	20%								26%

	Adjustments								Non-IFRS
	As reported	Share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/ (reversals) (d)	SSV & CPP (e)	Others (f)	Income tax effects (g)	
	(RMB in millions, unless specified)								
Operating profit	118,877	20,568	(56,439)	3,956	22,796	4,163	191	–	114,112
Profit for the period	81,805	26,094	(56,743)	9,217	24,304	4,163	1,919	(2,122)	88,637
Profit attributable to equity holders	81,975	25,527	(56,912)	8,460	22,633	4,163	1,919	(1,827)	85,938
EPS (RMB per share)									
– basic	8.595								9.010
– diluted	8.398								8.796
Operating margin	29%								28%
Net margin	20%								22%

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 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 30 September 2023 and 30 June 2023 were as follows:

	Unaudited 30 September 2023	Unaudited 30 June 2023
	(RMB in millions)	
Cash and cash equivalents	146,476	139,647
Term deposits and others	240,975	232,185
	387,451	371,832
Borrowings	(197,702)	(199,833)
Notes payable	(153,318)	(154,282)
Net cash	36,431	17,717

As at 30 September 2023, the Group had net cash of RMB36.4 billion, compared to net cash of RMB17.7 billion as at 30 June 2023. The sequential improvement was primarily driven by strong free cash flow generation, partly offset by cash used for share repurchases and net cash outflows related to strategic investments.

For the third quarter of 2023, the Group generated free cash flow of RMB51.1 billion. This was a result of net cash flow generated from operating activities of RMB65 billion, partly offset by payments for capital expenditures of RMB5.8 billion, payments for media content of RMB6.3 billion, and payments for lease liabilities of RMB1.8 billion.

As at 30 September 2023, the fair value of our shareholdings¹ in listed investee companies (excluding subsidiaries) was RMB464.4 billion, and the carrying book value of our unlisted investments was RMB347.2 billion.

¹ Including those held via special purpose vehicles, on an attributable basis.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2023

	Note	Unaudited		Unaudited	
		Three months ended 30 September		Nine months ended 30 September	
		2023	2022	2023	2022
		RMB'Million	RMB'Million	RMB'Million	RMB'Million
Revenues					
Value-added Services		75,748	72,727	229,296	217,148
Online Advertising		25,721	21,443	71,688	58,069
FinTech and Business Services		52,048	44,844	149,384	129,820
Others		1,108	1,079	3,451	4,561
	2	<u>154,625</u>	140,093	<u>453,819</u>	409,598
Cost of revenues	4	<u>(78,102)</u>	(78,110)	<u>(238,274)</u>	(232,674)
Gross profit		76,523	61,983	215,545	176,924
Interest income		3,509	2,328	9,891	6,010
Other gains/(losses), net	3	2,644	20,886	3,358	38,439
Selling and marketing expenses	4	(7,912)	(7,124)	(23,240)	(23,114)
General and administrative expenses	4	(26,289)	(26,480)	(76,350)	(79,382)
Operating profit		48,475	51,593	129,204	118,877
Finance costs		(2,784)	(1,950)	(8,725)	(5,694)
Share of profit/(loss) of associates and joint ventures, net	5	2,098	(3,697)	3,337	(14,437)
Profit before income tax		47,789	45,946	123,816	98,746
Income tax expense	6	(11,008)	(7,104)	(33,618)	(16,941)
Profit for the period		<u>36,781</u>	<u>38,842</u>	<u>90,198</u>	<u>81,805</u>
Attributable to:					
Equity holders of the Company		36,182	39,943	88,191	81,975
Non-controlling interests		599	(1,101)	2,007	(170)
		<u>36,781</u>	<u>38,842</u>	<u>90,198</u>	<u>81,805</u>
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)					
– basic	7(a)	<u>3.828</u>	4.187	<u>9.312</u>	8.595
– diluted	7(b)	<u>3.752</u>	4.104	<u>9.075</u>	8.398

