

	Year ended 31 December		
	2022	2021	Year- on-year change
	(RMB in millions, unless specified)		
Revenues	554,552	560,118	-1%
Gross profit	238,746	245,944	-3%
Operating profit	235,706	271,620	-13%
Profit for the year	188,709	227,810	-17%
Profit attributable to equity holders of the Company	188,243	224,822	-16%
EPS (RMB per share)			
– basic	19.757	23.597	-16%
– diluted	19.341	23.164	-17%
Non-IFRS operating profit	153,538	159,539	-4%
Non-IFRS profit attributable to equity holders of the Company	115,649	123,788	-7%
Non-IFRS EPS (RMB per share)			
– basic	12.138	12.992	-7%
– diluted	11.835	12.698	-7%

DIVIDENDS

Interim Dividend

On 16 November 2022, the Board resolved to declare a special interim dividend in the form of a distribution in specie of Class B ordinary shares of Meituan indirectly held by the Company to the shareholders whose names appeared on the register of members of the Company on 10 January 2023, in proportion to their then respective shareholdings in the Company on the basis of 1 Class B ordinary share of Meituan for every 10 Shares held by the shareholders, being rounded down to the nearest whole number of Class B ordinary shares of Meituan. Accordingly, approximately 948 million Class B ordinary shares of Meituan are expected to be distributed after deducting the Meituan Shares to be received as dividends in respect of the Shares held by the Share Scheme Trust and the Shares which have been repurchased but not yet cancelled by the Company as of 10 January 2023.

Based on the closing price of HKD174.7 per Class B ordinary share of Meituan as traded on the Stock Exchange on 30 December 2022, the aggregate market value of the Meituan Shares to be distributed under the Distribution in Specie was approximately HKD165.6 billion¹.

The share certificates for the Meituan Shares to be distributed under the Distribution in Specie are expected to be dispatched to the qualifying shareholders in March 2023.

Final Dividend

The Board has recommended the payment of a final dividend of HKD2.40 per share (2021: HKD1.60 per share) for the year ended 31 December 2022, subject to the approval of the shareholders at the 2023 AGM. Such proposed dividend is expected to be payable on 5 June 2023 to the shareholders whose names appear on the register of members of the Company on 24 May 2023.

OPERATING INFORMATION

	As at 31 December 2022	As at 31 December 2021	Year- on-year change	As at 30 September 2022	Quarter- on-quarter change
Combined MAU of Weixin and WeChat	1,313.2	1,268.2	3.5%	1,308.9	0.3%
Mobile device MAU of QQ	572.1	552.1	3.6%	574.4	-0.4%
Fee-based VAS registered subscriptions	233.8	236.3	-1.1%	228.7	2.2%

¹ Based on the closing price of HKD181.3 per Class B ordinary share of Meituan as traded on the Stock Exchange on 4 January 2023 (i.e., the day prior to the ex-dividend date), the aggregate market value of the Meituan Shares to be distributed under the Distribution in Specie was approximately HKD171.9 billion.

BUSINESS REVIEW AND OUTLOOK

Strategic Progress and Outlook

During 2022, we increased our business efficiency, sharpened our focus on core activities, and developed new services and revenue lines, better positioning us for a new sustainable growth model in the future. Below are some highlights from our key products and business lines during the reporting period:

Communication and Social

Aggregate time spent on Weixin continued to increase throughout 2022, driven by growth in both chat and non-chat use cases. Among non-chat use cases, time spent on Moments was broadly stable year-on-year in the fourth quarter of 2022, while time spent on Mini Programs and Video Accounts doubled and tripled year-on-year respectively, each exceeding time spent on Moments. Mini Programs has become a leading transaction platform in China, generating several trillions renminbi of transaction value in 2022 and contributing to the development of the real economy. Video Accounts gained user mindshare in live events, with 190 million users watching the 2023 CCTV Spring Festival Gala via live streaming on Video Accounts.

For QQ, we enlivened the video chat experience by adding Super QQ Show avatars and utilising motion capture technology to mirror users' facial expressions and gestures in real time. We enriched the anime, comics and games content for Mini World, the short-video service within QQ, and launched AI-powered creation tools, increasing DAU and time spent per user significantly.

Digital Content

Our fee-based VAS subscriptions decreased 1% year-on-year to 234 million. Video subscriptions revenue increased as we adjusted pricing, though subscriptions decreased slightly to 119 million because of content scheduling delays. In January 2023, our self-commissioned drama series *Three-Body* became the highest-rated domestic science fiction series released in China in the past five years². For music, we offered attractive membership privileges and we enhanced user engagement in various music genres, driving growth in paying users and ARPU.

Domestic Games

In 2022, we significantly reduced Minor time spent through the implementation of our industry-leading Minor protection program. However, we have sustained our market leadership, with *Honour of Kings* resuming year-on-year growth in DAU in the fourth quarter of 2022 and achieving record-high gross receipts during the Chinese New Year holiday in 2023. In February 2023, we tapped into the Survival-Open World-Crafting game genre, through the release of our self-developed game *Undawn*.

International Games

The fourth quarter is a seasonally strong period for our international games business, which contributed 33% of our games revenue in the fourth quarter of 2022, compared to 28% in the fourth quarter of 2021³. Despite the releases of several competing games, *VALORANT*'s MAU and gross receipts grew year-on-year during the fourth quarter of 2022, as players responded favorably to its new agent and “best of 9” game mode. *Call of Duty Mobile*'s gross receipts increased year-on-year in the fourth quarter of 2022, benefitting from its third anniversary promotions and World-Cup themed content. We released *GODDESS OF VICTORY: NIKKE* on mobile devices, and *Warhammer 40,000: Darktide* on PC, in the fourth quarter of 2022.

² Source: Douban, a leading review aggregation website in China; as of March 21, 2023

³ Excluding Supercell's true-up revenue adjustment made in 4Q2021

Online Advertising

We returned to year-on-year revenue growth in the fourth quarter of 2022 as we released more inventory on services including Video Accounts, and as advertiser demand improved. We strengthened the transaction-driven capability of our advertising ecosystem, with click-to-message and click-to-purchase advertisements accounting for over one-third of Weixin's advertising revenue in the fourth quarter of 2022. Our improved machine-learning infrastructure enhanced conversion rates and returns on investments for advertisers, while enabling us to achieve greater training efficiency.

FinTech

During the fourth quarter of 2022, our commercial payment business was temporarily impacted by COVID-19 outbreaks, resulting in a significant slowdown in volume growth. As consumption recovered in China, our daily average commercial payment volume rebounded to a double-digit year-on-year growth rate, quarter to date, in the first quarter of 2023, against a high base period in the first quarter of 2022. Our payment business benefitted from the vibrancy of the Mini Programs commerce ecosystem, which contributed a high-teens percentage of our commercial payment volume in the fourth quarter of 2022. We are expanding our wealth management user base through investor education, better services and a broadening product line. We are also exploring opportunities in consumer loans and online insurance services through closer collaboration with licensed financial institutions, under a new regulatory framework.

Cloud and Other Business Services

We further reduced loss-making activities and optimised costs, while focusing on healthier-margin self-developed PaaS solutions, such as video cloud and database. We are helping automakers to enhance their IT infrastructure and product offerings in areas such as customised smart cockpit solution, digital map and data management.

Technology Development

We are investing in our AI capabilities and cloud infrastructure to embrace foundation models, which we believe will enhance the experience of our existing products and services and allow us to explore introducing new products.

Environment, Social and Governance (“ESG”) Initiatives

We seek to create sustainable value for users, shareholders and the society, fulfilling our vision of “Value for Users, Tech for Good”.

Environment

Based on our commitment to carbon neutrality, we have refined targets of our decarbonisation pathway, and set greenhouse emission absolute reduction targets which are aligned with the Paris Agreement. In December 2022, we published our Biodiversity Statement, outlining our commitment to developing businesses in an eco-friendly way, utilising technology to promote sustainable use and protection of natural resources, and harnessing Internet technologies to raise public awareness.

Social

To promote basic research, we pledged to provide RMB10 billion over the next ten years to support 200 to 300 outstanding scientists through the New Cornerstone Investigator Program. We upgraded our digital philanthropy platform. During our 99 Giving Day series of charitable events, we raised donations for more than 25,000 charitable projects and further deepened user engagement with the total number of participants exceeding 100 million. We recently published our Diversity, Equity, and Inclusion Statement, demonstrating our commitment to providing a congenial, creative and collaborative workplace.

Governance

We appointed Professor Zhang Xiulan to Tencent’s Board in August 2022. She became our second female independent non-executive director (“INED”), enhancing our Board’s areas of expertise and gender diversity. To further segregate the responsibilities of the Board and management team, Mr Martin Lau will rotate off the Board at the 2023 AGM, but will continue to contribute as the Company’s President and the Chairman of the Investment Committee. Upon Professor Zhang’s appointment, and Mr Lau’s rotation at the 2023 AGM, INED representation in our Board will increase from 50% to 63%, and female representation from 13% to 25%.

MANAGEMENT DISCUSSION AND ANALYSIS

Year Ended 31 December 2022 Compared to Year Ended 31 December 2021

The following table sets forth the comparative figures for the years ended 31 December 2022 and 2021:

	Year ended 31 December	
	2022	2021
	(RMB in millions)	
Revenues	554,552	560,118
Cost of revenues	(315,806)	(314,174)
Gross profit	238,746	245,944
Interest income	8,592	6,650
Other gains/(losses), net	124,293	149,467
Selling and marketing expenses	(29,229)	(40,594)
General and administrative expenses	(106,696)	(89,847)
Operating profit	235,706	271,620
Finance costs, net	(9,352)	(7,114)
Share of profit/(loss) of associates and joint ventures, net	(16,129)	(16,444)
Profit before income tax	210,225	248,062
Income tax expense	(21,516)	(20,252)
Profit for the year	188,709	227,810
Attributable to:		
Equity holders of the Company	188,243	224,822
Non-controlling interests	466	2,988
	188,709	227,810
Non-IFRS operating profit	153,538	159,539
Non-IFRS profit attributable to equity holders of the Company	115,649	123,788

Revenues. Revenues decreased by 1% to RMB554.6 billion for the year ended 31 December 2022 on a year-on-year basis. The following table sets forth our revenues by line of business for the years ended 31 December 2022 and 2021:

	Year ended 31 December			
	2022		2021	
	Amount	% of total revenues	Amount	% of total revenues
(RMB in millions, unless specified)				
VAS	287,565	52%	291,572	52%
Online Advertising	82,729	15%	88,666	16%
FinTech and Business Services	177,064	32%	172,195	31%
Others	7,194	1%	7,685	1%
Total revenues	<u>554,552</u>	<u>100%</u>	<u>560,118</u>	<u>100%</u>

- Revenues from VAS⁴ decreased by 1% year-on-year to RMB287.6 billion for the year ended 31 December 2022. International Games revenues increased by 3% to RMB46.8 billion, or up 5% excluding currency impact and the Supercell-related true-up adjustment made in the fourth quarter of 2021. During the year, we saw a continued robust performance from VALORANT, and incremental revenues from successful launches of GODDESS OF VICTORY: NIKKE and V Rising, versus decreased revenue from PUBG MOBILE due to post-COVID normalisation. Domestic Games revenues decreased by 4% to RMB123.9 billion, as the industry experienced a digestion period from the implementation of Minor protection measures, as well as fewer new game releases. By title, we saw increased revenues from League of Legends: Wild Rift and Fight of The Golden Spatula, and new contributions from recently released Return to Empire and Arena Breakout, versus decreased revenues from certain existing titles such as Honour of Kings and Peacekeeper Elite. Social Networks revenues were RMB116.9 billion, broadly stable year-on-year, reflecting increased revenues from our Video Accounts live streaming service and music subscription service, versus decreased revenues from our music- and games-related live streaming services.

