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Tencent 腾讯

TENCENT HOLDINGS LIMITED

騰訊控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Codes: 700 (HKD counter) and 80700 (RMB counter))

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2023. The Consolidated Financial Statements of the Group have been audited by the Auditor in accordance with International Standards on Auditing, and have also been reviewed by the Audit Committee.

FINANCIAL PERFORMANCE HIGHLIGHTS

	31 December 2023	31 December 2022 Restated*	Unaudited Three months ended		Quarter- on-quarter change
			Year- on-year change	30 September 2023 Restated*	
(RMB in millions, unless specified)					
Revenues	155,196	144,954	7%	154,625	0.4%
Gross profit	77,564	61,822	25%	76,523	1%
Operating profit					
(Restated for prior periods)	41,401	29,163*	42%	44,348*	-7%
Profit for the period	27,850	106,904	-74%	36,781	-24%
Profit attributable to equity holders of the Company	27,025	106,268	-75%	36,182	-25%
EPS (RMB per share)					
– basic	2.873	11.173	-74%	3.828	-25%
– diluted	2.807	10.977	-74%	3.752	-25%
Non-IFRS operating profit					
(Restated for prior periods)	49,135	36,424*	35%	51,668*	-5%
Non-IFRS profit attributable to equity holders of the Company	42,681	29,711	44%	44,921	-5%
Non-IFRS EPS (RMB per share)					
– basic	4.537	3.124	45%	4.753	-5%
– diluted	4.443	3.042	46%	4.657	-5%

* Certain items have been reclassified from above to below the operating profit line, and the comparative figures for prior periods have been restated accordingly. Please refer to Note 1 in the notes to the consolidated financial statements for details.

	Year ended 31 December		Year- on-year change
	2023	2022 Restated*	
	(RMB in millions, unless specified)		
Revenues	609,015	554,552	10%
Gross profit	293,109	238,746	23%
Operating profit (Restated for prior year)	160,074	110,827*	44%
Profit for the year	118,048	188,709	-37%
Profit attributable to equity holders of the Company	115,216	188,243	-39%
EPS (RMB per share)			
– basic	12.186	19.757	-38%
– diluted	11.887	19.341	-39%
Non-IFRS operating profit (Restated for prior year)	191,886	143,203*	34%
Non-IFRS profit attributable to equity holders of the Company	157,688	115,649	36%
Non-IFRS EPS (RMB per share)			
– basic	16.678	12.138	37%
– diluted	16.320	11.835	38%

* Certain items have been reclassified from above to below the operating profit line, and the comparative figures for prior periods have been restated accordingly. Please refer to Note 1 in the notes to the consolidated financial statements for details.

DIVIDEND

The Board has recommended the payment of a final dividend of HKD3.40 per share (2022: HKD2.40 per share) for the year ended 31 December 2023, subject to the approval of the shareholders at the 2024 AGM. Such proposed dividend is expected to be payable on 31 May 2024 to the shareholders whose names appear on the register of members of the Company on 22 May 2024.

OPERATING INFORMATION

	As at 31 December 2023	As at 31 December 2022	Year- on-year change	As at 30 September 2023	Quarter- on-quarter change
			(in millions, unless specified)		
Combined MAU of Weixin and WeChat	1,343	1,313	2%	1,336	0.5%
Mobile device MAU of QQ	554	572	-3%	558	-0.7%
Fee-based VAS registered subscriptions	248	234	6%	245	1%

BUSINESS REVIEW AND OUTLOOK

In 2023, we achieved breakthroughs in a number of products and services, as Video Accounts' total user time spent more than doubled, enhancements to our advertising AI model significantly improved our targeting performance, and international contribution to our games revenue reached a record 30%. These developments drove high-quality revenue streams which fuelled our gross profit growth of 23%, and supported our plan to step up capital returns to shareholders. Tencent Hunyuan developed into a top-tier foundation model with superior performance in numerical reasoning, logical inference, and multi-turn conversations. In addition, we actively sought to leverage our technology and platform to create value for society through initiatives such as our digital philanthropy platform, one of the largest of its kind in the world, whose 99 Giving Day event raised a record RMB3.8 billion in public donations.

Below are some highlights from our key products and services for 2023:

- Video Accounts' total user time spent more than doubled, driven by DAU and time spent per user, benefitting from enhanced recommendation algorithms. We provided more monetisation support for Video Accounts creators, such as facilitating merchandise sales through live streaming, and matching creators with brands for marketing campaigns.

- Mini Games’ gross receipts increased over 50%, with Mini Games representing the leading casual game platform in China.
- QQ Channels enhanced interest-based user interactions across categories such as games, lifestyle and knowledge-based content.
- Tencent Video and TME extended their leadership in the long-form video and music streaming industries, with 117 million¹ video subscriptions and 107 million² music subscriptions.
- The number of Tencent mobile and PC “major hit games” in China surpassing average quarterly DAU of 5 million for mobile or 2 million for PC, and generating over RMB4 billion annual gross receipts (thresholds which we view as indicative of a major and enduring hit), increased from 6 in 2022 to 8 in 2023.
- We upgraded our AI-powered advertising technology platform, which significantly enhanced our targeting accuracy and thus advertising revenue.
- We strengthened our payment compliance capabilities, enhanced Mini Program-based transaction tools and upgraded cross-border payment experience.
- WeCom and Tencent Meeting deployed generative AI-powered functionalities and increased their monetisation.
- We launched our proprietary foundation model, Tencent Hunyuan, and scaled it up to trillion parameter scale, utilising a Mixture of Experts architecture.

We returned substantial capital to shareholders in 2023 through payment of cash dividend, share repurchases, and settlement of distribution in specie. We have proposed to increase our annual dividend in respect of the year ended 31 December 2023 by 42%, to HKD3.40 per share³ (equivalent to approximately HKD32 billion), and we intend to at least double the size of our share repurchases, from HKD49 billion in 2023 to over HKD100 billion in 2024.

¹ As at 31 December 2023

² The average number of subscriptions as of the last day of each month during 4Q2023

³ Subject to shareholders’ approval at the 2024 AGM

Harnessing our technology and platform, we continue to create social value for our users, partners and the society at large. Below are some highlights of our environmental, social and governance initiatives for 2023:

- Our digital philanthropy platform helped raise a record RMB3.8 billion in public donations during the 99 Giving Day campaign, up 15% year-on-year.
- Our New Cornerstone Investigator Program has supported 104 scientists, contributing to the development of basic science research.
- We made progress in our decarbonisation journey by applying our fourth-generation data centre technology to reduce emissions and increasing the adoption of renewable energy.
- In August 2023, we joined the United Nations Global Compact (“UNGC”), demonstrating our commitment to integrating UNGC’s principles into our strategy, culture and day-to-day operations, and supporting UNGC’s Sustainable Development Goals.

MANAGEMENT DISCUSSION AND ANALYSIS

Year Ended 31 December 2023 Compared to Year Ended 31 December 2022

The following table sets forth the comparative figures for the years ended 31 December 2023 and 2022:

	Year ended 31 December	
	2023	2022 Restated*
	(RMB in millions)	
Revenues	609,015	554,552
Cost of revenues	(315,906)	(315,806)
Gross profit	293,109	238,746
Selling and marketing expenses	(34,211)	(29,229)
General and administrative expenses	(103,525)	(106,696)
Other gains/(losses), net	4,701	8,006*
Operating profit	160,074	110,827*
Net gains/(losses) from investments and others	(6,090)	116,287*
Interest income	13,808	8,592*
Finance costs	(12,268)	(9,352)
Share of profit/(loss) of associates and joint ventures, net	5,800	(16,129)
Profit before income tax	161,324	210,225
Income tax expense	(43,276)	(21,516)
Profit for the year	118,048	188,709
Attributable to:		
Equity holders of the Company	115,216	188,243
Non-controlling interests	2,832	466
	118,048	188,709
Non-IFRS operating profit	191,886	143,203*
Non-IFRS profit attributable to equity holders of the Company	157,688	115,649

* Certain items have been reclassified from above to below the operating profit line, and the comparative figures for prior periods have been restated accordingly. Please refer to Note 1 in the notes to the consolidated financial statements for details.

