Tencent 腾讯

Tencent Holdings Limited

Incorporated in the Cayman Islands with limited liability

騰訊控股有限公司

於開曼群島註冊成立的有限公司

(Stock Code 股份代號：700)

smart communication inspires

智慧溝通 靈感無限

2022
Annual Report

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Corporate Information

DIRECTORS

Executive Directors

Ma Huateng *(Chairman)*
Lau Chi Ping Martin

Non-Executive Directors

Jacobus Petrus (Koos) Bekker
Charles St Leger Searle

Independent Non-Executive Directors

Li Dong Sheng
Ian Charles Stone
Yang Siu Shun
Ke Yang
Zhang Xiulan
(appointed with effect from 18 August 2022)

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

Charles St Leger Searle *(Chairman)*
Ian Charles Stone
Yang Siu Shun
Ke Yang
Zhang Xiulan
(appointed with effect from 18 August 2022)

INVESTMENT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

Bank of China Limited
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

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

TENCENT GROUP HEAD OFFICE

Tencent Binhai Towers
No. 33 Haitian 2nd Road
Nanshan District
Shenzhen, 518054
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

29/F., Three Pacific Place
No. 1 Queen's Road East
Wanchai
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586
Gardenia Court
Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPANY WEBSITE

www.tencent.com

STOCK CODE

700

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December				
	2018 RMB'Million	2019 RMB'Million	2020 RMB'Million	2021 RMB'Million	2022 RMB'Million
Revenues	312,694	377,289	482,064	560,118	554,552
Gross profit	142,120	167,533	221,532	245,944	238,746
Profit before income tax	94,466	109,400	180,022	248,062	210,225
Profit for the year	79,984	95,888	160,125	227,810	188,709
Profit attributable to equity holders of the Company	78,719	93,310	159,847	224,822	188,243
Total comprehensive income for the year	67,760	119,901	281,173	200,390	59,564
Total comprehensive income attributable to equity holders of the Company	66,339	116,670	277,834	200,323	60,699
Non-IFRS operating profit	92,481	114,601	149,404	159,539	153,538
Non-IFRS profit attributable to equity holders of the Company	77,469	94,351	122,742	123,788	115,649

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December				
	2018 RMB'Million	2019 RMB'Million	2020 RMB'Million	2021 RMB'Million	2022 RMB'Million
Assets					
Non-current assets	506,441	700,018	1,015,778	1,127,552	1,012,142
Current assets	217,080	253,968	317,647	484,812	565,989
Total assets	723,521	953,986	1,333,425	1,612,364	1,578,131
Equity and liabilities					
Equity attributable to equity holders of the Company	323,510	432,706	703,984	806,299	721,391
Non-controlling interests	32,697	56,118	74,059	70,394	61,469
Total equity	356,207	488,824	778,043	876,693	782,860
Non-current liabilities	164,879	225,006	286,303	332,573	361,067
Current liabilities	202,435	240,156	269,079	403,098	434,204
Total liabilities	367,314	465,162	555,382	735,671	795,271
Total equity and liabilities	723,521	953,986	1,333,425	1,612,364	1,578,131

Chairman's Statement

I am pleased to present our annual report for the year ended 31 December 2022 to the shareholders.

RESULTS

The Group's audited profit attributable to equity holders of the Company for the year ended 31 December 2022 was RMB188,243 million, a decrease of 16% compared with the results for the previous year. Basic and diluted EPS for the year ended 31 December 2022 were RMB19.757 and RMB19.341, respectively.

The Group's non-IFRS profit attributable to equity holders of the Company for the year ended 31 December 2022 was RMB115,649 million, a decrease of 7% compared with the results for the previous year. Non-IFRS basic and diluted EPS for the year ended 31 December 2022 were RMB12.138 and RMB11.835, respectively.

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
			(in millions, unless specified)		
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%

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 years[1]. 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 2021[2]. 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.

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

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

Chairman's Statement

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 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%.

Chairman's Statement

DIVIDENDS

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.

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.

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.

Ma Huateng
Chairman

Hong Kong, 22 March 2023

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

Management Discussion and Analysis

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	554,552	100%	560,118	100%

– Revenues from VAS[3] 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.

[3] 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	315,806		314,174	

Management Discussion and Analysis

- 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.

Management Discussion and Analysis

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 2022	Unaudited Three months ended 31 December 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	
	Amount	% of total revenues	Amount	% of total 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	144,954	100%	144,188	100%

– Revenues from VAS[4] 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.

– 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.