⁴ Mobile games VAS revenues (including mobile games revenues attributable to our Social Networks business) decreased by 3% year-on-year to RMB160.5 billion, while PC client games revenues grew by 4% year-on-year to RMB46.9 billion for the year ended 31 December 2022.

- Revenues from Online Advertising decreased by 7% year-on-year to RMB82.7 billion for the year ended 31 December 2022, with a revenue decline in the first half of the year followed by a recovery later in the year. Social and Others Advertising revenues decreased by 4% to RMB72 billion. While industry-wide ad sentiment was generally weak, we saw robust demand for Video Accounts in-feed ads, rapid growth of Mini Programs ads, and recovery of mobile ad network in the second half of the year. Media Advertising revenues decreased by 20% to RMB10.7 billion, reflecting lower advertising revenues from Tencent Video due to content scheduling delays, and from Tencent News amid the challenging macro environment.
- Revenues from FinTech and Business Services increased by 3% year-on-year to RMB177.1 billion for the year ended 31 December 2022. FinTech Services revenue growth was primarily driven by increasing payment volume, albeit impacted by COVID-19 outbreaks. Business Services revenues decreased year-on-year due to our proactive reduction of loss-making activities.

Cost of revenues. Cost of revenues increased by 1% year-on-year to RMB315.8 billion for the year ended 31 December 2022, reflecting tightened spending on channel and distribution costs and cloud project deployment costs, versus increased content costs as well as server and bandwidth costs including those associated with the growth of Video Accounts. As a percentage of revenues, cost of revenues increased to 57% for the year ended 31 December 2022 from 56% for the year ended 31 December 2021, reflecting the benefits from our cost rationalisation and efficiency improvement, offset by our investment in strategic initiatives, including Video Accounts. The following table sets forth our cost of revenues by line of business for the years ended 31 December 2022 and 2021:

	Year ended 31 December			
	2022		2021	
	Amount	% of segment revenues	Amount	% of segment revenues
	(RMB in millions, unless specified)			
VAS	141,918	49%	138,636	48%
Online Advertising	47,720	58%	48,072	54%
FinTech and Business Services	118,690	67%	120,799	70%
Others	7,478	104%	6,667	87%
Total cost of revenues	<u>315,806</u>		<u>314,174</u>	

- Cost of revenues for VAS increased by 2% year-on-year to RMB141.9 billion for the year ended 31 December 2022, reflecting an increase in server and bandwidth costs as well as higher content costs for games, versus decreased channel and distribution costs.
- Cost of revenues for Online Advertising decreased by 1% year-on-year to RMB47.7 billion for the year ended 31 December 2022, with increased server and bandwidth costs driven by the growth of Video Accounts, offset by decreased channel and distribution costs due to our efficiency improvement.
- Cost of revenues for FinTech and Business Services decreased by 2% year-on-year to RMB118.7 billion for the year ended 31 December 2022, with increased transaction costs driven by payment volume growth, offset by decreased cloud project deployment costs as we scaled back loss-making activities.

Other gains/(losses), net. We recorded net other gains of RMB124.3 billion for the year ended 31 December 2022, which were primarily non-IFRS adjustment items such as net gains on deemed disposals and disposals of certain investee companies (including a RMB106.6 billion deemed disposal gain associated with Meituan in the fourth quarter of 2022, and a RMB41.3 billion deemed disposal gain plus a RMB18.5 billion partial divestment gain associated with Sea Limited), partly offset by net fair value losses from revaluation of certain investee companies, and impairment provisions against certain investee companies in verticals such as Internet services and online entertainment.

Selling and marketing expenses. Selling and marketing expenses decreased by 28% year-on-year to RMB29.2 billion for the year ended 31 December 2022, reflecting tightened spending on marketing activities across our organisation, particularly for our digital content services, Business Services, games and utility products. As a percentage of revenues, selling and marketing expenses decreased to 5% for the year ended 31 December 2022 from 7% for the year ended 31 December 2021.

General and administrative expenses. General and administrative expenses increased by 19% to RMB106.7 billion for the year ended 31 December 2022 on a year-on-year basis, driven by increased R&D expenses and staff costs including those associated with our acquisitions and overseas subsidiaries. Our expense growth rate moderated following the implementation of our efficiency measures at the beginning of the year. As a percentage of revenues, general and administrative expenses increased to 19% for the year ended 31 December 2022 from 16% for the year ended 31 December 2021.

Finance costs, net. Net finance costs increased by 31% year-on-year to RMB9.4 billion for the year ended 31 December 2022, mainly driven by increased interest expenses.

Share of profit/(loss) of associates and joint ventures, net. We recorded share of losses of associates and joint ventures of RMB16.1 billion for the year ended 31 December 2022, compared to share of losses of RMB16.4 billion for the year ended 31 December 2021. Non-IFRS share of profits of associates and joint ventures was RMB2.4 billion for the year ended 31 December 2022, compared to non-IFRS share of losses of RMB1 billion for the year ended 31 December 2021. The change reflected improved profitability at certain domestic associates as a result of their cost optimisation initiatives.

Income tax expense. Income tax expense increased by 6% year-on-year to RMB21.5 billion for the year ended 31 December 2022, reflecting increased withholding tax provision during the year.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company decreased by 16% year-on-year to RMB188.2 billion for the year ended 31 December 2022. Non-IFRS profit attributable to equity holders of the Company decreased by 7% to RMB115.6 billion for the year ended 31 December 2022. While industry conditions were challenging in the first half of the year, we streamlined our cost structure, rationalised non-core businesses, and initiated new revenue-generating services, which enabled us to resume earnings growth in the second half of the year.

Fourth Quarter of 2022 Compared to Fourth Quarter of 2021

The following table sets forth the comparative figures for the fourth quarter of 2022 and the fourth quarter of 2021:

	Unaudited	
	Three months ended	
	31 December	31 December
	2022	2021
	(RMB in millions)	
Revenues	144,954	144,188
Cost of revenues	(83,132)	(86,371)
Gross profit	61,822	57,817
Interest income	2,582	1,703
Other gains/(losses), net	85,854	86,199
Selling and marketing expenses	(6,115)	(11,616)
General and administrative expenses	(27,314)	(24,380)
Operating profit	116,829	109,723
Finance costs, net	(3,658)	(1,863)
Share of profit/(loss) of associates and joint ventures, net	(1,692)	(8,267)
Profit before income tax	111,479	99,593
Income tax expense	(4,575)	(3,888)
Profit for the period	106,904	95,705
Attributable to:		
Equity holders of the Company	106,268	94,958
Non-controlling interests	636	747
	106,904	95,705
Non-IFRS operating profit	39,426	33,151
Non-IFRS profit attributable to equity holders of the Company	29,711	24,880

Revenues. Revenues increased by 1% year-on-year to RMB145 billion for the fourth quarter of 2022. The following table sets forth our revenues by line of business for the fourth quarter of 2022 and the fourth quarter of 2021:

	Unaudited			
	Three months ended			
	31 December 2022		31 December 2021	
	% of total		% of total	
	Amount	revenues	Amount	revenues
	(RMB in millions, unless specified)			
VAS	70,417	49%	71,913	50%
Online Advertising	24,660	17%	21,518	15%
FinTech and Business Services	47,244	33%	47,958	33%
Others	2,633	1%	2,799	2%
Total revenues	<u>144,954</u>	<u>100%</u>	<u>144,188</u>	<u>100%</u>

- Revenues from VAS⁵ decreased by 2% to RMB70.4 billion for the fourth quarter of 2022 on a year-on-year basis. International Games revenues increased by 5% to RMB13.9 billion, or up 11% excluding currency impact and the Supercell-related true-up adjustment made in the fourth quarter of 2021. Revenue growth was driven by key franchises VALORANT and League of Legends, as well as successful launches of GODDESS OF VICTORY: NIKKE and Warhammer 40,000: Darktide. Domestic Games revenues decreased by 6% to RMB27.9 billion due to year-on-year lower gross cash receipts in the previous quarters. Social Networks revenues decreased by 2% to RMB28.6 billion, reflecting decreased revenues from music- and games-related live streaming services, versus increased revenues from the Video Accounts live streaming service and our music subscription service.

⁵ Mobile games VAS revenues (including mobile games revenues attributable to our Social Networks business) decreased by 2% year-on-year to RMB39.2 billion, while PC client games revenues increased by 8% year-on-year to RMB11.5 billion, for the fourth quarter of 2022.

- Revenues from Online Advertising increased by 15% to RMB24.7 billion for the fourth quarter of 2022 on a year-on-year basis. Ad spend from eCommerce platforms, FMCG and games advertisers increased notably year-on-year. Social and Others Advertising revenues increased by 17% to RMB21.4 billion, underpinned by robust demand for Video Accounts and Mini Programs ads, as well as the recovery of our mobile ad network. Media Advertising revenues increased by 4% to RMB3.3 billion, reflecting increased monetisation for ad-supported music content.
- Revenues from FinTech and Business Services decreased by 1% to RMB47.2 billion for the fourth quarter of 2022 on a year-on-year basis. FinTech Services revenue growth was slower than the previous quarter due to COVID-19 outbreaks temporarily suppressing payment activity. Business Services revenues decreased year-on-year as we scaled back loss-making activities.

