

Tencent 腾讯

Tencent Holdings Limited

Incorporated in the Cayman Islands with limited liability

騰訊控股有限公司

於開曼群島註冊成立的有限公司

HKD Counter Stock Code : 700

RMB Counter Stock Code : 80700

25th

ANNIVERSARY



smart communication inspires

智慧溝通 靈感無限

2023

Interim Report

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Corporate Information

DIRECTORS

Executive Directors

Ma Huateng (*Chairman*)
Lau Chi Ping Martin
(ceased to be a director
with effect from 17 May 2023)

Non-Executive Directors

Jacobus Petrus (Koos) Bekker
Charles St Leger Searle

Independent Non-Executive Directors

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

AUDIT COMMITTEE

Yang Siu Shun (*Chairman*)
Ian Charles Stone
Charles St Leger Searle

CORPORATE GOVERNANCE COMMITTEE

Charles St Leger Searle (*Chairman*)
Ian Charles Stone
Yang Siu Shun
Ke Yang
Zhang Xiulan

INVESTMENT COMMITTEE

Lau Chi Ping Martin (*Chairman*)
Ma Huateng
Charles St Leger Searle

NOMINATION COMMITTEE

Ma Huateng (*Chairman*)
Li Dong Sheng
Ian Charles Stone
Yang Siu Shun
Charles St Leger Searle

REMUNERATION COMMITTEE

Ian Charles Stone (*Chairman*)
Li Dong Sheng
Jacobus Petrus (Koos) Bekker

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
and Registered Public Interest
Entity Auditor

PRINCIPAL BANKERS

Bank of China Limited
The Hongkong and Shanghai Banking
Corporation Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

TENCENT GROUP HEAD OFFICE

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No. 33 Haitian 2nd Road
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Shenzhen, 518054
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Wanchai
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Suite 3204, Unit 2A
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P.O. Box 1586
Gardenia Court
Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

COMPANY WEBSITE

www.tencent.com

STOCK CODES

HKD counter	700
RMB counter	80700

Financial Performance Highlights

SECOND QUARTER OF 2023

	30 June 2023	Unaudited Three months ended			Quarter- on-quarter change
		30 June 2022	Year- on-year change	31 March 2023	
		(RMB in millions, unless specified)			
Revenues	149,208	134,034	11%	149,986	-1%
Gross profit	70,840	57,867	22%	68,182	4%
Operating profit	40,300	30,067	34%	40,429	-0.3%
Profit for the period	27,023	19,230	41%	26,394	2%
Profit attributable to equity holders of the Company	26,171	18,619	41%	25,838	1%
EPS (RMB per share)					
– basic	2.761	1.951	42%	2.725	1%
– diluted	2.695	1.915	41%	2.639	2%
Non-IFRS operating profit	50,122	36,667	37%	48,389	4%
Non-IFRS profit attributable to equity holders of the Company	37,548	28,139	33%	32,538	15%
Non-IFRS EPS (RMB per share)					
– basic	3.962	2.949	34%	3.431	15%
– diluted	3.875	2.896	34%	3.353	16%

Financial Performance Highlights

FIRST HALF OF 2023

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

Chairman's Statement

I am pleased to present our interim report for the three and six months ended 30 June 2023 to the shareholders.

RESULTS

The Group's unaudited profit attributable to equity holders of the Company for the three and six months ended 30 June 2023 increased by 41% and 24% on a year-on-year basis to RMB26,171 million and RMB52,009 million respectively. Basic EPS for the three and six months ended 30 June 2023 were RMB2.761 and RMB5.486 respectively. Diluted EPS for the three and six months ended 30 June 2023 were RMB2.695 and RMB5.334 respectively.

The Group's non-IFRS profit attributable to equity holders of the Company for the three and six months ended 30 June 2023 increased by 33% and 31% on a year-on-year basis to RMB37,548 million and RMB70,086 million respectively. Non-IFRS basic EPS for the three and six months ended 30 June 2023 were RMB3.962 and RMB7.393 respectively. Non-IFRS diluted EPS for the three and six months ended 30 June 2023 were RMB3.875 and RMB7.236 respectively.

OPERATING INFORMATION

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

BUSINESS REVIEW AND OUTLOOK

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

Chairman's Statement

Communications and Social Networks

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

Digital Content

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

Domestic Games

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

International Games

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

Online Advertising

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

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

Chairman's Statement

FinTech Services

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

Cloud and Other Business Services

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

DIVIDEND

The Board did not declare any interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: nil).

APPRECIATION

On behalf of the Board, I would like to extend my heartfelt gratitude to our entire staff and management team for their tremendous contribution and dedication to the Group which enable us to achieve robust and sustainable performance amid continuing challenges. I would also like to express our sincere appreciation to our shareholders and stakeholders for their continued trust and confidence in the Company.

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

Ma Huateng

Chairman

Hong Kong, 16 August 2023

Management Discussion and Analysis

SECOND QUARTER OF 2023 COMPARED TO SECOND QUARTER OF 2022

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

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

Management Discussion and Analysis

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

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

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

Management Discussion and Analysis

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

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

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

Management Discussion and Analysis

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

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

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

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

Share of profit/(loss) of associates and joint ventures, net. We recorded share of profits of associates and joint ventures of RMB1.2 billion for the second quarter of 2023, compared to share of losses of RMB4.5 billion for the second quarter of 2022. Non-IFRS share of profits of associates and joint ventures improved to RMB3.9 billion for the second quarter of 2023 from losses of RMB1 billion for the second quarter of 2022, reflecting better profitability among certain domestic associates, driven by their revenue growth and efficiency improvements.

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

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

Management Discussion and Analysis

SECOND QUARTER OF 2023 COMPARED TO FIRST QUARTER OF 2023

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

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

Management Discussion and Analysis

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

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

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

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

Management Discussion and Analysis

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

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

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

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

OTHER FINANCIAL INFORMATION

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

Management Discussion and Analysis

Note:

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

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

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

Management Discussion and Analysis

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 interim report. These unaudited non-IFRS financial measures should be considered in addition to, not as a substitute for, measures of the Group's financial performance prepared in accordance with IFRS. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies.

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

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

Unaudited three months ended 30 June 2023									
	As reported	Share-based compensation	Adjustments						Non-IFRS
			Net (gains)/ losses from investee companies	Amortisation of intangible assets	Impairment provisions/ (reversals)	SSV & CPP	Others	Income tax effects	
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	
(RMB in millions, unless specified)									
Operating profit	40,300	5,551	(206)	1,023	82	369	3,003	–	50,122
Profit for the period	27,023	6,859	(287)	2,372	210	369	3,002	(929)	38,619
Profit attributable to equity holders	26,171	6,661	(162)	2,187	193	369	3,002	(873)	37,548
EPS (RMB per share)									
– basic	2.761								3.962
– diluted	2.695								3.875
Operating margin	27%								34%
Net margin	18%								26%

Management Discussion and Analysis

Unaudited three months ended 31 March 2023

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

Unaudited three months ended 30 June 2022

	Adjustments								
	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	30,067	6,507	(5,539)	1,255	2,831	1,370	176	–	36,667
Profit for the period	19,230	8,439	(6,085)	2,989	3,189	1,370	176	(321)	28,987
Profit attributable to equity holders	18,619	8,257	(5,968)	2,767	3,189	1,370	176	(271)	28,139
EPS (RMB per share)									
– basic	1.951								2.949
– diluted	1.915								2.896
Operating margin	22%								27%
Net margin	14%								22%

Management Discussion and Analysis

Unaudited six months ended 30 June 2023

	Adjustments								Non-IFRS
	As reported	Share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/ (reversals) (d)	SSV & CPP (e)	Others (f)	Income tax effects (g)	
	(RMB in millions, unless specified)								
Operating profit	80,729	11,395	(864)	2,021	323	1,895	3,012	–	98,511
Profit for the period	53,417	14,172	(5,511)	4,643	2,072	1,895	3,011	(1,635)	72,064
Profit attributable to equity holders	52,009	13,755	(5,386)	4,285	2,045	1,895	3,011	(1,528)	70,086
EPS (RMB per share)									
– basic	5.486								7.393
– diluted	5.334								7.236
Operating margin	27%								33%
Net margin	18%								24%

Unaudited six months ended 30 June 2022

	Adjustments								Non-IFRS
	As reported	Share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/ (reversals) (d)	SSV & CPP (e)	Others (f)	Income tax effects (g)	
	(RMB in millions, unless specified)								
Operating profit	67,284	14,643	(24,098)	2,643	9,834	2,718	181	–	73,205
Profit for the period	42,963	18,074	(24,637)	6,152	11,021	2,718	181	(1,189)	55,283
Profit attributable to equity holders	42,032	17,709	(24,510)	5,624	11,016	2,718	181	(1,086)	53,684
EPS (RMB per share)									
– basic	4.407								5.628
– diluted	4.320								5.516
Operating margin	25%								27%
Net margin	16%								21%

Management Discussion and Analysis

Note:

- (a) Including put options granted to employees of investee companies on their shares and shares to be issued under investee companies' share-based incentive plans which can be acquired by the Group, and other incentives
- (b) Including net (gains)/losses on deemed disposals/disposals of investee companies, fair value changes arising from investee companies, and other expenses in relation to equity transactions of investee companies
- (c) Amortisation of intangible assets resulting from acquisitions
- (d) Mainly including impairment provisions/(reversals) for associates, joint ventures, goodwill and other intangible assets arising from acquisitions
- (e) Mainly including donations and expenses incurred for the Group's SSV & CPP initiatives
- (f) Primarily non-recurring compliance-related costs (including the fine imposed by the PBOC on Tenpay which was disclosed in our announcement dated 7 July 2023) and expenses incurred for certain litigation settlements of the Group
- (g) Income tax effects of non-IFRS adjustments

INVESTMENTS HELD

As at 30 June 2023, our investment portfolio amounted to approximately RMB713,697 million (31 December 2022: RMB819,975 million) as recorded in the condensed consolidated statement of financial position under various categories including:

- investments in associates and joint ventures which are accounted for by using equity method; and
- financial assets at fair value through profit or loss and through other comprehensive income (including assets held for distribution).

Changes in respective items in the condensed consolidated statement of financial position have been disclosed in the notes to the Interim Financial Information in this interim report.

We manage our investment portfolio with a primary objective to strengthen our leading position in core businesses and complement our “Connection” strategy in various industries, particularly in social and digital content, retail and FinTech sectors. We also invest in healthcare, cloud and AI, transportation and other sectors.

Management Discussion and Analysis

The fair value of our shareholdings² in listed investee companies (excluding subsidiaries) amounted to RMB435.4 billion as at 30 June 2023 (31 December 2022: RMB585.1 billion), and the carrying value of our unlisted investments was RMB347 billion as at 30 June 2023 (31 December 2022: RMB333.4 billion). None of our investments (including listed equity investments) had a carrying amount which represented 5% or more of our total assets as at 30 June 2023. There were no material acquisitions or disposals of subsidiaries during the six months ended 30 June 2023. Apart from those disclosed in this interim report, there were no material investments or additions of capital assets authorised by the Board as at the date of this interim report.

There were no material changes in our significant investment portfolio during the six months ended 30 June 2023 that need to be disclosed under paragraph 32 of Appendix 16 to the Listing Rules.

Return from our investment portfolio amounted to RMB691 million for the six months ended 30 June 2023, with a decrease of 62% compared to the same period of last year. Details of our return from investment portfolio are as follows:

Income of Principal Investment (Classified by nature of income)	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Dividend income	331	702	427	745
Net gains on disposals and deemed disposals of investee companies	2,077	4,971	3,121	23,863
Net fair value (losses)/gains	(1,615)	699	(1,752)	419
Impairment provisions for investee companies, goodwill and other intangible assets from acquisitions, net	(82)	(2,831)	(323)	(9,834)
Share of profit/(loss) of associates and joint ventures, net	1,159	(4,460)	1,239	(10,740)
Amortisation of intangible assets resulting from acquisitions	(1,023)	(1,255)	(2,021)	(2,643)

We continue to closely monitor the performance of our investment portfolio, strategically make investments, and explore opportunities in monetising some of the existing investments if appropriate opportunities in the market arise.

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

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF TENCENT HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 23 to 88, which comprises the condensed consolidated statement of financial position of Tencent Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2023 and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income for the three-month and six-month periods then ended, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 16 August 2023

Condensed Consolidated Income Statement

For the three and six months ended 30 June 2023

	Note	Unaudited		Unaudited	
		Three months ended 30 June		Six months ended 30 June	
		2023	2022	2023	2022
		RMB'Million	RMB'Million	RMB'Million	RMB'Million
Revenues					
Value-added Services		74,211	71,683	153,548	144,421
Online Advertising		25,003	18,638	45,967	36,626
FinTech and Business Services		48,635	42,208	97,336	84,976
Others		1,359	1,505	2,343	3,482
	7	149,208	134,034	299,194	269,505
Cost of revenues	9	(78,368)	(76,167)	(160,172)	(154,564)
Gross profit		70,840	57,867	139,022	114,941
Interest income		3,419	1,945	6,382	3,682
Other gains/(losses), net	8	(230)	4,420	714	17,553
Selling and marketing expenses	9	(8,310)	(7,932)	(15,328)	(15,990)
General and administrative expenses	9	(25,419)	(26,233)	(50,061)	(52,902)
Operating profit		40,300	30,067	80,729	67,284
Finance costs, net	10	(3,291)	(1,809)	(5,941)	(3,744)
Share of profit/(loss) of associates and joint ventures, net	11	1,159	(4,460)	1,239	(10,740)
Profit before income tax		38,168	23,798	76,027	52,800
Income tax expense	12(a)	(11,145)	(4,568)	(22,610)	(9,837)
Profit for the period		27,023	19,230	53,417	42,963
Attributable to:					
Equity holders of the Company		26,171	18,619	52,009	42,032
Non-controlling interests		852	611	1,408	931
		27,023	19,230	53,417	42,963
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)					
– basic	13(a)	2.761	1.951	5.486	4.407
– diluted	13(b)	2.695	1.915	5.334	4.320

The accompanying notes on pages 34 to 88 form an integral part of this interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the three and six months ended 30 June 2023

	Note	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2023 RMB'Million	2022 RMB'Million	2023 RMB'Million	2022 RMB'Million
Profit for the period		27,023	19,230	53,417	42,963
Other comprehensive income, net of tax:					
<i>Items that may be subsequently reclassified to profit or loss</i>					
Share of other comprehensive income of associates and joint ventures		424	292	(238)	242
Transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures		(23)	(14)	(9)	(14)
Transfer to profit or loss upon disposal of financial assets at fair value through other comprehensive income		(3)	2	(2)	2
Net gains/(losses) from changes in fair value of financial assets at fair value through other comprehensive income		17	(8)	39	(24)
Currency translation differences		17,560	6,989	16,360	2,528
Other fair value gains/(losses), net		31	865	(1,120)	4,082
<i>Items that will not be subsequently reclassified to profit or loss</i>					
Share of other comprehensive income of associates and joint ventures		(743)	(379)	(897)	(192)
Loss from changes in fair value of assets held for distribution	25	–	–	(29,991)	(17,130)
Net (losses)/gains from changes in fair value of financial assets at fair value through other comprehensive income		(20,673)	(61,581)	13,689	(120,431)
Currency translation differences		2,742	2,219	(104)	2,077
		(668)	(51,615)	(2,273)	(128,860)
Total comprehensive income for the period		26,355	(32,385)	51,144	(85,897)
Attributable to:					
Equity holders of the Company		24,416	(32,083)	48,028	(84,360)
Non-controlling interests		1,939	(302)	3,116	(1,537)
		26,355	(32,385)	51,144	(85,897)

The accompanying notes on pages 34 to 88 form an integral part of this interim financial information.

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

		Unaudited 30 June 2023 RMB'Million	Audited 31 December 2022 RMB'Million
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	15	48,530	53,978
Land use rights	16	17,775	18,046
Right-of-use assets	17	20,592	22,524
Construction in progress	15	13,260	9,229
Investment properties	15	567	559
Intangible assets	15	171,952	161,802
Investments in associates	18	246,101	246,043
Investments in joint ventures		8,106	6,672
Financial assets at fair value through profit or loss	19	216,603	206,085
Financial assets at fair value through other comprehensive income	20	213,089	185,247
Prepayments, deposits and other assets	21	28,351	36,752
Other financial assets	22	7,222	6,987
Deferred income tax assets	23	29,627	29,882
Term deposits		25,319	28,336
		1,047,094	1,012,142
Current assets			
Inventories		2,155	2,333
Accounts receivable	24	46,172	45,467
Prepayments, deposits and other assets	21	89,777	76,685
Other financial assets	22	1,855	1,278
Financial assets at fair value through profit or loss	19	29,798	27,963
Term deposits		176,427	104,776
Restricted cash		4,578	2,783
Cash and cash equivalents		139,647	156,739
Assets held for distribution	25	–	147,965
		490,409	565,989
Total assets		1,537,503	1,578,131

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

		Unaudited 30 June 2023 RMB'Million	Audited 31 December 2022 RMB'Million
	Note		
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	26	–	–
Share premium		56,611	62,418
Treasury shares		(2,224)	(1,868)
Shares held for share award schemes		(4,497)	(4,226)
Other reserves		(22,850)	(40,914)
Retained earnings		751,256	705,981
		778,296	721,391
Non-controlling interests		62,520	61,469
Total equity		840,816	782,860
LIABILITIES			
Non-current liabilities			
Borrowings	28	154,079	163,668
Notes payable	29	139,840	148,669
Long-term payables	30	13,668	9,067
Other financial liabilities	31	5,095	5,574
Deferred income tax liabilities	23	14,369	12,162
Lease liabilities	17	17,452	18,424
Deferred revenue	34	3,320	3,503
		347,823	361,067

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

		Unaudited 30 June 2023 RMB'Million	Audited 31 December 2022 RMB'Million
	Note		
Current liabilities			
Accounts payable	32	100,103	92,381
Other payables and accruals	33	66,382	61,139
Borrowings	28	45,754	11,580
Notes payable	29	14,442	10,446
Current income tax liabilities		14,070	13,488
Other tax liabilities		4,300	4,698
Other financial liabilities	31	4,478	3,937
Lease liabilities	17	6,010	6,354
Deferred revenue	34	93,325	82,216
Dividends payable for distribution in specie	14(b)	—	147,965
		348,864	434,204
Total liabilities		696,687	795,271
Total equity and liabilities		1,537,503	1,578,131

The accompanying notes on pages 34 to 88 form an integral part of this interim financial information.