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2023**

	Unaudited		Unaudited	
	Three months ended 30 September		Nine months ended 30 September	
	2023	2022	2023	2022
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Profit for the period	36,781	38,842	90,198	81,805
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	278	948	40	1,190
Transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	–	42	(9)	28
Transfer to profit or loss upon disposal of financial assets at fair value through other comprehensive income	1	–	(1)	2
Net (losses)/gains from changes in fair value of financial assets at fair value through other comprehensive income	(3)	(8)	36	(32)
Currency translation differences	(7,303)	5,809	9,057	8,337
Other fair value (losses)/gains, net	(897)	1,830	(2,017)	5,912
<i>Items that will not be subsequently reclassified to profit or loss</i>				
Share of other comprehensive income of associates and joint ventures	564	503	(333)	311
Loss from changes in fair value of assets held for distribution	–	–	(29,991)	(17,130)
Net losses from changes in fair value of financial assets at fair value through other comprehensive income	(25,417)	(26,433)	(11,728)	(146,864)
Currency translation differences	(720)	2,245	(824)	4,322
	(33,497)	(15,064)	(35,770)	(143,924)
Total comprehensive income for the period	3,284	23,778	54,428	(62,119)
Attributable to:				
Equity holders of the Company	3,526	24,826	51,554	(59,534)
Non-controlling interests	(242)	(1,048)	2,874	(2,585)
	3,284	23,778	54,428	(62,119)

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

		Unaudited	Audited
		30 September	31 December
		2023	2022
	Note	RMB' Million	RMB' Million
ASSETS			
Non-current assets			
Property, plant and equipment		51,173	53,978
Land use rights		17,504	18,046
Right-of-use assets		19,174	22,524
Construction in progress		13,486	9,229
Investment properties		563	559
Intangible assets		175,919	161,802
Investments in associates	9	252,715	246,043
Investments in joint ventures		8,092	6,672
Financial assets at fair value through profit or loss	10	217,559	206,085
Financial assets at fair value through other comprehensive income	11	187,163	185,247
Prepayments, deposits and other assets		28,489	36,752
Other financial assets		3,107	6,987
Deferred income tax assets		29,848	29,882
Term deposits		30,440	28,336
		1,035,232	1,012,142
Current assets			
Inventories		1,676	2,333
Accounts receivable	12	47,327	45,467
Prepayments, deposits and other assets		91,298	76,685
Other financial assets		6,145	1,278
Financial assets at fair value through profit or loss	10	24,331	27,963
Term deposits		185,543	104,776
Restricted cash		3,205	2,783
Cash and cash equivalents		146,476	156,739
Assets held for distribution		–	147,965
		506,001	565,989
Total assets		1,541,233	1,578,131