Revenues. Revenues increased by 10% year-on-year to RMB609.0 billion for the year ended 31 December 2023. The following table sets forth our revenues by line of business for the years ended 31 December 2023 and 2022:

	Year ended 31 December			
	2023		2022	
	Amount	% of total revenues	Amount	% of total revenues
	(RMB in millions, unless specified)			
VAS	298,375	49%	287,565	52%
Online Advertising	101,482	17%	82,729	15%
FinTech and Business Services	203,763	33%	177,064	32%
Others	5,395	1%	7,194	1%
Total revenues	<u>609,015</u>	<u>100%</u>	<u>554,552</u>	<u>100%</u>

- Revenues from VAS increased by 4% year-on-year to RMB298.4 billion for the year ended 31 December 2023. International Games revenues increased by 14% to RMB53.2 billion, or by 8% excluding the effect of currency fluctuations, benefitting from the robust performance of VALORANT, contributions from recently launched games Goddess of Victory: NIKKE and Triple Match 3D, and a recovery in PUBG Mobile in the second half of the year. Domestic Games revenues increased by 2% to RMB126.7 billion, on contributions from our recently released VALORANT and Lost Ark, and robust growth in emerging titles such as Arena Breakout and Fight of the Golden Spatula, partly offset by a weak contribution from Peacekeeper Elite. Social Networks revenues grew by 1% year-on-year to RMB118.5 billion, due to revenue growth from music subscriptions and Mini Games platform service fees, partially offset by revenue declines from music-related and games-related live streaming services.
- Revenues from Online Advertising increased by 23% year-on-year to RMB101.5 billion for the year ended 31 December 2023. This growth was driven by new inventories in Video Accounts and Weixin Search, plus the ongoing upgrade of our advertising platform. We saw increased advertising spending with us by all major advertiser categories except automotive, with notable step-ups in spending by consumer goods, Internet services and healthcare categories.

- Revenues from FinTech and Business Services rose by 15% year-on-year to RMB203.8 billion for the year ended 31 December 2023. FinTech Services achieved double-digit growth, driven by increased payment activities and higher revenue from wealth management services. Business Services revenues also increased at a double-digit rate, driven by the introduction of eCommerce technology service fees in Video Accounts, alongside moderate growth for cloud services.

Cost of revenues. Cost of revenues were RMB315.9 billion for the year ended 31 December 2023, largely stable year-on-year. Transaction costs, and channel and distribution costs, increased, while bandwidth and server costs, along with content costs, decreased.

Gross profit. Gross profit rose by 23% year-on-year to RMB293.1 billion for the year ended 31 December 2023, and gross margin increased to 48% from 43% in the previous year. This margin improvement was primarily driven by a shift in revenue mix towards high-quality revenue streams, particularly Video Accounts advertising, eCommerce technology service fees, and Mini Games platform service fees, and away from lower-margin revenue streams, such as music-related and games-related live streaming services. The following table sets forth our gross profit and gross margin by line of business for the years ended 31 December 2023 and 2022:

	Year ended 31 December			
	2023		2022	
	Amount	Gross margin	Amount	Gross margin
	(RMB in millions, unless specified)			
VAS	161,919	54%	145,647	51%
Online Advertising	51,344	51%	35,009	42%
FinTech and Business Services	80,636	40%	58,374	33%
Others	(790)	(15%)	(284)	(4%)
Total gross profit	<u>293,109</u>	48%	<u>238,746</u>	43%

- Gross profit for VAS increased by 11% year-on-year to RMB161.9 billion for the year ended 31 December 2023, and gross margin improved to 54% from 51% in the previous year. The improved gross margin was driven by a higher mix of high-margin games revenues and Mini Games platform service fees, and music subscriptions margin enhancement, together with decreased contributions from low-margin music-related and games-related live streaming revenues, and our cost efficiency improvement.
- Gross profit for Online Advertising increased by 47% year-on-year to RMB51.3 billion for the year ended 31 December 2023, and gross margin increased to 51% from 42% in the previous year. The increase in gross margin was primarily driven by the robust growth in high-quality revenue streams, notably from Video Accounts advertising, along with our cost control measures.
- Gross profit for FinTech and Business Services rose by 38% year-on-year to RMB80.6 billion for the year ended 31 December 2023, and gross margin rose to 40% from 33% last year. The higher gross margin was due to margin enhancement resulting from our cloud business restructuring, the introduction of high-margin revenues from Video Accounts eCommerce technology service fees, and increased monetisation from other business services, alongside growth of high-margin products within FinTech services.

Selling and marketing expenses. Selling and marketing expenses grew by 17% year-on-year to RMB34.2 billion for the year ended 31 December 2023, driven by increased promotional and advertising efforts in support of new content releases. As a percentage of revenues, selling and marketing expenses rose to 6% for the year ended 31 December 2023, from 5% for the year ended 31 December 2022.

General and administrative expenses. General and administrative expenses decreased by 3% year-on-year to RMB103.5 billion for the year ended 31 December 2023, primarily due to reduced staff costs, including share-based compensation expenses. As a percentage of revenues, general and administrative expenses decreased to 17% for 2023 from 19% for the previous year.

Net gains/(losses) from investments and others. We recorded net losses from investments and others of RMB6.1 billion for the year ended 31 December 2023, primarily due to impairment provisions against certain investees, partially offset by net gains from disposals/deemed disposals of certain investees.

Interest income. Interest income increased by 61% year-on-year to RMB13.8 billion for the year ended 31 December 2023, driven by increased cash reserves and improved yields on term deposits.

Finance costs. Finance costs rose by 31% year-on-year to RMB12.3 billion for the year ended 31 December 2023. This increase was driven by higher interest expenses, as well as the recognition of foreign exchange losses this year, in contrast to gains in the previous year.

Share of profit/(loss) of associates and joint ventures, net. We recorded share of profits of associates and joint ventures of RMB5.8 billion for 2023, versus share of losses of RMB16.1 billion for the previous year. Non-IFRS share of profits of associates and joint ventures increased to RMB13 billion for 2023 from RMB2.4 billion for the previous year. This improvement was attributable to enhanced profitability in certain associates, underpinned by their revenue growth and efficiency improvements, as well as a successful game release by an overseas game studio investee.

Income tax expense. Income tax expense increased by 101% year-on-year to RMB43.3 billion for the year ended 31 December 2023, driven by operating profit growth, a higher provision for withholding tax, and deferred tax adjustments at an overseas subsidiary.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company decreased by 39% year-on-year to RMB115.2 billion for the year ended 31 December 2023. This decline was primarily due to a RMB106.6 billion gain from the deemed disposal of Meituan recognised in the fourth quarter of 2022. Non-IFRS profit attributable to equity holders of the Company increased by 36% to RMB157.7 billion for the year ended 31 December 2023.

Fourth Quarter of 2023 Compared to Fourth Quarter of 2022

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

	Unaudited	
	Three months ended	
	31 December	31 December
	2023	2022
		Restated*
	(RMB in millions)	
Revenues	155,196	144,954
Cost of revenues	(77,632)	(83,132)
Gross profit	77,564	61,822
Selling and marketing expenses	(10,971)	(6,115)
General and administrative expenses	(27,175)	(27,314)
Other gains/(losses), net	1,983	770*
Operating profit	41,401	29,163*
Net gains/(losses) from investments and others	(6,730)	85,084*
Interest income	3,917	2,582*
Finance costs	(3,543)	(3,658)
Share of profit/(loss) of associates and joint ventures, net	2,463	(1,692)
Profit before income tax	37,508	111,479
Income tax expense	(9,658)	(4,575)
Profit for the period	27,850	106,904
Attributable to:		
Equity holders of the Company	27,025	106,268
Non-controlling interests	825	636
	27,850	106,904
Non-IFRS operating profit	49,135	36,424*
Non-IFRS profit attributable to equity holders of the Company	42,681	29,711

* Certain items have been reclassified from above to below the operating profit line, and the comparative figures for prior periods have been restated accordingly. Please refer to Note 1 in the notes to the consolidated financial statements for details.

Revenues. Revenues increased by 7% year-on-year to RMB155.2 billion for the fourth quarter of 2023. The following table sets forth our revenues by line of business for the fourth quarter of 2023 and the fourth quarter of 2022:

	Unaudited			
	Three months ended			
	31 December 2023		31 December 2022	
	% of total		% of total	
	Amount	revenues	Amount	revenues
	(RMB in millions, unless specified)			
VAS	69,079	45%	70,417	49%
Online Advertising	29,794	19%	24,660	17%
FinTech and Business Services	54,379	35%	47,244	33%
Others	1,944	1%	2,633	1%
Total revenues	<u>155,196</u>	<u>100%</u>	<u>144,954</u>	<u>100%</u>

- Revenues from VAS decreased by 2% to RMB69.1 billion for the fourth quarter of 2023 on a year-on-year basis. International Games revenues increased by 1% to RMB13.9 billion, or declined by 1% when excluding currency fluctuations, reflecting Supercell repositioning some of its games. PUBG Mobile saw a strong upturn in revenue, while VALORANT maintained robust growth. Domestic Games revenues declined by 3% to RMB27.0 billion due to decreased contributions from Honour of Kings and Peacekeeper Elite, partially offset by contributions from our recently launched games, such as VALORANT and Lost Ark. Social Networks revenues decreased by 2% to RMB28.2 billion, due to lower revenues from music-related and games-related live streaming services, partially mitigated by revenue growth from music subscriptions and Mini Games platform service fees.