On behalf of the Board

Ma Huateng
Director

Yang Siu Shun
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Unaudited								
	Attributable to equity holders of the Company								
	Share capital RMB'Million	Share premium RMB'Million	Treasury shares RMB'Million	Shares held for share award schemes RMB'Million	Other reserves RMB'Million	Retained earnings RMB'Million	Total RMB'Million	Non-controlling interests RMB'Million	Total equity RMB'Million
Balance at 1 January 2023	-	62,418	(1,868)	(4,226)	(40,914)	705,981	721,391	61,469	782,860
Comprehensive income									
Profit for the period	-	-	-	-	-	52,009	52,009	1,408	53,417
Other comprehensive income, net of tax:									
– share of other comprehensive income of associates and joint ventures	-	-	-	-	(1,121)	-	(1,121)	(14)	(1,135)
– loss from changes in fair value of assets held for distribution	-	-	-	-	(29,991)	-	(29,991)	-	(29,991)
– transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	-	-	-	-	(9)	-	(9)	-	(9)
– net gains from changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	12,680	-	12,680	1,048	13,728
– transfer to profit or loss upon disposal of financial assets at fair value through other comprehensive income	-	-	-	-	(2)	-	(2)	-	(2)
– currency translation differences	-	-	-	-	15,564	-	15,564	692	16,256
– other fair value losses, net	-	-	-	-	(1,102)	-	(1,102)	(18)	(1,120)
Total comprehensive income for the period	-	-	-	-	(3,981)	52,009	48,028	3,116	51,144
Transfer of losses on disposal and deemed disposal of financial instruments to retained earnings	-	-	-	-	18,096	(18,141)	(45)	-	(45)
Transfer of share of other comprehensive income to retained earnings upon disposal and deemed disposal of associates and joint ventures	-	-	-	-	68	(68)	-	-	-
Share of other changes in net assets of associates and joint ventures	-	-	-	-	2,680	-	2,680	-	2,680
Transfer of share of other changes in net assets of associates and joint ventures to profit or loss upon disposal and deemed disposal	-	-	-	-	(116)	-	(116)	-	(116)

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Unaudited								
	Attributable to equity holders of the Company								
	Share capital	Share premium	Shares held		Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
			Treasury shares	for share award schemes					
	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Transactions with equity holders									
Capital injections/(reductions)	-	-	-	-	-	-	-	(17)	(17)
Employee share option schemes:									
– value of employee services	-	826	-	-	44	-	870	38	908
– proceeds from shares issued	-	881	-	-	-	-	881	-	881
Employee share award schemes:									
– value of employee services	-	8,266	-	-	781	-	9,047	184	9,231
– shares withheld for share award schemes	-	-	-	(1,172)	-	-	(1,172)	-	(1,172)
– vesting of awarded shares	-	(901)	-	901	-	-	-	-	-
Tax benefit from share-based payments	-	-	-	-	20	-	20	-	20
Profit appropriations to statutory reserves	-	-	-	-	108	(108)	-	-	-
Repurchase and cancellation of shares	-	(14,879)	1,868	-	-	-	(13,011)	-	(13,011)
Repurchase of shares (to be cancelled)	-	-	(2,224)	-	-	-	(2,224)	-	(2,224)
Cash dividends	-	-	-	-	-	(20,586)	(20,586)	(276)	(20,862)
Dividends under distribution in specie	-	-	-	-	-	32,169	32,169	-	32,169
Non-controlling interests arising from									
business combinations	-	-	-	-	-	-	-	182	182
Acquisition of additional equity interests in									
non wholly-owned subsidiaries	-	-	-	-	288	-	288	(1,850)	(1,562)
Dilution of interests in subsidiaries	-	-	-	-	(128)	-	(128)	190	62
Disposal of subsidiaries	-	-	-	-	-	-	-	(66)	(66)
Changes in put option liabilities in respect of									
non-controlling interests	-	-	-	-	(109)	-	(109)	(16)	(125)
Recognition of put option liabilities arising from									
business combinations	-	-	-	-	(121)	-	(121)	-	(121)
Transfer of equity interests of subsidiaries to									
non-controlling interests	-	-	-	-	434	-	434	(434)	-
Total transactions with equity holders at their capacity as equity holders for the period									
	-	(5,807)	(356)	(271)	1,317	11,475	6,358	(2,065)	4,293
Balance at 30 June 2023									
	-	56,611	(2,224)	(4,497)	(22,850)	751,256	778,296	62,520	840,816

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Unaudited								
	Attributable to equity holders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Shares held for share award schemes	Other reserves	Retained earnings	Total		
	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million		
Balance at 1 January 2022	–	67,330	–	(4,843)	73,901	669,911	806,299	70,394	876,693
Comprehensive income									
Profit for the period	–	–	–	–	–	42,032	42,032	931	42,963
Other comprehensive income, net of tax:									
– share of other comprehensive income of associates and joint ventures	–	–	–	–	8	–	8	42	50
– loss from changes in fair value of assets held for distribution	–	–	–	–	(17,130)	–	(17,130)	–	(17,130)
– transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	–	–	–	–	(14)	–	(14)	–	(14)
– net losses from changes in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	(118,329)	–	(118,329)	(2,126)	(120,455)
– transfer to profit or loss upon disposal of financial assets at fair value through other comprehensive income	–	–	–	–	2	–	2	–	2
– currency translation differences	–	–	–	–	5,069	–	5,069	(464)	4,605
– other fair value gains, net	–	–	–	–	4,002	–	4,002	80	4,082
Total comprehensive income for the period	–	–	–	–	(126,392)	42,032	(84,360)	(1,537)	(85,897)
Transfer of losses on disposal and deemed disposal of financial instruments to retained earnings	–	–	–	–	8,264	(8,264)	–	–	–
Share of other changes in net assets of associates and joint ventures	–	–	–	–	3,349	–	3,349	–	3,349
Transfer of share of other changes in net assets of associates and joint ventures to profit or loss upon disposal and deemed disposal	–	–	–	–	(341)	–	(341)	–	(341)

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Unaudited								
	Attributable to equity holders of the Company								
	Share capital	Share premium	Treasury shares	Shares held for share award schemes	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Transactions with equity holders									
Capital injections	–	–	–	–	–	–	–	3	3
Employee share option schemes:									
– value of employee services	–	1,072	–	–	37	–	1,109	35	1,144
– proceeds from shares issued	–	219	–	–	–	–	219	–	219
Employee share award schemes:									
– value of employee services	–	11,787	–	–	683	–	12,470	212	12,682
– shares withheld for share award schemes	–	–	–	(1,248)	–	–	(1,248)	–	(1,248)
– vesting of awarded shares	–	(1,346)	–	1,346	–	–	–	–	–
Tax benefit from share-based payments	–	–	–	–	9	–	9	–	9
Profit appropriations to statutory reserves	–	–	–	–	13	(13)	–	–	–
Repurchase and cancellation of shares	–	(5,362)	–	–	–	–	(5,362)	–	(5,362)
Repurchase of shares (to be cancelled)	–	–	(776)	–	–	–	(776)	–	(776)
Cash dividends	–	–	–	–	–	(12,950)	(12,950)	(374)	(13,324)
Dividends under distribution in specie	–	–	–	–	–	17,809	17,809	–	17,809
Non-controlling interests arising from									
business combinations	–	–	–	–	–	–	–	747	747
Acquisition of additional equity interests in									
non wholly-owned subsidiaries	–	–	–	–	123	–	123	(1,856)	(1,733)
Dilution of interests in subsidiaries	–	–	–	–	(265)	–	(265)	240	(25)
Disposal of subsidiaries	–	–	–	–	–	–	–	(2)	(2)
Changes in put option liabilities in respect of									
non-controlling interests	–	–	–	–	83	–	83	26	109
Recognition of put option liabilities arising from									
business combinations	–	–	–	–	(175)	–	(175)	–	(175)
Transfer of equity interests of subsidiaries to									
non-controlling interests	–	–	–	–	501	–	501	(501)	–
Total transactions with equity holders at their capacity as equity holders for the period									
	–	6,370	(776)	98	1,009	4,846	11,547	(1,470)	10,077
Balance at 30 June 2022									
	–	73,700	(776)	(4,745)	(40,210)	708,525	736,494	67,387	803,881

The accompanying notes on pages 34 to 88 form an integral part of this interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'Million	RMB'Million
Cash flows from operating activities		
Cash generated from operations	122,867	86,900
Income tax paid	(19,884)	(17,377)
Net cash flows generated from operating activities	102,983	69,523
Cash flows from investing activities		
Payments for business combinations, net of cash acquired	(323)	(9,618)
Net inflow of cash in respect of disposals of subsidiaries	14	7
Purchase of property, plant and equipment, construction in progress and investment properties	(6,355)	(12,763)
Proceeds from disposals of property, plant and equipment	164	162
Purchase of/prepayments for intangible assets	(11,407)	(15,196)
Purchase of/prepayments for land use rights	(526)	(526)
Payments for acquisition of investments in associates	(3,214)	(6,863)
Proceeds from disposals of investments in associates	3,775	20,048
Payments for acquisition of investments in joint ventures	(18)	–
Payments for acquisition of financial assets at fair value through other comprehensive income	(5,973)	(5,232)
Proceeds from disposals of financial assets at fair value through other comprehensive income	4,225	3,365
Payments for acquisition of financial assets at fair value through profit or loss	(28,437)	(24,043)
Proceeds from disposals of financial assets at fair value through profit or loss	24,732	10,809
Payments for acquisition/settlements of other financial instruments	(1,428)	(667)
Proceeds from disposals of other financial assets	563	411
Payments for loans to investees and others	(101)	(499)
Loans repayments from investees and others	628	339
Receipt from maturity of term deposits with initial terms of over three months	51,825	19,030
Placement of term deposits with initial terms of over three months	(117,549)	(30,527)
Interest received	3,791	2,808
Dividends received	890	1,224
Net cash flows used in investing activities	(84,724)	(47,731)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'Million	RMB'Million
Cash flows from financing activities		
Proceeds from short-term borrowings	24,608	4,504
Repayments of short-term borrowings	(3,300)	(860)
Proceeds from long-term borrowings	27,140	19,517
Repayments of long-term borrowings	(29,501)	(3,518)
Repayments of notes payable	(10,141)	–
Principal elements of lease payments	(2,586)	(2,885)
Interest paid	(5,567)	(4,252)
Payments for repurchase of shares	(15,091)	(5,577)
Proceeds from issuance of ordinary shares as a result of exercise of share options	881	219
Shares withheld for share award schemes	(1,172)	(1,248)
Proceeds from issuance of additional equity of non wholly-owned subsidiaries	16	7
Payments for acquisition of non-controlling interests in non wholly-owned subsidiaries	(1,603)	(1,736)
Capital reductions of non-controlling interests in non wholly-owned subsidiaries	(20)	–
Dividends paid to the Company's shareholders	(20,983)	(12,952)
Dividends paid to non-controlling interests	(277)	(432)
Net cash flows used in financing activities	(37,596)	(9,213)
Net (decrease)/increase in cash and cash equivalents	(19,337)	12,579
Cash and cash equivalents at beginning of the period	156,739	167,966
Exchange gains on cash and cash equivalents	2,245	4,113
Cash and cash equivalents at end of the period	139,647	184,658

The accompanying notes on pages 34 to 88 form an integral part of this interim financial information.

Notes to the Interim Financial Information

1 GENERAL INFORMATION

Tencent Holdings Limited (the “Company”) was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 16 June 2004.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the “Group”) are principally engaged in the provision of Value-added Services (“VAS”), Online Advertising services and FinTech and Business Services.

The Interim Financial Information is presented in Renminbi (“RMB”), unless otherwise stated.

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

2 BASIS OF PREPARATION AND PRESENTATION

The Interim Financial Information has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as set out in the 2022 annual report of the Company dated 22 March 2023 (the “2022 Financial Statements”).

3 MATERIAL ACCOUNTING POLICY INFORMATION

Except as described below, the accounting policies and method of computation used in the preparation of the Interim Financial Information are generally consistent with those used in the 2022 Financial Statements in all material aspects, which have been prepared in accordance with IFRS under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss (“FVPL”), financial assets at fair value through other comprehensive income (“FVOCI”), dividends payable for distribution in specie, certain other financial assets and liabilities, which are carried at fair values.

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

Notes to the Interim Financial Information

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(a) New standard and amendments to standards adopted by the Group

The following new standard and amendments to standards have been adopted by the Group for the financial year beginning on 1 January 2023:

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

The Group has changed its accounting policies following the adoption of Amendments to IAS 12. From the effective date on 1 January 2023, the Group recognised deferred income tax assets and deferred income tax liabilities for the temporary differences arising on leases that gave rise to equal amounts of taxable and deductible temporary differences on initial recognition date. In addition, the Group has applied the temporary exception provided in the Amendments to IAS 12 “International Tax Reform – Pillar Two Model Rules”. The details of which are disclosed in Note 4.

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

(b) Amendments to standards issued but not yet effective

The following amendments to standards have not come into effect for the financial year beginning on 1 January 2023 and have not been early adopted by the Group in preparing the condensed consolidated interim financial statements. None of these is expected to have a significant effect on the condensed consolidated interim financial statements of the Group.

		Effective for annual periods beginning on or after
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024

Notes to the Interim Financial Information

4 CHANGES IN ACCOUNTING POLICY

As explained in Note 3(a) above, 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 accordance with the transitional provisions, the Group adopted the amendments for the first time by recognising deferred tax for all temporary differences related to leases at the beginning of the earliest comparative period presented. As a result, with the beginning of the earliest period presented being 1 January 2022, an adjustment of RMB3,070 million was recognised to the gross amounts of deferred income tax assets and deferred income tax liabilities simultaneously, and the resultant deferred income tax assets and deferred income tax liabilities met the set-off provisions and was presented on a net basis on the condensed consolidated statement of financial position. Since the Group had considered the lease as a single transaction in which the assets and liabilities were integrally linked and recognised deferred tax on a net basis previously, there were nil impact on opening retained earnings upon the adoption of the amendments.

In addition, Amendments to IAS 12 “International Tax Reform - Pillar Two Model Rules” have been issued on 23 May 2023 and are effective for annual reporting periods beginning on or after 1 January 2023. The Group has adopted the amendments and applied the temporary exception to recognising and disclosing information about deferred income tax assets and liabilities arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organisation for Economic Co-operation and Development. The Group would continually evaluate the impact of the amendments on the consolidated financial statements.

5 ESTIMATES

The preparation of the Interim Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty are the same as those applied to the 2022 Financial Statements.

Notes to the Interim Financial Information

6 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the 2022 Financial Statements.

There were no significant changes in any material risk management policies during the six months ended 30 June 2023.

During the three and six months ended 30 June 2023, the Group reported exchange losses of RMB282 million and RMB132 million, respectively (three and six months ended 30 June 2022: exchange gains of RMB518 million and RMB686 million, respectively) (Note 10), within "Finance costs, net" in the condensed consolidated income statement.

(b) Capital risk management

The Group's objectives in managing capital are to safeguard the Group's ability to continue as a going concern and support the sustainable growth of the Group in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

Capital refers to equity and external debts (including borrowings and notes payable). In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, repurchase the Company's shares or raise/repay debts.

Notes to the Interim Financial Information

6 FINANCIAL RISK MANAGEMENT (continued)

(b) Capital risk management (continued)

The Group assesses its creditworthiness based on its business and financial risk profile and monitors its capital by regularly reviewing its total debts to adjusted earnings before interest, tax, depreciation and amortisation (“EBITDA”) (Note) ratio, being the measure of the Group’s ability to pay off all of its debts which in turn reflects the Group’s financial health and liquidity position. The total debts/adjusted EBITDA ratio calculated by dividing the total debts by adjusted EBITDA is as follows:

	Unaudited 30 June 2023 RMB'Million	Audited 31 December 2022 RMB'Million
Borrowings (Note 28)	199,833	175,248
Notes payable (Note 29)	154,282	159,115
Total debts	354,115	334,363
Adjusted EBITDA for the last twelve months (Note)	212,875	188,986
Total debts/Adjusted EBITDA ratio	1.66	1.77

Note:

Adjusted EBITDA represents operating profit less interest income and other gains/(losses), net, and adding back depreciation of property, plant and equipment, investment properties as well as right-of-use assets, amortisation of intangible assets and land use rights, and equity-settled share-based compensation expenses.

Notes to the Interim Financial Information

6 FINANCIAL RISK MANAGEMENT (continued)

(c) Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2023 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

	Level 1 RMB'Million	Level 2 RMB'Million	Level 3 RMB'Million	Total RMB'Million
As at 30 June 2023 (Unaudited)				
FVPL	13,156	28,826	204,419	246,401
FVOCI	185,856	1,238	25,995	213,089
Other financial assets	–	8,504	125	8,629
Other financial liabilities	–	(22)	(2,859)	(2,881)
As at 31 December 2022 (Audited)				
FVPL	13,934	27,109	193,005	234,048
FVOCI	160,528	1,881	22,838	185,247
Assets held for distribution	147,965	–	–	147,965
Other financial assets	–	7,059	211	7,270
Other financial liabilities	–	(9)	(3,298)	(3,307)
Dividends payable for distribution in specie (Note)	(147,965)	–	–	(147,965)

Note:

It represented the dividend liability resulting from distribution in specie which was measured at fair value of shares of Meituan to be distributed (Note 14(b)) as at 31 December 2022.

Notes to the Interim Financial Information

6 FINANCIAL RISK MANAGEMENT (continued)

(c) Fair value estimation (continued)

The fair value of financial instruments traded in active markets is determined with reference to quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required for evaluating the fair value of a financial instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments mainly include:

- Dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

Notes to the Interim Financial Information

6 FINANCIAL RISK MANAGEMENT (continued)

(c) Fair value estimation (continued)

During the six months ended 30 June 2023, there was no transfer between Level 1 and 2 for recurring fair value measurements. Transfers in and out of Level 3 measurements are set out in the following table, which presents the changes of financial instruments in Level 3 for the six months ended 30 June 2023 and 2022:

	Financial assets		Financial liabilities	
	Unaudited		Unaudited	
	Six months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Opening balance	216,054	193,608	(3,298)	(2,444)
Additions	6,420	14,378	–	(70)
Business combinations	5,238	14	2	(61)
Disposals/settlements	(1,126)	(2,605)	808	630
Transfers (Note)	(266)	(6,096)	–	–
Changes in fair value recognised in other comprehensive income	432	1,521	–	–
Changes in fair value recognised in profit or loss*	(3,284)	7,684	(283)	(360)
Currency translation differences	7,071	7,291	(88)	(47)
Closing balance	230,539	215,795	(2,859)	(2,352)
* Includes unrealised (losses)/gains recognised in profit or loss attributable to balances held at the end of the reporting period	(3,626)	7,624	(201)	(347)

Note:

During the six months ended 30 June 2023 and 2022, transfers from Level 3 to Level 1 were mainly due to the successful Initial Public Offerings (“IPO”s) of certain existing investees.

Notes to the Interim Financial Information

6 FINANCIAL RISK MANAGEMENT (continued)

(c) Fair value estimation (continued)

Valuation processes inputs and relationships to fair value (Level 3)

The Group has a team of personnel who performs valuation on these Level 3 instruments for financial reporting purposes. The team performs valuation, or necessary updates, at least once every quarter, which coincides with the Group's quarterly reporting dates. On an annual basis, the team adopts various valuation techniques to determine the fair value of the Group's Level 3 instruments. External valuation experts may also be involved and consulted when it is necessary.