		Unaudited	Audited
		30 September	31 December
		2023	2022
	Note	RMB' Million	RMB' Million
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		–	–
Share premium		46,557	62,418
Treasury shares		(2,235)	(1,868)
Shares held for share award schemes		(5,351)	(4,226)
Other reserves		(57,925)	(40,914)
Retained earnings		787,468	705,981
		<u>768,514</u>	<u>721,391</u>
Non-controlling interests		<u>62,431</u>	<u>61,469</u>
Total equity		<u>830,945</u>	<u>782,860</u>
LIABILITIES			
Non-current liabilities			
Borrowings	15	151,544	163,668
Notes payable	16	138,965	148,669
Long-term payables		12,457	9,067
Other financial liabilities		8,896	5,574
Deferred income tax liabilities		16,524	12,162
Lease liabilities		16,198	18,424
Deferred revenue		3,360	3,503
		<u>347,944</u>	<u>361,067</u>
Current liabilities			
Accounts payable	14	111,921	92,381
Other payables and accruals		68,120	61,139
Borrowings	15	46,158	11,580
Notes payable	16	14,353	10,446
Current income tax liabilities		16,901	13,488
Other tax liabilities		5,543	4,698
Other financial liabilities		4,823	3,937
Lease liabilities		5,711	6,354
Deferred revenue		88,814	82,216
Dividends payable for distribution in specie	8(b)	–	147,965
		<u>362,344</u>	<u>434,204</u>
Total liabilities		<u>710,288</u>	<u>795,271</u>
Total equity and liabilities		<u>1,541,233</u>	<u>1,578,131</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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	-	-	-	-	-	88,191	88,191	2,007	90,198
Other comprehensive income, net of tax:									
- share of other comprehensive income of associates and joint ventures	-	-	-	-	(262)	-	(262)	(31)	(293)
- 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 (losses)/gains from changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	(12,715)	-	(12,715)	1,023	(11,692)
- transfer to profit or loss upon disposal of financial assets at fair value through other comprehensive income	-	-	-	-	(1)	-	(1)	-	(1)
- currency translation differences	-	-	-	-	8,324	-	8,324	(91)	8,233
- other fair value losses, net	-	-	-	-	(1,983)	-	(1,983)	(34)	(2,017)
Total comprehensive income for the period	-	-	-	-	(36,637)	88,191	51,554	2,874	54,428
Transfer of losses on disposal and deemed disposal of financial instruments to retained earnings	-	-	-	-	18,069	(18,114)	(45)	-	(45)
Transfer of share of other comprehensive income to retained earnings upon disposal and deemed disposal of associates and joint ventures	-	-	-	-	65	(65)	-	-	-
Share of other changes in net assets of associates and joint ventures	-	-	-	-	3,832	-	3,832	-	3,832
Transfer of share of other changes in net assets of associates and joint ventures to profit or loss upon disposal and deemed disposal	-	-	-	-	(118)	-	(118)	-	(118)
Transactions with equity holders									
Capital injections/reductions	-	-	-	-	-	-	-	(17)	(17)
Employee share option schemes:									
- value of employee services	-	1,221	-	-	61	-	1,282	54	1,336
- proceeds from shares issued	-	954	-	-	-	-	954	-	954
Employee share award schemes:									
- value of employee services	-	12,779	-	-	1,198	-	13,977	252	14,229
- shares purchased/withheld for share award scheme	-	-	-	(4,203)	-	-	(4,203)	-	(4,203)
- vesting of awarded shares	-	(1,895)	-	1,895	-	-	-	-	-
Profit appropriations to statutory reserves	-	-	-	-	108	(108)	-	-	-
Repurchase and cancellation of shares	-	(28,892)	1,868	-	-	-	(27,024)	-	(27,024)
Repurchase of shares (to be cancelled)	-	-	(2,235)	-	-	-	(2,235)	-	(2,235)
Cash dividends	-	-	-	-	-	(20,586)	(20,586)	(466)	(21,052)
Dividends under distribution in specie	-	-	-	-	-	32,169	32,169	-	32,169
Non-controlling interests arising from business combinations	-	-	-	-	-	-	-	3,413	3,413
Acquisition of additional equity interests in non wholly-owned subsidiaries	-	-	-	-	1,342	-	1,342	(3,944)	(2,602)
Dilution of interests in subsidiaries	-	-	-	-	(281)	-	(281)	329	48
Disposal of subsidiaries	-	-	-	-	-	-	-	(101)	(101)
Changes in put option liabilities in respect of non-controlling interests	-	-	-	-	(136)	-	(136)	49	(87)
Recognition of put option liabilities arising from business combinations	-	-	-	-	(4,628)	-	(4,628)	-	(4,628)
Transfer of equity interests of subsidiaries to non-controlling interests	-	(28)	-	1,183	114	-	1,269	(1,481)	(212)
Total transactions with equity holders in their capacity as equity holders for the period	-	(15,861)	(367)	(1,125)	(2,222)	11,475	(8,100)	(1,912)	(10,012)
Balance at 30 September 2023	-	46,557	(2,235)	(5,351)	(57,925)	787,468	768,514	62,431	830,945

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023**

	Unaudited	
	Nine months ended	
	30 September	
	2023	2022
	RMB'Million	RMB'Million
Net cash flows generated from operating activities	168,008	110,488
Net cash flows used in investing activities	(117,157)	(86,533)
Net cash flows used in financing activities	(62,806)	(39,281)
Net decrease in cash and cash equivalents	(11,955)	(15,326)
Cash and cash equivalents at beginning of the period	156,739	167,966
Exchange gains on cash and cash equivalents	1,692	7,537
Cash and cash equivalents at end of the period	146,476	160,177

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 Auditor.

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. In addition, the Group has applied the temporary exception provided in the Amendments to IAS 12 “International Tax Reform - Pillar Two Model Rules”.

Except for Amendments to IAS 12, the adoption of these new and amended standards does not have significant impact on the Interim Financial Information.

2 Segment information and revenues

The Group has the following reportable segments for the three and nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2023 and 2022 is as follows:

	Unaudited Three months ended 30 September 2023				
	VAS RMB'Million	Online Advertising RMB'Million	FinTech and Business Services RMB'Million	Others RMB'Million	Total RMB'Million
Segment revenues	75,748	25,721	52,048	1,108	154,625
Gross profit/(loss)	42,045	13,447	21,310	(279)	76,523
Cost of revenues					
Depreciation	1,220	1,446	2,116	4	4,786
Amortisation	4,340	1,722	38	415	6,515
	Unaudited Three months ended 30 September 2022				
	VAS RMB'Million	Online Advertising RMB'Million	FinTech and Business Services RMB'Million	Others RMB'Million	Total RMB'Million
Segment revenues	72,727	21,443	44,844	1,079	140,093
Gross profit/(loss)	37,588	9,937	14,942	(484)	61,983
Cost of revenues					
Depreciation	1,530	1,643	2,237	2	5,412
Amortisation	4,887	1,600	57	351	6,895