Cost of revenues. Cost of revenues decreased by 4% to RMB83.1 billion for the fourth quarter of 2022 on a year-on-year basis, reflecting tightened spending on channel and distribution costs and cloud project deployment costs. As a percentage of revenues, cost of revenues decreased to 57% for the fourth quarter of 2022 from 60% for the fourth quarter of 2021, reflecting the benefits from our cost rationalisation and efficiency improvement. The following table sets forth our cost of revenues by line of business for the fourth quarter of 2022 and the fourth quarter of 2021:

	Unaudited			
	Three months ended			
	31 December 2022		31 December 2021	
	Amount	% of segment revenues	Amount	% of segment revenues
	(RMB in millions, unless specified)			
VAS	35,344	50%	36,869	51%
Online Advertising	13,748	56%	12,338	57%
FinTech and Business Services	31,386	66%	34,942	73%
Others	2,654	101%	2,222	79%
Total cost of revenues	<u>83,132</u>		<u>86,371</u>	

- Cost of revenues for VAS decreased by 4% year-on-year to RMB35.3 billion for the fourth quarter of 2022, due to decreased revenue sharing costs associated with our live streaming services as well as decreased channel and distribution costs.
- Cost of revenues for Online Advertising increased by 11% year-on-year to RMB13.7 billion for the fourth quarter of 2022, driven by increased content costs associated with online video and Mini Programs, as well as increased channel and distribution costs driven by the recovery of our mobile ad network.
- Cost of revenues for FinTech and Business Services decreased by 10% year-on-year to RMB31.4 billion for the fourth quarter of 2022, mainly due to lower cloud project deployment costs as we scaled back loss-making activities.

Other gains/(losses), net. We recorded net other gains of RMB85.8 billion for the fourth quarter of 2022, primarily attributable to a RMB106.6 billion gain from the deemed disposal of Meituan, partly offset by impairment provisions against certain investee companies in verticals such as Internet services and online entertainment.

Selling and marketing expenses. Selling and marketing expenses decreased by 47% to RMB6.1 billion for the fourth quarter of 2022 on a year-on-year basis, reflecting disciplined spending on marketing activities across our organisation. As a percentage of revenues, selling and marketing expenses decreased to 4% for the fourth quarter of 2022 from 8% for the fourth quarter of 2021.

General and administrative expenses. General and administrative expenses increased by 12% to RMB27.3 billion for the fourth quarter of 2022 on a year-on-year basis, reflecting increased R&D expenses and staff costs as we continued to invest in strategic areas in both domestic and international markets.

Finance costs, net. Net finance costs increased by 96% to RMB3.7 billion for the fourth quarter of 2022, reflecting foreign exchange losses recognised this quarter versus gains for the fourth quarter of 2021, and to a lesser extent increased interest expense due to greater indebtedness.

Share of profit/(loss) of associates and joint ventures, net. We recorded share of losses of associates and joint ventures of RMB1.6 billion for the fourth quarter of 2022, compared to share of losses of RMB8.3 billion for the fourth quarter of 2021. Non-IFRS share of profits of associates and joint ventures was RMB3.1 billion for the fourth quarter of 2022, compared to non-IFRS share of losses of RMB0.8 billion for the fourth quarter of 2021. The change mainly reflected improved profitability of certain domestic associates as a result of their cost optimisation initiatives.

Income tax expense. Income tax expense increased by 18% year-on-year to RMB4.6 billion for the fourth quarter of 2022, in line with higher profit and increased withholding tax provision.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 12% to RMB106.3 billion for the fourth quarter of 2022 on a year-on-year basis. Non-IFRS profit attributable to equity holders of the Company increased by 19% to RMB29.7 billion for the fourth quarter of 2022, benefitting from our business rationalisation and cost efficiency measures, as well as associates' net contribution turning from losses to profits.

Fourth Quarter of 2022 Compared to Third Quarter of 2022

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

	Unaudited	
	Three months ended	
	31 December	30 September
	2022	2022
	(RMB in millions)	
Revenues	144,954	140,093
Cost of revenues	(83,132)	(78,110)
Gross profit	61,822	61,983
Interest income	2,582	2,328
Other gains/(losses), net	85,854	20,886
Selling and marketing expenses	(6,115)	(7,124)
General and administrative expenses	(27,314)	(26,480)
Operating profit	116,829	51,593
Finance costs, net	(3,658)	(1,950)
Share of profit/(loss) of associates and joint ventures, net	(1,692)	(3,697)
Profit before income tax	111,479	45,946
Income tax expense	(4,575)	(7,104)
Profit for the period	106,904	38,842
Attributable to:		
Equity holders of the Company	106,268	39,943
Non-controlling interests	636	(1,101)
	106,904	38,842
Non-IFRS operating profit	39,426	40,907
Non-IFRS profit attributable to equity holders of the Company	29,711	32,254

Revenues. Revenues increased by 3% to RMB145 billion for the fourth quarter of 2022 on a quarter-on-quarter basis.

- Revenues from VAS decreased by 3% to RMB70.4 billion. International Games revenues increased by 19% to RMB13.9 billion, driven by the successful launches of GODDESS OF VICTORY: NIKKE and Warhammer 40,000: Darktide, as well as increased revenues from VALORANT and Clash of Clans. Domestic Games revenues decreased by 11% to RMB27.9 billion reflecting seasonally lower revenue accruals in the fourth quarter. Social Networks revenues decreased by 4% to RMB28.6 billion mainly due to lower revenue accruals from in-game virtual item sales.
- Revenues from Online Advertising increased by 15% to RMB24.7 billion. Social and Others Advertising revenues increased by 13% to RMB21.4 billion, benefitting from the robust demand for Video Accounts in-feed ads as well as resumed growth from our mobile advertising network. Media Advertising revenues increased by 28% to RMB3.3 billion, benefitting from notably strong demand from eCommerce advertisers.
- Revenues from FinTech and Business Services increased by 5% to RMB47.2 billion, reflecting seasonally higher revenues from cloud services driven by year-end project deployments, partially offset by decreased revenues from payment services due to COVID-19 outbreaks.

Cost of revenues. Cost of revenues increased by 6% to RMB83.1 billion for the fourth quarter of 2022 on a quarter-on-quarter basis. We incurred increased content costs, cloud project deployment costs and bandwidth and server costs, versus decreased channel and distribution costs. As a percentage of revenues, cost of revenues increased to 57% for the fourth quarter of 2022 from 56% for the third quarter of 2022.

- Cost of revenues for VAS increased by 1% to RMB35.3 billion for the fourth quarter of 2022, reflecting increased content costs including those associated with seasonal eSports events, offset by decreased channel and distribution costs.
- Cost of revenues for Online Advertising increased by 19% to RMB13.7 billion for the fourth quarter of 2022, reflecting increased content costs related to online video as well as increased channel and distribution costs driven by our mobile ad network's resumed growth.
- Cost of revenues for FinTech and Business Services increased by 5% to RMB31.4 billion for the fourth quarter of 2022, mainly driven by costs associated with year-end cloud project deployments and increased bandwidth and server costs.

Selling and marketing expenses. Selling and marketing expenses decreased by 14% to RMB6.1 billion for the fourth quarter of 2022 on a quarter-on-quarter basis, reflecting disciplined spending on marketing activities across our organisation.

General and administrative expenses. General and administrative expenses slightly increased by 3% to RMB27.3 billion for the fourth quarter of 2022 on a quarter-on-quarter basis.

Share of profit/(loss) of associates and joint ventures, net. We recorded share of losses of associates and joint ventures of RMB1.6 billion for the fourth quarter of 2022, compared to share of losses of RMB3.7 billion for the third quarter of 2022. Non-IFRS share of profits of associates and joint ventures was RMB3.1 billion for the fourth quarter of 2022, compared to non-IFRS share of profits of RMB2.4 billion for the third quarter of 2022, reflecting sequentially improved profitability at certain domestic associates as a result of their cost optimisation initiatives.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 166% to RMB106.3 billion for the fourth quarter of 2022 on a quarter-on-quarter basis. Non-IFRS profit attributable to equity holders of the Company decreased by 8% to RMB29.7 billion for the fourth quarter of 2022, primarily due to adverse seasonability for certain of our higher margin business lines.

Other Financial Information

	Unaudited				
	Three months ended			Year ended	
	31 December 2022	30 September 2022	31 December 2021	31 December 2022	31 December 2021
	(RMB in millions, unless specified)				
EBITDA (a)	44,002	43,124	36,568	164,037	173,173
Adjusted EBITDA (a)	49,606	48,610	42,267	188,986	194,798
Adjusted EBITDA margin (b)	34%	35%	29%	34%	35%
Interest and related expenses	2,826	2,729	2,188	9,985	7,918
Net (debt)/cash (c)	(14,832)	(27,271)	(20,243)	(14,832)	(20,243)
Capital expenditures (d)	5,651	2,377	11,661	18,014	33,392

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 (debt)/cash 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			Year ended	
	31 December 2022	30 September 2022	31 December 2021	31 December 2022	31 December 2021
	(RMB in millions, unless specified)				
Operating profit	116,829	51,593	109,723	235,706	271,620
Adjustments:					
Interest income	(2,582)	(2,328)	(1,703)	(8,592)	(6,650)
Other (gains)/losses, net	(85,854)	(20,886)	(86,199)	(124,293)	(149,467)
Depreciation of property, plant and equipment and investment properties	5,160	5,289	5,466	21,724	21,517
Depreciation of right-of-use assets	1,718	1,693	1,376	6,720	4,649
Amortisation of intangible assets and land use rights	8,731	7,763	7,905	32,772	31,504
EBITDA	44,002	43,124	36,568	164,037	173,173
Equity-settled share-based compensation	5,604	5,486	5,699	24,949	21,625
Adjusted EBITDA	<u>49,606</u>	<u>48,610</u>	<u>42,267</u>	<u>188,986</u>	<u>194,798</u>

Non-IFRS Financial Measures

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

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

The following tables set forth the reconciliations of the Group's non-IFRS financial measures for the fourth quarter of 2022 and 2021, the third quarter of 2022, as well as the years ended 31 December 2022 and 2021 to the nearest measures prepared in accordance with IFRS:

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

Unaudited three months ended 30 September 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	51,593	5,925	(32,341)	1,313	12,962	1,445	10	-	40,907
Profit for the period	38,842	8,020	(32,106)	3,065	13,283	1,445	1,738	(933)	33,354
Profit attributable to equity holders	39,943	7,818	(32,402)	2,836	11,617	1,445	1,738	(741)	32,254
EPS (RMB per share)									
- basic	4.187								3.381
- diluted	4.104								3.306
Operating margin	37%								29%
Net margin	28%								24%

Unaudited three months ended 31 December 2021

	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	109,723	5,664	(100,349)	1,316	15,217	604	976	–	33,151
Profit for the period	95,705	7,880	(98,046)	3,340	15,573	604	1,568	(866)	25,758
Profit attributable to equity holders	94,958	7,776	(97,804)	3,010	15,573	604	1,567	(804)	24,880
EPS (RMB per share)									
– basic	9.957								2.609
– diluted	9.788								2.547
Operating margin	76%								23%
Net margin	66%								18%