- Revenues from Online Advertising were RMB29.8 billion for the fourth quarter of 2023, up 21% year-on-year, propelled by advertising demand for Video Accounts, as well as the ongoing upgrade of our advertising platform. All categories except for automotive saw a year-on-year increase in advertising spending with us, with particularly notable growth in Internet services, healthcare and consumer goods categories.
- Revenues from FinTech and Business Services increased by 15% year-on-year to RMB54.4 billion for the fourth quarter of 2023. FinTech Services sustained double-digit year-on-year growth due to the growth in commercial payment activities, as well as the expansion of wealth management services and consumer loan services. Business Services achieved year-on-year growth of around 20%, mainly driven by increased eCommerce technology service fees within Video Accounts, alongside moderate revenue growth in cloud services.

Cost of revenues. Cost of revenues for the fourth quarter of 2023 decreased by 7% year-on-year to RMB77.6 billion. A rise in transaction costs, and channel and distribution costs, was more than offset by a reduction in bandwidth and server costs, and content costs.

Gross profit. Gross profit for the fourth quarter of 2023 increased by 25% year-on-year to RMB77.6 billion, and gross margin increased to 50% from 43% in the same period last year. The primary drivers of the increased gross margin included the rapid growth of high-quality revenue streams, notably Video Accounts advertising, eCommerce technology service fees, and Mini Games platform service fees, and reduced contributions from lower-margin revenue streams, alongside our cost efficiency initiatives. The following table sets forth our gross profit and gross margin by line of business for the fourth quarter of 2023 and the fourth quarter of 2022:

	Unaudited			
	Three months ended			
	31 December 2023		31 December 2022	
	Amount	Gross margin	Amount	Gross margin
	(RMB in millions, unless specified)			
VAS	37,090	54%	35,073	50%
Online Advertising	16,922	57%	10,912	44%
FinTech and Business Services	23,860	44%	15,858	34%
Others	(308)	(16%)	(21)	(1%)
Total gross profit	<u>77,564</u>	50%	<u>61,822</u>	43%

- Gross profit for VAS increased by 6% year-on-year to RMB37.1 billion for the fourth quarter of 2023. Gross margin increased to 54% from 50% in the same period last year, due to higher mix of high-margin Mini Games platform service fees, and reduced contributions from low-margin music-related and games-related live streaming revenues, alongside improved cost efficiency.
- Gross profit for Online Advertising increased by 55% year-on-year to RMB16.9 billion for the fourth quarter of 2023. Gross margin increased to 57% from 44% in the same period last year, primarily driven by the robust growth of high-margin Video Accounts advertising revenue, as well as our efficiency efforts.
- Gross profit for FinTech and Business Services increased by 50% year-on-year to RMB23.9 billion for the fourth quarter of 2023. Gross margin increased to 44% from 34% in the same period last year. This was driven by margin improvement following cloud business restructuring, strong growth of high-quality revenues including Video Accounts eCommerce technology service fees, and growth of high-margin products within FinTech services. Our cost efficiency initiatives further contributed to the overall segment margin improvement.

Selling and marketing expenses. Selling and marketing expenses grew by 79% to RMB11.0 billion for the fourth quarter of 2023 on a year-on-year basis, primarily driven by increased promotional and advertising efforts in support of new content releases, against a low base in the same period last year. As a percentage of revenues, selling and marketing expenses rose to 7%, up from 4% in the same period last year.

General and administrative expenses. General and administrative expenses declined by 1% year-on-year to RMB27.2 billion for the fourth quarter of 2023.

Net gains/(losses) from investments and others. We recorded net losses from investments and others of RMB6.7 billion for the fourth quarter of 2023, primarily due to impairment provisions against certain investees.

Interest income. Interest income increased by 52% year-on-year to RMB3.9 billion for the fourth quarter of 2023, driven by growth in cash reserves and higher yields on term deposits.

Finance costs. Finance costs decreased by 3% year-on-year to RMB3.5 billion for the fourth quarter of 2023, driven by reduced foreign exchange losses, partially offset by higher interest expenses.

Share of profit/(loss) of associates and joint ventures, net. We recorded share of profits of associates and joint ventures of RMB2.4 billion for the fourth quarter of 2023, compared to share of losses of RMB1.6 billion for the same quarter of 2022. Non-IFRS share of profits of associates and joint ventures improved to RMB4.5 billion for the fourth quarter of 2023, from RMB3.1 billion for the same quarter last year. This improvement was driven by enhanced profitability at certain domestic associates, alongside a successful game release by an overseas game studio investee.

Income tax expense. Income tax expense rose by 111% year-on-year to RMB9.7 billion for the fourth quarter of 2023, primarily driven by operating profit growth and increased provision for withholding tax.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company decreased by 75% to RMB27.0 billion for the fourth quarter of 2023 on a year-on-year basis, primarily attributed to a RMB106.6 billion gain from the deemed disposal of Meituan in the same quarter of 2022. Non-IFRS profit attributable to equity holders of the Company increased by 44% to RMB42.7 billion for the fourth quarter of 2023.

Fourth Quarter of 2023 Compared to Third Quarter of 2023

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

	Unaudited	
	Three months ended	
	31 December	30 September
	2023	2023
		Restated*
	(RMB in millions)	
Revenues	155,196	154,625
Cost of revenues	(77,632)	(78,102)
Gross profit	77,564	76,523
Selling and marketing expenses	(10,971)	(7,912)
General and administrative expenses	(27,175)	(26,289)
Other gains/(losses), net	1,983	2,026*
Operating profit	41,401	44,348*
Net gains/(losses) from investments and others	(6,730)	618*
Interest income	3,917	3,509*
Finance costs	(3,543)	(2,784)
Share of profit/(loss) of associates and joint ventures, net	2,463	2,098
Profit before income tax	37,508	47,789
Income tax expense	(9,658)	(11,008)
Profit for the period	27,850	36,781
Attributable to:		
Equity holders of the Company	27,025	36,182
Non-controlling interests	825	599
	27,850	36,781
Non-IFRS operating profit	49,135	51,668*
Non-IFRS profit attributable to equity holders of the Company	42,681	44,921

* Certain items have been reclassified from above to below the operating profit line, and the comparative figures for prior periods have been restated accordingly. Please refer to Note 1 in the notes to the consolidated financial statements for details.

Revenues. Revenues for the fourth quarter of 2023 remained broadly stable at RMB155.2 billion on a quarter-on-quarter basis.

- Revenues from VAS decreased by 9% to RMB69.1 billion. International Games revenues were RMB13.9 billion, up 5% quarter-on-quarter, mainly driven by revenue growth from PUBG Mobile and Clash of Clans. Domestic Games revenues were RMB27.0 billion, down 18% quarter-on-quarter, due to seasonally lower revenue accruals in the fourth quarter. Social Networks revenues decreased by 5% to RMB28.2 billion due to lower revenue accruals from app-based game virtual item sales.
- Revenues from Online Advertising increased by 16% to RMB29.8 billion, due to the ongoing upgrade of our advertising platform, which facilitated increased revenue for Video Accounts, our mobile ad network, and Weixin Moments, amongst other inventories.
- Revenues from FinTech and Business Services increased by 4% to RMB54.4 billion, supported by seasonally higher cloud services revenues due to more project deployments toward the year end, alongside increased revenues from wealth management services and payment activities.

Cost of revenues. Cost of revenues were RMB77.6 billion for the fourth quarter of 2023, down 1% quarter-on-quarter.

Gross profit. Gross profit was RMB77.6 billion for the fourth quarter of 2023, up 1% quarter-on-quarter. Gross margin increased to 50% from 49% in the third quarter of 2023.

- Gross profit for VAS decreased by 12% to RMB37.1 billion, and gross margin decreased to 54% from 56% in the third quarter of 2023. The lower gross margin was due to a seasonally lower mix of high-margin games revenues.
- Gross profit for Online Advertising rose by 26% to RMB16.9 billion, and gross margin rose to 57% from 52% in the third quarter of 2023. The improvement in gross margin was due to strong revenue growth driven by our advertising platform upgrade together with seasonally higher eCommerce activities, outpacing the growth in segment operating costs.
- Gross profit for FinTech and Business Services increased by 12% to RMB23.9 billion, and gross margin improved to 44% from 41% in the third quarter of 2023, driven by seasonally higher cloud services revenues with margin improvement, as well as increased contributions from high-margin Video Accounts eCommerce technology service fees and other business services.

Selling and marketing expenses. Selling and marketing expenses grew by 39% to RMB11.0 billion for the fourth quarter of 2023 on a quarter-on-quarter basis, reflecting increased promotional and advertising efforts for games, including newly released and upcoming game releases.

General and administrative expenses. General and administrative expenses increased by 3% to RMB27.2 billion for the fourth 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 RMB2.4 billion for the fourth quarter of 2023, compared to share of profits of RMB2.1 billion for the previous quarter. Non-IFRS share of profits of associates and joint ventures was RMB4.5 billion for the fourth quarter of 2023, compared to share of profits of RMB4.8 billion for the previous quarter.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company decreased by 25% to RMB27.0 billion for the fourth quarter of 2023 on a quarter-on-quarter basis. Non-IFRS profit attributable to equity holders of the Company decreased by 5% to RMB42.7 billion for the fourth quarter of 2023.