The components of the Level 3 instruments mainly include investments in unlisted companies classified as FVPL or FVOCI, other financial assets, and other financial liabilities. Other financial liabilities included in Level 3 instruments mainly include contingent consideration payables related to certain business combinations. As these investments and instruments are not traded in an active market, the majority of their fair values have been determined using applicable valuation techniques including comparable companies approach, comparable transactions approach and other option pricing approach. These valuation approaches require significant judgments, assumptions and inputs, including risk-free rates, expected volatility, relevant underlying financial projections, and market information of recent transactions (such as recent fund-raising transactions undertaken by the investees) and other exposure, etc.

The quantitative information about the significant unobservable inputs used in Level 3 fair value measurements of investments in unlisted companies comprises:

- For investments in unlisted companies measured as FVPL and FVOCI, the significant unobservable inputs are the expected volatility and risk-free rate, and the ranges of these inputs as at 30 June 2023 are 29% ~ 82% (31 December 2022: 29% ~ 83%) and 0.04% ~ 7.01% (31 December 2022: 0.04% ~ 7.14%), respectively.

For the fair value of contingent consideration payables related to business combinations, management considered that any reasonable changes in the growth rate of net profit or expected volatility would not result in a significant change in the Group's results for the six months ended 30 June 2023 and 2022.

Notes to the Interim Financial Information

7 SEGMENT INFORMATION AND REVENUES

(a) Description of segments and principal activities

The chief operating decision-makers mainly include chief executive officer and president of the Company. They review the Group's internal reporting in order to assess performance, allocate resources, and determine the operating segments based on these reports.

The Group has the following reportable segments for the three and six months ended 30 June 2023 and 2022:

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

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

The chief operating decision-makers assess the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. Revenues and cost of revenues are directly attributable to our operating segments, whereas other income and expenses, such as selling and marketing expenses, general and administrative expenses, interest income and finance costs (net), are managed centrally at group level due to the coherent nature of our businesses; therefore, they are not included in the measure of the operating segments' performance. Other gains/losses (net), share of profit/loss of associates and joint ventures (net) and income tax expense are not allocated to individual operating segment either.

There were no material inter-segment sales during the three and six months ended 30 June 2023 and 2022. The revenues from external customers reported to the chief operating decision-makers are measured in a manner consistent with that applied in the condensed consolidated income statement.

Other information, together with the segment information, provided to the chief operating decision-makers, is measured in a manner consistent with that applied in the Interim Financial Information. There was no segment assets or segment liabilities information provided to the chief operating decision-makers.

Notes to the Interim Financial Information

7 SEGMENT INFORMATION AND REVENUES (continued)

(a) Description of segments and principal activities (continued)

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

	Unaudited Three months ended 30 June 2023				
	FinTech and Online		Business		Total RMB'Million
	VAS RMB'Million	Advertising RMB'Million	Services RMB'Million	Others RMB'Million	
Segment revenues	<u>74,211</u>	<u>25,003</u>	<u>48,635</u>	<u>1,359</u>	<u>149,208</u>
Gross profit/(loss)	<u>40,045</u>	<u>12,236</u>	<u>18,665</u>	<u>(106)</u>	<u>70,840</u>
Cost of revenues					
Depreciation	1,343	1,514	2,222	17	5,096
Amortisation	<u>4,685</u>	<u>2,396</u>	<u>41</u>	<u>504</u>	<u>7,626</u>

	Unaudited Three months ended 30 June 2022				
	FinTech and Online		Business		Total RMB'Million
	VAS RMB'Million	Advertising RMB'Million	Services RMB'Million	Others RMB'Million	
Segment revenues	<u>71,683</u>	<u>18,638</u>	<u>42,208</u>	<u>1,505</u>	<u>134,034</u>
Gross profit/(loss)	<u>36,303</u>	<u>7,566</u>	<u>14,075</u>	<u>(77)</u>	<u>57,867</u>
Cost of revenues					
Depreciation	1,534	1,738	2,395	6	5,673
Amortisation	<u>4,574</u>	<u>1,682</u>	<u>39</u>	<u>532</u>	<u>6,827</u>

Notes to the Interim Financial Information

7 SEGMENT INFORMATION AND REVENUES (continued)

(a) Description of segments and principal activities (continued)

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

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

The reconciliation of gross profit to profit before income tax is shown in the condensed consolidated income statement.

All the revenues derived from any single external customer were less than 10% of the Group's total revenues during the three and six months ended 30 June 2023 and 2022.

Notes to the Interim Financial Information

7 SEGMENT INFORMATION AND REVENUES (continued)

(b) Disaggregation of revenue from contracts with customers

In the following table, revenue of the Group from contracts with customers is disaggregated by revenue source. The table also includes a reconciliation to the segment information (Note 7(a)).

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Revenue from contracts with customers				
– VAS	74,211	71,683	153,548	144,421
<i>Games</i>	44,512	42,471	92,848	86,041
<i>Social networks</i>	29,699	29,212	60,700	58,380
– Online Advertising	25,003	18,638	45,967	36,626
<i>Social and others advertising</i>	22,666	16,140	41,587	31,805
<i>Media advertising</i>	2,337	2,498	4,380	4,821
– FinTech and Business Services	48,635	42,208	97,336	84,976
– Others	1,359	1,505	2,343	3,482
	<u>149,208</u>	<u>134,034</u>	<u>299,194</u>	<u>269,505</u>

Notes to the Interim Financial Information

8 OTHER GAINS/(LOSSES), NET

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Net fair value (losses)/gains on FVPL (Note (a) and Note 19)	(3,088)	1,432	(3,012)	1,077
Net gains on disposals and deemed disposals of investee companies (Note (b))	2,077	4,971	3,121	23,863
Net fair value gains/(losses) on other financial instruments (Note (c))	1,449	(733)	1,241	(658)
Impairment provisions for investments in associates (Note 18(c))	(804)	(2,743)	(1,075)	(9,743)
Impairment reversals/(provisions) for investments in joint ventures and others	722	(88)	752	(91)
Tenpay-related fine (Note (d))	(2,995)	–	(2,995)	–
Subsidies and tax rebates	2,854	2,890	5,594	5,810
Dividend income	331	702	427	745
Donations (Note (e))	(174)	(1,265)	(1,600)	(2,538)
Others	(602)	(746)	(1,739)	(912)
	(230)	4,420	714	17,553

Note:

- (a) During the three and six months ended 30 June 2023, the net fair value losses on FVPL mainly comprised net losses of approximately RMB3,344 million and RMB3,517 million as a result of changes in valuations of certain investee companies (three and six months ended 30 June 2022: net gains of approximately RMB1,301 million and RMB893 million).

Notes to the Interim Financial Information

8 OTHER GAINS/(LOSSES), NET (continued)

Note: (continued)

- (b) The disposal and deemed disposal gains of approximately RMB3,121 million recognised during the six months ended 30 June 2023 comprised the following:
- aggregate net gains of approximately RMB1,752 million (six months ended 30 June 2022: RMB18,828 million) on disposals and partial disposals of investee companies of the Group;
 - aggregate net gains of approximately RMB1,936 million (six months ended 30 June 2022: RMB2,223 million) on deemed disposals of investee companies of the Group; and
 - aggregate net losses of approximately RMB567 million (six months ended 30 June 2022: net gains of approximately RMB2,782 million) on dilution of the Group's equity interests in certain associates due to new equity interests being issued by these associates. These investee companies are principally engaged in entertainment, local services and Internet-related businesses.
- (c) During the three and six months ended 30 June 2023, the net fair value gains on other financial instruments mainly included net gains of approximately RMB1,473 million and RMB1,260 million, respectively, as a result of changes in valuations of investment-related financial instruments (three and six months ended 30 June 2022: net losses of approximately RMB733 million and RMB658 million, respectively).
- (d) In July 2023, Tenpay received a notice from the People's Bank of China regarding its decision to impose a fine amounted to approximately RMB2.99 billion for its past regulatory breaches in relation to the provision of payment services in the Mainland of China. The amount had been accrued during the six months ended 30 June 2023.
- (e) During the three and six months ended 30 June 2023, donations mainly included approximately RMB174 million and RMB1,565 million for the Sustainable Social Value and Common Prosperity Programmes (collectively defined as "SSV & CPP") of the Group (three and six months ended 30 June 2022: RMB1,251 million and RMB2,504 million).

Notes to the Interim Financial Information

9 EXPENSES BY NATURE

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

Note:

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

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

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

Notes to the Interim Financial Information

9 EXPENSES BY NATURE (continued)

Note: (continued)

- (c) Amortisation charges of intangible assets are mainly in respect of media content including video and music content, game licenses, and other content. During the three and six months ended 30 June 2023, amortisation of media content was approximately RMB7,587 million and RMB16,391 million, respectively (three and six months ended 30 June 2022: RMB6,670 million and RMB14,308 million, respectively).

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

- (d) During the three and six months ended 30 June 2023, expenses incurred related to SSV & CPP (excluding share-based compensation expenses) were approximately RMB195 million and RMB330 million, respectively (three and six months ended 30 June 2022: RMB119 million and RMB214 million, respectively).
- (e) During the three and six months ended 30 June 2023, except as disclosed in Note 8(d), non-recurring compliance-related costs and expenses incurred for certain litigation settlements were approximately RMB8 million and RMB17 million, respectively, which were included in “General and administrative expenses” (three and six months ended 30 June 2022: RMB176 million and RMB181 million, respectively, of which RMB12 million and RMB17 million were included in “Other gains/(losses), net”).

10 FINANCE COSTS, NET

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Interest and related expenses	3,009	2,327	5,809	4,430
Exchange losses/(gains), net	282	(518)	132	(686)
	<u>3,291</u>	<u>1,809</u>	<u>5,941</u>	<u>3,744</u>

Interest and related expenses mainly arose from the borrowings, notes payable and lease liabilities as disclosed in Notes 28, 29 and 17, respectively.

Notes to the Interim Financial Information

11 SHARE OF PROFIT/(LOSS) OF ASSOCIATES AND JOINT VENTURES, NET

- (a) During the three and six months ended 30 June 2023, it represented the Group's share of its associates and joint ventures' post-acquisition profit or loss, including share of their impairment provisions for investee companies, goodwill and other intangible assets arising from acquisitions of approximately RMB128 million and RMB1,749 million (three and six months ended 30 June 2022: RMB358 million and RMB1,187 million), amortisation of intangible assets arising from acquisitions of approximately RMB1,349 million and RMB2,622 million (three and six months ended 30 June 2022: RMB1,734 million and RMB3,509 million), share-based compensation expenses of approximately RMB1,308 million and RMB2,777 million (three and six months ended 30 June 2022: RMB1,932 million and RMB3,431 million) and other net gains from investee companies of approximately RMB81 million and RMB4,647 million (three and six months ended 30 June 2022: RMB546 million and RMB539 million).
- (b) Details of the Group's impairment provisions/reversals for investments in associates and joint ventures are included in Notes 8 and 18.

12 TAXATION

(a) Income tax expense

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

- (i) Cayman Islands and British Virgin Islands corporate income tax

The Group was not subject to any taxation in the Cayman Islands and the British Virgin Islands for the three and six months ended 30 June 2023 and 2022.

- (ii) Hong Kong profits tax

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

Notes to the Interim Financial Information

12 TAXATION (continued)

(a) Income tax expense (continued)

(iii) PRC CIT

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

Certain subsidiaries of the Company in the Mainland of China were approved as High and New Technology Enterprise, and they were subject to a preferential corporate income tax rate of 15% for the three and six months ended 30 June 2023 and 2022. Moreover, according to announcement and circular issued by relevant government authorities, a subsidiary which was qualified as a national key software enterprise was subject to a preferential corporate income tax rate of 10%.

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

(iv) Corporate income tax in other jurisdictions

Income tax on profit arising from other jurisdictions, including the United States, Europe, Asia and South America, had been calculated on the estimated assessable profit for the three and six months ended 30 June 2023 and 2022 at the respective rates prevailing in the relevant jurisdictions, which were not higher than 35%.

Notes to the Interim Financial Information

12 TAXATION (continued)

(a) Income tax expense (continued)

(v) Withholding tax

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

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

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

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Current income tax	8,920	5,709	18,068	12,727
Deferred income tax (Note 23)	2,225	(1,141)	4,542	(2,890)
	<u>11,145</u>	<u>4,568</u>	<u>22,610</u>	<u>9,837</u>

Notes to the Interim Financial Information

12 TAXATION (continued)

(b) Value-added tax and other taxes

The operations of the Group are also mainly subject to the following taxes in the PRC:

Category	Tax rate	Basis of levy
Value-added tax ("VAT")	6~13%	Sales value of goods sold and services fee income, offset by VAT on purchases
Cultural construction fee	3% (Note (i))	Taxable advertising income
City construction tax	7%	Net VAT payable amount
Educational surcharge	5%	Net VAT payable amount

Note:

- (i) Effective from 1 July 2019 to 31 December 2024, the rate of cultural construction fee has been reduced by 50% in certain regions, while during the period from 1 January 2020 to 31 December 2021, this fee was fully exempted.

13 EARNINGS PER SHARE

(a) Basic

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

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
Profit attributable to equity holders of the Company (RMB'Million)	<u>26,171</u>	<u>18,619</u>	<u>52,009</u>	<u>42,032</u>
Weighted average number of ordinary shares in issue (million shares)	<u>9,478</u>	<u>9,542</u>	<u>9,481</u>	<u>9,538</u>
Basic EPS (RMB per share)	<u>2.761</u>	<u>1.951</u>	<u>5.486</u>	<u>4.407</u>

Notes to the Interim Financial Information

13 EARNINGS PER SHARE (continued)

(b) Diluted

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

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

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2023	2022	2023	2022
Profit attributable to equity holders of the Company (RMB'Million)	26,171	18,619	52,009	42,032
Dilution effect arising from share-based awards granted by non wholly-owned subsidiaries and associates (RMB'Million)	(234)	(88)	(626)	(191)
Profit attributable to equity holders of the Company for the calculation of diluted EPS (RMB'Million)	25,937	18,531	51,383	41,841
Weighted average number of ordinary shares in issue (million shares)	9,478	9,542	9,481	9,538
Adjustments for share options and awarded shares (million shares)	147	133	153	147
Weighted average number of ordinary shares for the calculation of diluted EPS (million shares)	9,625	9,675	9,634	9,685
Diluted EPS (RMB per share)	2.695	1.915	5.334	4.320

Notes to the Interim Financial Information

14 DIVIDENDS

(a) Final dividends

A final dividend in respect of the year ended 31 December 2022 of HKD2.40 per share (2021: HKD1.60 per share) was proposed pursuant to a resolution passed by the Board on 22 March 2023 and approved by the shareholders at the 2023 annual general meeting of the Company held on 17 May 2023. Such dividend amounted to HKD22,762 million (2022: HKD15,260 million) was paid during the six months ended 30 June 2023.

(b) Interim dividend by way of distribution in specie

On 16 November 2022, the Board resolved to declare a distribution of a special interim dividend by the Company in the form of a distribution in specie of approximately 948 million Class B ordinary shares of Meituan to the shareholders (the “Distribution in Specie”). The share certificates of the relevant shares of Meituan (“Meituan Shares”) in respect of the distribution to qualifying shareholders under the Distribution in Specie were dispatched to qualifying shareholders on 24 March 2023 (the “Share Certificate Dispatch Date”).

Dividends payable for distribution in specie was approximately RMB115.8 billion right before the Share Certificate Dispatch Date, measured at fair value using the market price of the Meituan Shares to be distributed. Fair value changes on the dividends payable amounted to approximately RMB30 billion from 1 January 2023 to the Share Certificate Dispatch Date were recognised in equity as a result of the changes in the fair value of the Meituan Shares to be distributed. Upon the dispatch of the share certificates of the Meituan Shares to be distributed, the assets held for distribution (Note 25) and dividends payable for distribution in specie were derecognised and the cumulative fair value losses of assets held for distribution amounted to approximately RMB19 billion were transferred from other reserves to retained earnings.

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

Notes to the Interim Financial Information

15 PROPERTY, PLANT AND EQUIPMENT, CONSTRUCTION IN PROGRESS, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

	Unaudited			
	Property, plant and equipment	Construction in progress	Investment properties	Intangible assets
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Net book amount at 1 January 2023	53,978	9,229	559	161,802
Business combinations	2	–	–	555
Additions	3,776	4,573	–	21,887
Transfers	569	(583)	14	–
Disposals	(46)	–	–	(806)
Depreciation/amortisation	(9,975)	–	(6)	(17,617)
Impairment reversals	–	–	–	3
Currency translation differences	226	41	–	6,128
Net book amount at 30 June 2023	48,530	13,260	567	171,952
Net book amount at 1 January 2022	61,914	5,923	517	171,376
Business combinations	88	1	–	12,491
Additions	7,176	1,802	–	12,601
Transfers	981	(1,038)	57	–
Disposals	(39)	(1)	–	(635)
Depreciation/amortisation	(11,270)	–	(5)	(16,241)
Impairment	–	–	–	(51)
Currency translation differences	223	4	–	(1,823)
Net book amount at 30 June 2022	59,073	6,691	569	177,718

Non-financial assets that have an indefinite life are not subject to amortisation or depreciation, but are tested for impairment whenever there is any indication of impairment or at least annually. Non-financial assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable.

There was no indication of impairment for property, plant and equipment, construction in progress and investment properties during the six months ended 30 June 2023 and 2022.

Notes to the Interim Financial Information

16 LAND USE RIGHTS

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'Million	RMB'Million
Net book amount at 1 January	18,046	17,728
Additions	–	856
Amortisation	(276)	(270)
Currency translation differences	5	7
Net book amount at 30 June	17,775	18,321

The land use rights mainly represented prepaid operating lease payments in respect of land in the Mainland of China with remaining lease periods of 26 to 48 years.

17 LEASES (EXCLUDING LAND USE RIGHTS)

(a) Amounts recognised in the condensed consolidated statement of financial position

Movement of right-of-use assets (excluding land use rights, disclosed in Note 16) is analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'Million	RMB'Million
Net book amount at 1 January	22,524	20,468
Business combinations	3	168
Additions	2,312	5,322
Depreciation	(3,304)	(3,310)
Reduction (Note)	(1,217)	(272)
Currency translation differences	274	246
Net book amount at 30 June	20,592	22,622

Note:

The reduction of right-of-use assets during the six months ended 30 June 2023 and 2022 mainly arose from the early termination and modification of lease contracts.

Notes to the Interim Financial Information

17 LEASES (EXCLUDING LAND USE RIGHTS) (continued)

(b) Amounts recognised in the condensed consolidated income statement and the condensed consolidated statement of cash flows

The condensed consolidated income statement included the following amounts relating to leases (excluding the amortisation of land use rights, disclosed in Note 16):

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Depreciation charge of right-of-use assets				
Buildings	730	845	1,511	1,650
Computer and other operating equipment	967	821	1,778	1,645
Others	7	7	14	14
	<u>1,704</u>	<u>1,673</u>	<u>3,303</u>	<u>3,309</u>
Interest expense (included in finance costs, net)	280	260	527	542
Expense relating to short-term leases not included in lease liabilities (included in cost of revenues and expenses)	409	435	811	902
Expense relating to variable lease payments not included in lease liabilities (included in cost of revenues and expenses)	1,268	1,407	2,343	2,710

Some leases of computer and other operating equipment contain variable lease payments. Variable payments are used for a variety of reasons, including managing cash outflows and minimising the fixed costs. Variable lease payments that depend on usage of bandwidth are recognised in profit or loss in the period in which the conditions that trigger those payments occur. Variable lease payments relating to computer and other operating equipment leases during the six months ended 30 June 2023 were considered to be insignificant.