Year ended 31 December 2022

	Adjustments								Non-IFRS
	As reported	Share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/ (reversals) (d)	SSV & CPP (e)	Others (f)	Income tax effects (g)	
	(RMB in millions, unless specified)								
Operating profit	235,706	26,248	(164,384)	5,197	44,803	5,763	205	–	153,538
Profit for the year	188,709	33,311	(164,698)	11,818	48,004	5,763	2,125	(5,839)	119,193
Profit attributable to equity holders	188,243	32,651	(164,840)	10,880	46,326	5,763	2,125	(5,499)	115,649
EPS (RMB per share)									
– basic	19.757								12.138
– diluted	19.341								11.835
Operating margin	43%								28%
Net margin	34%								21%

	Adjustments								Non-IFRS
	As reported	Share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/ (reversals) (d)	SSV & CPP (e)	Others (f)	Income tax effects (g)	
	(RMB in millions, unless specified)								
Operating profit	271,620	22,222	(165,632)	4,651	25,028	674	976	–	159,539
Profit for the year	227,810	30,816	(167,471)	12,272	25,541	674	1,568	(3,291)	127,919
Profit attributable to equity holders	224,822	30,070	(166,661)	10,848	25,534	674	1,567	(3,066)	123,788
EPS (RMB per share)									
– basic	23.597								12.992
– diluted	23.164								12.698
Operating margin	48%								28%
Net margin	41%								23%

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 arising from acquisitions
- (d) Mainly including impairment provisions/(reversals) for associates, joint ventures, goodwill and other intangible assets arising from acquisitions
- (e) Mainly including donations and expenses incurred for the Group's SSV & CPP initiatives
- (f) Mainly including expenses incurred for non-recurring compliance-related costs and certain litigation settlements of the Group and/or arising from investee companies
- (g) Income tax effects of non-IFRS adjustments

Liquidity and Financial Resources

Our cash and debt positions as at 31 December 2022 and 30 September 2022 were as follows:

	Audited 31 December 2022 (RMB in millions)	Unaudited 30 September 2022
Cash and cash equivalents	156,739	160,177
Term deposits and others	162,792	155,436
	319,531	315,613
Borrowings	(175,248)	(180,703)
Notes payable	(159,115)	(162,181)
	(14,832)	(27,271)

As at 31 December 2022, the Group had net debt of RMB14.8 billion, compared to net debt of RMB27.3 billion as at 30 September 2022. The sequential improvement was mainly due to free cash flow generation, partly offset by cash outflow for repurchase of shares by the Company.

For the fourth quarter of 2022, the Group generated free cash flow of RMB23.1 billion. This was a result of net cash flow generated from operating activities of RMB35.6 billion, partly offset by payments for capital expenditures of RMB5.6 billion, payments for media content of RMB5.3 billion, and payments for lease liabilities of RMB1.6 billion.

As at 31 December 2022, the fair value of our shareholdings⁶ in listed investee companies (excluding subsidiaries) was RMB585.1 billion, and the carrying value of our unlisted investments was RMB333.4 billion.

⁶ Including those held via special purpose vehicles, on an attributable basis.

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

		Year ended 31 December	
	Note	2022	2021
		RMB' Million	RMB' Million
Revenues			
Value-added Services		287,565	291,572
Online Advertising		82,729	88,666
FinTech and Business Services		177,064	172,195
Others		7,194	7,685
	2	<u>554,552</u>	560,118
Cost of revenues	4	<u>(315,806)</u>	<u>(314,174)</u>
Gross profit		238,746	245,944
Interest income		8,592	6,650
Other gains/(losses), net	3	124,293	149,467
Selling and marketing expenses	4	(29,229)	(40,594)
General and administrative expenses	4	(106,696)	(89,847)
Operating profit		235,706	271,620
Finance costs, net		(9,352)	(7,114)
Share of profit/(loss) of associates and joint ventures, net		(16,129)	(16,444)
Profit before income tax		210,225	248,062
Income tax expense	5	(21,516)	(20,252)
Profit for the year		188,709	227,810
Attributable to:			
Equity holders of the Company		188,243	224,822
Non-controlling interests		466	2,988
		<u>188,709</u>	<u>227,810</u>
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)			
- basic	6(a)	<u>19.757</u>	<u>23.597</u>
- diluted	6(b)	<u>19.341</u>	<u>23.164</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Year ended 31 December	
	2022	2021
	RMB' Million	RMB' Million
Profit for the year	188,709	227,810
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	1,479	125
Transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	(129)	8
Transfer to profit or loss upon disposal of financial assets at fair value through other comprehensive income	13	–
Net losses from changes in fair value of financial assets at fair value through other comprehensive income	(52)	–
Currency translation differences	18,732	(19,392)
Other fair value gains, net	5,457	2,796
<i>Items that will not be subsequently reclassified to profit or loss</i>		
Share of other comprehensive income of associates and joint ventures	937	387
Net (losses)/gains from changes in fair value of assets held for distribution	(6,102)	5,380
Net losses from changes in fair value of financial assets at fair value through other comprehensive income	(148,686)	(16,166)
Currency translation differences	(794)	(558)
	<u>(129,145)</u>	<u>(27,420)</u>
Total comprehensive income for the year	<u>59,564</u>	<u>200,390</u>
Attributable to:		
Equity holders of the Company	60,699	200,323
Non-controlling interests	(1,135)	67
	<u>59,564</u>	<u>200,390</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

		As at 31 December	
		2022	2021
	Note	RMB'Million	RMB'Million
ASSETS			
Non-current assets			
Property, plant and equipment		53,978	61,914
Land use rights		18,046	17,728
Right-of-use assets		22,524	20,468
Construction in progress		9,229	5,923
Investment properties		559	517
Intangible assets		161,802	171,376
Investments in associates	8	246,043	316,574
Investments in joint ventures		6,672	6,614
Financial assets at fair value through profit or loss	9	206,085	192,184
Financial assets at fair value through other comprehensive income	10	185,247	250,257
Prepayments, deposits and other assets		36,752	37,177
Other financial assets		6,987	1,261
Deferred income tax assets		29,882	26,068
Term deposits		28,336	19,491
		1,012,142	1,127,552
Current assets			
Inventories		2,333	1,063
Accounts receivable	11	45,467	49,331
Prepayments, deposits and other assets		76,685	65,390
Other financial assets		1,278	1,749
Financial assets at fair value through profit or loss	9	27,963	10,573
Term deposits		104,776	83,813
Restricted cash		2,783	2,476
Cash and cash equivalents		156,739	167,966
Assets held for distribution		147,965	102,451
		565,989	484,812
Total assets		1,578,131	1,612,364

		As at 31 December	
		2022	2021
	Note	RMB'Million	RMB'Million
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		–	–
Share premium		62,418	67,330
Treasury shares		(1,868)	–
Shares held for share award schemes		(4,226)	(4,843)
Other reserves		(40,914)	73,901
Retained earnings		705,981	669,911
		<u>721,391</u>	<u>806,299</u>
Non-controlling interests		<u>61,469</u>	<u>70,394</u>
Total equity		<u>782,860</u>	<u>876,693</u>
LIABILITIES			
Non-current liabilities			
Borrowings	14	163,668	136,936
Notes payable	15	148,669	145,590
Long-term payables		9,067	9,966
Other financial liabilities		5,574	5,912
Deferred income tax liabilities		12,162	13,142
Lease liabilities		18,424	16,501
Deferred revenue		3,503	4,526
		<u>361,067</u>	<u>332,573</u>
Current liabilities			
Accounts payable	13	92,381	109,470
Other payables and accruals		61,139	60,582
Borrowings	14	11,580	19,003
Notes payable	15	10,446	–
Current income tax liabilities		13,488	12,506
Other tax liabilities		4,698	2,240
Other financial liabilities		3,937	3,554
Lease liabilities		6,354	5,446
Deferred revenue		82,216	87,846
Dividends payable for distribution in specie	7(b)	147,965	102,451
		<u>434,204</u>	<u>403,098</u>
Total liabilities		<u>795,271</u>	<u>735,671</u>
Total equity and liabilities		<u>1,578,131</u>	<u>1,612,364</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to equity holders of the Company								Total equity RMB'Million
	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	
Balance at 1 January 2022	-	67,330	-	(4,843)	73,901	669,911	806,299	70,394	876,693
Comprehensive income									
Profit for the year	-	-	-	-	-	188,243	188,243	466	188,709
Other comprehensive income, net of tax:									
– share of other comprehensive income of associates and joint ventures	-	-	-	-	2,337	-	2,337	79	2,416
– net losses from changes in fair value of assets held for distribution	-	-	-	-	(6,102)	-	(6,102)	-	(6,102)
– transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	-	-	-	-	(129)	-	(129)	-	(129)
– net losses from changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	(146,500)	-	(146,500)	(2,238)	(148,738)
– transfer to profit or loss upon disposal of financial assets at fair value through other comprehensive income	-	-	-	-	11	-	11	2	13
– currency translation differences	-	-	-	-	17,494	-	17,494	444	17,938
– other fair value gains, net	-	-	-	-	5,345	-	5,345	112	5,457
Total comprehensive income for the year	-	-	-	-	(127,544)	188,243	60,699	(1,135)	59,564
Transfer of losses on disposal and deemed disposal of financial instruments to retained earnings	-	-	-	-	7,838	(7,978)	(140)	-	(140)
Transfer of share of other comprehensive income to retained earnings upon disposal and deemed disposal of associates and joint ventures	-	-	-	-	7	(7)	-	-	-
Share of other changes in net assets of associates and joint ventures	-	-	-	-	7,009	-	7,009	-	7,009
Transfer of share of other changes in net assets of associates and joint ventures to profit or loss upon disposal and deemed disposal	-	-	-	-	(5,541)	-	(5,541)	-	(5,541)
Transactions with equity holders									
Capital injection	-	-	-	-	-	-	-	3	3
Employee share option schemes:									
– value of employee services	-	2,055	-	-	110	-	2,165	97	2,262
– proceeds from shares issued	-	995	-	-	-	-	995	-	995
Employee share award schemes:									
– value of employee services	-	20,632	-	-	1,425	-	22,057	445	22,502
– shares withheld for share award schemes	-	-	-	(2,882)	-	-	(2,882)	-	(2,882)
– vesting of awarded shares	-	(2,882)	-	2,882	-	-	-	-	-
Tax benefit from share-based payments	-	-	-	-	5	-	5	-	5
Profit appropriations to statutory reserves	-	-	-	-	1,082	(1,082)	-	-	-
Repurchase and cancellation of shares	-	(28,010)	-	-	-	-	(28,010)	-	(28,010)
Repurchase of shares (to be cancelled)	-	-	(1,868)	-	-	-	(1,868)	-	(1,868)
Cash dividends	-	-	-	-	-	(12,950)	(12,950)	(1,610)	(14,560)
Dividends under distribution in specie	-	-	-	-	-	(130,156)	(130,156)	-	(130,156)
Non-controlling interests arising from business combinations	-	-	-	-	-	-	-	908	908
Acquisition of additional equity interests in non wholly-owned subsidiaries	-	-	-	-	992	-	992	(5,199)	(4,207)
Dilution of interests in subsidiaries	-	-	-	-	(929)	-	(929)	1,029	100
Disposal of subsidiaries	-	-	-	-	-	-	-	(1)	(1)
Changes in put option liabilities in respect of non-controlling interests	-	-	-	-	727	-	727	121	848
Recognition of put option liabilities arising from business combinations	-	-	-	-	(175)	-	(175)	-	(175)
Transfer of equity interests of subsidiaries to non-controlling interests	-	2,298	-	617	179	-	3,094	(3,583)	(489)
Total transactions with equity holders at their capacity as equity holders for the year	-	(4,912)	(1,868)	617	3,416	(144,188)	(146,935)	(7,790)	(154,725)
Balance at 31 December 2022	-	62,418	(1,868)	(4,226)	(40,914)	705,981	721,391	61,469	782,860