	Unaudited Nine months ended 30 September 2023				
	FinTech and				
	VAS	Online	Business	Others	Total
	RMB'Million	Advertising	Services	RMB'Million	RMB'Million
		RMB'Million	RMB'Million		
Segment revenues	<u>229,296</u>	<u>71,688</u>	<u>149,384</u>	<u>3,451</u>	<u>453,819</u>
Gross profit/(loss)	<u>124,829</u>	<u>34,422</u>	<u>56,776</u>	<u>(482)</u>	<u>215,545</u>
Cost of revenues					
Depreciation	3,966	4,404	6,657	37	15,064
Amortisation	<u>14,837</u>	<u>6,967</u>	<u>120</u>	<u>1,113</u>	<u>23,037</u>

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

3 Other gains/(losses), net

	Unaudited		Unaudited	
	Three months ended 30 September		Nine months ended 30 September	
	2023	2022	2023	2022
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Net fair value gains/(losses) on FVPL ((a) and Note 10)	2,258	(9,867)	(754)	(8,790)
Net gains on disposals and deemed disposals of investee companies (b)	808	42,327	3,929	66,190
Net fair value (losses)/gains on other financial instruments (c)	(2,118)	82	(877)	(576)
Impairment provisions for investments in associates (Note 9(c))	(321)	(7,382)	(1,396)	(17,125)
Impairment (provisions)/reversals for investments in joint ventures and others	-	(1,686)	752	(1,777)
Impairment provisions for goodwill and other intangible assets arising from acquisitions	-	(3,894)	-	(3,894)
Tenpay-related fine (d)	-	-	(2,995)	-
Subsidies and tax rebates	2,546	3,051	8,140	8,861
Dividend income	54	45	481	790
Donations (e)	(151)	(1,300)	(1,751)	(3,838)
Others	(432)	(490)	(2,171)	(1,402)
	<u>2,644</u>	<u>20,886</u>	<u>3,358</u>	<u>38,439</u>

Note:

- (a) During the three and nine months ended 30 September 2023, the net fair value gains/(losses) on FVPL mainly comprised net gains of approximately RMB2,021 million and net losses of approximately RMB1,496 million as a result of changes in valuations of certain investee companies, respectively (three and nine months ended 30 September 2022: net losses of approximately RMB10,086 million and RMB9,193 million, respectively).
- (b) The net disposal and deemed disposal gains of approximately RMB3,929 million recognised during the nine months ended 30 September 2023 comprised the following:
- aggregate net gains of approximately RMB1,803 million (nine months ended 30 September 2022: RMB19,300 million) on disposals and partial disposals of investee companies of the Group;
 - aggregate net gains of approximately RMB3,331 million (nine months ended 30 September 2022: RMB44,086 million) on deemed disposals of investee companies of the Group; and
 - aggregate net losses of approximately RMB1,205 million (nine months ended 30 September 2022: net gains of approximately RMB2,774 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 eCommerce, media production and local services.

- (c) During the three and nine months ended 30 September 2023, the net fair value losses on other financial instruments mainly included net losses of approximately RMB2,126 million and RMB866 million, respectively, as a result of changes in valuations of investment-related financial instruments (three and nine months ended 30 September 2022: net gains of approximately RMB100 million and net losses of approximately RMB558 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 as at 30 June 2023 and paid during the three months ended 30 September 2023.
- (e) During the three and nine months ended 30 September 2023, donations mainly included approximately RMB70 million and RMB1,635 million for SSV & CPP of the Group, respectively (three and nine months ended 30 September 2022: RMB1,259 million and RMB3,763 million, respectively).