The total cash outflow in financing activities for leases during the six months ended 30 June 2023 was approximately RMB2,982 million (six months ended 30 June 2022: RMB3,359 million), including principal elements of lease payments of approximately RMB2,586 million (six months ended 30 June 2022: RMB2,885 million) and related interest paid of approximately RMB396 million (six months ended 30 June 2022: RMB474 million), respectively.

Notes to the Interim Financial Information

18 INVESTMENTS IN ASSOCIATES

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

Note:

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

Movement of investments in associates is analysed as follows:

	Unaudited Six months ended 30 June 2023 RMB'Million	2022 RMB'Million
At beginning of period	246,043	316,574
Additions (Note (a))	5,042	6,988
Transfers (Note (b))	(2,389)	398
Dilution (losses)/gains on deemed disposals (Note 8(b))	(567)	2,782
Share of profit/(loss) of associates, net	1,019	(10,822)
Share of other comprehensive income of associates	(1,138)	51
Share of other changes in net assets of associates	2,678	3,349
Dividends	(4,767)	(263)
Disposals	(1,812)	(1,203)
Impairment provisions (Note (c) and Note 8)	(1,075)	(9,743)
Currency translation differences	3,067	2,098
At end of period	246,101	310,209

Notes to the Interim Financial Information

18 INVESTMENTS IN ASSOCIATES (continued)

Note:

- (a) During the six months ended 30 June 2023, the Group's additions mainly comprised new investments and additional investments in certain investee companies which are engaged in games development.
- (b) During the six months ended 30 June 2023, the Group's transfers mainly comprised the following:
 - (i) investment in an associate of approximately RMB2,304 million transferred from FVPL due to conversion of the redeemable instruments into ordinary shares upon its IPO in January 2023; and this investment with a carrying amount of approximately RMB2,291 million was transferred from investment in an associate to FVOCI due to resignation of the board representative in March 2023; and
 - (ii) investments in associates with an aggregate amount of approximately RMB1,317 million transferred to FVPL due to resignation of board representatives.
- (c) Both external and internal sources of information of associates are considered in assessing whether there is any indicator that the investments may be impaired, including but not limited to information about financial position and business performance of the associates, and a significant or prolonged decline in the fair value of an investment below its carrying amount is also objective evidence of impairment. The Group carries out impairment assessment on those investments with impairment indicators, and the respective recoverable amounts of investments are determined with reference to the higher of fair value less costs of disposal and value in use.

In respect of the recoverable amount using value in use, the discounted cash flows calculations are based on cash flow projections estimated by management and the key assumptions adopted in these cash flow projections include revenue growth rates, profit margins and discount rates. In respect of the recoverable amount based on fair value less costs of disposal, the amount is calculated with reference to their respective market prices, or using certain key valuation assumptions including the selection of comparable companies, recent market transactions and liquidity discount for lack of marketability.

During the six months ended 30 June 2023, an aggregate impairment loss of approximately RMB1,075 million (six months ended 30 June 2022: RMB9,743 million) had been recognised for associates with impairment indicators, and the majority of these associates' recoverable amounts were determined using fair value less costs of disposal where the respective fair values had been determined according to the principle set out in Note 6(c).

Management had assessed the level of influence that the Group was able to exercise on certain associates with the respective shareholding below 20% and certain associates with shareholding over 50% (voting power is below 50%), with total carrying amounts of RMB141,486 million and RMB20,584 million as at 30 June 2023, respectively (31 December 2022: RMB142,323 million and RMB19,615 million, respectively). Management had determined that it had significant influence thereon through the board of directors representation or other arrangements made, but it had no control or joint control over such investees since the Group had no power to direct or jointly direct relevant activities due to other arrangements made. Consequently, these investments had been classified as associates.

Notes to the Interim Financial Information

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

FVPL include the following:

Included in non-current assets:

Investments in listed entities
Investments in unlisted entities
Treasury investments and others

Included in current assets:

Investments in listed entities
Treasury investments and others

Unaudited 30 June 2023 RMB'Million	Audited 31 December 2022 RMB'Million
12,957	12,443
197,842	187,502
5,804	6,140
216,603	206,085
2	2
29,796	27,961
29,798	27,963
246,401	234,048

Movement of FVPL is analysed as follows:

At beginning of period

Additions and transfers (Note (a))
Changes in fair value (Note 8)
Disposals and others
Currency translation differences

At end of period

Unaudited Six months ended 30 June	
2023 RMB'Million	2022 RMB'Million
234,048	202,757
33,695	19,289
(3,012)	1,077
(25,112)	(12,102)
6,782	8,139
246,401	219,160

Notes to the Interim Financial Information

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Note:

- (a) During the six months ended 30 June 2023, except as described in Note 18(b), the Group's additions and transfers mainly comprised new investments and additional investments with an aggregate amount of approximately RMB34,549 million in treasury investments, investee companies which are principally engaged in digital payment and eCommerce, and others.

Management had assessed the level of influence that the Group was able to exercise on certain FVPL with shareholding exceeding 20%. Since these investments were either held in the form of redeemable instruments or interests in limited partnerships without significant influence, these investments had been classified as FVPL.

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

FVOCI include the following:

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

Notes to the Interim Financial Information

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Movement of FVOCI is analysed as follows:

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

Note:

- (a) During the six months ended 30 June 2023, except as described in Note 18(b)(i), the Group's additions and transfers mainly comprised certain new investments and additional investments with an aggregate amount of approximately RMB5,795 million in investee companies which are principally engaged in eCommerce, social network platform and other Internet-related businesses.

Notes to the Interim Financial Information

21 PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	Unaudited 30 June 2023 RMB'Million	Audited 31 December 2022 RMB'Million
Included in non-current assets:		
Prepayments for media content and game licences	13,323	17,260
Prepayments for capital transactions	4,406	6,133
Loans to investees and investees' shareholders (Note (a))	3,274	4,796
Running royalty fees for online games (Note (b))	283	464
Others	7,065	8,099
	28,351	36,752
Included in current assets:		
Prepayments and prepaid expenses	27,771	24,393
Receivables related to financial services	19,518	15,807
Running royalty fees for online games (Note (b))	17,808	15,939
Interest receivables	8,290	6,504
Loans to investees and investees' shareholders (Note (a))	2,794	1,233
Lease and other deposits	1,776	1,258
Refundable VAT	1,506	1,524
Dividend and other investment-related receivables	1,430	832
Others	8,884	9,195
	89,777	76,685
	118,128	113,437

Note:

- (a) As at 30 June 2023, the balances of loans to investees and investees' shareholders were mainly repayable within a period of one to eight years (included in non-current assets), or within one year (included in current assets), and were interest-bearing at rates of not higher than 18% per annum (31 December 2022: not higher than 10% per annum).
- (b) Running royalty fees for online games comprised prepaid royalty fees, unamortised running royalty fees and deferred online service fees.

As at 30 June 2023, loss allowance subject to the expected credit loss model made against the gross amounts of deposits and other assets amounted to RMB3,063 million (31 December 2022: RMB2,863 million).

As at 30 June 2023 and 31 December 2022, the carrying amounts of prepayments, deposits and other assets (excluding prepayments and refundable VAT) approximated their fair values.

Notes to the Interim Financial Information

22 OTHER FINANCIAL ASSETS

	Unaudited 30 June 2023 RMB'Million	Audited 31 December 2022 RMB'Million
Measured at amortised cost:		
Treasury investments	448	995
Measured at fair value:		
Interest rate swaps (Note)	6,031	6,968
Others	2,598	302
	8,629	7,270
	9,077	8,265
Included in:		
Non-current assets	7,222	6,987
Current assets	1,855	1,278
	9,077	8,265

Note:

The Group's outstanding interest rate swap contracts were measured at fair value to hedge the exposure arising from certain borrowings and senior notes carried at floating rates. As at 30 June 2023, the aggregate notional principal amounts of these outstanding interest rate swap contracts were USD14,348 million (equivalent to approximately RMB103,676 million) (31 December 2022: USD14,848 million (equivalent to approximately RMB103,410 million)).

Notes to the Interim Financial Information

23 DEFERRED INCOME TAXES

Deferred income tax assets/liabilities are analysed as follows:

	Unaudited 30 June 2023 RMB'Million	Restated 1 January 2023 RMB'Million
Gross deferred income tax assets	37,024	38,246
Set-off of deferred income tax assets pursuant to set-off provisions (Note)	(7,397)	(8,364)
Net deferred income tax assets	29,627	29,882
Gross deferred income tax liabilities	(21,766)	(20,526)
Set-off of deferred income tax liabilities pursuant to set-off provisions (Note)	7,397	8,364
Net deferred income tax liabilities	(14,369)	(12,162)

Note:

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities, and where the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to settle current tax liabilities and assets on a net basis.

Notes to the Interim Financial Information

23 DEFERRED INCOME TAXES (continued)

The movements of the deferred income tax assets/liabilities account before offsetting are as follows:

	Deferred income tax assets RMB'Million	Unaudited Deferred income tax liabilities RMB'Million	Deferred income tax, net RMB'Million
At 31 December 2022	34,816	(17,096)	17,720
Adjustment on Amendments to IAS 12 (Note 4)	3,430	(3,430)	–
At 1 January 2023 (Restated)	38,246	(20,526)	17,720
Business combinations	–	(10)	(10)
Charged to the consolidated income statement (Note 12(a))	(1,108)	(3,434)	(4,542)
Withholding taxes paid	–	2,950	2,950
Charged to the consolidated statement of changes in equity	(182)	(902)	(1,084)
Transfer upon disposal and deemed disposal of financial instruments	(45)	497	452
Currency translation differences	113	(341)	(228)
At 30 June 2023	37,024	(21,766)	15,258
At 31 December 2021	30,844	(17,918)	12,926
Adjustment on Amendments to IAS 12 (Note 4)	3,070	(3,070)	–
At 1 January 2022 (Restated)	33,914	(20,988)	12,926
Business combinations	63	(567)	(504)
Credited/(charged) to the consolidated income statement (Note 12(a))	3,004	(114)	2,890
Withholding taxes paid	–	1,600	1,600
Credited to the consolidated statement of changes in equity	332	77	409
Currency translation differences	214	(72)	142
At 30 June 2022 (Restated)	37,527	(20,064)	17,463

Note:

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available to utilise temporary differences and tax losses.

Notes to the Interim Financial Information

24 ACCOUNTS RECEIVABLE

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

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

The majority of the Group's accounts receivable were denominated in RMB.

Receivable balances as at 30 June 2023 and 31 December 2022 mainly represented amounts due from online advertising customers and agents, FinTech and cloud customers, content production related customers, and third party platform providers.

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

As at 30 June 2023, loss allowance against the gross amounts of accounts receivable amounted to RMB8,036 million (31 December 2022: RMB6,536 million).

As at 30 June 2023 and 31 December 2022, the carrying amounts of the accounts receivable approximated their fair values.

Notes to the Interim Financial Information

25 ASSETS HELD FOR DISTRIBUTION

As at 31 December 2022, assets held for distribution represented the Meituan Shares to be distributed under the Distribution in Specie held by the Group as the interim dividend declared on 16 November 2022. Fair value losses amounted to approximately RMB30 billion from 1 January 2023 to the Share Certificate Dispatch Date were recorded in other comprehensive income as a result of the changes in the fair value of the Meituan Shares to be distributed.

These assets were distributed to the qualifying shareholders of the Company on 24 March 2023.

26 SHARE CAPITAL

As at 30 June 2023 and 31 December 2022, the authorised share capital of the Company comprised 50,000,000,000 ordinary shares with par value of HKD0.00002 per share.

Number of ordinary shares, issued and fully paid	Unaudited	
	Six months ended 30 June	
	2023	2022
At beginning of period	9,568,738,935	9,608,378,469
Shares allotted for share award schemes	46,249,024	28,898,665
Issuance of shares under share option schemes	6,645,649	1,176,244
Repurchase and cancellation of shares	(47,616,500)	(16,104,400)
At end of period	9,574,017,108	9,622,348,978

As at 30 June 2023, the total number of issued ordinary shares of the Company included 112,340,926 shares (31 December 2022: 79,489,557 shares) held under the share award schemes.

In January 2023, the Company had cancelled 6,440,000 of its own shares which had not been cancelled as at 31 December 2022. During the six months ended 30 June 2023, the Company further repurchased an aggregate number of 48,346,500 of its own shares from the market, out of which, 7,170,000 had not been cancelled as at 30 June 2023 (six months ended 30 June 2022: the Company repurchased an aggregate number of 18,604,400 of its own shares from the market, out of which, 2,500,000 had not been cancelled as at 30 June 2022).

Notes to the Interim Financial Information

27 SHARE-BASED PAYMENTS

(a) Share option schemes

The Company had adopted six share option schemes, namely, the Pre-IPO Option Scheme, the Post-IPO Option Scheme I, the Post-IPO Option Scheme II, the Post-IPO Option Scheme III, the Post-IPO Option Scheme IV and the 2023 Share Option Scheme.

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

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

In respect of the 2023 Share Option Scheme, the Board may, at its discretion, grant options to any qualifying participant to subscribe for shares in the Company, subject to the terms and conditions stipulated therein. The exercise price must be in compliance with the requirement under the Listing Rules. In addition, the option vesting period is determined by the Board provided that it is not later than the last day of a 10-year period after the date of grant of option.

The Company allowed certain of the grantees under the Post-IPO Option Scheme II, the Post-IPO Option Scheme IV and the 2023 Share Option Scheme to surrender their rights to receive a portion of the underlying shares (with equivalent fair value) to set off against the exercise price and/or individual income tax payable when they exercised their options.

Notes to the Interim Financial Information

27 SHARE-BASED PAYMENTS (continued)

(a) Share option schemes (continued)

(i) Movements in share options

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

	Unaudited					
	Post-IPO Option		Post-IPO Option		2023	
	Scheme II		Scheme IV		Share Option Scheme	
	Average exercise price	Number of options	Average exercise price	Number of options	Average exercise price	Number of options
At 1 January 2023 (Note)	HKD177.28	29,261,866	HKD354.26	90,161,910	–	–
Granted	–	–	HKD375.60	3,659,925	–	–
Exercised	HKD145.81	(6,109,141)	HKD262.55	(752,225)	HKD261.61	(45,072)
Lapsed/forfeited	–	–	HKD453.51	(276,898)	HKD425.73	(73,380)
Transferred	–	–	HKD355.55	(92,792,712)	HKD355.55	92,792,712
At 30 June 2023	HKD185.59	23,152,725	–	–	HKD355.54	92,674,260
Exercisable as at 30 June 2023	HKD185.59	23,043,350	–	–	HKD352.94	49,285,296

	Unaudited			
	Post-IPO Option		Post-IPO Option	
	Scheme II		Scheme IV	
	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
Granted	–	–	HKD384.08	7,261,887
Exercised	HKD146.42	(550,305)	HKD292.18	(625,939)
Lapsed/forfeited/waived	HKD135.50	(19,476)	HKD584.78	(1,009,372)
At 30 June 2022	HKD192.39	34,576,336	HKD399.88	87,315,857
Exercisable as at 30 June 2022	HKD192.34	34,464,261	HKD374.06	39,696,325

Notes to the Interim Financial Information

27 SHARE-BASED PAYMENTS (continued)

(a) Share option schemes (continued)

(i) Movements in share options (continued)

Note:

As a result of the distribution in specie of Meituan Shares, pursuant to the scheme rules of the Post-IPO Option Scheme II and the Post-IPO Option Scheme IV, adjustments had been made to the exercise prices of the outstanding share options thereunder as at 5 January 2023, and were reflected in the average exercise prices of related outstanding share options listed above.

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

During the six months ended 30 June 2023, 6,906,438 options (six months ended 30 June 2022: 1,176,244 options) were exercised and the right to receive 260,789 shares was surrendered by certain grantees under the Post-IPO Option Scheme II to set off against the exercise consideration payable by the grantees when they exercised their options (six months ended 30 June 2022: Nil). The weighted average price of the shares at the time these options were exercised was HKD366.37 per share (equivalent to approximately RMB319.39 per share) (six months ended 30 June 2022: HKD413.41 per share (equivalent to approximately RMB340.34 per share)).

Notes to the Interim Financial Information

27 SHARE-BASED PAYMENTS (continued)

(a) Share option schemes (continued)

(ii) Outstanding share options

Details of the expiry dates, exercise prices and the respective numbers of share options which remained outstanding as at 30 June 2023 and 31 December 2022 are as follows:

Expiry Date	Range of exercise price	Number of share options	
		Unaudited 30 June 2023	Audited 31 December 2022
7 years commencing from the date of grant of options	HKD126.57~HKD143.33	34,398	4,234,341
(Post-IPO Option Scheme II and	HKD185.65~HKD256.06	26,455,044	28,870,121
Post-IPO Option Scheme IV	HKD276.01~HKD348.04	48,366,066	48,748,226
which had been transferred to	HKD355.51~HKD387.16	25,803,874	22,143,949
2023 Share Option Scheme)	HKD433.25~HKD511.83	9,277,462	9,394,340
	HKD526.97~HKD533.39	5,890,141	6,032,799
		115,826,985	119,423,776

The outstanding share options as of 30 June 2023 were divided into one to four tranches at their grant dates. The first tranche can be exercised after a specified period ranging from one month to five years from the grant date, and then the remaining tranches will become exercisable in each subsequent year.

Notes to the Interim Financial Information

27 SHARE-BASED PAYMENTS (continued)

(a) Share option schemes (continued)

(iii) Fair value of options

The directors of the Company had used the Binomial Model to determine the fair value of the options as at the respective grant dates, which was to be expensed over the relevant vesting period. The weighted average fair value of options granted during the six months ended 30 June 2023 was HKD132.11 per share (equivalent to approximately RMB115.67 per share) (six months ended 30 June 2022: HKD119.18 per share (equivalent to approximately RMB96.95 per share)).

Other than the exercise price mentioned above, significant judgments on parameters, such as risk-free rate, dividend yield and expected volatility, were required to be made by the directors in applying the Binomial Model, which are summarised as below:

	Unaudited	
	Six months ended 30 June	
	2023	2022
Weighted average share price at the grant date	HKD375.60	HKD366.00
Risk-free rate	2.82%	2.11%
Dividend yield	0.31%	0.25%
Expected volatility (Note)	36%	34%

Note:

The expected volatility, measured as the standard deviation of expected share price returns, is determined based on the average daily trading price volatility of the shares of the Company.