Other Financial Information

	Unaudited				
	Three months ended			Year ended	
	31 December 2023	30 September 2023	31 December 2022	31 December 2023	31 December 2022
	(RMB in millions, unless specified)				
EBITDA (a)	53,983	55,824	44,002	214,381	164,037
Adjusted EBITDA (a)	59,494	61,301	49,606	235,454	188,986
Adjusted EBITDA margin (b)	38%	40%	34%	39%	34%
Interest and related expenses	3,015	3,061	2,826	11,885	9,985
Net cash/(debt) (c)	54,740	36,431	(14,832)	54,740	(14,832)
Capital expenditures (d)	7,524	8,005	5,651	23,893	18,014

Note:

- (a) EBITDA is calculated as operating profit minus 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				
	Three months ended			Year ended	
	31 December 2023	30 September 2023 Restated*	31 December 2022 Restated*	31 December 2023	31 December 2022 Restated*
	(RMB in millions, unless specified)				
Operating profit	41,401	44,348*	29,163*	160,074	110,827*
Adjustments:					
Other (gains)/losses, net	(1,983)	(2,026)*	(770)*	(4,701)	(8,006)*
Depreciation of property, plant and equipment and investment properties	5,117	4,810	5,160	19,908	21,724
Depreciation of right-of-use assets	1,544	1,550	1,718	6,397	6,720
Amortisation of intangible assets and land use rights	7,904	7,142	8,731	32,703	32,772
EBITDA	53,983	55,824	44,002	214,381	164,037
Equity-settled share-based compensation	5,511	5,477	5,604	21,073	24,949
Adjusted EBITDA	<u>59,494</u>	<u>61,301</u>	<u>49,606</u>	<u>235,454</u>	<u>188,986</u>

* Certain items have been reclassified from above to below the operating profit line, and the comparative figures for prior periods have been restated accordingly. Please refer to Note 1 in the notes to the consolidated financial statements for details.

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 fourth quarter of 2023 and 2022, the third quarter of 2023, as well as the years ended 31 December 2023 and 2022 to the nearest measures prepared in accordance with IFRS:

Unaudited three months ended 31 December 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	41,401	5,732	-	1,564	-	437	1	-	49,135
Profit for the period	27,850	6,646	(94)	2,960	5,705	1,594	1	(829)	43,833
Profit attributable to equity holders	27,025	6,512	(55)	2,719	5,650	1,594	1	(765)	42,681
EPS (RMB per share)									
– basic	2.873								4.537
– diluted	2.807								4.443
Operating margin	27%								32%
Net margin	18%								28%

Unaudited three months ended 30 September 2023

	Adjustments							
	As reported	Share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/ (reversals) (d)	SSV & CPP (e)	Income tax effects (g)	Non-IFRS
	(RMB in millions, unless specified)							
Operating profit (Restated)*	44,348	5,655	–	1,434	–	231	–	51,668
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 (Restated)*	29%							33%
Net margin	24%							30%

Unaudited three months ended 31 December 2022

	Adjustments								
	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)	Non-IFRS
	(RMB in millions, unless specified)								
Operating profit (Restated)*	29,163	5,680	–	1,241	–	326	14	–	36,424
Profit for the period	106,904	7,217	(107,955)	2,601	23,700	1,600	206	(3,717)	30,556
Profit attributable to equity holders	106,268	7,124	(107,928)	2,420	23,693	1,600	206	(3,672)	29,711
EPS (RMB per share)									
– basic	11.173								3.124
– diluted	10.977								3.042
Operating margin (Restated)*	20%								25%
Net margin	74%								21%

* Certain items have been reclassified from above to below the operating profit line, and the comparative figures for prior periods have been restated accordingly. Please refer to Note 1 in the notes to the consolidated financial statements for details.

Year ended 31 December 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	160,074	22,782	–	5,019	–	998	3,013	–	191,886
Profit for the year	118,048	27,766	(6,170)	10,269	8,123	3,790	3,012	(3,104)	161,734
Profit attributable to equity holders	115,216	27,100	(6,024)	9,462	8,004	3,790	3,012	(2,872)	157,688
EPS (RMB per share)									
– basic	12.186								16.678
– diluted	11.887								16.320
Operating margin	26%								32%
Net margin	19%								27%

Year ended 31 December 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 (Restated)*	110,827	26,248	–	5,197	–	726	205	–	143,203
Profit for the year	188,709	33,311	(164,698)	11,818	48,004	5,763	2,125	(5,839)	119,193
Profit attributable to equity holders	188,243	32,651	(164,840)	10,880	46,326	5,763	2,125	(5,499)	115,649
EPS (RMB per share)									
– basic	19.757								12.138
– diluted	19.341								11.835
Operating margin (Restated)*	20%								26%
Net margin	34%								21%

* Certain items have been reclassified from above to below the operating profit line, and the comparative figures for prior periods have been restated accordingly. Please refer to Note 1 in the notes to the consolidated financial statements for details.

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 31 December 2023 and 30 September 2023 were as follows:

	Audited 31 December 2023 (RMB in millions)	Unaudited 30 September 2023
Cash and cash equivalents	172,320	146,476
Term deposits and others	231,038	240,975
	403,358	387,451
Borrowings	(197,356)	(197,702)
Notes payable	(151,262)	(153,318)
Net cash	54,740	36,431

As at 31 December 2023, the Group had net cash of RMB54.7 billion, compared to net cash of RMB36.4 billion as at 30 September 2023. The sequential improvement was primarily driven by free cash flow generation, partially offset by cash used for share repurchases and net cash outflows related to strategic investments.

For the fourth quarter of 2023, the Group generated free cash flow of RMB34.2 billion. This was a result of net cash flow generated from operating activities of RMB54.0 billion, partially offset by payments for capital expenditures of RMB9.3 billion, payments for media content of RMB7.7 billion, and payments for lease liabilities of RMB2.8 billion.

As at 31 December 2023, the fair value of our shareholdings⁴ in listed investee companies (excluding subsidiaries) was RMB550.7 billion, and the carrying book value of our unlisted investments was RMB337.3 billion.

⁴ Including those held via special purpose vehicles, on an attributable basis.

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

		Year ended 31 December	
		2023	2022
			Restated
			(Note 1)
	Note	RMB' Million	RMB' Million
Revenues			
Value-added Services		298,375	287,565
Online Advertising		101,482	82,729
FinTech and Business Services		203,763	177,064
Others		5,395	7,194
	2	609,015	554,552
Cost of revenues	3	(315,906)	(315,806)
Gross profit		293,109	238,746
Selling and marketing expenses	3	(34,211)	(29,229)
General and administrative expenses	3	(103,525)	(106,696)
Other gains/(losses), net	4	4,701	8,006
Operating profit		160,074	110,827
Net gains/(losses) from investments and others	5	(6,090)	116,287
Interest income		13,808	8,592
Finance costs		(12,268)	(9,352)
Share of profit/(loss) of associates and joint ventures, net	6	5,800	(16,129)
Profit before income tax		161,324	210,225
Income tax expense	7	(43,276)	(21,516)
Profit for the year		118,048	188,709
Attributable to:			
Equity holders of the Company		115,216	188,243
Non-controlling interests		2,832	466
		118,048	188,709
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)			
– basic	8(a)	12.186	19.757
– diluted	8(b)	11.887	19.341

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Year ended 31 December	
	2023	2022
	RMB' Million	RMB' Million
Profit for the year	118,048	188,709
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	(176)	1,479
Transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	(9)	(129)
Transfer to profit or loss upon disposal of financial assets at fair value through other comprehensive income	–	13
Net gains/(losses) from changes in fair value of financial assets at fair value through other comprehensive income	59	(52)
Currency translation differences	13,328	18,732
Other fair value (losses)/gains, net	(3,581)	5,457
<i>Items that will not be subsequently reclassified to profit or loss</i>		
Share of other comprehensive income of associates and joint ventures	(561)	937
Net losses from changes in fair value of assets held for distribution	(29,991)	(6,102)
Net gains/(losses) from changes in fair value of financial assets at fair value through other comprehensive income	11,142	(148,686)
Currency translation differences	(1,077)	(794)
	(10,866)	(129,145)
Total comprehensive income for the year	107,182	59,564
Attributable to:		
Equity holders of the Company	102,130	60,699
Non-controlling interests	5,052	(1,135)
	107,182	59,564

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

		As at 31 December	
		2023	2022
	Note	RMB' Million	RMB' Million
ASSETS			
Non-current assets			
Property, plant and equipment		53,232	53,978
Land use rights		17,179	18,046
Right-of-use assets		20,464	22,524
Construction in progress		13,583	9,229
Investment properties		570	559
Intangible assets		177,727	161,802
Investments in associates	10	253,696	246,043
Investments in joint ventures		7,969	6,672
Financial assets at fair value through profit or loss	11	211,145	206,085
Financial assets at fair value through other comprehensive income	12	213,951	185,247
Prepayments, deposits and other assets		28,439	36,752
Other financial assets		2,527	6,987
Deferred income tax assets		29,017	29,882
Term deposits		29,301	28,336
		<u>1,058,800</u>	<u>1,012,142</u>
Current assets			
Inventories		456	2,333
Accounts receivable	13	46,606	45,467
Prepayments, deposits and other assets		88,411	76,685
Other financial assets		5,949	1,278
Financial assets at fair value through profit or loss	11	14,903	27,963
Term deposits		185,983	104,776
Restricted cash		3,818	2,783
Cash and cash equivalents		172,320	156,739
Assets held for distribution		–	147,965
		<u>518,446</u>	<u>565,989</u>
Total assets		<u><u>1,577,246</u></u>	<u><u>1,578,131</u></u>