4 Expenses by nature

	Unaudited		Unaudited	
	Three months ended 30 September		Nine months ended 30 September	
	2023	2022	2023	2022
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Transaction costs (a)	34,711	32,404	100,543	93,279
Employee benefits expenses (b)	27,812	27,390	81,881	84,169
Content costs (excluding amortisation of intangible assets)	15,812	16,598	46,850	48,488
Amortisation of intangible assets (c)	7,122	7,743	24,739	23,984
Bandwidth and server custody fees (excluding depreciation of right-of-use assets)	6,123	7,368	17,979	22,750
Depreciation of property, plant and equipment, investment properties and right-of-use assets	6,360	6,982	19,644	21,566
Promotion and advertising expenses	4,981	4,596	14,816	15,225

Note:

- (a) Transaction costs primarily consist of bank handling fees, channel and distribution costs.
- (b) During the three and nine months ended 30 September 2023, the Group had incurred expenses for the purpose of R&D of approximately RMB16,454 million and RMB47,645 million, respectively (three and nine months ended 30 September 2022: RMB15,082 million and RMB45,475 million, respectively), which mainly comprised employee benefits expenses of approximately RMB13,667 million and RMB39,951 million, respectively (three and nine months ended 30 September 2022: RMB12,369 million and RMB37,627 million, respectively).

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

During the three and nine months ended 30 September 2023, employee benefits expenses included the share-based compensation expenses of approximately RMB5,655 million and RMB17,050 million, respectively (three and nine months ended 30 September 2022: RMB5,925 million and RMB20,568 million, respectively), which contained those incurred for employees related to SSV & CPP of approximately RMB12 million and RMB47 million, respectively (three and nine months ended 30 September 2022: RMB20 million and RMB54 million, respectively).

- (c) Amortisation charges of intangible assets are mainly in respect of media content including long-form video and music content, game licenses, and other content. During the three and nine months ended 30 September 2023, amortisation of media content was approximately RMB6,473 million and RMB22,864 million, respectively (three and nine months ended 30 September 2022: RMB6,753 million and RMB21,061 million, respectively).

During the three and nine months ended 30 September 2023, amortisation of intangible assets included the amortisation of intangible assets arising from acquisitions of approximately RMB1,434 million and RMB3,455 million, respectively (three and nine months ended 30 September 2022: RMB1,313 million and RMB3,956 million, respectively).

- (d) During the three and nine months ended 30 September 2023, expenses incurred related to SSV & CPP (excluding share-based compensation expenses) were approximately RMB231 million and RMB561 million, respectively (three and nine months ended 30 September 2022: RMB186 million and RMB400 million, respectively).
- (e) During the three and nine months ended 30 September 2023, except as disclosed in Note 3(d), non-recurring compliance-related costs and expenses incurred for certain litigation settlements in total were Nil and approximately RMB17 million, respectively, which were included in “General and administrative expenses” (three and nine months ended 30 September 2022: RMB10 million and RMB191 million, respectively, of which RMB3 million and RMB20 million were included in “Other gains/(losses), net”).

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

During the three and nine months ended 30 September 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 RMB25 million and RMB1,774 million (three and nine months ended 30 September 2022: RMB321 million and RMB1,508 million), amortisation of intangible assets arising from acquisitions of approximately RMB1,232 million and RMB3,854 million (three and nine months ended 30 September 2022: RMB1,752 million and RMB5,261 million), share-based compensation expenses of approximately RMB1,293 million and RMB4,070 million (three and nine months ended 30 September 2022: RMB2,095 million and RMB5,526 million), non-recurring compliance-related costs of Nil and net gains of approximately RMB1 million (three and nine months ended 30 September 2022: net losses of RMB1,728 million and RMB1,728 million) and other net (losses)/gains from investee companies of net losses of approximately RMB138 million and net gains of approximately RMB4,509 million (three and nine months ended 30 September 2022: net losses of RMB235 million and net gains of RMB304 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2023 and 2022. The general PRC CIT rate was 25% for the three and nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2023 and 2022 is analysed as follows:

	Unaudited		Unaudited	
	Three months ended 30 September 2023	2022	Three months ended 30 September 2023	2022
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Current income tax	7,752	4,787	25,820	17,514
Deferred income tax	3,256	2,317	7,798	(573)
	<u>11,008</u>	<u>7,104</u>	<u>33,618</u>	<u>16,941</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 September 2023	2022	Three months ended 30 September 2023	2022
Profit attributable to equity holders of the Company (RMB'Million)	<u>36,182</u>	<u>39,943</u>	<u>88,191</u>	<u>81,975</u>
Weighted average number of ordinary shares in issue (million shares)	<u>9,452</u>	<u>9,541</u>	<u>9,471</u>	<u>9,538</u>
Basic EPS (RMB per share)	<u>3.828</u>	<u>4.187</u>	<u>9.312</u>	<u>8.595</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-based awards 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		Unaudited	
	Three months ended 30 September		Nine months ended 30 September	
	2023	2022	2023	2022
Profit attributable to equity holders of the Company (RMB' Million)	36,182	39,943	88,191	81,975
Dilution effect arising from share-based awards granted by non wholly-owned subsidiaries and associates (RMB' Million)	(171)	(219)	(788)	(440)
Profit attributable to equity holders of the Company for the calculation of diluted EPS (RMB' Million)	36,011	39,724	87,403	81,535
Weighted average number of ordinary shares in issue (million shares)	9,452	9,541	9,471	9,538
Adjustments for share options and awarded shares (million shares)	145	137	161	171
Weighted average number of ordinary shares for the calculation of diluted EPS (million shares)	9,597	9,678	9,632	9,709
Diluted EPS (RMB per share)	3.752	4.104	9.075	8.398

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 nine months ended 30 September 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 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 nine months ended 30 September 2023 and 2022.

9 Investments in associates

	Unaudited 30 September 2023 RMB'Million	Audited 31 December 2022 RMB'Million
Investments in associates		
– Listed entities (Note)	132,778	125,535
– Unlisted entities	119,937	120,508
	252,715	246,043

Note:

As at 30 September 2023, the fair value of the investments in associates consisting of directly and indirectly held listed equity interests was approximately RMB291,790 million (31 December 2022: RMB264,090 million).

Movement of investments in associates is analysed as follows:

	Unaudited	
	Nine months ended 30 September	
	2023	2022
	RMB'Million	RMB'Million
At beginning of period	246,043	316,574
Additions (a)	6,301	10,530
Transfers (b)	1,461	(5,720)
Dilution (losses)/gains on deemed disposals (Note 3(b))	(1,205)	2,774
Share of profit/(loss) of associates, net	3,002	(14,617)
Share of other comprehensive income of associates	(300)	1,496
Share of other changes in net assets of associates	3,825	5,474
Dividends	(4,796)	(662)
Disposals	(2,210)	(2,030)
Impairment provisions ((c) and Note 3)	(1,396)	(17,125)
Currency translation differences	1,990	5,152
	<hr/>	<hr/>
At end of period	252,715	301,846
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (a) During the nine months ended 30 September 2023, the Group's additions mainly comprised new investments and additional investments in certain investee companies which are principally engaged in games development.
- (b) During the nine months ended 30 September 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 RMB2,293 million was transferred from investment in an associate to FVOCI due to resignation of the board representative in March 2023;
 - (ii) except as described above, investment in associates with an aggregate amount of approximately RMB4,716 million transferred from FVPL due to conversion of the redeemable instruments into ordinary shares upon their IPOs; and
 - (iii) investments in associates with an aggregate amount of approximately RMB1,317 million transferred to FVPL due to resignation of board representatives.
- (c) During the nine months ended 30 September 2023, an aggregate impairment loss of approximately RMB1,396 million (nine months ended 30 September 2022: RMB17,125 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 September 2023 RMB'Million	Audited 31 December 2022 RMB'Million
Included in non-current assets:		
Investments in listed entities	11,689	12,443
Investments in unlisted entities	200,124	187,502
Treasury investments and others	5,746	6,140
	217,559	206,085
Included in current assets:		
Investments in listed entities	1	2
Treasury investments and others	24,330	27,961
	24,331	27,963
	241,890	234,048

Movement of FVPL is analysed as follows:

	Unaudited Nine months ended 30 September	
	2023	2022
	RMB'Million	RMB'Million
At beginning of period	234,048	202,757
Additions and transfers (a)	40,283	33,898
Changes in fair value (Note 3)	(754)	(8,790)
Disposals and others	(36,948)	(18,006)
Currency translation differences	5,261	18,452
At end of period	241,890	228,311

Note:

- (a) During the nine months ended 30 September 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 RMB44,796 million in treasury investments, investee companies which are principally engaged in digital payment, games development, eCommerce, and others.