Notes to the Interim Financial Information

27 SHARE-BASED PAYMENTS (continued)

(b) Share award schemes

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

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

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

Note:

As a result of the distribution in specie of Meituan Shares, pursuant to the scheme rules of the 2013 Share Award Scheme and the 2019 Share Award Scheme, adjustments had been made to the number of shares subject to share awards which remained unvested as at 5 January 2023. The number of awarded shares granted during the six months ended 30 June 2023 included a total of 6,186,967 additional awarded shares which were awarded pursuant to such adjustments.

Notes to the Interim Financial Information

27 SHARE-BASED PAYMENTS (continued)

(b) Share award schemes (continued)

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

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date, which was to be expensed over the relevant vesting period. The expected dividends during the vesting period had been taken into account when assessing the fair value of these awarded shares.

The weighted average fair value of awarded shares granted during the six months ended 30 June 2023 was HKD370.43 per share (equivalent to approximately RMB324.15 per share) (six months ended 30 June 2022: HKD358.82 per share (equivalent to approximately RMB292.87 per share)).

The outstanding awarded shares as of 30 June 2023 were divided into one to seven tranches as at their grant dates. The first tranche can be exercised immediately or after a specified period ranging from one month to seven years from the grant date, and the remaining tranches will become exercisable in each subsequent year.

(c) Employee investment schemes

For aligning the interests of key employees with the Group, the Group established several employees' investment plans in the form of limited liability partnerships (the "EISs"), among which the five EISs approved/established in 2014, 2015, 2016, 2017 and 2021 are in effect as at 30 June 2023. According to the term of the EISs, the Board may, at its absolute discretion, invite any qualifying participants of the Group, excluding any director of the Company, to participate in the EISs by subscribing for the partnership interest at cash consideration. The participating employees are entitled to the economic benefits generated by the EISs, if any, after a specified vesting period under the respective EISs, ranging from four to seven years. Wholly-owned subsidiaries of the Company acting as general partner of these EISs administer and in essence, control the EISs. These EISs are therefore consolidated by the Company as structured entities.

The related share-based compensation expenses incurred for the six months ended 30 June 2023 and 2022 were insignificant to the Group.

Notes to the Interim Financial Information

27 SHARE-BASED PAYMENTS (continued)

(d) Share options and share award schemes adopted by subsidiaries

Certain subsidiaries of the Company operate their own share-based compensation plans (share options and/or share award schemes). Their exercise prices of the share options, as well as the vesting periods of the share options and awarded shares are determined by the respective board of directors of these subsidiaries at their sole discretion and in accordance with the relevant rules. The share options or awarded shares of the subsidiaries granted are normally vested by several tranches. Participants of some subsidiaries have the right to request the Group to repurchase their vested equity interests of the respective subsidiaries (the “Repurchase Transaction”). The Group has discretion to settle the Repurchase Transaction either by using equity instruments of the Company or by cash. For the Repurchase Transaction which the Group has settlement options, the directors of the Company are currently of the view that some of them would be settled by equity instruments of the Company. As a result, they are accounted for using the equity-settled share-based payment method. For some of them to be settled in cash, they are accounted for using cash-settled share-based payment method.

(e) Expected Retention Rate of grantees

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of vesting periods of the options and awarded shares (the “Expected Retention Rate”) in order to determine the amount of share-based compensation expenses charged to the consolidated income statement. As at 30 June 2023, the Expected Retention Rate of the Group’s wholly-owned subsidiaries was assessed to be not lower than 89% (31 December 2022: not lower than 89%).

Notes to the Interim Financial Information

28 BORROWINGS

Included in non-current liabilities:

	Unaudited 30 June 2023 RMB'Million	Audited 31 December 2022 RMB'Million
Non-current portion of long-term USD bank borrowings, unsecured (Note (a))	114,529	141,090
Non-current portion of long-term RMB bank borrowings, unsecured (Note (a))	39,503	22,514
Non-current portion of long-term JPY bank borrowings, unsecured (Note (a))	34	45
Non-current portion of long-term JPY bank borrowings, secured (Note (a))	3	3
Non-current portion of long-term EUR bank borrowings, unsecured (Note (a))	5	7
Non-current portion of long-term EUR bank borrowings, secured (Note (a))	5	9
	154,079	163,668

Included in current liabilities:

USD bank borrowings, unsecured (Note (b))	18,787	–
RMB bank borrowings, unsecured (Note (b))	8,402	5,981
RMB bank borrowings, secured (Note (b))	100	–
Current portion of long-term USD bank borrowings, unsecured (Note (a))	18,425	5,572
Current portion of long-term JPY bank borrowings, unsecured (Note (a))	18	19
Current portion of long-term JPY bank borrowings, secured (Note (a))	1	1
Current portion of long-term RMB bank borrowings, unsecured (Note (a))	12	–
Current portion of long-term EUR bank borrowings, unsecured (Note (a))	5	4
Current portion of long-term EUR bank borrowings, secured (Note (a))	4	3
	45,754	11,580
	199,833	175,248

Notes to the Interim Financial Information

28 BORROWINGS (continued)

Note:

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

	Unaudited 30 June 2023		Audited 31 December 2022	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
RMB bank borrowings	RMB39,515	2.45% ~ 4.80%	RMB22,514	2.80% ~ 4.80%
USD bank borrowings	USD18,400	LIBOR + 0.80% ~ 0.95%	USD20,998	LIBOR + 0.80% ~ 0.95%
USD bank borrowings	–	–	USD60	1.41%
JPY bank borrowings	JPY1,065	0.00% ~ 1.86%	JPY1,250	0.00% ~ 1.86%
JPY bank borrowings	JPY29	TIBOR + 1.70%	JPY36	TIBOR + 1.70%
EUR bank borrowings	EUR2	1.00% ~ 2.54%	EUR3	1.00% ~ 2.54%

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

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

The long-term bank borrowings are repayable as follows:

	Unaudited 30 June 2023 RMB'Million	Audited 31 December 2022 RMB'Million
Within 1 year	18,465	5,599
Between 1 and 2 years	22,776	33,178
Between 2 and 5 years	131,301	130,487
Over 5 years	2	3
	172,544	169,267

Notes to the Interim Financial Information

28 BORROWINGS (continued)

Note: (continued)

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

	Unaudited 30 June 2023		Audited 31 December 2022	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
RMB bank borrowings	RMB8,508	1.50% ~ 4.80%	RMB6,007	1.50% ~ 4.80%
USD bank borrowings	USD2,600	SOFR + 0.50% ~ 0.55%	—	—

The Group had entered into interest rate swap contracts to hedge its exposure arising from certain long-term bank borrowings carried at floating rates. The Group's outstanding interest rate swap contracts as at 30 June 2023 and 31 December 2022 are detailed in Note 22.

As at 30 June 2023 and 31 December 2022, the carrying amounts of borrowings approximated their fair values.

The Group had complied with all of the financial covenants of its borrowing facilities for the six months ended 30 June 2023 and 2022.

Notes to the Interim Financial Information

29 NOTES PAYABLE

Included in non-current liabilities:

Non-current portion of long-term USD notes payable

Included in current liabilities:

Current portion of long-term USD notes payable

Unaudited 30 June 2023 RMB'Million	Audited 31 December 2022 RMB'Million
139,840	148,669
14,442	10,446
154,282	159,115

Note:

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

	Unaudited 30 June 2023		Audited 31 December 2022	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
USD notes payable	USD750	LIBOR + 0.910%	USD1,250	LIBOR + 0.605% ~ 0.910%
USD notes payable	USD20,700	1.375% ~ 4.700%	USD21,700	1.375% ~ 4.700%

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

The Group had entered into interest rate swap contracts to hedge its exposure arising from its senior notes carried at floating rates. The Group's outstanding interest rate swap contracts as at 30 June 2023 and 31 December 2022 are detailed in Note 22.

Notes to the Interim Financial Information

29 NOTES PAYABLE (continued)

The notes payable are repayable as follows:

	Unaudited 30 June 2023 RMB'Million	Audited 31 December 2022 RMB'Million
Within 1 year	14,442	10,446
Between 1 and 2 years	6,492	13,913
Between 2 and 5 years	30,999	18,758
More than 5 years	102,349	115,998
	154,282	159,115

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

As at 30 June 2023, the fair value of the notes payable amounted to approximately RMB130,958 million (31 December 2022: RMB134,516 million). The respective fair value was assessed based on the active market prices of these notes at the reporting date or by making reference to similar instruments traded in the observable market.

30 LONG-TERM PAYABLES

	Unaudited 30 June 2023 RMB'Million	Audited 31 December 2022 RMB'Million
Payables relating to media content and running royalty fee for online games	6,370	3,072
Cash-settled share-based compensation payables (Note 27(d))	2,027	1,007
Payables relating to capital transactions	325	306
Others	4,946	4,682
	13,668	9,067

Notes to the Interim Financial Information

31 OTHER FINANCIAL LIABILITIES

	Unaudited 30 June 2023 RMB'Million	Audited 31 December 2022 RMB'Million
Measured at amortised cost:		
Redemption liabilities (Note)	6,692	6,204
Measured at fair value:		
Contingent consideration	2,826	3,236
Others	55	71
	2,881	3,307
	9,573	9,511
Included in:		
Non-current liabilities	5,095	5,574
Current liabilities	4,478	3,937
	9,573	9,511

Note:

It comprised redemption liabilities arising from put option arrangements made with non-controlling shareholders of acquired subsidiaries of approximately RMB6,692 million (31 December 2022: RMB6,204 million).

Notes to the Interim Financial Information

32 ACCOUNTS PAYABLE

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

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

33 OTHER PAYABLES AND ACCRUALS

	Unaudited 30 June 2023 RMB'Million	Audited 31 December 2022 RMB'Million
Staff costs and welfare accruals	21,777	27,664
Selling and marketing expense accruals	6,185	4,584
General and administrative expenses accruals	4,560	4,157
Purchase of land use rights, buildings and construction related costs	3,556	2,620
Tenpay-related fine payable (Note 8(d))	2,995	–
Interests payable	1,666	1,655
Purchase consideration payables for investee companies	1,599	1,496
Prepayments received from customers and others	730	816
Others (Note)	23,314	18,147
	66,382	61,139

Note:

Others primarily consist of deposits from third parties, reserve for platform services, sundry payables and other accruals.

Notes to the Interim Financial Information

34 DEFERRED REVENUE

The Group's deferred revenue includes contract liabilities and refundable advance payments in certain businesses. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The Group's contract liabilities mainly comprise unamortised virtual items, prepaid subscription fees, prepaid tokens or cards, Internet traffic and other support to be offered to certain investee companies in the future periods measured at their fair value on the inception dates, and customer loyalty incentives.

35 CONTINGENCIES

The Group had no material contingent liabilities outstanding as at 30 June 2023.

36 COMMITMENTS

(a) Capital commitments

Capital commitments as at 30 June 2023 and 31 December 2022 are analysed as follows:

	Unaudited 30 June 2023 RMB'Million	Audited 31 December 2022 RMB'Million
Contracted:		
Construction/purchase of buildings and purchase of land use rights	4,534	4,821
Purchase of other property, plant and equipment	239	158
Capital investments in investees	9,731	12,623
	<u>14,504</u>	<u>17,602</u>

Notes to the Interim Financial Information

36 COMMITMENTS (continued)

(b) Other commitments

The Group's commitments under agreements mainly for bandwidth, online game licensing, media content and other technical services, which are contracted but not provided in the consolidated financial statements, are as follows:

	Unaudited 30 June 2023 RMB'Million	Audited 31 December 2022 RMB'Million
Contracted:		
Not later than one year	10,447	13,037
Later than one year and not later than five years	12,853	14,124
Later than five years	5,417	5,427
	28,717	32,588

37 RELATED PARTY TRANSACTIONS

Except as disclosed in Note 21 (Loans to investees and investees' shareholders), and Note 27 (Share-based payments) to this Interim Financial Information, other significant transactions carried out between the Group and its related parties during the reporting periods are presented as follows. These related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Significant transactions with related parties

The Group has commercial arrangements with certain associates and joint ventures to provide Online Advertising services, FinTech and Business Services, and other services, the revenues from which, for the six months ended 30 June 2023, amounted to RMB3,630 million, RMB20,893 million and RMB592 million, respectively (six months ended 30 June 2022: RMB2,453 million, RMB19,850 million and RMB1,250 million, respectively).

The Group has commercial arrangements with certain associates and joint ventures to purchase online game licenses and related services, film and television content and related services, FinTech and Business Services, and others, the costs of which, for the six months ended 30 June 2023, amounted to RMB910 million, RMB2,622 million, RMB1,127 million and RMB599 million, respectively (six months ended 30 June 2022: RMB942 million, RMB2,024 million, RMB1,713 million and RMB574 million, respectively).

Notes to the Interim Financial Information

37 RELATED PARTY TRANSACTIONS (continued)

(b) Period end balances with related parties

As at 30 June 2023, accounts receivable and other receivables from related parties were RMB10,612 million and RMB143 million, respectively (31 December 2022: RMB10,755 million and RMB186 million, respectively).

As at 30 June 2023, accounts payable and other payables to related parties were RMB1,266 million and RMB112 million, respectively (31 December 2022: RMB1,530 million and RMB64 million, respectively).

The Group has certain business co-operation arrangements with certain associates, which are engaged in various Internet businesses including eCommerce, Online-To-Offline platforms, and FinTech services, in respect of the provision of various services such as FinTech services, business services and online advertising to these associates. As at 30 June 2023, contract liabilities arising from these business co-operation arrangements were RMB2,181 million (31 December 2022: RMB1,959 million).

The Group has entered into certain contracts for purchasing services or content with certain associates or joint ventures. As at 30 June 2023, commitments in respect of these agreements amounted to RMB4,084 million (31 December 2022: RMB4,158 million).

Other than the transactions and balances disclosed above or elsewhere in the Interim Financial Information, the Group had no other material transactions with related parties during the six months ended 30 June 2023 and 2022, and no other material balances with related parties as at 30 June 2023 and 31 December 2022.

38 SUBSEQUENT EVENTS

Except as disclosed in Note 8(d), there were no other material subsequent events during the period from 1 July 2023 to the approval date of the Interim Financial Information.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2023, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or are deemed to have taken, under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

(A) Long position in the shares and underlying shares of the Company

Name of director	Nature of interest	Number of shares/ underlying shares held	Approximate % of shareholding (Note 7)
Ma Huateng	Corporate (Note 1)	804,859,700	8.41%
Li Dong Sheng	Personal*	58,000 (Note 2)	0.0006%
Ian Charles Stone	Personal* Family ⁺	119,250 240,000 359,250 (Note 3)	0.004%
Yang Siu Shun	Personal*	77,401 (Note 4)	0.0008%
Ke Yang	Personal*	40,369 (Note 5)	0.0004%
Zhang Xiulan	Personal*	17,716 (Note 6)	0.0002%

Other Information

Note:

1. Advance Data Services Limited, a British Virgin Islands company wholly-owned by Mr Ma Huateng, holds 709,859,700 shares directly and 95,000,000 shares indirectly through its wholly-owned subsidiary, Ma Huateng Global Foundation.
 2. The interest comprises 33,828 shares and 24,172 underlying shares in respect of the Awarded Shares granted pursuant to the 2013 Share Award Scheme and the 2019 Share Award Scheme, and all the outstanding unvested Awarded Shares granted under these two schemes were transferred to the 2023 Share Award Scheme. Details of the Awarded Shares granted to this director are set out below under “Share Award Schemes”.
 3. The interest comprises 310,909 shares and 48,341 underlying shares in respect of the Awarded Shares granted pursuant to the 2013 Share Award Scheme and the 2019 Share Award Scheme, and all the outstanding unvested Awarded Shares granted under these two schemes were transferred to the 2023 Share Award Scheme. Details of the Awarded Shares granted to this director are set out below under “Share Award Schemes”.
 4. The interest comprises 34,430 shares and 42,971 underlying shares in respect of the Awarded Shares granted pursuant to the 2013 Share Award Scheme and the 2019 Share Award Scheme, and all the outstanding unvested Awarded Shares granted under these two schemes were transferred to the 2023 Share Award Scheme. Details of the Awarded Shares granted to this director are set out below under “Share Award Schemes”.
 5. The interest comprises 15,255 shares and 25,114 underlying shares in respect of the Awarded Shares granted pursuant to the 2013 Share Award Scheme and the 2019 Share Award Scheme, and all the outstanding unvested Awarded Shares granted under these two schemes were transferred to the 2023 Share Award Scheme. Details of the Awarded Shares granted to this director are set out below under “Share Award Schemes”.
 6. The interest comprises 17,716 underlying shares in respect of the Awarded Shares granted pursuant to the 2019 Share Award Scheme and all the outstanding unvested Awarded Shares granted under such scheme were transferred to the 2023 Share Award Scheme. Details of the Awarded Shares granted to this director are set out below under “Share Award Schemes”.
 7. As at 30 June 2023, the total number of issued shares of the Company was 9,574,017,108.
- * Interests of beneficial owner
- + Interests of spouse or child under 18 as beneficial owner

(B) Long position in the shares of associated corporations of the Company

Name of director	Name of associated corporation	Nature of interest	Number of shares and class of shares held	Approximate % of shareholding
Ma Huateng	Tencent Computer	Personal	RMB35,285,705 (registered capital)	54.29%
	Shiji Kaixuan	Personal	RMB5,971,427 (registered capital)	54.29%

Save as disclosed above, none of the directors or chief executive of the Company and their associates, had interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations as at 30 June 2023.

SHARE OPTION SCHEMES

The Company has 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. As at 30 June 2023, there were no outstanding share options exercisable under the Pre-IPO Option Scheme, the Post-IPO Option Scheme I and the Post-IPO Option Scheme III. The Post-IPO Option Scheme IV was terminated on 17 May 2023. Please refer to the circular of the Company dated 24 April 2023 for details. 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 requirements 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. Movements of the share options under the Post-IPO Option Scheme II, the Post-IPO Option Scheme IV and the 2023 Share Option Scheme during the six months ended 30 June 2023 are detailed in Note 27 to the Interim Financial Information as included in this interim report.

The total number of shares available for grant under the scheme mandate of the Post-IPO Option Scheme IV as at 1 January 2023 was 277,023,785 and such scheme was terminated on 17 May 2023. The total number of shares available for grant under the scheme mandate of the 2023 Share Option Scheme as at the date of adoption (17 May 2023) and 30 June 2023 were both 287,638,307. The total number of shares available for grant under the Service Providers sub-limit of the 2023 Share Option Scheme as at the date of adoption (17 May 2023) and 30 June 2023 were both 958,794.