Attributable to equity holders of the Company

	Share capital RMB'Million	Share premium 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 2021	–	48,793	(4,412)	121,139	538,464	703,984	74,059	778,043
Comprehensive income								
Profit for the year	–	–	–	–	224,822	224,822	2,988	227,810
Other comprehensive income, net of tax:								
– share of other comprehensive income of associates and joint ventures	–	–	–	512	–	512	–	512
– transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	–	–	–	8	–	8	–	8
– gain from changes in fair value of assets held for distribution	–	–	–	5,380	–	5,380	–	5,380
– net losses from changes in fair value of financial assets at fair value through other comprehensive income	–	–	–	(15,073)	–	(15,073)	(1,093)	(16,166)
– currency translation differences	–	–	–	(18,032)	–	(18,032)	(1,918)	(19,950)
– other fair value gains, net	–	–	–	2,706	–	2,706	90	2,796
Total comprehensive income for the year	–	–	–	(24,499)	224,822	200,323	67	200,390
Transfer of gains on disposal and deemed disposal of financial instruments to retained earnings	–	–	–	(22,393)	22,393	–	–	–
Transfer of share of other comprehensive income to retained earnings upon disposal and deemed disposal of associates and joint ventures	–	–	–	(35)	35	–	–	–
Share of other changes in net assets of associates and joint ventures	–	–	–	8,429	–	8,429	1	8,430
Transfer of share of other changes in net assets of associates and joint ventures to profit or loss upon disposal and deemed disposal	–	–	–	(5,089)	–	(5,089)	–	(5,089)
Transactions with equity holders								
Capital injection	–	–	–	–	–	–	612	612
Employee share option schemes:								
– value of employee services	–	1,661	–	53	–	1,714	54	1,768
– proceeds from shares issued	–	1,043	–	–	–	1,043	–	1,043
Employee share award schemes:								
– value of employee services	–	18,347	–	611	–	18,958	543	19,501
– shares withheld for share award schemes	–	–	(2,827)	–	–	(2,827)	–	(2,827)
– vesting of awarded shares	–	(2,090)	2,090	–	–	–	–	–
Tax benefit from share-based payments	–	–	–	462	–	462	–	462
Profit appropriations to statutory reserves	–	–	–	669	(669)	–	–	–
Repurchase and cancellation of shares	–	(2,170)	–	–	–	(2,170)	–	(2,170)
Cash dividends	–	–	–	–	(12,683)	(12,683)	(1,015)	(13,698)
Dividends under distribution in specie	–	–	–	–	(102,451)	(102,451)	–	(102,451)
Distributions from a non wholly-owned subsidiary	–	–	–	–	–	–	(1,401)	(1,401)
Non-controlling interests arising from business combinations	–	–	–	–	–	–	1,289	1,289
Disposal and deemed disposal of subsidiaries	–	–	–	–	–	–	(33)	(33)
Acquisition of additional equity interests in non wholly-owned subsidiaries	–	–	–	(4,305)	–	(4,305)	(4,616)	(8,921)
Dilution of/changes in interests in subsidiaries	–	–	–	205	–	205	736	941
Changes in put option liabilities in respect of non-controlling interests	–	–	–	1,483	–	1,483	88	1,571
Lapses of put option liabilities in respect of non-controlling interests	–	–	–	783	–	783	–	783
Recognition of put option liabilities arising from business combinations	–	–	–	(1,289)	–	(1,289)	–	(1,289)
Transfer of equity interests of subsidiaries to non-controlling interests	–	1,746	306	(2,323)	–	(271)	10	(261)
Total transactions with equity holders at their capacity as equity holders for the year	–	18,537	(431)	(3,651)	(115,803)	(101,348)	(3,733)	(105,081)
Balance at 31 December 2021	–	67,330	(4,843)	73,901	669,911	806,299	70,394	876,693

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Year ended 31 December	
	2022	2021
	RMB' Million	RMB' Million
Net cash flows generated from operating activities	146,091	175,186
Net cash flows used in investing activities	(104,871)	(178,549)
Net cash flows (used in)/generated from financing activities	(59,953)	21,620
Net (decrease)/increase in cash and cash equivalents	(18,733)	18,257
Cash and cash equivalents at beginning of the year	167,966	152,798
Exchange gains/(losses) on cash and cash equivalents	7,506	(3,089)
Cash and cash equivalents at end of the year	<u>156,739</u>	<u>167,966</u>

Note:

1 General information, basis of preparation and presentation

The Company was incorporated in the Cayman Islands with limited liability. The shares of the Company have been listed on the Main Board of the Stock Exchange since 16 June 2004.

The Company is an investment holding company. The Group is principally engaged in the provision of VAS, Online Advertising services and FinTech and Business Services.

The consolidated financial statements of the Group have been prepared in accordance with all applicable IFRSs. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of FVPL, FVOCI, dividends payable for distribution in specie, certain other financial assets and liabilities, which are carried at fair value.

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2022:

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018–2020 Cycle

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

2 Segment information and revenues

The Group has the following reportable segments for the years ended 31 December 2022 and 2021:

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

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

There were no material inter-segment sales during the years ended 31 December 2022 and 2021. The revenues from external customers reported to the chief operating decision-makers are measured in a manner consistent with that applied in the consolidated income statement.

The segment information provided to the chief operating decision-makers for the reportable segments for the years ended 31 December 2022 and 2021 is as follows:

	Year ended 31 December 2022				Total RMB'Million
	VAS RMB'Million	Online Advertising RMB'Million	FinTech and Business Services RMB'Million	Others RMB'Million	
Segment revenues	<u>287,565</u>	<u>82,729</u>	<u>177,064</u>	<u>7,194</u>	<u>554,552</u>
Gross profit/(loss)	<u>145,647</u>	<u>35,009</u>	<u>58,374</u>	<u>(284)</u>	<u>238,746</u>
Cost of revenues					
Depreciation	6,147	6,477	9,467	50	22,141
Amortisation	<u>19,320</u>	<u>8,422</u>	<u>200</u>	<u>1,569</u>	<u>29,511</u>
	Year ended 31 December 2021				Total RMB'Million
	VAS RMB'Million	Online Advertising RMB'Million	FinTech and Business Services RMB'Million	Others RMB'Million	
Segment revenues	<u>291,572</u>	<u>88,666</u>	<u>172,195</u>	<u>7,685</u>	<u>560,118</u>
Gross profit	<u>152,936</u>	<u>40,594</u>	<u>51,396</u>	<u>1,018</u>	<u>245,944</u>
Cost of revenues					
Depreciation	5,797	5,322	10,268	106	21,493
Amortisation	<u>18,740</u>	<u>7,810</u>	<u>72</u>	<u>1,973</u>	<u>28,595</u>

3 Other gains/(losses), net

	2022 RMB'Million	2021 RMB'Million
Net gains on disposals and deemed disposals of investee companies (a)	172,707	118,051
Net fair value (losses)/gains on FVPL (b)	(7,117)	47,560
Impairment provision for investments in associates (Note 8(d))	(25,689)	(15,391)
Impairment provision for investments in joint ventures and others	(1,849)	(924)
Impairment provision for goodwill and other intangible assets arising from acquisitions (c)	(17,265)	(8,713)
Net fair value (losses)/gains on other financial instruments (d)	(633)	157
Subsidies and tax rebates	11,119	8,888
Donations (e)	(5,124)	(2,050)
Dividend income	948	660
Others	(2,804)	1,229
	124,293	149,467

Note:

- (a) The disposal and deemed disposal gains of approximately RMB172,707 million recognised during the year ended 31 December 2022 comprised the following:
- net gains of approximately RMB2,793 million (2021: RMB18,646 million) on dilution of the Group's equity interests in certain associates and a joint venture due to new equity interests being issued by these investee companies. These investee companies are principally engaged in games development, local services, social media platform and Internet-related businesses; and
 - aggregate net gains of approximately RMB169,914 million (2021: RMB99,405 million) on disposals, partial disposals or deemed disposals of various investments of the Group, which mainly comprised the following:
 - (i) step down gain of approximately RMB106,555 million arising from the investment in Meituan, details of which are explained in Note 8(c); and
 - (ii) gain of approximately RMB18,481 million arising from partial divestment of Sea Limited (NYSE: SE), an existing associate of the Group, on 4 January 2022, details of which are explained in Note 8(b), and step down gain of approximately RMB41,293 million arising from transfer of the investment in Sea Limited to FVOCI as a result of resignation of board representative and the provision of an irrevocable voting proxy to the board of directors of Sea Limited on 5 September 2022, details of which are explained in Note 8(b).

- (b) During the year ended 31 December 2022, the net fair value losses on FVPL mainly comprised net losses of approximately RMB7,737 million as a result of changes in valuations of certain investee companies (2021: net gains of approximately RMB47,424 million).
- (c) During the year ended 31 December 2022, impairment losses of approximately RMB17,265 million (2021: RMB8,713 million) on goodwill and other intangible assets arising from acquisitions were recognised, which mainly comprised an impairment loss of approximately RMB2,860 million (2021: RMB4,012 million) recognised within the CGU related to game live streaming business and an impairment loss of approximately RMB13,049 million (2021: RMB4,500 million) recognised within the CGU related to search advertising business.
- (d) During the year ended 31 December 2022, the net fair value losses on other financial instruments mainly included net losses of approximately RMB586 million, as a result of changes in valuations of investment-related financial instruments (2021: net gains of approximately RMB157 million).
- (e) During the year ended 31 December 2022, donations mainly included approximately RMB5,037 million for SSV & CPP of the Group (2021: RMB450 million).