		As at 31 December	
		2023	2022
	Note	RMB' Million	RMB' Million
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		–	–
Share premium		37,989	62,418
Treasury shares		(4,740)	(1,868)
Shares held for share award schemes		(5,350)	(4,226)
Other reserves		(33,219)	(40,914)
Retained earnings		813,911	705,981
		<u>808,591</u>	<u>721,391</u>
Non-controlling interests		<u>65,090</u>	<u>61,469</u>
Total equity		<u>873,681</u>	<u>782,860</u>
LIABILITIES			
Non-current liabilities			
Borrowings	16	155,819	163,668
Notes payable	17	137,101	148,669
Long-term payables		12,169	9,067
Other financial liabilities		8,781	5,574
Deferred income tax liabilities		17,635	12,162
Lease liabilities		16,468	18,424
Deferred revenue		3,435	3,503
		<u>351,408</u>	<u>361,067</u>
Current liabilities			
Accounts payable	15	100,948	92,381
Other payables and accruals		76,595	61,139
Borrowings	16	41,537	11,580
Notes payable	17	14,161	10,446
Current income tax liabilities		17,664	13,488
Other tax liabilities		4,372	4,698
Other financial liabilities		4,558	3,937
Lease liabilities		6,154	6,354
Deferred revenue		86,168	82,216
Dividends payable for distribution in specie	9(b)	–	147,965
		<u>352,157</u>	<u>434,204</u>
Total liabilities		<u>703,565</u>	<u>795,271</u>
Total equity and liabilities		<u>1,577,246</u>	<u>1,578,131</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	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 year	-	-	-	-	-	115,216	115,216	2,832	118,048
Other comprehensive income, net of tax:									
- share of other comprehensive income of associates and joint ventures	-	-	-	-	(701)	-	(701)	(36)	(737)
- losses 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	-	-	-	-	9,650	-	9,650	1,551	11,201
- currency translation differences	-	-	-	-	11,480	-	11,480	771	12,251
- other fair value losses, net	-	-	-	-	(3,515)	-	(3,515)	(66)	(3,581)
Total comprehensive income for the year	-	-	-	-	(13,086)	115,216	102,130	5,052	107,182
Transfer of losses on disposal and deemed disposal of financial instruments to retained earnings, net of tax	-	-	-	-	17,846	(17,891)	(45)	-	(45)
Transfer of share of other comprehensive income to retained earnings upon disposal and deemed disposal of associates and joint ventures	-	-	-	-	66	(66)	-	-	-
Share of other changes in net assets of associates and joint ventures	-	-	-	-	4,680	-	4,680	-	4,680
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	-	-	-	-	-	-	-	121	121
Employee share option schemes:									
- value of employee services	-	1,687	-	-	73	-	1,760	64	1,824
- proceeds from shares issued, net of withholding individual income tax	-	828	-	-	-	-	828	-	828
Employee share award schemes:									
- value of employee services	-	17,267	-	-	1,583	-	18,850	342	19,192
- shares purchased/withheld for share award schemes	-	-	-	(4,378)	-	-	(4,378)	-	(4,378)
- vesting of awarded shares	-	(2,071)	-	2,071	-	-	-	-	-
Tax benefit from share-based payments	-	-	-	-	21	-	21	-	21
Profit appropriations to statutory reserves	-	-	-	-	912	(912)	-	-	-
Repurchase and cancellation of shares	-	(42,112)	1,868	-	-	-	(40,244)	-	(40,244)
Repurchase of shares (to be cancelled)	-	-	(4,740)	-	-	-	(4,740)	-	(4,740)
Cash dividends	-	-	-	-	-	(20,586)	(20,586)	(598)	(21,184)
Dividends under distribution in specie	-	-	-	-	-	32,169	32,169	-	32,169
Non-controlling interests arising from business combinations	-	-	-	-	-	-	-	3,386	3,386
Acquisition of additional equity interests in non wholly-owned subsidiaries	-	-	-	-	1,449	-	1,449	(4,560)	(3,111)
Dilution of interests in subsidiaries	-	-	-	-	(1,349)	-	(1,349)	1,361	12
Disposal of subsidiaries	-	-	-	-	-	-	-	(101)	(101)
Changes in put option liabilities in respect of non-controlling interests	-	-	-	-	117	-	117	16	133
Recognition of put option liabilities arising from business combinations	-	-	-	-	(4,594)	-	(4,594)	-	(4,594)
Transfer of equity interests of subsidiaries to non-controlling interests	-	(28)	-	1,183	95	-	1,250	(1,462)	(212)
Total transactions with equity holders in their capacity as equity holders for the year	-	(24,429)	(2,872)	(1,124)	(1,693)	10,671	(19,447)	(1,431)	(20,878)
Balance at 31 December 2023	-	37,989	(4,740)	(5,350)	(33,219)	813,911	808,591	65,090	873,681

	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 year	-	-	-	-	-	188,243	188,243	466	188,709
Other comprehensive income, net of tax:									
- share of other comprehensive income of associates and joint ventures	-	-	-	-	2,337	-	2,337	79	2,416
- net losses from changes in fair value of assets held for distribution	-	-	-	-	(6,102)	-	(6,102)	-	(6,102)
- transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	-	-	-	-	(129)	-	(129)	-	(129)
- net losses from changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	(146,500)	-	(146,500)	(2,238)	(148,738)
- transfer to profit or loss upon disposal of financial assets at fair value through other comprehensive income	-	-	-	-	11	-	11	2	13
- currency translation differences	-	-	-	-	17,494	-	17,494	444	17,938
- other fair value gains, net	-	-	-	-	5,345	-	5,345	112	5,457
Total comprehensive income for the year	-	-	-	-	(127,544)	188,243	60,699	(1,135)	59,564
Transfer of losses on disposal and deemed disposal of financial instruments to retained earnings, net of tax	-	-	-	-	7,838	(7,978)	(140)	-	(140)
Transfer of share of other comprehensive income to retained earnings upon disposal and deemed disposal of associates and joint ventures	-	-	-	-	7	(7)	-	-	-
Share of other changes in net assets of associates and joint ventures	-	-	-	-	7,009	-	7,009	-	7,009
Transfer of share of other changes in net assets of associates and joint ventures to profit or loss upon disposal and deemed disposal	-	-	-	-	(5,541)	-	(5,541)	-	(5,541)
Transactions with equity holders									
Capital injections	-	-	-	-	-	-	-	3	3
Employee share option schemes:									
- value of employee services	-	2,055	-	-	110	-	2,165	97	2,262
- proceeds from shares issued	-	995	-	-	-	-	995	-	995
Employee share award schemes:									
- value of employee services	-	20,632	-	-	1,425	-	22,057	445	22,502
- shares withheld for share award schemes	-	-	-	(2,882)	-	-	(2,882)	-	(2,882)
- vesting of awarded shares	-	(2,882)	-	2,882	-	-	-	-	-
Tax benefit from share-based payments	-	-	-	-	5	-	5	-	5
Profit appropriations to statutory reserves	-	-	-	-	1,082	(1,082)	-	-	-
Repurchase and cancellation of shares	-	(28,010)	-	-	-	-	(28,010)	-	(28,010)
Repurchase of shares (to be cancelled)	-	-	(1,868)	-	-	-	(1,868)	-	(1,868)
Cash dividends	-	-	-	-	-	(12,950)	(12,950)	(1,610)	(14,560)
Dividends under distribution in specie	-	-	-	-	-	(130,156)	(130,156)	-	(130,156)
Non-controlling interests arising from business combinations	-	-	-	-	-	-	-	908	908
Acquisition of additional equity interests in non wholly-owned subsidiaries	-	-	-	-	992	-	992	(5,199)	(4,207)
Dilution of interests in subsidiaries	-	-	-	-	(929)	-	(929)	1,029	100
Disposal of subsidiaries	-	-	-	-	-	-	-	(1)	(1)
Changes in put option liabilities in respect of non-controlling interests	-	-	-	-	727	-	727	121	848
Recognition of put option liabilities arising from business combinations	-	-	-	-	(175)	-	(175)	-	(175)
Transfer of equity interests of subsidiaries to non-controlling interests	-	2,298	-	617	179	-	3,094	(3,583)	(489)
Total transactions with equity holders in their capacity as equity holders for the year	-	(4,912)	(1,868)	617	3,416	(144,188)	(146,935)	(7,790)	(154,725)
Balance at 31 December 2022	-	62,418	(1,868)	(4,226)	(40,914)	705,981	721,391	61,469	782,860

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Year ended 31 December	
	2023	2022
	RMB' Million	RMB' Million
Net cash flows generated from operating activities	221,962	146,091
Net cash flows used in investing activities	(125,161)	(104,871)
Net cash flows used in financing activities	(82,573)	(59,953)
Net increase/(decrease) in cash and cash equivalents	14,228	(18,733)
Cash and cash equivalents at beginning of the year	156,739	167,966
Exchange gains on cash and cash equivalents	1,353	7,506
Cash and cash equivalents at end of the year	<u>172,320</u>	<u>156,739</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 consolidated financial statements of the Group have been prepared in accordance with all applicable IFRS Accounting Standards. The consolidated financial statements have been prepared 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 value.