Other Information

As at 17 May 2023, there were a total of 17,215,853 outstanding share options granted to a former director of the Company, details of which are as follows:

Name of director	Date of grant	Number of share options				Exercise price HKD (Note 4)	Exercise period
		As at 1 January 2023	Granted during the period	Exercised during the period (Note 3)	As at 17 May 2023		
Lau Chi Ping Martin (ceased to be a director with effect from 17 May 2023)	21 March 2016	3,750,000	–	3,750,000 (Note 2)	–	126.57	21 March 2017 to 20 March 2023 (Note 1)
	24 March 2017	5,250,000	–	–	5,250,000	185.65	24 March 2018 to 23 March 2024 (Note 1)
	9 April 2018	2,411,850	–	–	2,411,850	358.11	9 April 2019 to
		803,950	–	–	803,950	357.86	8 April 2025 (Note 1)
	4 April 2019	1,753,290	–	–	1,753,290	321.04	4 April 2020 to
		876,645	–	–	876,645	320.78	3 April 2026
		876,645	–	–	876,645	320.45	(Note 1)
	20 March 2020	1,099,953	–	–	1,099,953	305.66	20 March 2021 to
		1,099,954	–	–	1,099,954	305.49	19 March 2027
		1,099,954	–	–	1,099,954	304.23	(Note 1)
		1,099,954	–	–	1,099,954	303.74	
	30 March 2021	843,658	–	–	843,658	532.06	30 March 2022 to 29 March 2028 (Note 1)
	Total:	<u>20,965,853</u>	<u>–</u>	<u>3,750,000</u>	<u>17,215,853</u>		

Note:

1. For options granted with exercisable date determined based on the grant date of options, the first 25% of the total options shall be vested and can be exercised 1 year after the grant date, and each 25% of the total options will be vested and become exercisable in each subsequent year.
2. In relation to the exercise of 750,000 share options out of 3,750,000 share options, 489,211 shares were issued. The automatic deduction of 260,789 shares represents the consideration payable for the exercise of 750,000 share options.
3. The weighted average closing price immediately before the date on which the options were exercised was HKD373.8 per share.
4. 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 share options which remained outstanding as at 5 January 2023 (Meituan ex-dividend date). The adjusted exercise prices of the share options are reflected above. Please refer to the announcement of the Company dated 9 January 2023 for details.
5. No options were cancelled or lapsed during the period from 1 January 2023 to 17 May 2023.
6. Details of movements of share options granted to the former director during the six months ended 30 June 2023 were included in the following section on details of movements of share options granted to Employee Participants of the Group.
7. As at 30 June 2023, there were no outstanding share options granted to any director of the Company.

Other Information

Details of movements of share options granted to Employee Participants of the Group (including a former director of the Company) during the six months ended 30 June 2023 are as follows:

Date of grant	Number of share options				As at 30 June 2023	Exercise price HKD (Note 14)	Exercise period/ Performance targets (Note 18)
	As at 1 January 2023	Granted during the period (Note 13)	Exercised during the period (Note 12)	Lapsed/ forfeited during the period			
21 Mar 2016	3,917,500	–	3,917,500	–	–	126.57	21 Mar 2017 to 20 Mar 2023 (Note 3)
6 Jul 2016	316,841	–	282,443	–	34,398	143.33	6 Jul 2017 to 5 Jul 2023 (Note 3)
24 Mar 2017	826,650	–	76,498	–	750,152	185.65	24 Mar 2018 to 23 Mar 2024 (Note 1)
24 Mar 2017	24,200,875	–	1,832,700	–	22,368,175	185.65	24 Mar 2018 to 23 Mar 2024 (Note 3)
10 Jul 2017	4,469	–	4,469	–	–	230.87	10 Jul 2018 to 9 Jul 2024 (Note 2)
10 Jul 2017	3,828,731	–	500,290	–	3,328,441	230.87	10 Jul 2018 to 9 Jul 2024 (Note 3)
10 Jul 2017	4,288	–	560	–	3,728	230.89	10 Jul 2019 to 9 Jul 2024 (Note 4)
	5,108	–	560	–	4,548	230.87	
23 Nov 2017	71,190	–	–	–	71,190	368.46	23 Nov 2018 to 22 Nov 2024 (Note 2)
16 Jan 2018	97,915	–	–	–	97,915	387.16	16 Jan 2019 to 15 Jan 2025 (Note 2)
9 Apr 2018	1,871,500	–	–	–	1,871,500	358.11	9 Apr 2019 to 8 Apr 2025 (Note 1)
9 Apr 2018	191,555	–	–	–	191,555	358.11	9 Apr 2019 to 8 Apr 2025 (Note 2)
9 Apr 2018	14,851,089	–	–	–	14,851,089	358.11	9 Apr 2019 to 8 Apr 2025 (Note 3)
	4,984,470	–	–	–	4,984,470	357.86	
24 May 2018	26,390	–	–	–	26,390	355.51	24 May 2019 to 23 May 2025 (Note 2)
22 Jun 2018	13,055	–	–	–	13,055	348.04	22 Jun 2019 to 21 Jun 2025 (Note 1)
22 Jun 2018	70,525	–	–	–	70,525	348.04	22 Jun 2019 to 21 Jun 2025 (Note 2)
6 Jul 2018	2,087,419	–	79,795	82	2,007,542	332.87	6 Jul 2019 to 5 Jul 2025 (Note 3)
	1,047,719	–	51,639	12	996,068	332.47	
6 Jul 2018	2,024	–	–	–	2,024	332.87	6 Jul 2020 to 5 Jul 2025 (Note 4)
	2,013	–	–	–	2,013	332.47	
	2,013	–	–	–	2,013	331.57	

Other Information

Date of grant	Number of share options				As at 30 June 2023	Exercise price HKD (Note 14)	Exercise period/ Performance targets (Note 18)
	As at 1 January 2023	Granted during the period (Note 13)	Exercised during the period (Note 12)	Lapsed/ forfeited during the period			
6 Jul 2018	647	–	–	–	647	332.87	6 Jul 2021 to 5 Jul 2025 (Note 5)
	4,532	–	–	–	4,532	332.47	
	4,533	–	–	–	4,533	331.57	
	4,534	–	–	–	4,534	331.40	
24 Aug 2018	17,780	–	–	–	17,780	302.78	24 Aug 2019 to 23 Aug 2025 (Note 2)
4 Apr 2019	193,566	–	24,538	–	169,028	321.04	4 Apr 2020 to 3 Apr 2026 (Note 1)
4 Apr 2019	2,894,848	–	–	–	2,894,848	321.04	4 Apr 2020 to 3 Apr 2026 (Note 3)
	1,447,425	–	–	–	1,447,425	320.78	
	1,447,427	–	–	–	1,447,427	320.45	
4 Apr 2019	17,500,000	–	–	–	17,500,000	320.01	4 Apr 2024 to 3 Apr 2026 (Note 6)
8 Jul 2019	710,896	–	23,773	60	687,063	306.21	8 Jul 2020 to 7 Jul 2026 (Note 3)
	490,100	–	31,406	118	458,576	305.79	
	486,839	–	–	16,776	470,063	304.61	
8 Jul 2019	3,000	–	–	–	3,000	306.21	8 Jul 2021 to 7 Jul 2026 (Note 4)
	3,001	–	–	–	3,001	305.79	
	3,001	–	–	–	3,001	304.61	
	3,003	–	–	–	3,003	301.46	
23 Aug 2019	9,870	–	–	–	9,870	288.46	15 Aug 2020 to 22 Aug 2026 (Note 10)
23 Aug 2019	92,469	–	48,737	–	43,732	288.89	15 Aug 2020 to 22 Aug 2026 (Note 7)
	46,235	–	24,369	–	21,866	288.46	
	46,236	–	–	–	46,236	287.49	
2 Dec 2019	82	–	–	–	82	290.39	15 Nov 2020 to 1 Dec 2026 (Note 10)
	17,582	–	–	–	17,582	289.77	
8 Jan 2020	74,340	–	–	–	74,340	330.89	15 Dec 2020 to 7 Jan 2027 (Note 10)
	37,170	–	–	–	37,170	329.92	
20 Mar 2020	100,253	–	1,251	–	99,002	305.66	21 Jan 2021 to 19 Mar 2027 (Note 9)
	187,837	–	4,709	–	183,128	305.64	

Other Information

Date of grant	Number of share options				As at 30 June 2023	Exercise price HKD (Note 14)	Exercise period/ Performance targets (Note 18)
	As at 1 January 2023	Granted during the period (Note 13)	Exercised during the period (Note 12)	Lapsed/ forfeited during the period			
20 Mar 2020	1,697,498	–	–	–	1,697,498	305.66	20 Mar 2021 to 19 Mar 2027 (Note 8)
	1,746,159	–	–	–	1,746,159	305.49	
	1,746,159	–	–	–	1,746,159	304.23	
	1,770,490	–	–	–	1,770,490	303.74	
22 May 2020	16,613	–	–	–	16,613	367.16	15 May 2021 to 21 May 2027 (Note 10)
	16,613	–	–	–	16,613	366.70	
	16,614	–	–	–	16,614	365.53	
10 Jul 2020	308,486	–	–	5,790	302,696	472.04	5 Jul 2021 to 9 Jul 2027 (Note 8)
	322,016	–	–	5,793	316,223	471.92	
	322,086	–	–	5,795	316,291	470.14	
	322,132	–	–	5,797	316,335	469.87	
10 Jul 2020	876	–	–	–	876	471.92	5 Jul 2022 to 9 Jul 2027 (Note 8)
	877	–	–	–	877	470.14	
	877	–	–	–	877	469.87	
	877	–	–	–	877	470.04	
21 Aug 2020	12,232	–	–	–	12,232	444.32	15 Jul 2021 to 20 Aug 2027 (Note 9)
	12,233	–	–	–	12,233	444.07	
21 Aug 2020	3,511	–	–	–	3,511	444.32	15 Aug 2021 to 20 Aug 2027 (Note 10)
	3,512	–	–	–	3,512	444.01	
	3,512	–	–	–	3,512	443.08	
21 Aug 2020	1,239	–	–	291	948	444.32	15 Aug 2021 to 20 Aug 2027 (Note 8)
	1,240	–	–	291	949	444.01	
	1,242	–	–	292	950	443.08	
	1,243	–	–	292	951	442.82	
23 Nov 2020	54,353	–	–	–	54,353	511.83	15 Oct 2021 to 22 Nov 2027 (Note 9)
	15,363	–	–	–	15,363	511.59	

Other Information

Date of grant	Number of share options				As at 30 June 2023	Exercise price HKD (Note 14)	Exercise period/ Performance targets (Note 18)
	As at 1 January 2023	Granted during the period (Note 13)	Exercised during the period (Note 12)	Lapsed/ forfeited during the period			
23 Nov 2020	2,951	–	–	–	2,951	511.83	15 Oct 2021 to 22 Nov 2027 (Note 10)
	2,952	–	–	–	2,952	511.59	
	2,952	–	–	–	2,952	510.71	
23 Nov 2020	4,206	–	–	–	4,206	511.83	15 Nov 2021 to 22 Nov 2027 (Note 8)
	4,206	–	–	–	4,206	511.54	
	4,206	–	–	–	4,206	510.57	
	4,207	–	–	–	4,207	508.53	
23 Dec 2020	7,014	–	–	–	7,014	495.23	15 Dec 2021 to 22 Dec 2027 (Note 9)
	7,014	–	–	–	7,014	494.94	
23 Dec 2020	35,069	–	–	–	35,069	495.23	15 Dec 2021 to 22 Dec 2027 (Note 10)
	35,069	–	–	–	35,069	494.94	
	35,069	–	–	–	35,069	494.22	
30 Mar 2021	524,998	–	–	1,305	523,693	533.39	8 Feb 2022 to 29 Mar 2028 (Note 9)
	525,200	–	–	1,307	523,893	533.13	
30 Mar 2021	25,083	–	–	–	25,083	533.39	8 Feb 2022 to 29 Mar 2028 (Note 8)
	25,083	–	–	–	25,083	533.13	
	25,084	–	–	–	25,084	532.35	
	25,085	–	–	–	25,085	531.71	
30 Mar 2021	1,444	–	–	–	1,444	533.39	15 Feb 2022 to 29 Mar 2028 (Note 10)
	1,444	–	–	–	1,444	533.13	
	1,445	–	–	–	1,445	532.24	
30 Mar 2021	761	–	–	–	761	533.39	15 Feb 2022 to 29 Mar 2028 (Note 8)
	762	–	–	–	762	533.13	
	763	–	–	–	763	532.35	
	763	–	–	–	763	532.24	

Other Information

Date of grant	Number of share options				As at 30 June 2023	Exercise price HKD (Note 14)	Exercise period/ Performance targets (Note 18)
	As at 1 January 2023	Granted during the period (Note 13)	Exercised during the period (Note 12)	Lapsed/ forfeited during the period			
30 Mar 2021	966,958	–	–	–	966,958	533.39	30 Mar 2022 to 29 Mar 2028 (Note 8)
	966,958	–	–	–	966,958	533.07	
	966,961	–	–	–	966,961	532.29	
	1,810,622	–	–	–	1,810,622	532.06	
10 Jun 2021	2,944	–	–	–	2,944	529.18	5 Jul 2021 to 9 Jun 2028 (Note 8)
	2,944	–	–	–	2,944	529.08	
	2,945	–	–	–	2,945	528.40	
	2,945	–	–	–	2,945	526.97	
10 Jun 2021	50,534	–	–	46,681	3,853	529.15	15 May 2022 to 9 Jun 2028 (Note 10)
	50,536	–	–	46,682	3,854	528.51	
	50,537	–	–	46,683	3,854	527.29	
14 Jul 2021	1,917,789	–	–	19,725	1,898,064	478.17	5 Jul 2022 to 13 Jul 2028 (Note 8)
	1,918,080	–	–	24,264	1,893,816	477.46	
	1,918,365	–	–	24,272	1,894,093	476.52	
	1,918,693	–	–	24,276	1,894,417	476.09	
16 Nov 2021	57,632	–	–	–	57,632	437.83	15 Sep 2022 to 15 Nov 2028 (Note 10)
	57,632	–	–	–	57,632	436.86	
	57,633	–	–	–	57,633	433.54	
16 Nov 2021	5,231	–	–	–	5,231	435.86	15 Oct 2022 to 15 Nov 2028 (Note 10)
	5,231	–	–	–	5,231	434.78	
	5,232	–	–	–	5,232	433.25	
24 Mar 2022	8,947	–	100	78	8,769	343.96	5 Jul 2022 to 23 Mar 2029 (Note 8)
	8,953	–	–	179	8,774	343.22	
	8,950	–	–	178	8,772	343.21	
	8,953	–	–	179	8,774	342.87	
24 Mar 2022	790,044	–	1,101	–	788,943	343.84	27 Jan 2023 to 23 Mar 2029 (Note 9)
	790,206	–	–	60	790,146	343.20	

Other Information

Date of grant	Number of share options				As at 30 June 2023	Exercise price HKD (Note 14)	Exercise period/ Performance targets (Note 18)
	As at 1 January 2023	Granted during the period (Note 13)	Exercised during the period (Note 12)	Lapsed/ forfeited during the period			
24 Mar 2022	3,094	–	–	–	3,094	343.77	15 Feb 2023 to 23 Mar 2029 (Note 10)
	3,094	–	–	–	3,094	343.06	
	3,094	–	–	–	3,094	342.81	
24 Mar 2022	7,472	–	–	774	6,698	343.77	15 Feb 2023 to 23 Mar 2029 (Note 8)
	7,486	–	–	775	6,711	343.06	
	7,474	–	–	774	6,700	342.81	
	7,487	–	–	775	6,712	342.50	
24 Mar 2022	1,399,354	–	–	–	1,399,354	343.61	24 Mar 2023 to 23 Mar 2029 (Note 8)
	1,399,355	–	–	–	1,399,355	342.79	
	1,399,356	–	–	–	1,399,356	342.49	
	1,399,357	–	–	–	1,399,357	341.94	
18 Aug 2022	1,370,532	–	–	17,475	1,353,057	277.91	15 Jul 2023 to 17 Aug 2029 (Note 8)
	1,370,703	–	–	17,478	1,353,225	277.42	
	1,370,900	–	–	17,482	1,353,418	276.81	
	1,371,135	–	–	17,487	1,353,648	276.01	
23 Mar 2023	–	588,782	–	–	588,782	375.60	15 Jan 2024 to 22 Mar 2030 (Notes 9 and 11)
23 Mar 2023	–	3,071,143	–	–	3,071,143	375.60	15 Apr 2024 to 22 Mar 2030 (Notes 8 and 11)
Total:	<u>119,423,776</u>	<u>3,659,925</u>	<u>6,906,438</u>	<u>350,278</u>	<u>115,826,985</u>		

Note:

- For options granted with exercisable date determined based on the grant date of options, the first 50% of the total options shall be vested and can be exercised 1 year after the grant date, and the remaining 50% of the total options will be vested and become exercisable in the subsequent year.
- For options granted with exercisable date determined based on the grant date of options, the first 33.33% (one-third) of the total options shall be vested and can be exercised 1 year after the grant date, and each 33.33% (one-third) of the total options will be vested and become exercisable in each subsequent year.

Other Information

3. For options granted with exercisable date determined based on the grant date of options, the first 25% of the total options shall be vested and can be exercised 1 year after the grant date, and each 25% of the total options will be vested and become exercisable in each subsequent year.
4. For options granted with exercisable date determined based on the grant date of options, the first 25% of the total options shall be vested and can be exercised 2 years after the grant date, and each 25% of the total options will be vested and become exercisable in each subsequent year.
5. For options granted with exercisable date determined based on the grant date of options, the first 25% of the total options shall be vested and can be exercised 3 years after the grant date, and each 25% of the total options will be vested and become exercisable in each subsequent year.
6. For options granted with exercisable date determined based on the grant date of options, 100% of the total options shall be vested and can be exercised 5 years after the grant date.
7. Subject to the satisfaction of certain conditions, the first 25% of the total options shall be vested and can be exercised on the dates as specified in the relevant grant letters, and each 25% of the total options will be vested and become exercisable in each subsequent year.
8. The first 25% of the total options shall be vested and can be exercised on the dates as specified in the relevant grant letters, and each 25% of the total options will be vested and become exercisable in each subsequent year.
9. The first 50% of the total options shall be vested and can be exercised on the dates as specified in the relevant grant letters, and the remaining 50% of the total options will be vested and become exercisable in the subsequent year.
10. The first 33.33% (one-third) of the total options shall be vested and can be exercised on the dates as specified in the relevant grant letters, and each 33.33% (one-third) of the total options will be vested and become exercisable in each subsequent year.
11. The closing price immediately before the date on which the options were granted on 23 March 2023 was HKD347.2 per share.
12. The weighted average closing price immediately before the date on which the options were exercised (excluding a former director of the Company) was HKD374.25 per share.
13. The average fair value of the options granted on 23 March 2023 was HKD132.11 per share at the date of grant.
14. 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 share options which remained outstanding as at 5 January 2023 (Meituan ex-dividend date). The adjusted exercise prices of the share options are reflected above. Please refer to the announcement of the Company dated 9 January 2023 for details.
15. No options granted to the Employee Participants were cancelled during the six months ended 30 June 2023.
16. None of the participants has been granted with options and awards in excess of the 1% individual limit.
17. Details of the valuation of share options of the Company during the six months ended 30 June 2023, including the accounting standard and policy adopted for the share option schemes, are set out in Note 27 to the Interim Financial Information.
18. All of the grants made during the six months ended 30 June 2023 were made without any performance targets.
19. Please refer to the Definition section for the description of Employee Participants.