4 Expenses by nature

	2022	2021
	RMB'Million	RMB'Million
Transaction costs (a)	124,282	129,136
Employee benefits expenses (b)	111,182	95,523
Content costs (excluding amortisation of intangible assets)	67,306	66,911
Amortisation of intangible assets (c)	32,695	31,430
Bandwidth and server custody fees (excluding depreciation of right-of-use assets)	30,719	27,260
Depreciation of property, plant and equipment, investment properties and right-of-use assets	28,444	26,166
Promotion and advertising expenses	18,764	31,335

Note:

- (a) Transaction costs primarily consist of bank handling fees, channel and distribution costs.
- (b) During the year ended 31 December 2022, the Group had incurred expenses for the purpose of R&D of approximately RMB61,401 million (2021: RMB51,880 million), which mainly comprised employee benefits expenses of approximately RMB50,000 million (2021: RMB42,958 million).

No significant development expenses had been capitalised for the years ended 31 December 2022 and 2021.

During the year ended 31 December 2022, employee benefits expenses included the share-based compensation expenses of approximately RMB26,248 million (2021: RMB22,222 million), which contained those incurred for employees related to SSV & CPP of approximately RMB73 million (2021: RMB21 million).

- (c) Amortisation charges of intangible assets are mainly in respect of media content including video and music content, game licenses, and other content. During the year ended 31 December 2022, amortisation of media content was approximately RMB28,893 million (2021: RMB28,393 million).

During the year ended 31 December 2022, amortisation of intangible assets included the amortisation of intangible assets arising from acquisitions of approximately RMB5,197 million (2021: RMB4,651 million).

- (d) During the year ended 31 December 2022, expenses incurred related to SSV & CPP (excluding share-based compensation expenses) were approximately RMB726 million (2021: RMB224 million).
- (e) During the year ended 31 December 2022, expenses incurred for non-recurring compliance-related costs and certain litigation settlements were approximately RMB205 million (2021: RMB976 million), of which approximately RMB20 million (2021: RMB630 million) were included in “Other gains/(losses), net”.

5 Income tax expense

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

(a) Cayman Islands and British Virgin Islands corporate income tax

The Group was not subject to any taxation in the Cayman Islands and the British Virgin Islands for the years ended 31 December 2022 and 2021.

(b) Hong Kong profits tax

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the years ended 31 December 2022 and 2021.

(c) PRC CIT

PRC CIT has been provided for at applicable tax rates under the relevant regulations of the PRC after considering the available preferential tax benefits from refunds and allowances, and on the estimated assessable profit of entities within the Group established in the Mainland of China for the years ended 31 December 2022 and 2021. The general PRC CIT rate was 25% in 2022 and 2021.

Certain subsidiaries of the Company in the Mainland of China were approved as High and New Technology Enterprise, and they were subject to a preferential corporate income tax rate of 15% for the years ended 31 December 2022 and 2021. Moreover, according to announcement and circular issued by relevant government authorities, a subsidiary which was qualified as a national key software enterprise was subject to a preferential corporate income tax rate of 10%.

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

(d) Corporate income tax in other jurisdictions

Income tax on profit arising from other jurisdictions, including the United States, Europe, Asia and South America, had been calculated on the estimated assessable profit for the year at the respective rates prevailing in the relevant jurisdictions, ranging from 9% to 35%.

(e) Withholding tax

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

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

The income tax expense of the Group is analysed as follows:

	2022	2021
	RMB'Million	RMB'Million
Current income tax	24,425	26,039
Deferred income tax	(2,909)	(5,787)
	<u>21,516</u>	<u>20,252</u>

6 Earnings per share

(a) Basic

Basic EPS is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2022	2021
Profit attributable to equity holders of the Company (RMB'Million)	<u>188,243</u>	<u>224,822</u>
Weighted average number of ordinary shares in issue (million shares)	<u>9,528</u>	<u>9,528</u>
Basic EPS (RMB per share)	<u>19.757</u>	<u>23.597</u>

(b) Diluted

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

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

	2022	2021
Profit attributable to equity holders of the Company (RMB' Million)	188,243	224,822
Dilution effect arising from share-based awards issued by non wholly-owned subsidiaries and associates (RMB' Million)	<u>(740)</u>	<u>(217)</u>
Profit attributable to equity holders of the Company for the calculation of diluted EPS (RMB' Million)	<u>187,503</u>	<u>224,605</u>
Weighted average number of ordinary shares in issue (million shares)	9,528	9,528
Adjustments for share options and awarded shares (million shares)	<u>167</u>	<u>168</u>
Weighted average number of ordinary shares for the calculation of diluted EPS (million shares)	<u>9,695</u>	<u>9,696</u>
Diluted EPS (RMB per share)	<u>19.341</u>	<u>23.164</u>

7 Dividends

(a) Final dividends

The final dividends amounting to HKD15,260 million (2021: HKD15,238 million) were paid during the year ended 31 December 2022.

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

(b) Interim dividend by way of distribution in specie

On 16 November 2022 (the “Declaration Date”), the Board resolved to declare a special interim dividend in the form of a distribution in specie of Class B ordinary shares of Meituan indirectly held by the Company to the shareholders whose names appeared on the register of members of the Company on 10 January 2023, in proportion to their then respective shareholdings in the Company on the basis of 1 Class B ordinary share of Meituan for every 10 Shares held by the shareholders, being rounded down to the nearest whole number of Class B ordinary shares of Meituan and fractional entitlements to the Meituan Shares will be distributed in the form of cash-in-lieu payment, except that the net proceeds of less than HKD100 will not be distributed. Accordingly, approximately 948 million Class B ordinary shares of Meituan are expected to be distributed after deducting the Meituan Shares to be received as dividends in respect of the Shares held by the Share Scheme Trust and the Shares which have been repurchased but not yet cancelled by the Company as of 10 January 2023 (“Meituan Shares to be distributed”). The Group’s equity interests in Meituan are expected to be reduced to approximately 1.7%, following the completion of the Distribution in Specie.

These Meituan Shares to be distributed were classified and presented as “Assets held for distribution” upon the Declaration Date.

Dividends payable for distribution in specie of approximately RMB138.4 billion was recognised on the Declaration Date and measured at fair value using the market price of the Meituan Shares to be distributed. Subsequent changes in the fair value of the aforesaid dividends payable as a result of the changes in the fair value of the Meituan Shares to be distributed were recognised in equity as an adjustment to the amount of the dividend distribution until its settlement. Fair value changes on the dividends payable amounting to approximately RMB11.0 billion were recognised in equity since the Declaration Date up to 31 December 2022. As at 31 December 2022, the amount of dividends payable for distribution in specie was approximately RMB148.0 billion.

(c) Settlement of special interim dividend by way of distribution in specie

In relation to the special interim dividend in the form of a distribution in specie of Class A ordinary shares of JD.com, Inc. (“JD.com Shares”), the share certificates of the relevant JD.com Shares under the distribution in specie were dispatched to qualifying shareholders on 25 March 2022 (the “Share Certificate Dispatch Date”).

Dividends payable for distribution in specie was approximately RMB84.6 billion right before the Share Certificate Dispatch Date, measured at fair value using the market price of the JD.com Shares to be distributed. Fair value changes on the dividends payable amounting to approximately RMB17.1 billion from 1 January 2022 to the Share Certificate Dispatch Date were recognised in equity as a result of the changes in the fair value of the JD.com Shares to be distributed.

8 Investments in associates

	As at 31 December	
	2022	2021
	RMB' Million	RMB' Million
Investments in associates		
– Listed entities (Note)	125,535	200,785
– Unlisted entities	120,508	115,789
	<u>246,043</u>	<u>316,574</u>

Note:

As at 31 December 2022, the fair value of the investments in associates consisting of directly and indirectly held listed equity interests was approximately RMB264,090 million (31 December 2021: RMB634,661 million).

Movement of investments in associates is analysed as follows:

	2022	2021
	RMB' Million	RMB' Million
At beginning of the year	316,574	297,609
Additions (a)	12,713	51,288
Transfers ((b) and (c))	(54,438)	(19,731)
Dilution gains on deemed disposal	2,763	18,646
Share of profit/(loss) of associates, net	(16,379)	(16,592)
Share of other comprehensive income of associates	2,417	508
Share of other changes in net assets of associates	7,009	8,430
Dividends	(724)	(1,407)
Disposals (b)	(3,853)	(3,238)
Impairment provision, net (d)	(25,689)	(15,391)
Currency translation differences	5,650	(3,548)
	<u>246,043</u>	<u>316,574</u>
At end of the year	246,043	316,574

Note:

- (a) During the year ended 31 December 2022, the Group's additions to investments in associates comprised the following:
- (i) a new investment in an overseas investment holding company at a consideration of approximately EUR300 million (equivalent to approximately RMB2,132 million), which in turn owns equity interests of a listed company engaged in games development; and
 - (ii) new associates and additional investments in existing associates with an aggregate amount of approximately RMB10,581 million during the year ended 31 December 2022, which are principally engaged in games development, FinTech, High-tech manufacturing, comic development and other Internet-related businesses.
- (b) On 4 January 2022, the Group entered into a transaction to divest an aggregate of 14,492,751 Class A ordinary shares of Sea Limited with a carrying amount of approximately RMB825 million, and to convert all its supervoting Class B ordinary shares to Class A ordinary shares (collectively, the "Transaction"). Upon the completion of the Transaction, the Group's equity interests in Sea Limited was reduced from 21.3% to 18.7% with its voting power reduced to less than 10%, and a disposal gain of approximately RMB18,481 million was recognised in "Other gains/(losses), net" (Note 3(a)(ii)).
- On 5 September 2022, the Group's representative resigned from the board of Sea Limited, and the Group granted an irrevocable voting proxy with respect to all its Sea Limited shares to the board of Sea Limited on shareholder matters. As a result, the entire investment in Sea Limited with a carrying amount of approximately RMB4,622 million was transferred from investment in an associate to a financial instrument and the Group irrevocably designated it as FVOCI with step down gain of approximately RMB41,293 million recognised in "Other gains/(losses), net" (Note 3(a)(ii)).
- (c) During the year ended 31 December 2022, the Group's transfers mainly comprised the entire investment in Meituan of the Group with a carrying amount of approximately RMB50,658 million transferred from investment in an associate to a financial instrument as a result of resignation of board representative in November 2022, and the Group irrevocably designated it as FVOCI (Note 10(a)(v)) with step down gain of approximately RMB106,555 million recognised in "Other gains/(losses), net" (Note 3(a)(i)).
- (d) During the year ended 31 December 2022, an aggregate impairment loss of approximately RMB25,689 million (2021: RMB15,391 million) had been recognised for associates with impairment indicators. Majority of these associates were listed companies, and their recoverable amounts were determined using fair value less costs of disposal.