For the year ended 31 December 2023, certain items in the Group's consolidated income statement have been reclassified. Some items previously within "Other gains/(losses), net" are reclassified to "Net gains/(losses) from investments and others"; they include (i) impairment provisions for investments accounted for using the equity method; (ii) impairment provisions for goodwill and other intangible assets arising from business combinations; (iii) net gains on disposals and deemed disposals of investee companies; (iv) fair value changes and dividend income arising from investments; (v) donations and others. "Net gains/(losses) from investments and others" as well as "Interest income" are presented below "Operating profit". The management believe that such revised presentation of the consolidated income statement better reflects the results of the Group's day-to-day operations and the financial effects of income and gains/losses in relation to investing activities, which would facilitate users of the consolidated financial statements to have a better understanding of the financial performance of the Group. 2022 comparative figures have been restated to conform to the current year presentation.

The following table shows the amounts of restatement relating to changes in the presentation of the consolidated income statement, i.e., “interest income” and “net gains/(losses) from investments and others” were presented below the operating profit:

Consolidated income statement (extract)	Year ended 31 December 2022		
	As originally presented RMB'Million	Difference RMB'Million	Restated RMB'Million
Revenues	554,552	–	554,552
Cost of revenues	(315,806)	–	(315,806)
Gross profit	238,746	–	238,746
Interest income	8,592	(8,592)	–
Selling and marketing expenses	(29,229)	–	(29,229)
General and administrative expenses	(106,696)	–	(106,696)
Other gains/(losses), net	124,293	(116,287)	8,006
Operating profit	235,706	(124,879)	110,827
Net gains/(losses) from investments and others	–	116,287	116,287
Interest income	–	8,592	8,592
Finance costs	(9,352)	–	(9,352)
Share of profit/(loss) of associates and joint ventures, net	(16,129)	–	(16,129)
Profit before income tax	210,225	–	210,225
Income tax expense	(21,516)	–	(21,516)
Profit for the year	188,709	–	188,709

The following new standard and amendments to standards have been adopted by the Group for the first time 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 adopted the Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” on 1 January 2023, which resulted in the recognition of separate deferred income tax assets and separate deferred income tax liabilities for temporary differences arising on leases, both at initial recognition and subsequently.

In addition, Amendments to IAS 12 “International Tax Reform – Pillar Two Model Rules” were issued on 23 May 2023 which are effective upon issuance and require retrospective application. The Group applied the temporary exception to deferred tax accounting for Pillar Two top-up taxes immediately upon the release of the amendments in May 2023.

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

2 Segment information and revenues

The Group has the following reportable segments for the years ended 31 December 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 years ended 31 December 2023 and 2022. The revenues from external customers reported to the chief operating decision-makers are measured in a manner consistent with that applied in the consolidated income statement.

The segment information provided to the chief operating decision-makers for the reportable segments for the years ended 31 December 2023 and 2022 is as follows:

	Year ended 31 December 2023				Total RMB'Million
	VAS RMB'Million	Online Advertising RMB'Million	FinTech and Business Services RMB'Million	Others RMB'Million	
Segment revenues	<u>298,375</u>	<u>101,482</u>	<u>203,763</u>	<u>5,395</u>	<u>609,015</u>
Gross profit/(loss)	<u>161,919</u>	<u>51,344</u>	<u>80,636</u>	<u>(790)</u>	<u>293,109</u>
Cost of revenues					
Depreciation	5,239	6,025	8,713	59	20,036
Amortisation	<u>19,468</u>	<u>8,661</u>	<u>158</u>	<u>1,930</u>	<u>30,217</u>
	Year ended 31 December 2022				Total RMB'Million
	VAS RMB'Million	Online Advertising RMB'Million	FinTech and Business Services RMB'Million	Others RMB'Million	
Segment revenues	<u>287,565</u>	<u>82,729</u>	<u>177,064</u>	<u>7,194</u>	<u>554,552</u>
Gross profit/(loss)	<u>145,647</u>	<u>35,009</u>	<u>58,374</u>	<u>(284)</u>	<u>238,746</u>
Cost of revenues					
Depreciation	6,147	6,477	9,467	50	22,141
Amortisation	<u>19,320</u>	<u>8,422</u>	<u>200</u>	<u>1,569</u>	<u>29,511</u>

3 Expenses by nature

	2023 RMB'Million	2022 RMB'Million
Transaction costs (a)	134,864	124,282
Employee benefits expenses (b)	107,675	111,182
Content costs (excluding amortisation of intangible assets)	62,696	67,306
Amortisation of intangible assets (c)	32,623	32,695
Depreciation of property, plant and equipment, investment properties and right-of-use assets	26,305	28,444
Bandwidth and server custody fees (excluding depreciation of right-of-use assets)	24,248	30,719
Promotion and advertising expenses	22,836	18,764

Note:

- (a) Transaction costs primarily consist of bank handling fees, channel and distribution costs.
- (b) During the year ended 31 December 2023, the Group had incurred expenses for the purpose of R&D of approximately RMB64,078 million (2022: RMB61,401 million), which mainly comprised employee benefits expenses of approximately RMB52,416 million (2022: RMB50,000 million).

No significant development expenses had been capitalised for the years ended 31 December 2023 and 2022.

During the year ended 31 December 2023, employee benefits expenses included the share-based compensation expenses of approximately RMB22,782 million (2022: RMB26,248 million), which contained those incurred for employees related to SSV & CPP of approximately RMB63 million (2022: RMB73 million).

- (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 year ended 31 December 2023, amortisation of media content was approximately RMB30,088 million (2022: RMB28,893 million).

During the year ended 31 December 2023, amortisation of intangible assets included the amortisation of intangible assets arising from acquisitions of approximately RMB5,019 million (2022: RMB5,197 million).

- (d) During the year ended 31 December 2023, expenses incurred related to SSV & CPP (excluding share-based compensation expenses) were approximately RMB998 million (2022: RMB726 million).
- (e) During the year ended 31 December 2023, except as disclosed in Note 4(a), non-recurring compliance-related costs and expenses incurred for certain litigation settlements in total were approximately RMB18 million (2022: RMB205 million), of which approximately RMB1 million (2022: RMB20 million) were included in "Other gains/(losses), net".

4 Other gains/(losses), net

	2023	2022
	RMB'Million	Restated RMB'Million
Subsidies and tax rebates	10,285	11,119
Tenpay-related fine (a)	(2,995)	–
Others	(2,589)	(3,113)
	<u>4,701</u>	<u>8,006</u>

Note:

- (a) 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 was paid in July 2023.

5 Net gains/(losses) from investments and others

	2023	2022
	RMB'Million	Restated RMB'Million
Net gains on disposals and deemed disposals		
of investee companies (a)	4,283	172,707
Net fair value losses on FVPL (b)	(1,954)	(7,117)
Impairment provisions for investments in associates (Note 10(c))	(6,847)	(25,689)
Impairment reversals/(provisions) for investments		
in joint ventures and others	752	(1,849)
Impairment provisions for goodwill and		
other intangible assets arising from acquisitions	(95)	(17,265)
Net fair value losses on other financial instruments (c)	(165)	(633)
Donations (d)	(2,952)	(5,124)
Dividend income	546	948
Others	342	309
	<u>(6,090)</u>	<u>116,287</u>

Note:

- (a) The net disposal and deemed disposal gains of approximately RMB4,283 million recognised during the year ended 31 December 2023 comprised the following:
- aggregate net gains of approximately RMB1,574 million (2022: RMB18,914 million) on disposals and partial disposals of investee companies of the Group;
 - aggregate net gains of approximately RMB4,004 million (2022: RMB151,000 million) on deemed disposals of investee companies of the Group; and
 - aggregate net losses of approximately RMB1,295 million on dilution of the Group’s equity interests in certain associates due to new equity interests being issued by these associates (2022: net gains of approximately RMB2,793 million on dilution of the Group’s equity interests in certain associates and a joint venture). These investee companies are principally engaged in eCommerce, manufacture and sales of electric vehicles, and other Internet-related businesses.
- (b) During the year ended 31 December 2023, the net fair value losses on FVPL mainly comprised net losses of approximately RMB2,886 million as a result of changes in valuations of certain investee companies (2022: RMB7,737 million).
- (c) During the year ended 31 December 2023, the net fair value losses on other financial instruments mainly included net losses of approximately RMB152 million, as a result of changes in valuations of investment-related financial instruments (2022: RMB586 million).
- (d) During the year ended 31 December 2023, donations mainly included approximately RMB2,792 million for SSV & CPP of the Group (2022: RMB5,037 million).