SHARE AWARD SCHEMES

The Company has adopted four share award schemes, namely, the 2007 Share Award Scheme, the 2013 Share Award Scheme, the 2019 Share Award Scheme and the 2023 Share Award Scheme, among which the 2007 Share Award Scheme expired on 13 December 2022 and the 2023 Share Award Scheme was adopted on 17 May 2023. All the outstanding unvested share awards under the 2013 Share Award Scheme and the 2019 Share Award Scheme as of 30 June 2023 were transferred to the 2023 Share Award Scheme. As disclosed in the circular of the Company dated 24 April 2023, upon the completion of the transfer of the shares held by the trustee for the purpose of satisfying the outstanding share awards under the 2013 Share Award Scheme and the 2019 Share Award Scheme to the trustee administering the 2023 Share Award Scheme, the 2013 Share Award Scheme and the 2019 Share Award Scheme would be terminated, upon which the 2023 Share Award Scheme would become the only effective share award scheme of the Company. As at 30 June 2023, there were no outstanding share awards under the 2007 Share Award Scheme.

2013 Share Award Scheme

The 2013 Share Award Scheme took effect on the Adoption Date II and is valid and effective unless and until being terminated on the earlier of: (i) the 15th anniversary date of the Adoption Date II; and (ii) such date of early termination as determined by the Board provided that such termination does not affect any subsisting rights of any Selected Participant. The maximum number of shares which can be awarded under the 2013 Share Award Scheme and to a Selected Participant are limited to 3% (i.e. 278,937,260 shares) and 1% (i.e. 92,979,085 shares) of the issued shares of the Company respectively as at the Adoption Date II. The total number of awards available for grant under the scheme mandate of the 2013 Share Award Scheme as at 1 January 2023 and 30 June 2023 were 13,790,025 and nil, respectively (as the 2023 Share Award Scheme has been adopted by the Company on 17 May 2023, after which the Company would not grant further awards thereunder). The 2013 Share Award Scheme would be terminated 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 to the trustee administering the 2023 Share Award Scheme.

Pursuant to the 2013 Share Award Scheme, the Board may, from time to time, at its absolute discretion select any Eligible Person to be a Selected Participant and grant to such Selected Participant Awarded Shares.

Subject to the rules of the 2013 Share Award Scheme, the vesting of the Awarded Shares is subject to the Selected Participant remaining at all times after the Grant Date and on the date of vesting an Eligible Person. Subject to the satisfaction of all vesting conditions as prescribed in the 2013 Share Award Scheme, the Selected Participants will be entitled to receive the Awarded Shares.

Other Information

2019 Share Award Scheme

The 2019 Share Award Scheme took effect on the Adoption Date III and is valid and effective unless and until being terminated on the earlier of: (i) the 15th anniversary date of the Adoption Date III; and (ii) such date of early termination as determined by the Board provided that such termination does not affect any subsisting rights of any Selected Participant. The maximum number of shares which can be awarded under the 2019 Share Award Scheme and to a Selected Participant are limited to 2% (i.e. 191,047,317 shares) and 1% (i.e. 95,523,658 shares) of the issued shares of the Company respectively as at the Adoption Date III. The total number of awards available for grant under the scheme mandate of the 2019 Share Award Scheme as at 1 January 2023 and 30 June 2023 were 31,752,436 and nil, respectively (as the 2023 Share Award Scheme has been adopted by the Company on 17 May 2023, after which the Company would not grant further awards thereunder). The 2019 Share Award Scheme would be terminated upon the completion of the transfer of the shares held by the trustee for the purpose of satisfying the outstanding share awards under the 2019 Share Award Scheme to the trustee administering the 2023 Share Award Scheme.

Pursuant to the 2019 Share Award Scheme, the Board may, from time to time, at its absolute discretion select any Eligible Person to be a Selected Participant and grant to such Selected Participant Awarded Shares.

Subject to the rules of the 2019 Share Award Scheme, the vesting of the Awarded Shares is subject to the Selected Participant remaining at all times after the Grant Date and on the date of vesting an Eligible Person. Subject to the satisfaction of all vesting conditions as prescribed in the 2019 Share Award Scheme, the Selected Participants will be entitled to receive the Awarded Shares.

2023 Share Award Scheme

The 2023 Share Award Scheme took effect on the Adoption Date IV and is valid and effective unless and until being terminated on the earlier of: (i) the 10th anniversary date of the Adoption Date IV; and (ii) such date of early termination as determined by the Board provided that such termination does not affect any subsisting rights of any Selected Participant.

The total number of shares which may be awarded under the 2023 Share Award Scheme shall be no more than 4.5% (i.e. 431,457,460 shares) of the total number of shares in issue as at the Adoption Date IV, among which the total number of new shares which may be issued in respect of all awards to be granted under the 2023 Share Award Scheme shall be no more than 3.5% (i.e. 335,578,024 shares) of the total number of shares in issue as at the Adoption Date IV (the “Scheme Mandate Limit (New Shares Share Award)”). Among the Scheme Mandate Limit (New Shares Share Award), the total number of new shares which may be issued in respect of all awards to be granted to Service Providers under the 2023 Share Award Scheme shall be no more than 0.01% (i.e. 958,794 shares) of the total number of shares in issue as at the Adoption Date IV.

The total number of awards available for grant under the scheme mandate of the 2023 Share Award Scheme as at the Adoption Date IV and 30 June 2023 were both 431,457,460. The total number of new shares share awards available for grant under the scheme mandate of the 2023 Share Award Scheme as at the Adoption Date IV and 30 June 2023 were both 335,578,024. The total number of new shares share awards available for grant under the Service Providers sub-limit of the 2023 Share Award Scheme as at the Adoption Date IV and 30 June 2023 were both 958,794.

Other Information

Pursuant to the 2023 Share Award Scheme, the Board may, from time to time, at its absolute discretion select any Eligible Person to be a Selected Participant and grant to such Selected Participant Awarded Shares.

Subject to the rules of the 2023 Share Award Scheme, the vesting of the Awarded Shares is subject to the Selected Participant remaining at all times after the Grant Date and on the date of vesting an Eligible Person. Subject to the satisfaction of all vesting conditions as prescribed in the 2023 Share Award Scheme, the Selected Participants will be entitled to receive the Awarded Shares.

During the six months ended 30 June 2023, a total of 156,911 and 9,923,573 Awarded Shares were granted under the 2013 Share Award Scheme and the 2019 Share Award Scheme respectively and out of which, 74,542 Awarded Shares were granted to the independent non-executive directors of the Company under the 2019 Share Award Scheme. In addition, a total of 6,186,967 additional Awarded Shares were awarded pursuant to adjustments made as a result of the distribution in specie of Meituan Shares and out of which, 6,281 Awarded Shares were awarded to the independent non-executive directors of the Company. Details of the movements in the Share Award Schemes during the six months ended 30 June 2023 are set out in Note 27 to the Interim Financial Information as included in this interim report.

Following the adoption of the 2023 Share Award Scheme, all the outstanding unvested share awards granted under the 2013 Share Award Scheme and the 2019 Share Award Scheme were transferred to the 2023 Share Award Scheme.

For the 2023 Share Award Scheme, the share awards can be satisfied by existing shares acquired by the trustee administering the 2023 Share Award Scheme at the cost borne by the Company or new shares issued to the trustee, which will be held in trust by the trustee for the Selected Participants and transferred to them at no cost upon vesting.

Other Information

As at 30 June 2023, there were a total of 158,314 outstanding Awarded Shares granted to the directors of the Company, details of which are as follows:

Name of director	Date of grant	Number of Awarded Shares				As at 30 June 2023	Vesting period
		As at 1 January 2023	Granted during the period	Additional Awarded Shares (Note 1)	Vested during the period (Note 4)		
Ian Charles Stone	4 April 2019	4,378	–	219	4,597	–	4 April 2020 to 4 April 2023
	20 March 2020	8,756	–	438	4,595	4,599	20 March 2021 to 20 March 2024
	30 March 2021	10,815	–	541	3,785	7,571	30 March 2022 to 30 March 2025
	24 March 2022	18,000	–	900	4,725	14,175	24 March 2023 to 24 March 2026
	23 March 2023	–	21,996	–	–	21,996	15 April 2024 to 15 April 2027 (Notes 2 and 3)
	Total:	<u>41,949</u>	<u>21,996</u>	<u>2,098</u>	<u>17,702</u>	<u>48,341</u>	
Li Dong Sheng	4 April 2019	2,190	–	110	2,300	–	4 April 2020 to 4 April 2023
	20 March 2020	4,378	–	219	2,297	2,300	20 March 2021 to 20 March 2024
	30 March 2021	5,408	–	270	1,892	3,786	30 March 2022 to 30 March 2025
	24 March 2022	9,000	–	450	2,362	7,088	24 March 2023 to 24 March 2026
	23 March 2023	–	10,998	–	–	10,998	15 April 2024 to 15 April 2027 (Notes 2 and 3)
	Total:	<u>20,976</u>	<u>10,998</u>	<u>1,049</u>	<u>8,851</u>	<u>24,172</u>	

Other Information

Name of director	Date of grant	Number of Awarded Shares					Vesting period
		As at 1 January 2023	Granted during the period	Additional Awarded Shares (Note 1)	Vested during the period (Note 4)	As at 30 June 2023	
Yang Siu Shun	4 April 2019	3,863	–	193	4,056	–	4 April 2020 to 4 April 2023
	20 March 2020	7,726	–	386	4,055	4,057	20 March 2021 to 20 March 2024
	30 March 2021	9,657	–	483	3,378	6,762	30 March 2022 to 30 March 2025
	24 March 2022	16,000	–	800	4,200	12,600	24 March 2023 to 24 March 2026
	23 March 2023	–	19,552	–	–	19,552	15 April 2024 to 15 April 2027 (Notes 2 and 3)
	Total:	37,246	19,552	1,862	15,689	42,971	
Ke Yang	23 August 2019	1,542	–	77	–	1,619	23 August 2020 to 23 August 2023
	20 March 2020	3,090	–	155	1,622	1,623	20 March 2021 to 20 March 2024
	30 March 2021	5,408	–	270	1,892	3,786	30 March 2022 to 30 March 2025
	24 March 2022	9,000	–	450	2,362	7,088	24 March 2023 to 24 March 2026
	23 March 2023	–	10,998	–	–	10,998	15 April 2024 to 15 April 2027 (Notes 2 and 3)
	Total:	19,040	10,998	952	5,876	25,114	

Other Information

Name of director	Date of grant	Number of Awarded Shares				As at 30 June 2023	Vesting period
		As at 1 January 2023	Granted during the period	Additional Awarded Shares (Note 1)	Vested during the period (Note 4)		
Zhang Xiulan	18 August 2022	6,398	–	320	–	6,718	18 August 2023 to 18 August 2026
	23 March 2023	–	10,998	–	–	10,998	15 April 2024 to 15 April 2027 (Notes 2 and 3)
	Total:	6,398	10,998	320	–	17,716	
	Grand Total:	125,609	74,542	6,281	48,118	158,314	

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 of the Company subject to share awards which remained unvested as at 5 January 2023 (Meituan ex-dividend date). The number of additional Awarded Shares awarded pursuant to the adjustments is shown above. Please refer to the announcement of the Company dated 9 January 2023 for details.
- The closing price immediately before the date on which the Awarded Shares were granted on 23 March 2023 was HKD347.2 per share.
- The fair value of the Awarded Shares granted on 23 March 2023 was HKD375.6 per share at the date of grant.
- The weighted average closing price of the shares immediately before the dates on which the awards were vested during the six months ended 30 June 2023 was HKD371.11 per share.
- No Awarded Shares granted to the directors were lapsed or cancelled during the six months ended 30 June 2023.
- All of the grants made during the six months ended 30 June 2023 were made without any performance targets.

Other Information

Details of movements of Awarded Shares of the Group (excluding directors of the Company) during the six months ended 30 June 2023 are as follows:

Year of grant	Number of Awarded Shares					As at 30 June 2023	Vesting period/ Performance targets (Note 9)
	As at 1 January 2023	Granted during the period	Additional Awarded Shares (Note 10)	Vested during the period (Note 3)	Lapsed/ forfeited during the period		
Employee Participants							
2016	7,099	–	–	–	–	7,099	Note 1
2017	30,921	–	1,546	32,467	–	–	Note 1
2018	50,475	–	2,523	29,675	268	23,055	Note 1
2019	20,397,368	–	1,018,631	577,206	144,693	20,694,100	Note 1
2020	10,002,214	–	497,669	1,713,642	405,900	8,380,341	Note 1
2021	44,068,375	–	2,201,999	7,818,810	1,508,291	36,943,273	Note 1
2022	48,649,755	–	2,431,853	6,598,183	1,693,307	42,790,118	Note 1
2023	–	9,819,008	–	–	124,383	9,694,625	Notes 1 and 5
Total:	123,206,207	9,819,008	6,154,221	16,769,983	3,876,842	118,532,611	
Service Providers							
2019	3,599	–	180	3,515	–	264	Note 2
2020	17,126	–	856	10,241	–	7,741	Note 2
2021	109,279	–	5,463	27,635	–	87,107	Note 2
2022	399,358	–	19,966	24,431	–	394,893	Note 2
2023	–	186,934	–	–	–	186,934	Notes 2 and 5
Total:	529,362	186,934	26,465	65,822	–	676,939	
Grand Total:	123,735,569	10,005,942	6,180,686	16,835,805	3,876,842	119,209,550	

Note:

1. The Awarded Shares can either be vested immediately or over a period of up to 7 years.
2. The Awarded Shares can either be vested immediately or over a period of up to 4 years.
3. For Employee Participants, the weighted average closing price of the shares of the Company immediately before the dates on which the awards were vested during the six months ended 30 June 2023 was HKD378.39 per share.
4. For Service Providers, the weighted average closing price of the shares of the Company immediately before the dates on which the awards were vested during the six months ended 30 June 2023 was HKD367.55 per share.

Other Information

5. The following grants were made during the six months ended 30 June 2023:

Date of grant	Vesting Period	Number of shares granted	Closing price of shares immediately before date of grant HKD	Fair value of awards at the date of grant per share HKD
Employee Participants				
23 Mar 2023	15 Apr 2024 to 15 Apr 2025	1,084,932	347.2	375.6
23 Mar 2023	15 Apr 2024 to 15 Apr 2026	911	347.2	375.6
23 Mar 2023	15 Apr 2024 to 15 Apr 2027	2,287,189	347.2	375.6
23 Mar 2023	15 Dec 2023 to 15 Dec 2024	15,092	347.2	375.6
23 Mar 2023	15 Dec 2023 to 15 Dec 2025	293,027	347.2	375.6
23 Mar 2023	15 Dec 2023 to 15 Dec 2026	13,146	347.2	375.6
23 Mar 2023	15 Dec 2024 to 15 Dec 2026	39,833	347.2	375.6
23 Mar 2023	15 Feb 2024 to 15 Feb 2025	18,064	347.2	375.6
23 Mar 2023	15 Feb 2024 to 15 Feb 2026	163,354	347.2	375.6
23 Mar 2023	15 Feb 2024 to 15 Feb 2027	6,439	347.2	375.6
23 Mar 2023	15 Feb 2025 to 15 Feb 2027	5,992	347.2	375.6
23 Mar 2023	15 Jan 2024 to 15 Jan 2025	4,982,360	347.2	375.6
23 Mar 2023	15 Jan 2024 to 15 Jan 2026	230,778	347.2	375.6
23 Mar 2023	15 Jan 2024 to 15 Jan 2027	37,512	347.2	375.6
23 Mar 2023	15 Jan 2025 to 15 Jan 2027	67,615	347.2	375.6
23 Mar 2023	15 Mar 2024 to 15 Mar 2025	12,173	347.2	375.6
23 Mar 2023	15 Mar 2024 to 15 Mar 2026	179,521	347.2	375.6
23 Mar 2023	15 Mar 2024 to 15 Mar 2027	64,589	347.2	375.6

Other Information

Date of grant	Vesting Period	Number of shares granted	Closing price of shares immediately before date of grant HKD	Fair value of awards at the date of grant per share HKD
Employee Participants				
23 Mar 2023	15 Mar 2025 to 15 Mar 2027	32,900	347.2	375.6
23 Mar 2023	15 Nov 2023 to 15 Nov 2024	8,757	347.2	375.6
23 Mar 2023	15 Nov 2023 to 15 Nov 2025	83,432	347.2	375.6
23 Mar 2023	15 Nov 2023 to 15 Nov 2026	3,120	347.2	375.6
23 Mar 2023	15 Nov 2024 to 15 Nov 2026	21,958	347.2	375.6
23 Mar 2023	15 Oct 2023 to 15 Oct 2025	3,665	347.2	375.6
23 Mar 2023	23 Mar 2023 to 15 Jan 2025	346	347.2	375.6
23 Mar 2023	23 Mar 2023 to 15 Oct 2024	5,392	347.2	375.6
23 Mar 2023	1 Jan 2024 to 1 Jan 2027	80,390	347.2	375.6
23 Mar 2023	1 Oct 2023 to 1 Oct 2026	76,521	347.2	375.6
	Total:	<u>9,819,008</u>		
Service Providers				
23 Mar 2023	15 Apr 2024 to 15 Apr 2025	66,106	347.2	375.6
23 Mar 2023	15 Apr 2024 to 15 Apr 2027	2,314	347.2	375.6
23 Mar 2023	15 Dec 2023 to 15 Dec 2026	20,188	347.2	375.6
23 Mar 2023	15 Feb 2024 to 15 Feb 2027	30,423	347.2	375.6
23 Mar 2023	15 Jan 2024 to 15 Jan 2025	6,863	347.2	375.6

Other Information

Date of grant	Vesting Period	Number of shares granted	Closing price of shares immediately before date of grant HKD	Fair value of awards at the date of grant per share HKD
Service Providers				
23 Mar 2023	15 Jan 2024 to 15 Jan 2026	12,353	347.2	375.6
23 Mar 2023	15 Jan 2024 to 15 Jan 2027	18,183	347.2	375.6
23 Mar 2023	15 Mar 2024 to 15 Mar 2025	5,166	347.2	375.6
23 Mar 2023	15 Mar 2024 to 15 Mar 2027	25,338	347.2	375.6
	Total:	186,934		
	Grand Total:	10,005,942		

6. No Awarded Shares granted to the Employee Participants or the Service Providers were cancelled during the six months ended 30 June 2023.
7. None of the participants has been granted with options and awards in excess of the 1% individual limit. None of the Service Providers has been granted with options and awards in any 12-month period in excess of 0.1% of the shares of the Company in issue.
8. Details of the valuation of share awards of the Company during the six months ended 30 June 2023, including the accounting standard and policy adopted for the Share Award Schemes, are set out in Note 27 to the Interim Financial Information.
9. All of the grants made during the six months ended 30 June 2023 were made without any performance targets.
10. 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 of the Company subject to share awards which remained unvested as at 5 January 2023 (Meituan ex-dividend date). The number of additional Awarded Shares awarded pursuant to the adjustments is shown above. Please refer to the announcement of the Company dated 9 January 2023 for details.
11. The total number of shares that may be issued in respect of options and awards granted under all share schemes of the Company during the six months ended 30 June 2023 divided by the weighted average number of shares in issue for the six months ended 30 June 2023 was 0.12%.
12. Please refer to the Definition section for the description of Employee Participants and Service Providers.