11 Financial assets at fair value through other comprehensive income

FVOCI include the following:

	Unaudited 30 September 2023 RMB'Million	Audited 31 December 2022 RMB'Million
Equity investments in listed entities	161,155	159,861
Equity investments in unlisted entities	24,028	22,838
Treasury investments	1,980	2,548
	187,163	185,247

Movement of FVOCI is analysed as follows:

	Unaudited Nine months ended 30 September 2023 RMB'Million	2022 RMB'Million
At beginning of period	185,247	250,257
Additions and transfers (a)	11,688	59,645
Changes in fair value	(11,269)	(146,443)
Disposals	(4,814)	(6,827)
Currency translation differences	6,311	13,286
At end of period	187,163	169,918

Note:

- (a) During the nine months ended 30 September 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 RMB6,741 million in investee companies which are principally engaged in eCommerce, FinTech services, 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 September 2023 RMB'Million	Audited 31 December 2022 RMB'Million
0 ~ 30 days	22,615	25,279
31 ~ 60 days	11,482	9,247
61 ~ 90 days	6,123	6,545
Over 90 days	7,107	4,396
	47,327	45,467

Accounts receivable balances as at 30 September 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 September 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	-	
Granted	-	-	HKD375.60	3,659,925	HKD334.04	13,561,932	17,221,857
Exercised	HKD146.84	(6,306,689)	HKD262.55	(752,225)	HKD254.52	(219,720)	(7,278,634)
Lapsed/forfeited	HKD143.33	(1,850)	HKD453.51	(276,898)	HKD429.25	(190,558)	(469,306)
Transferred	-	-	HKD355.55	(92,792,712)	HKD355.55	92,792,712	-
At 30 September 2023	HKD185.65	<u>22,953,327</u>	-	<u>-</u>	HKD352.87	<u>105,944,366</u>	<u>128,897,693</u>
Exercisable as at 30 September 2023	HKD185.65	<u>22,843,952</u>	-	<u>-</u>	HKD356.03	<u>53,206,667</u>	<u>76,050,619</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	116,835,398
Granted	-	-	HKD353.22	12,778,815	12,778,815
Exercised	HKD145.80	(647,665)	HKD283.03	(838,192)	(1,485,857)
Lapsed/forfeited/waived	HKD135.50	(22,176)	HKD565.68	(1,250,801)	(1,272,977)
At 30 September 2022	HKD192.54	<u>34,476,276</u>	HKD394.77	<u>92,379,103</u>	<u>126,855,379</u>
Exercisable as at 30 September 2022	HKD192.48	<u>34,366,901</u>	HKD382.18	<u>43,466,458</u>	<u>77,833,359</u>

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 nine months ended 30 September 2023, no options were granted to any director of the Company (nine months ended 30 September 2022: Nil).

(b) Share award schemes

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. The transfer had been completed during the three months ended 30 September 2023. As at 30 September 2023, the 2023 Share Award Scheme was the only effective share award scheme of the Company which was administered by the independent trustee appointed by the Group. The vesting period of the awarded shares is determined by the Board.

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

	Unaudited	
	Number of awarded shares	
	Nine months ended 30 September	
	2023	2022
At beginning of period	123,861,178	121,314,396
Granted (Note)	64,604,655	55,765,718
Lapsed/forfeited	(6,054,995)	(7,043,445)
Vested and transferred	(45,463,868)	(44,198,741)
	<u>136,946,970</u>	<u>125,837,928</u>
At end of period	136,946,970	125,837,928
Vested but not transferred as at the end of period	80,782	22,799

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

During the nine months ended 30 September 2023, 74,542 awarded shares were granted to five independent non-executive directors of the Company (nine months ended 30 September 2022: 58,398 awarded shares were granted to five 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 September	31 December
	2023	2022
	RMB' Million	RMB' Million
0 ~ 30 days	106,686	87,612
31 ~ 60 days	3,760	1,512
61 ~ 90 days	129	180
Over 90 days	1,346	3,077
	<u>111,921</u>	<u>92,381</u>