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

During the year ended 31 December 2023, it represented the Group’s share of its associates and joint ventures’ post-acquisition profit or loss, including share of their impairment provisions for investee companies, goodwill and other intangible assets arising from acquisitions of approximately RMB1,933 million (2022: RMB3,201 million), amortisation of intangible assets arising from acquisitions of approximately RMB5,250 million (2022: RMB6,621 million), share-based compensation expenses of approximately RMB4,984 million (2022: RMB7,063 million), non-recurring compliance-related adjustment gains of approximately RMB1 million (2022: losses of RMB1,920 million) and other net gains from investee companies of approximately RMB4,925 million (2022: RMB314 million).

7 **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 years ended 31 December 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 years ended 31 December 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 years ended 31 December 2023 and 2022. The general PRC CIT rate was 25% in 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 years ended 31 December 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 fulfilment 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 year 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 is analysed as follows:

	2023	2022
	RMB'Million	RMB'Million
Current income tax	32,720	24,425
Deferred income tax	10,556	(2,909)
	<u>43,276</u>	<u>21,516</u>

8 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 (excluding shares held for share award schemes and treasury shares) during the year.

	2023	2022
Profit attributable to equity holders of the Company (RMB'Million)	<u>115,216</u>	<u>188,243</u>
Weighted average number of ordinary shares in issue excluding shares held for share award schemes and treasury shares (million shares)	<u>9,455</u>	<u>9,528</u>
Basic EPS (RMB per share)	<u>12.186</u>	<u>19.757</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), which is determined under the treasury stock method.

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.

	2023	2022
Profit attributable to equity holders of the Company (RMB' Million)	115,216	188,243
Dilution effect arising from share-based awards granted by non wholly-owned subsidiaries and associates (RMB' Million)	(986)	(740)
Profit attributable to equity holders of the Company for the calculation of diluted EPS (RMB' Million)	<u>114,230</u>	<u>187,503</u>
Weighted average number of ordinary shares in issue excluding shares held for share award schemes and treasury shares (million shares)	9,455	9,528
Adjustments for share options and awarded shares (million shares)	155	167
Weighted average number of ordinary shares for the calculation of diluted EPS (million shares)	<u>9,610</u>	<u>9,695</u>
Diluted EPS (RMB per share)	<u>11.887</u>	<u>19.341</u>

9 Dividends

(a) Final dividends

The final dividends amounting to HKD22,762 million (2022: HKD15,260 million) were paid during the year ended 31 December 2023.

A final dividend in respect of the year ended 31 December 2023 of HKD3.40 per share (2022: HKD2.40 per share) was proposed pursuant to a resolution passed by the Board on 20 March 2024 and subject to the approval of the shareholders at the 2024 AGM. This proposed dividend is not reflected as dividend payable in the consolidated financial statements.

(b) **Settlement of special 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 RMB30.0 billion from 1 January 2023 to the Share Certificate Dispatch Date were recognised in equity as a result of the changes in the fair value of the Meituan Shares to be distributed. Upon the dispatch of the share certificates of the Meituan Shares to be distributed, the assets held for distribution and dividends payable for distribution in specie were derecognised and the cumulative fair value losses of assets held for distribution amounted to approximately RMB19.0 billion were transferred from other reserves to retained earnings.

10 Investments in associates

	As at 31 December	
	2023	2022
	RMB'Million	RMB'Million
Investments in associates		
– Listed entities (Note)	132,776	125,535
– Unlisted entities	120,920	120,508
	253,696	246,043

Note:

As at 31 December 2023, the fair value of the investments in associates consisting of directly and indirectly held listed equity interests was approximately RMB351,594 million (31 December 2022: RMB264,090 million).

Movement of investments in associates is analysed as follows:

	2023	2022
	RMB'Million	RMB'Million
At beginning of the year	246,043	316,574
Additions (a)	7,696	12,713
Transfers (b)	4,408	(54,438)
Dilution (losses)/gains on deemed disposal	(1,295)	2,763
Share of profit/(loss) of associates, net	5,400	(16,379)
Share of other comprehensive income of associates	(743)	2,417
Share of other changes in net assets of associates	4,674	7,009
Dividends	(5,235)	(724)
Disposals	(2,544)	(3,853)
Impairment provisions, net ((c) and Note 5)	(6,847)	(25,689)
Currency translation differences	2,139	5,650
	<hr/>	<hr/>
At end of the year	253,696	246,043
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (a) During the year ended 31 December 2023, the Group's additions mainly comprised new investments and additional investments in certain investee companies, which are principally engaged in games development, streaming media and other Internet-related businesses.
- (b) During the year ended 31 December 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 RMB7,968 million transferred from FVPL due to conversion of the redeemable instruments into ordinary shares; 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 year ended 31 December 2023, an aggregate impairment loss of approximately RMB6,847 million (2022: RMB25,689 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.

11 Financial assets at fair value through profit or loss

FVPL include the following:

	As at 31 December	
	2023	2022
	RMB'Million	RMB'Million
Included in non-current assets:		
Investments in listed entities	11,495	12,443
Investments in unlisted entities	190,698	187,502
Treasury investments and others	8,952	6,140
	<u>211,145</u>	<u>206,085</u>
Included in current assets:		
Investments in listed entities	1	2
Treasury investments and others	14,902	27,961
	<u>14,903</u>	<u>27,963</u>
	<u>226,048</u>	<u>234,048</u>

Movement of FVPL is analysed as follows:

	2023	2022
	RMB'Million	RMB'Million
At beginning of the year	234,048	202,757
Additions and transfers (a)	40,915	45,206
Changes in fair value (Note 5)	(1,954)	(7,117)
Disposals and others	(50,303)	(22,926)
Currency translation differences	3,342	16,128
	<u>226,048</u>	<u>234,048</u>

Note:

- (a) During the year ended 31 December 2023, the Group's additions and transfers mainly comprised the following:
- (i) new investments and additional investments with an aggregate amount of approximately RMB53,276 million in treasury investments, investee companies which are principally engaged in digital payment, games development and eCommerce, and others; and
 - (ii) except as described in Note 10(b), transfers mainly comprised certain investments with an aggregate amount of approximately RMB6,442 million designated as FVOCI due to the conversion of preference shares into ordinary shares upon their IPOs.

12 Financial assets at fair value through other comprehensive income

FVOCI include the following:

	As at 31 December	
	2023	2022
	RMB'Million	RMB'Million
Equity investments in listed entities	189,286	159,861
Equity investments in unlisted entities	22,671	22,838
Treasury investments	1,994	2,548
	<u>213,951</u>	<u>185,247</u>

Movement of FVOCI is analysed as follows:

	2023	2022
	RMB'Million	RMB'Million
At beginning of the year	185,247	250,257
Additions and transfers (a)	19,048	80,325
Changes in fair value	12,419	(148,169)
Disposals	(8,074)	(9,191)
Currency translation differences	5,311	12,025
	<u>213,951</u>	<u>185,247</u>
At end of the year	<u>213,951</u>	<u>185,247</u>

Note:

- (a) During the year ended 31 December 2023, except as described in Note 10(b)(i) and Note 11(a)(ii), the Group's additions and transfers mainly comprised certain new investments and additional investments with an aggregate amount of approximately RMB8,454 million in investee companies which are principally engaged in eCommerce, FinTech services and other Internet-related businesses.

13 Accounts receivable

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

	As at 31 December	
	2023	2022
	RMB'Million	RMB'Million
0 ~ 30 days	24,259	25,279
31 ~ 60 days	11,708	9,247
61 ~ 90 days	6,163	6,545
Over 90 days	4,476	4,396
	<u>46,606</u>	<u>45,467</u>

Accounts receivable balances as at 31 December 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.