9 Financial assets at fair value through profit or loss

FVPL include the following:

	As at 31 December	
	2022	2021
	RMB'Million	RMB'Million
Included in non-current assets:		
Investments in listed entities	12,443	19,802
Investments in unlisted entities	187,502	163,382
Treasury investments and others	6,140	9,000
	<u>206,085</u>	<u>192,184</u>
Included in current assets:		
Investments in listed entities	2	4
Treasury investments and others	27,961	10,569
	<u>27,963</u>	<u>10,573</u>
	<u><u>234,048</u></u>	<u><u>202,757</u></u>

Movement of FVPL is analysed as follows:

	2022	2021
	RMB'Million	RMB'Million
At beginning of the year	202,757	172,537
Additions and transfers (a)	45,206	23,240
Changes in fair value (Note 3)	(7,117)	47,560
Disposals and others	(22,926)	(34,282)
Currency translation differences	16,128	(6,298)
	<u>234,048</u>	<u>202,757</u>
At end of the year	<u><u>234,048</u></u>	<u><u>202,757</u></u>

Note:

- (a) During the year ended 31 December 2022, the Group's additions and transfers mainly comprised the following:
- (i) new investments and additional investments with an aggregate amount of approximately RMB50,459 million in listed and unlisted entities, treasury investments and others. These investee companies are principally engaged in social media platforms, local services, eCommerce, and other Internet-related businesses; and
 - (ii) an existing investee company engaged in Online-To-Offline service platform with an amount of approximately RMB4,390 million had been redesignated as FVOCI upon the conversion of its preferred shares into ordinary shares upon its IPO.

10 Financial assets at fair value through other comprehensive income

FVOCI include the following:

	As at 31 December	
	2022	2021
	RMB'Million	RMB'Million
Equity investments in listed entities	159,861	227,788
Equity investments in unlisted entities	22,838	22,392
Treasury investments	2,548	77
	<u>185,247</u>	<u>250,257</u>

Movement of FVOCI is analysed as follows:

	2022	2021
	RMB'Million	RMB'Million
At beginning of the year	250,257	213,091
Additions and transfers (a)	80,325	93,211
Changes in fair value	(148,169)	(16,834)
Disposals	(9,191)	(33,555)
Currency translation differences	12,025	(5,656)
At end of the year	<u>185,247</u>	<u>250,257</u>

Note:

- (a) During the year ended 31 December 2022, except as described in Note 8(b) and Note 9(a)(ii), the Group's additions and transfers mainly comprised the following:
- additional investment in a listed entity engaged in social network platform of approximately USD851 million (equivalent to approximately RMB5,693 million);
 - new investments and additional investments with an aggregate amount of approximately RMB8,717 million, which included treasury investments and investee companies principally engaged in games development and other Internet-related businesses;
 - an existing investee company with a carrying amount of approximately RMB1,757 million had been transferred from investment in an associate to FVOCI as a result of resignation of board representative in that associate;
 - an existing investee company engaged in games development with a carrying amount of approximately RMB657 million had been transferred from FVOCI to a subsidiary upon completion of a business combination (Note 16); and
 - transfer from investment in an associate in relation to the Class B ordinary shares of Meituan held by the Group to the extent of approximately RMB15.5 billion (Note 8(c)) (other than those held by the Group for distribution in specie of approximately RMB138.4 billion that were subsequently presented as "Assets held for distribution").

11 Accounts receivable

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

	As at 31 December	
	2022	2021
	RMB'Million	RMB'Million
0 ~ 30 days	25,279	21,639
31 ~ 60 days	9,247	13,255
61 ~ 90 days	6,545	6,105
Over 90 days	4,396	8,332
	<u>45,467</u>	<u>49,331</u>

Receivable balances as at 31 December 2022 and 31 December 2021 mainly represented amounts due from online advertising customers and agencies, FinTech and cloud customers, content production related customers, and third party platform providers.

Some online advertising customers and agencies 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.

12 Share-based payments

(a) Share option schemes

The Company has adopted five share option schemes, namely, the Pre-IPO Option Scheme, the Post-IPO Option Scheme I, the Post-IPO Option Scheme II, the Post-IPO Option Scheme III and the Post-IPO Option Scheme IV.

The Pre-IPO Option Scheme, the Post-IPO Option Scheme I, the Post-IPO Option Scheme II and the Post-IPO Option Scheme III expired on 31 December 2011, 23 March 2014, 16 May 2017 and 13 May 2019, respectively. Upon the expiry of these schemes, no further options would be granted under these schemes, but the options granted prior to such expiry continued to be valid and exercisable in accordance with provisions of the schemes. As at 31 December 2022, there were no outstanding options exercisable of the Pre-IPO Option Scheme, the Post-IPO Option Scheme I and the Post-IPO Option Scheme III.

In respect of the Post-IPO Option Scheme IV which continues to be in force, the Board may, at its discretion, grant options to any qualifying participants to subscribe for shares in the Company, subject to the terms and conditions stipulated therein. The exercise price must be in compliance with the requirement under the Listing Rules. In addition, the option vesting period is determined by the Board provided that it is not later than the last day of a 7-year period for the Post-IPO Option Scheme IV after the date of grant of option.

During the year ended 31 December 2022 and 2021, the Company allowed certain of the grantees under the Post-IPO Option Scheme II and the Post-IPO Option Scheme IV to surrender their rights to receive a portion of the underlying shares (with equivalent fair value) to set off against the exercise price and/or individual income tax payable when they exercised their options.

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

	Post-IPO Option Scheme II		Post-IPO Option Scheme IV		Total
	Average exercise price	Number of options	Average exercise price	Number of options	Number of options
At 1 January 2022 (Note)	HKD191.64	35,146,117	HKD402.75	81,689,281	116,835,398
Granted	-	-	HKD353.22	12,778,815	12,778,815
Exercised	HKD146.28	(5,862,075)	HKD279.99	(944,750)	(6,806,825)
Lapsed/forfeited/waived	HKD135.50	(22,176)	HKD557.65	(3,361,436)	(3,383,612)
At 31 December 2022	HKD200.77	29,261,866	HKD391.24	90,161,910	119,423,776
Exercisable as at 31 December 2022	HKD200.73	29,152,491	HKD382.60	43,255,764	72,408,255
At 1 January 2021	HKD205.36	37,435,134	HKD380.50	67,806,750	105,241,884
Granted	-	-	HKD587.26	16,785,250	16,785,250
Exercised	HKD189.79	(2,278,079)	HKD321.25	(2,556,236)	(4,834,315)
Lapsed/forfeited	HKD124.30	(10,938)	HKD429.76	(346,483)	(357,421)
At 31 December 2021	HKD206.40	35,146,117	HKD424.63	81,689,281	116,835,398
Exercisable as at 31 December 2021	HKD206.36	35,024,304	HKD381.54	30,418,848	65,443,152

Note:

As a result of the distribution in specie of JD.com 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 20 January 2022, and were reflected in the average exercise prices of related outstanding share options listed above.

As a result of the distribution in specie of Meituan Shares (Note 7(b)), 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. Such adjustments had not been reflected in the average exercise prices of related outstanding share options listed above and were expected to be reflected during the year ending 31 December 2023.

During the year ended 31 December 2022, no options were granted to any executive director of the Company (2021: 3,374,630 options were granted to an executive director of the Company), while 843,657 options and 1,687,315 options previously granted were voluntarily waived by an executive director in February 2022 and November 2022, respectively.

(b) **Share award schemes**

The Company has adopted the Share Award Schemes, out of which, the 2007 Share Award Scheme expired on 13 December 2022. The Share Award Schemes are administered by an independent trustee appointed by the Group, and the vesting period of the awarded shares is determined by the Board.

Movements in the number of awarded shares for the years ended 31 December 2022 and 2021 are as follows:

	Number of awarded shares	
	2022	2021
At beginning of the year	121,314,396	82,594,936
Granted (Note)	65,174,957	77,054,748
Lapsed/forfeited	(8,677,008)	(5,586,066)
Vested and transferred	(53,951,167)	(32,749,222)
At end of the year	123,861,178	121,314,396
Vested but not transferred as at the end of the year	13,767	17,515

Note:

As a result of the distribution in specie of JD.com 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 20 January 2022. The number of awarded shares granted for the year ended 31 December 2022 included a total of 3,606,234 additional awarded shares which were awarded pursuant to such adjustments.

As a result of the distribution in specie of Meituan Shares (Note 7(b)), 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. Such adjustments would be reflected as additional awarded shares during the year ending 31 December 2023.

During the year ended 31 December 2022, 58,398 awarded shares (excluding the additional 3,182 awarded shares awarded pursuant to adjustments as a result of the distribution in specie of JD.com Shares) were granted to five independent non-executive directors of the Company (2021: 40,500 awarded shares were granted to four independent non-executive directors of the Company).

13 Accounts payable

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

	As at 31 December	
	2022	2021
	RMB'Million	RMB'Million
0 ~ 30 days	87,612	102,396
31 ~ 60 days	1,512	2,999
61 ~ 90 days	180	1,329
Over 90 days	3,077	2,746
	92,381	109,470

14 Borrowings

	As at 31 December	
	2022	2021
	RMB'Million	RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD bank borrowings, unsecured (a)	141,090	136,874
Non-current portion of long-term RMB bank borrowings, unsecured (a)	22,514	–
Non-current portion of long-term JPY bank borrowings, unsecured(a)	45	47
Non-current portion of long-term JPY bank borrowings, secured (a)	3	4
Non-current portion of long-term EUR bank borrowings, secured (a)	9	11
Non-current portion of long-term EUR bank borrowings, unsecured (a)	7	–
	<u>163,668</u>	<u>136,936</u>
Included in current liabilities:		
RMB bank borrowings, unsecured (b)	5,981	13,340
RMB bank borrowings, secured (b)	–	200
Current portion of long-term USD bank borrowings, unsecured (a)	5,572	4,061
Current portion of long-term JPY bank borrowings, unsecured (a)	19	16
Current portion of long-term JPY bank borrowings, secured (a)	1	1
Current portion of long-term EUR bank borrowings, unsecured (a)	4	1,083
Current portion of long-term EUR bank borrowings, secured (a)	3	2
Current portion of long-term RMB bank borrowings, unsecured (a)	–	300
	<u>11,580</u>	<u>19,003</u>
	<u><u>175,248</u></u>	<u><u>155,939</u></u>

Note:

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

	31 December 2022		31 December 2021	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
USD bank borrowings	USD20,998	LIBOR + 0.80% ~ 0.95%	USD22,045	LIBOR + 0.80% ~ 1.27%
USD bank borrowings	USD60	1.41%	USD60	1.41%
RMB bank borrowings	RMB22,514	2.80% ~ 4.80%	RMB300	5.70%
JPY bank borrowings	JPY1,250	0.00% ~ 1.86%	JPY1,234	0.00% ~ 2.50%
JPY bank borrowings	JPY36	TIBOR + 1.70%	–	–
EUR bank borrowings	EUR3	1.00% ~ 2.54%	EUR152	0.52% ~ 1.00%

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

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

	31 December 2022		31 December 2021	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
RMB bank borrowings	RMB6,007	1.50% ~ 4.80%	RMB13,540	2.45% ~ 5.10%

15 Notes payable

	As at 31 December	
	2022	2021
	RMB'Million	RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD notes payable	<u>148,669</u>	<u>145,590</u>
Included in current liabilities:		
Current portion of long-term USD notes payable	<u>10,446</u>	<u>–</u>
	<u>159,115</u>	<u>145,590</u>

Note:

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

	31 December 2022		31 December 2021	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
USD notes payable	USD1,250	LIBOR + 0.605% ~ 0.910%	USD1,250	LIBOR + 0.605% ~ 0.910%
USD notes payable	USD21,700	1.375% ~ 4.700%	USD21,700	1.375% ~ 4.700%

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

16 Business combinations

Privatisation of Sumo Group PLC (“Sumo”)

On 17 January 2022, the Group completed the privatisation of Sumo, a then-existing listed investee classified as FVOCI (LSE: SUMO; with equity interests held of approximately 9%) of the Group, at a cash consideration of approximately GBP847 million (equivalent to approximately RMB7,289 million) for all of the remaining interest (“Privatisation”). As a result of the Privatisation, Sumo became a wholly-owned subsidiary of the Company upon the closing of the transaction and ceased to be a publicly traded company.

Goodwill of approximately RMB6.7 billion was recognised as a result of the transaction. It was mainly attributable to the operating synergies and economies of scale expected to be derived from combining the operations. None of the goodwill was expected to be deductible for income tax purpose.

The following table summarises the purchase consideration, fair value of assets acquired and liabilities assumed as at the acquisition date of Sumo.

	RMB' Million
Total consideration:	
Cash paid	7,289
Fair value of the previously held interests	657
	<hr/>
	7,946
	<hr/> <hr/>
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Intangible assets	1,044
Cash and cash equivalents	389
Other assets	1,037
Deferred income tax liabilities	(249)
Other payables and accruals	(423)
Other liabilities	(534)
	<hr/>
Total identifiable net assets	1,264
Goodwill	6,682
	<hr/>
	7,946
	<hr/> <hr/>

Note:

The Group's revenue for the year ended 31 December 2022 would be increased by not more than 5% and results for the year ended 31 December 2022 would not be materially different should the transaction had occurred on 1 January 2022.

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

17 Subsequent events

There were no material subsequent events during the period from 31 December 2022 to the approval date of these financial statements by the Board on 22 March 2023.

OTHER INFORMATION

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

During the year ended 31 December 2022, the Company repurchased 107,083,000 Shares on the Stock Exchange for an aggregate consideration of approximately HKD33.8 billion before expenses. The repurchased Shares were subsequently cancelled. The repurchase was effected by the Board for the enhancement of shareholder value in the long term. Details of the Shares repurchased are as follows:

Month of purchase in 2022	No. of Shares purchased	Purchase consideration per Share		Aggregate consideration paid HKD
		Highest price paid HKD	Lowest price paid HKD	
January	4,831,400	477.40	421.00	2,196,128,575
March	4,033,000	388.20	352.80	1,500,840,680
April	7,240,000	390.00	353.20	2,701,808,700
June	2,500,000	370.00	354.00	905,252,360
July	7,870,000	356.00	332.40	2,708,481,780
August	9,950,000	334.00	307.80	3,163,872,380
September	25,020,000	332.20	263.80	7,391,913,354
October	15,050,000	282.40	246.20	3,920,319,332
November	11,032,800	292.60	259.00	3,086,868,603
December	19,555,800	339.40	291.80	6,218,582,866
Total	<u>107,083,000</u>			<u>33,794,068,630</u>

Save as disclosed above and in the "Financial Information" section, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

Closure of Register of Members

(a) Entitlement to Attend and Vote at the 2023 AGM

For the purpose of determining the shareholders' entitlement to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Friday, 12 May 2023 to Wednesday, 17 May 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to be entitled to attend and vote at the 2023 AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 11 May 2023.

(b) Entitlement to the Proposed Final Dividend

For the purpose of determining the shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 23 May 2023 to Wednesday, 24 May 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Monday, 22 May 2023.

Employee and Remuneration Policies

As at 31 December 2022, the Group had 108,436 employees (2021: 112,771). The number of employees employed by the Group varies from time to time depending on needs and employees are remunerated based on industry practice.

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

The total remuneration cost incurred by the Group for the year ended 31 December 2022 was RMB111,182 million (2021: RMB95,523 million).

Audit Committee

The Audit Committee, together with the Auditor, has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2022. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

Auditor's Procedures Performed on this Results Announcement

The figures in respect of the Group's results for the year ended 31 December 2022 as set out in the announcement have been agreed by the Auditor to the amounts set out in the Group's audited Consolidated Financial Statements. The work performed by the Auditor in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Auditor on the announcement.

Compliance with the Corporate Governance Code

Except for the deviation from code provisions B.2.2 (regarding the retirement and re-election of directors) and C.2.1 (regarding the segregation of the roles of chairman and chief executive) of the CG Code as disclosed and explained in the 2022 interim report and the corporate governance report in the 2021 annual report of the Company, the Company has complied with the code provisions as set out in the CG Code for the year ended 31 December 2022.

As to the deviation from code provisions B.2.2 and C.2.1 of the CG Code, the Board will continue to review the current structure from time to time and shall make necessary changes when appropriate and inform the shareholders accordingly.

Publication of the Annual Results and Annual Report

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

APPRECIATION

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

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

By Order of the Board
Ma Huateng
Chairman

Hong Kong, 22 March 2023

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

Executive Directors:

Ma Huateng and Lau Chi Ping Martin;

Non-Executive Directors:

Jacobus Petrus (Koo) Bekker and Charles St Leger Searle; and

Independent Non-Executive Directors:

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

This announcement contains forward-looking statements relating to the business outlook, estimates of financial performance, forecast business plans and growth strategies of the Group. These forward-looking statements are based on information currently available to the Group and are stated herein on the basis of the outlook at the time of this announcement. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond our control. These forward-looking statements may prove to be incorrect and may not be realised in the future. Underlying these forward-looking statements are a lot of risks and uncertainties. In light of the risks and uncertainties, the inclusion of forward-looking statements in this announcement should not be regarded as representations by the Board or the Company that the plans and objectives will be achieved, and investors should not place undue reliance on such statements.

DEFINITION

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

Term	Definition
“2013 Share Award Scheme”	the share award scheme adopted by the Company on 13 November 2013, as amended from time to time
“2019 Share Award Scheme”	the share award scheme adopted by the Company on 25 November 2019, as amended from time to time
“2023 AGM”	the annual general meeting of the Company to be held on 17 May 2023 or any adjournment thereof
“AI”	artificial intelligence
“ARPU”	average revenue per user
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the auditor of the Company
“Board”	the board of directors of the Company
“CCTV”	China Central Television
“CG Code”	the corporate governance code as set out in Appendix 14 to the Listing Rules
“CGU”	cash generating unit
“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

“Consolidated Financial Statements”	the consolidated financial statements, comprising the consolidated statement of financial position as at 31 December 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
“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 held by each qualifying shareholder as at the record date
“Domestic Games”	for the purpose of preparing financial and operating information, Domestic Games refers to our games business in the PRC, excluding Hong Kong, the Macao Special Administrative Region and Taiwan, China
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“EPS”	earnings per share
“EUR”	the lawful currency of the European Union
“FinTech”	financial technology
“FMCG”	fast-moving consumer goods
“FVOCI”	financial assets at fair value through other comprehensive income
“FVPL”	financial assets at fair value through profit or loss

“GBP”	the lawful currency of the United Kingdom of Great Britain and Northern Ireland
“Group”	the Company and its subsidiaries
“HKD”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region, the PRC
“IAS”	International Accounting Standards
“IFRS”	International Financial Reporting Standards
“International Games”	for the purpose of preparing financial and operating information, International Games refers to our games business other than our Domestic Games business
“Investment Committee”	the investment committee of the Company
“IPO”	initial public offering
“IT”	information technology
“JPY”	the lawful currency of Japan
“LIBOR”	London InterBank Offered Rate
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MAU”	monthly active user accounts
“Meituan”	Meituan, a company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability, whose Class B ordinary shares are listed on the Stock Exchange

“Meituan Shares”	the Class B ordinary shares in the share capital of Meituan with a par value of USD0.00001 each, held by the Group which are to be distributed pursuant to the Distribution in Specie
“Minor”	players who are aged under 18
“PaaS”	Platform-as-a-Service
“PC”	personal computer
“Post-IPO Option Scheme I”	the Post-IPO Share Option Scheme adopted by the Company on 24 March 2004
“Post-IPO Option Scheme II”	the Post-IPO Share Option Scheme adopted by the Company on 16 May 2007
“Post-IPO Option Scheme III”	the Post-IPO Share Option Scheme adopted by the Company on 13 May 2009
“Post-IPO Option Scheme IV”	the Post-IPO Share Option Scheme adopted by the Company on 17 May 2017
“PRC” or “China”	the People’s Republic of China
“PRC CIT”	PRC corporate income tax as defined in the “Corporate Income Tax Law of the People’s Republic of China”
“Pre-IPO Option Scheme”	the Pre-IPO Share Option Scheme adopted by the Company on 27 July 2001
“PUBG”	PlayerUnknown’s Battlegrounds
“R&D”	research and development
“RMB”	the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HKD0.00002 each in the share capital of the Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time)

“Share Award Schemes”	the share award scheme adopted by the Company on 13 December 2007, the 2013 Share Award Scheme and the 2019 Share Award Scheme, as amended from time to time
“Share Scheme Trust”	a structured entity administering and holding the Shares acquired for share award schemes which are set up for the benefits of eligible persons of the Share Award Schemes
“SSV & CPP”	Sustainable Social Value and Common Prosperity Programme
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supercell”	Supercell Oy, a private company incorporated in Finland
“TIBOR”	Tokyo InterBank Offered Rate
“United States”	the United States of America
“USD”	the lawful currency of the United States
“VAS”	value-added services