BIOGRAPHICAL DETAILS AND OTHER INFORMATION OF DIRECTORS

Ma Huateng, age 51, is an executive director, Chairman of the Board and Chief Executive Officer of the Company. Mr Ma has overall responsibilities for strategic planning and positioning and management of the Group. Mr Ma is one of the core founders and has been employed by the Group since 1999. Prior to his current employment, Mr Ma was in charge of research and development for Internet paging system development at China Motion Telecom Development Limited, a supplier of telecommunications services and products in China. Mr Ma was a deputy to the 12th and 13th National People's Congress. Mr Ma has a Bachelor of Science degree specialising in Computer and its Application obtained in 1993 from Shenzhen University and more than 29 years of experience in the telecommunications and Internet industries. He is a director of Advance Data Services Limited, which has an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. Mr Ma also serves as a director of certain subsidiaries of the Company. Mr Ma is entitled to an annual base salary of RMB8,054,300 for the year 2023 which was covered by the current service contract with the Company and the basis of determining his emoluments including the base salary and bonus as set out in the service contract remained the same.

Jacobus Petrus (Koos) Bekker, age 70, has been a non-executive director since November 2012. Koos led the founding team of the M-Net/MultiChoice pay-television business in 1985. He was also a founder director of MTN in cellular telephony. Koos headed the MIH group in its international and Internet expansions until 1997, when he became chief executive of Naspers, which is listed on the Johannesburg Stock Exchange. He serves on the boards of other companies within the group and associates, as well as other bodies. In April 2015, he became non-executive chair. On 14 August 2019, he was appointed as non-executive chair of Prosus N.V., which is listed on Euronext Amsterdam and on the Johannesburg Stock Exchange. Academic qualifications include BA Hons and honorary doctorate in commerce (Stellenbosch University), LLB (University of the Witwatersrand) and MBA (Columbia University, New York). Koos as a non-executive director is not entitled to any director's fee or emoluments.

Charles St Leger Searle, age 59, has been a non-executive director since June 2001. Mr Searle is currently the Chief Executive Officer of Naspers Internet Listed Assets. He serves on the board of a number of companies associated with the Naspers Group, and was a director of VK Company Limited (formerly known as Mail.ru Group Limited) that is listed on the London Stock Exchange and the Moscow Exchange until his resignation on 4 March 2022. Prior to joining the Naspers Group, he held positions at Cable & Wireless plc and at Deloitte & Touche in London and Sydney. Mr Searle is a member of the Institute of Chartered Accountants in Australia and New Zealand. Mr Searle has more than 29 years of international experience in the telecommunications and Internet industries. Mr Searle also serves as a director of certain subsidiaries of the Company. Mr Searle as a non-executive director is not entitled to any director's fee or emoluments.

Other Information

Li Dong Sheng, age 66, has been an independent non-executive director since April 2004. Mr Li is the Chairman and Chief Executive Officer of TCL Technology Group Corporation that is listed on the Shenzhen Stock Exchange, and the strategic development consultant of TCL Electronics Holdings Limited that is listed on the Stock Exchange, both of which produce consumer electronic products. Mr Li graduated from South China University of Technology in 1982 with a Bachelor degree in radio technology and has more than 28 years of experience in the information technology field. Mr Li was a non-executive director of Fantasia Holdings Group Co., Limited, a leading property developer and property related service provider in China, that is listed on the Stock Exchange, up to 29 May 2020, and was the Chairman and an executive director of TCL Electronics Holdings Limited, up to 9 August 2021. Mr Li is entitled to a director's fee of HKD900,000 for the year 2023, which is determined with reference to his duties and responsibilities with the Company.

Ian Charles Stone, age 72, has been an independent non-executive director since April 2004. Mr Stone is currently an independent advisor on Technology, Media and Telecoms after retiring from PCCW in Hong Kong in 2011. His career in the last 33 years has been primarily in leading mobile telecoms businesses, and new wireless and Internet technology, during which time he held senior roles in PCCW, SmarTone, First Pacific, Hong Kong Telecom and CSL, as Chief Executive or at Director level, primarily in Hong Kong, and also in London and Manila. Since 2011, Mr Stone has provided telecoms advisory services to telecom companies and investors in Hong Kong (China), the Mainland of China, South East Asia and the Middle East and has more than 52 years of experience in the telecom and mobile industries. Mr Stone was an independent director of Summit Healthcare Acquisition Corp. that was listed on NASDAQ, up to 16 March 2023. Mr Stone is a fellow member of The Hong Kong Institute of Directors. Mr Stone is entitled to a director's fee of HKD1,200,000 for the year 2023, which is determined with reference to his duties and responsibilities with the Company.

Yang Siu Shun, age 67, has been an independent non-executive director since July 2016. Mr Yang is currently serving as a Member of the 14th National Committee of the Chinese People's Political Consultative Conference, a Justice of the Peace in Hong Kong, a Steward of the Hong Kong Jockey Club, and an independent non-executive director of Industrial and Commercial Bank of China Limited which is publicly listed on the Stock Exchange and the Shanghai Stock Exchange. Mr Yang is also an independent non-executive director of Man Wah Holdings Limited and Xinyi Glass Holdings Limited, both of these companies are publicly listed on the Stock Exchange. Mr Yang retired from PricewaterhouseCoopers ("PwC") on 30 June 2015. Before his retirement, he served as the Chairman and Senior Partner of PwC Hong Kong, the Executive Chairman and Senior Partner of PwC China and Hong Kong, one of the five members of the Global Network Leadership Team of PwC and the PwC Asia Pacific Chairman. Mr Yang served as a Board Member and the Audit Committee Chairman of The Hang Seng University of Hong Kong (formerly known as Hang Seng Management College), up to 30 September 2018 and the Deputy Chairman of the Council of Hong Kong Metropolitan University ("HKMU") (formerly known as The Open University of Hong Kong), up to 19 June 2019. Mr Yang also served as a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority, up to 31 August 2021. Mr Yang graduated from the London School of Economics and Political Science in 1978 and was awarded the degree of Honorary Doctor of Social Sciences by HKMU in 2019. Mr Yang is a Fellow Member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants. Mr Yang is entitled to a director's fee of HKD1,200,000 for the year 2023, which is determined with reference to his duties and responsibilities with the Company.

Other Information

Ke Yang, age 68, has been an independent non-executive director since August 2019. Professor Ke is currently the Director of Laboratory of Genetics of Peking University Cancer Hospital and an international member of the United States National Academy of Medicine. Professor Ke is also President of the Peking University Health Science Center Alumni Association, Vice-president of China Medical Women's Association, and Vice-president of Cancer Foundation of China. Professor Ke's research focus is on the upper gastrointestinal tumors, including the cloning of gastric cancer related genes and the functional study of such genes. Together with her team, she has also established the population cohort in esophageal cancer high incidence regions in China, studied the etiology of esophageal cancer, and evaluated the effects and economic efficacy of early screening of the disease. She has published more than 100 papers and had registered patents and been granted awards at national and provincial levels for technological and educational achievements. Professor Ke was a member of the 11th and 12th National Committee of the Chinese People's Political Consultative Conference, an executive Vice-president of Peking University and of the Peking University Health Science Center (formerly known as Beijing Medical College), a member of the Committee of Academic Degrees of the State Council, a member of the Healthcare Reform Advisory Committee of the State Council, the Chairperson of the Working Committee for Graduate Medical and Pharmaceutical Education of the Office of Academic Degrees of the State Council, Vice-president of the 24th and 25th Chinese Medical Association, Vice-chairperson of the Steering Committee of Clinical Medicine of the Committee of Academic Degrees of the State Council, Vice-president of the Peking University Alumni Association, and President of the Health Professional Education Committee of the Chinese Association of Higher Education. Professor Ke graduated from the Peking University Health Science Center in 1982. From 1985 to 1988, Professor Ke worked at the National Cancer Institute of the National Institutes of Health of the United States as a postdoctoral fellow. Professor Ke is currently an independent non-executive director of Keymed Biosciences Inc. which is publicly listed on the Stock Exchange. Professor Ke is entitled to a director's fee of HKD900,000 for the year 2023, which is determined with reference to her duties and responsibilities with the Company.

Zhang Xiulan, age 60, has been an independent non-executive director since August 2022. Professor Zhang is currently a consultant at the University of California, San Francisco. She was previously the Dean of the School of Social Development and Public Policy, Beijing Normal University. She was also a member of the 11th and 12th Beijing Municipal Committee of the Chinese People's Political Consultative Conference and a member of the Healthcare Reform Advisory Committee of the State Council. Professor Zhang has led over 40 research projects, including national level priority social science projects, and projects funded by the Ministry of Science and Technology and the Ministry of Education. In expert capacity, Professor Zhang has also provided expert consultation to government on policy making, including the 11th National Five-Year Plan, the "Five Guarantees Regulations", the Adjustment Mechanism for Urban Minimum Living Standard, Urban and Rural Medical Assistance Policy, Social Assistance System and others. In addition, Professor Zhang has also worked on mandates from the State Council Healthcare Restructuring Office, Ministry of Education, Ministry of Health, Ford Foundation, European Union, World Bank, World Health Organization, UNICEF, Save the Children Foundation and other organizations. Professor Zhang received her Bachelor's Degree in Physical Geography, and Master's Degree in Economic Geography from the Beijing Normal University in 1985 and 1988, respectively. After graduation, she joined the "China Society", a newspaper published by the Ministry of Civil Affairs as an Editor. In 1999, she received her Doctor of Philosophy in Social Welfare from the University of California at Berkeley with her research focused on social protection, social policy, social welfare and healthcare. In the same year, Professor Zhang founded the first Institute of Social Development and Public Policy in China at the Beijing Normal University, which subsequently became the School of Social Development and Public Policy. Professor Zhang is entitled to a director's fee of HKD900,000 for the year 2023, which is determined with reference to her duties and responsibilities with the Company.

Other Information

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2023, the following persons, other than the directors or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the shares of the Company:

Long/ short position in the shares of the Company

Name of shareholder	Long/ short position	Nature of interest/ capacity	Number of shares/ underlying shares held	Approximate % of shareholding (Note 3)
MIH Internet Holdings B.V.	Long position	Corporate (Note 1)	2,449,761,400	25.59%
Advance Data Services Limited	Long position	Corporate (Note 2)	804,859,700	8.41%

Note:

1. MIH Internet Holdings B.V. is controlled by Naspers Limited and held through its non wholly-owned subsidiary, Prosus N.V. MIH Internet Holdings B.V. is a wholly-owned subsidiary of Prosus N.V. As such, Naspers Limited, Prosus N.V. and MIH Internet Holdings B.V. are deemed to be interested in the same block of 2,449,761,400 shares under Part XV of the SFO.
2. Advance Data Services Limited holds 709,859,700 shares directly and 95,000,000 shares indirectly through its wholly-owned subsidiary, Ma Huateng Global Foundation. As Advance Data Services Limited is wholly-owned by Mr Ma Huateng, Mr Ma has an interest in these shares as disclosed under the section of "Directors' Interests in Securities".
3. As at 30 June 2023, the total number of issued shares of the Company was 9,574,017,108.

Save as disclosed above, the Company had not been notified of any other persons (other than the directors or chief executive of the Company) who, as at 30 June 2023, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Other Information

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

Month of purchase in the six months ended 30 June 2023	No. of shares purchased	Purchase consideration per share		Aggregate consideration paid HKD
		Highest	Lowest	
		price paid HKD	price paid HKD	
January	7,853,100	384.80	329.00	2,873,963,974.54
March	4,620,000	393.80	362.80	1,755,093,825.00
April	4,640,000	390.80	354.40	1,759,793,152.00
May	7,740,000	345.40	306.00	2,514,634,060.00
June	23,493,400	361.00	311.40	7,971,702,166.14
Total:	48,346,500			16,875,187,177.68

Save as disclosed above and in the Note 26 to the Interim Financial Information, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

EMPLOYEE AND REMUNERATION POLICIES

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

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

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

Other Information

AUDIT COMMITTEE

The Audit Committee, together with the Auditor, has reviewed the Group's unaudited Interim Financial Information for the three and six months ended 30 June 2023. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

ADOPTION OF CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry with all the directors of the Company, all of them confirmed that they have complied with such code of conduct throughout the accounting period covered by this interim report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

Save as disclosed above and those disclosed in the corporate governance report in the 2022 annual report of the Company, none of the directors of the Company is aware of any information which would reasonably indicate that the Company has not complied with the code provisions as set out in the CG Code during the period from 1 January 2023 to 30 June 2023.

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

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

Term	Definition
“2007 Share Award Scheme”	the share award scheme adopted by the Company on Adoption Date I, as amended
“2013 Share Award Scheme”	the share award scheme adopted by the Company on Adoption Date II, as amended
“2019 Share Award Scheme”	the share award scheme adopted by the Company on Adoption Date III, as amended
“2023 AGM”	the annual general meeting of the Company held on 17 May 2023
“2023 Share Award Scheme”	the share award scheme adopted by the Company on Adoption Date IV, 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
“Adoption Date I”	13 December 2007, being the date on which the Company adopted the 2007 Share Award Scheme
“Adoption Date II”	13 November 2013, being the date on which the Company adopted the 2013 Share Award Scheme
“Adoption Date III”	25 November 2019, being the date on which the Company adopted the 2019 Share Award Scheme
“Adoption Date IV”	17 May 2023, being the date on which the Company adopted the 2023 Share Award Scheme
“AI”	artificial intelligence
“Articles of Association”	the third amended and restated articles of association of the Company adopted by special resolution passed on 18 May 2022
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the auditor of the Company
“Awarded Share(s)”	the share(s) of the Company awarded under the Share Award Schemes
“Board”	the board of directors of the Company
“CG Code”	the corporate governance code as set out in Appendix 14 to the Listing Rules

Definition

Term	Definition
“Company”	Tencent Holdings Limited, a limited liability company organised and existing under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange
“DAU”	daily active user accounts
“Distribution in Specie”	the distribution of a special interim dividend by the Company in the form of a distribution in specie of the Meituan Shares held by the Group to the qualifying shareholders in proportion to their respective shareholdings in the Company on the basis of an entitlement to 1 Class B ordinary share of Meituan for every 10 shares of the Company held by each qualifying shareholder as at the record date
“DnF”	Dungeon and Fighter
“Domestic Games”	for the purpose of preparing financial and operating information, Domestic Games refers to our games business in the PRC, excluding Hong Kong, the Macao Special Administrative Region and Taiwan, China
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“Eligible Person(s)”	any person(s) eligible to participate in the respective Share Award Schemes
“Employee Participants”	directors or employees of any member of the Group (including persons who are granted options under the Post-IPO Option Scheme II, the Post-IPO Option Scheme IV and the 2023 Share Option Scheme or awards under the Share Award Schemes as an inducement to enter into employment contracts with these companies (as the case may be))
“EPS”	earnings per share
“EUR”	the lawful currency of the European Union
“FinTech”	financial technology
“Grant Date”	in relation to any Awarded Share, the date on which the Awarded Share is, was or is to be granted
“Group”	the Company and its subsidiaries
“HKD”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region, the PRC
“IAS”	International Accounting Standards
“IBOR”	InterBank Offered Rate
“IFRS”	International Financial Reporting Standards

Term	Definition
“Interim Financial Information”	the condensed consolidated interim financial statements for the six months ended 30 June 2023
“International Games”	for the purpose of preparing financial and operating information, International Games refers to our games business other than our Domestic Games business
“IPO”	initial public offering
“JPY”	the lawful currency of Japan
“LIBOR”	London InterBank Offered Rate
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MAU”	monthly active user accounts
“Meituan”	Meituan, a company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability, whose Class B ordinary shares are listed on the Stock Exchange
“Meituan Shares”	the Class B ordinary shares in the share capital of Meituan with a par value of USD0.00001 each, held by the Group which were to be distributed pursuant to the Distribution in Specie
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“NASDAQ”	NASDAQ Global Select Market
“PBOC”	People’s Bank of China
“PC”	personal computer
“Post-IPO Option Scheme I”	the Post-IPO Share Option Scheme adopted by the Company on 24 March 2004
“Post-IPO Option Scheme II”	the Post-IPO Share Option Scheme adopted by the Company on 16 May 2007
“Post-IPO Option Scheme III”	the Post-IPO Share Option Scheme adopted by the Company on 13 May 2009
“Post-IPO Option Scheme IV”	the Post-IPO Share Option Scheme adopted by the Company on 17 May 2017
“PRC” or “China”	the People’s Republic of China
“PRC CIT”	PRC corporate income tax as defined in the “Corporate Income Tax Law of the People’s Republic of China”
“Pre-IPO Option Scheme”	the Pre-IPO Share Option Scheme adopted by the Company on 27 July 2001
“PUBG”	PlayerUnknown’s Battlegrounds
“RMB”	the lawful currency of the PRC

Definition

Term	Definition
“Selected Participant(s)”	any Eligible Person(s) selected by the Board to participate in the respective Share Award Schemes
“Service Providers”	persons who, or entities which, provide services to the Group on a continuing or recurring basis in their ordinary and usual course of business which are in the interests of the long term growth of the Group, including independent contractors, consultants, advisers, agents and suppliers, with reference to, among other things, research and development, engineering or technical contribution, the design or development or distribution of products/ services provided by the Group, or otherwise will contribute significantly to the growth of the Group’s financial or business performance for research and development, product commercialisation, marketing, innovation upgrading, strategic/ commercial planning on corporate image and investor relations in investment environment of the Group, as determined by the Board in its sole and absolute discretion
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share Award Schemes”	the 2013 Share Award Scheme, the 2019 Share Award Scheme and the 2023 Share Award Scheme
“Shiji Kaixuan”	Shenzhen Shiji Kaixuan Technology Company Limited
“SOFR”	Secured Overnight Financing Rate
“SSV & CPP”	Sustainable Social Value and Common Prosperity Programmes
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tencent Computer”	Shenzhen Tencent Computer Systems Company Limited
“Tenpay”	Tenpay Payment Technology Co., Ltd., a member of the Group operating in the Mainland of China and engaging in the provision of payment services
“Term SOFR”	the term SOFR reference rate administered by CME Group Benchmark Administration Limited for the relevant period published by CME Group Benchmark Administration Limited
“TIBOR”	Tokyo InterBank Offered Rate
“TME”	Tencent Music Entertainment Group, a non wholly-owned subsidiary of the Company which is incorporated in the Cayman Islands with limited liability and the shares of which are listed on the New York Stock Exchange and the Stock Exchange
“United States”	the United States of America
“USD”	the lawful currency of the United States
“VAS”	value-added services



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