14 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 31 December 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		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	HKD334.04	13,561,932	17,221,857
Exercised	HKD165.15	(11,941,689)	HKD262.55	(752,225)	HKD250.65	(454,440)	(13,148,354)
Lapsed/forfeited	HKD143.33	(1,850)	HKD453.51	(276,898)	HKD376.26	(607,455)	(886,203)
Transferred	-	-	HKD355.55	(92,792,712)	HKD355.55	92,792,712	-
At 31 December 2023	HKD185.65	<u>17,318,327</u>	-	<u>-</u>	HKD353.11	<u>105,292,749</u>	<u>122,611,076</u>
Exercisable as at 31 December 2023	HKD185.65	<u>17,208,952</u>	-	<u>-</u>	HKD356.48	<u>52,857,824</u>	<u>70,066,776</u>

	Post-IPO Option Scheme II		Post-IPO Option Scheme IV		Total Number of options
	Average exercise price	Number of options	Average exercise price	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	HKD146.28	(5,862,075)	HKD279.99	(944,750)	(6,806,825)
Lapsed/forfeited/waived	HKD135.50	(22,176)	HKD557.65	(3,361,436)	(3,383,612)
At 31 December 2022	HKD200.77	<u>29,261,866</u>	HKD391.24	<u>90,161,910</u>	<u>119,423,776</u>
Exercisable as at 31 December 2022	HKD200.73	<u>29,152,491</u>	HKD382.60	<u>43,255,764</u>	<u>72,408,255</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 year ended 31 December 2023, no options were granted to any director of the Company (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 year ended 31 December 2023. As at 31 December 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 years ended 31 December 2023 and 2022 are as follows:

	Number of awarded shares	
	2023	2022
At beginning of the year	123,861,178	121,314,396
Granted (Note)	64,604,655	65,174,957
Lapsed/forfeited	(7,545,346)	(8,677,008)
Vested and transferred	(47,931,238)	(53,951,167)
At end of the year	132,989,249	123,861,178
Vested but not transferred as at the end of the year	38,955	13,767

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 year ended 31 December 2023 included a total of 6,186,967 additional awarded shares which were awarded pursuant to such adjustments.

During the year ended 31 December 2023, 74,542 awarded shares were granted to five independent non-executive directors of the Company (2022: 58,398 awarded shares were granted to five independent non-executive directors of the Company).

15 Accounts payable

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

	As at 31 December	
	2023	2022
	RMB'Million	RMB'Million
0 ~ 30 days	94,537	87,612
31 ~ 60 days	3,099	1,512
61 ~ 90 days	528	180
Over 90 days	2,784	3,077
	<u>100,948</u>	<u>92,381</u>

16 Borrowings

	As at 31 December	
	2023	2022
	RMB' Million	RMB' Million
Included in non-current liabilities:		
Non-current portion of long-term USD bank borrowings, unsecured (a)	109,782	141,090
Non-current portion of long-term RMB bank borrowings, unsecured (a)	46,000	22,514
Non-current portion of long-term JPY bank borrowings, unsecured (a)	26	45
Non-current portion of long-term JPY bank borrowings, secured (a)	2	3
Non-current portion of long-term EUR bank borrowings, secured (a)	6	9
Non-current portion of long-term EUR bank borrowings, unsecured (a)	3	7
	<u>155,819</u>	<u>163,668</u>
Included in current liabilities:		
USD bank borrowings, unsecured (b)	18,415	–
RMB bank borrowings, unsecured (b)	7,046	5,981
RMB bank borrowings, secured (b)	100	–
Current portion of long-term USD bank borrowings, unsecured (a)	15,936	5,572
Current portion of long-term JPY bank borrowings, unsecured (a)	16	19
Current portion of long-term JPY bank borrowings, secured (a)	1	1
Current portion of long-term EUR bank borrowings, unsecured (a)	4	4
Current portion of long-term EUR bank borrowings, secured (a)	4	3
Current portion of long-term RMB bank borrowings, unsecured (a)	15	–
	<u>41,537</u>	<u>11,580</u>
	<u><u>197,356</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:

	31 December 2023		31 December 2022	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
RMB bank borrowings	RMB46,015	2.45% ~ 4.60%	RMB22,514	2.80% ~ 4.80%
USD bank borrowings	USD17,750	SOFR + CAS + 0.80% ~ 0.95%	USD20,998	LIBOR + 0.80% ~ 0.95%
USD bank borrowings	–	–	USD60	1.41%
JPY bank borrowings	JPY894	0.00% ~ 1.86%	JPY1,250	0.00% ~ 1.86%
JPY bank borrowings	JPY21	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:

	31 December 2023		31 December 2022	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
RMB bank borrowings	RMB7,160	1.60% ~ 3.48%	RMB6,007	1.50% ~ 4.80%
USD bank borrowings	USD2,600	SOFR + 0.50% ~ 0.55%	–	–

17 Notes payable

	As at 31 December	
	2023	2022
	RMB' Million	RMB' Million
Included in non-current liabilities:		
Non-current portion of long-term USD notes payable	<u>137,101</u>	<u>148,669</u>
Included in current liabilities:		
Current portion of long-term USD notes payable	<u>14,161</u>	<u>10,446</u>
	<u>151,262</u>	<u>159,115</u>

Note:

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

	31 December 2023		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.

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

18 Business combinations

During the year ended 31 December 2023, the Group completed the acquisition of a game company by acquiring 67% of its equity interest 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 RMB5.6 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 following table summarises the purchase consideration, the fair value of assets acquired, liabilities assumed and the non-controlling interest as at the acquisition date.

	RMB'Million
Total consideration:	
Cash paid	6,481
	<hr/>
	6,481
	<hr/> <hr/>
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Intangible assets	4,816
Cash and cash equivalents	138
Other assets	279
Deferred income tax liabilities	(858)
Other payables and accruals	(227)
Other liabilities	(92)
	<hr/>
Total identifiable net assets	4,056
Non-controlling interests	(3,192)
Goodwill	5,617
	<hr/>
	6,481
	<hr/> <hr/>

Note:

The Group's revenue for the year ended 31 December 2023 would be increased by not more than 5% and results for the year ended 31 December 2023 would not be materially different should the transaction had occurred on 1 January 2023.

The related transaction costs of the transaction recognised in the Group's consolidated income statement were not material.

19 Subsequent events

There were no material subsequent events during the period from 31 December 2023 to the approval date of these financial statements by the Board on 20 March 2024.

OTHER INFORMATION

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

During the year ended 31 December 2023, the Company repurchased a total of 152,205,700 shares on the Stock Exchange for an aggregate consideration of approximately HKD49.4 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 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
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
October	11,800,000	317.00	295.40	3,612,873,698.00
November	11,170,000	332.40	313.80	3,611,667,996.00
December	33,370,000	325.60	263.80	10,043,448,981.00
Total	<u>152,205,700</u>			<u>49,432,707,948.16</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 year ended 31 December 2023.

Closure of Register of Members

(a) Entitlement to Attend and Vote at the 2024 AGM

For the purpose of determining the shareholders' entitlement to attend and vote at the 2024 AGM, the register of members of the Company will be closed from Thursday, 9 May 2024 to Tuesday, 14 May 2024, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the 2024 AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 8 May 2024.

(b) Entitlement to the Proposed Final Dividend

For the purpose of determining the shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 21 May 2024 to Wednesday, 22 May 2024, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Monday, 20 May 2024.

Employee and Remuneration Policies

As at 31 December 2023, the Group had 105,417 employees (2022: 108,436). 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 year ended 31 December 2023 was RMB107,675 million (2022: RMB111,182 million).

Audit Committee

The Audit Committee, together with the Auditor, has reviewed the Group's audited Consolidated Financial Statements for the year ended 31 December 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.

Auditor's Procedures Performed on this Results Announcement

The financial figures in respect of the Group's results for the year ended 31 December 2023 as set out in the announcement have been agreed by the Auditor to the amounts set out in the Group's audited Consolidated Financial Statements. The work performed by the Auditor in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Auditor on the announcement.

Compliance with the Corporate Governance Code

Except for 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 as disclosed and explained in the 2023 interim report and the corporate governance report in the 2022 annual report of the Company, the Company has complied with the code provisions as set out in Part 2 of the CG Code for the year ended 31 December 2023.

As to the deviation from code provisions B.2.2 and C.2.1 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.

Publication of the Annual Results and Annual Report

All the financial and other related information of the Company required by the Listing Rules will be published on the websites of each of the Stock Exchange (www.hkexnews.hk) and the Company (www.tencent.com) in due course.

APPRECIATION

On behalf of the Board, I would like to express our profound gratitude to our entire staff and management team for their exceptional commitment and contributions that have resulted in our resilient and sustainable performance amid ongoing challenges. I would also like to extend our sincere appreciation to our shareholders and stakeholders for their continuous support and confidence in the Company.

Our commitment to the principle of “Value for Users, Tech for Good” remains unwavering. We will continue to create value for our shareholders and the community, and do our utmost in fostering innovations, addressing societal needs and contributing to a sustainable future for all.

By Order of the Board
Ma Huateng
Chairman

Hong Kong, 20 March 2024

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 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
“2024 AGM”	the annual general meeting of the Company to be held on 14 May 2024 or any adjournment thereof
“AI”	artificial intelligence
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the auditor of the Company
“Board”	the board of directors of the Company
“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 C1 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

Term	Definition
“Consolidated Financial Statements”	the consolidated financial statements, comprising the consolidated statement of financial position as at 31 December 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, which include material accounting policies and other explanatory information
“DAU”	daily active user accounts
“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
“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

Term	Definition
“IAS”	International Accounting Standards
“IBOR”	InterBank Offered Rate
“IFRS”	International Financial Reporting Standards as issued by the International Accounting Standards Board
“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
“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

Term	Definition
“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
“Supercell”	Supercell Oy, a non wholly-owned subsidiary of the Company which is a private company incorporated in Finland
“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

Term	Definition
“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