15 Borrowings

	Unaudited 30 September 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)	112,005	141,090
Non-current portion of long-term RMB bank borrowings, unsecured (a)	39,500	22,514
Non-current portion of long-term JPY bank borrowings, unsecured (a)	28	45
Non-current portion of long-term JPY bank borrowings, secured (a)	2	3
Non-current portion of long-term EUR bank borrowings, unsecured (a)	4	7
Non-current portion of long-term EUR bank borrowings, secured (a)	5	9
	<u>151,544</u>	<u>163,668</u>
Included in current liabilities:		
USD bank borrowings, unsecured (b)	18,667	–
RMB bank borrowings, unsecured (b)	7,247	5,981
RMB bank borrowings, secured (b)	100	–
Current portion of long-term USD bank borrowings, unsecured (a)	20,103	5,572
Current portion of long-term JPY bank borrowings, unsecured (a)	17	19
Current portion of long-term JPY bank borrowings, secured (a)	1	1
Current portion of long-term RMB bank borrowings, unsecured (a)	15	–
Current portion of long-term EUR bank borrowings, unsecured (a)	4	4
Current portion of long-term EUR bank borrowings, secured (a)	4	3
	<u>46,158</u>	<u>11,580</u>
	<u><u>197,702</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 September 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	SOFR + CAS + 0.80% ~ 0.95%	USD20,998	LIBOR + 0.80% ~ 0.95%
USD bank borrowings	–	–	USD60	1.41%
JPY bank borrowings	JPY947	0.00% ~ 1.86%	JPY1,250	0.00% ~ 1.86%
JPY bank borrowings	JPY25	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 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 September 2023		Audited 31 December 2022	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
RMB bank borrowings	RMB7,363	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 September 2023 RMB'Million	Audited 31 December 2022 RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD notes payable	<u>138,965</u>	<u>148,669</u>
Included in current liabilities:		
Current portion of long-term USD notes payable	<u>14,353</u>	<u>10,446</u>
	<u>153,318</u>	<u>159,115</u>

Note:

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

	Unaudited 30 September 2023		Audited 31 December 2022	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
USD notes payable	USD750	Term SOFR + CAS + 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 which referenced to USD LIBOR, had been transitioned to Term SOFR-referenced in July 2023.

17 Business combination

During the three months ended 30 September 2023, the Group completed the acquisition of a game company by acquiring 67% of its equity interests at a cash consideration of approximately USD0.9 billion (equivalent to approximately RMB6.5 billion), which was accounted for as a subsidiary of the Group upon the completion of the transaction.

Goodwill of approximately RMB5.7 billion was recognised as a result of the transaction. It was mainly attributable to the operating synergies and economies of scale expected to be derived from combining the operations. None of the goodwill was expected to be deductible for income tax purpose.

The Group's revenue for the nine months ended 30 September 2023 would be increased by not more than 5% and results for the nine months ended 30 September 2023 would not be materially different should the transaction had occurred on 1 January 2023.

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

18 Subsequent events

There were no material subsequent events during the period from 1 October 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 30 September 2023, the Company repurchased a total of 47,519,200 shares on the Stock Exchange for an aggregate consideration of approximately HKD15.3 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 three months ended 30 September 2023	No. of shares purchased	Purchase consideration per share		Aggregate consideration paid HKD
		Highest price paid HKD	Lowest price paid HKD	
July	10,859,200	352.40	320.20	3,643,776,854.48
August	12,380,000	333.80	314.80	4,017,450,018.00
September	24,280,000	334.80	296.60	7,628,303,223.00
Total	<u>47,519,200</u>			<u>15,289,530,095.48</u>

Save as disclosed above and in the “Financial Information” section, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the three months ended 30 September 2023.

Employee and Remuneration Policies

As at 30 September 2023, the Group had 105,309 employees (30 September 2022: 108,836). The number of employees employed by the Group varies from time to time depending on needs and employees are remunerated based on industry practice.

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

The total remuneration cost incurred by the Group for the three months ended 30 September 2023 was RMB27,812 million (for the three months ended 30 September 2022: RMB27,390 million).

Audit Committee

The Audit Committee, together with the Auditor, has reviewed the Group's unaudited Interim Financial Information for the three and nine months ended 30 September 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 2023 interim report and 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 July 2023 to 30 September 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, 15 November 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
“2019 Share Award Scheme”	the share award scheme adopted by the Company on 25 November 2019, as amended
“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
“ARPU”	average revenue per user
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the auditor of the Company
“Board”	the board of directors of the Company
“CAS”	credit adjustment spread, which is a fixed spread adjustment incorporated to bridge the gap between LIBOR and SOFR in order to minimise the economic impact of the transfer from a LIBOR-based debt to a SOFR-based debt
“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
“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 European Union
“FinTech”	financial technology
“FMCG”	fast-moving consumer goods
“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 as issued by the International Accounting Standards Board
“Interim Financial Information”	the condensed consolidated interim financial statements for the nine months ended 30 September 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 approximately 948 million Class B ordinary shares in the share capital of Meituan with a par value of USD0.00001 each, of which the Group completed the distribution on 24 March 2023
“MMORPG”	massive multiplayer online role playing game
“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
“United States”	the United States of America
“USD”	the lawful currency of the United States
“VAS”	value-added services