4 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 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	83,132		86,371	

– 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 2022	30 September 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	49,606	48,610	42,267	188,986	194,798

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

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

The following tables set forth the reconciliations of the Group's non-IFRS financial measures for the 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 (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/ (reversals) (d)	SSV & CPP (e)	Others (f)	Income tax effects (g)	Non-IFRS
	(RMB in millions, unless specified)								
Operating profit	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 (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/ (reversals) (d)	SSV & CPP (e)	Others (f)	Income tax effects (g)	Non-IFRS
	(RMB in millions, unless specified)								
Operating profit	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							
	As reported	Share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/ (reversals) (d)	SSV & CPP (e)	Others (f)	Income tax effects (g)	Non-IFRS
	(RMB in millions, unless specified)								
Operating profit	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							
	As reported	Share-based compensation (a)	Net (gains)/losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/(reversals) (d)	SSV & CPP (e)	Others (f)	Income tax effects (g)	Non-IFRS
	(RMB in millions, unless specified)								
Operating profit	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%

	Year ended 31 December 2021								
		Adjustments							
	As reported	Share-based compensation (a)	Net (gains)/losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/(reversals) (d)	SSV & CPP (e)	Others (f)	Income tax effects (g)	Non-IFRS
	(RMB in millions, unless specified)								
Operating profit	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

INVESTMENTS HELD

As at 31 December 2022, our investment portfolio amounted to approximately RMB819,975 million (31 December 2021: RMB878,653 million) as recorded in the consolidated statement of financial position under various categories including:

– investments in associates and joint ventures which are accounted for by using equity method; and

– financial assets at fair value through profit or loss and through other comprehensive income (including assets held for distribution).

Changes in respective items in the consolidated statement of financial position have been disclosed in the notes to the consolidated financial statements in this annual report.

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

The fair value of our shareholdings[5] in listed investee companies (excluding subsidiaries) amounted to RMB585,115 million as at 31 December 2022 (31 December 2021: RMB982,835 million).

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[5] Including those held via special purpose vehicles, on an attributable basis.

As at 31 December 2022, we held approximately 1,055 million shares in Meituan, a company operating a one-stop platform for food, transportation, travel, shopping and entertainment in China, representing approximately 17% of its total outstanding shares. The carrying value of this investment was approximately RMB164.6 billion, which accounted for approximately 10% of the Group's total assets as at 31 December 2022. This investment was initially accounted for as investment in an associate and was then transferred to and accounted for as financial assets at fair value through other comprehensive income on 16 November 2022, following the resignation of the Group's representative on the board of Meituan, Mr Lau Chi Ping Martin, as a director of Meituan ("Board Representative's Resignation"). The cost of our investment in Meituan was approximately RMB32.1 billion. During the year ended 31 December 2022, the Group did not receive any dividends from Meituan, and there was a deemed disposal gain of approximately RMB106.6 billion arising from the Board Representative's Resignation and unrealised gains of approximately RMB12.2 billion arising from changes in fair value under equity. The Group does not have nor does it exercise any managerial influence on Meituan after the Board Representative's Resignation and regards the investment in Meituan as a passive investment. Except Meituan, there was no other individual investment with a carrying value of 5% or more of the Group's total assets as at 31 December 2022.

On 16 November 2022, the Board resolved to declare the Distribution in Specie. The Meituan Shares to be distributed under the Distribution in Specie were classified and presented as "Assets held for distribution" in the consolidated statement of financial position of the Group as at 31 December 2022. The share certificates for the Meituan Shares to be distributed under the Distribution in Specie are dispatched to the qualifying shareholders in March 2023. The Group's equity interests in Meituan would be reduced to approximately 1.7%, following the completion of the Distribution in Specie. Please refer to the announcements of the Company dated 16 November 2022 and 24 March 2023 for further details in relation to the Distribution in Specie. Notwithstanding the Distribution in Specie, the Group and Meituan will continue to maintain their beneficial business relationship in the ordinary course of business including via their ongoing strategic partnership agreement.

Save as disclosed herein, there were no material changes in our significant investment portfolio that need to be disclosed under paragraph 32 of Appendix 16 to the Listing Rules.

Management Discussion and Analysis

Return from our investment portfolio amounted to RMB99,823 million for the year ended 31 December 2022, with a decrease of 17% compared to last year. Details of our return from investment portfolio are as follows:

Income of Principal Investment (Classified by nature of income)	2022 RMB'Million	2021 RMB'Million
Dividend income	948	660
Net gains on disposals and deemed disposals of investee companies	172,707	118,051
Net fair value (losses)/gains	(7,703)	47,717
Impairment provision for investee companies, goodwill and other intangible assets from acquisitions	(44,803)	(25,028)
Share of profit/(loss) of associates and joint ventures, net	(16,129)	(16,444)
Amortisation of intangible assets resulting from acquisitions	(5,197)	(4,651)

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

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	Unaudited 30 September 2022
	(RMB in millions)	
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)
Net debt	(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, bank balances and cash held at banks of the Group were mainly denominated in RMB. The Group considers that any reasonable changes in foreign exchange rates of currencies against major functional currencies would not result in a significant change in the Group's results, as the net carrying amounts of financial assets and liabilities denominated in a currency other than the respective subsidiaries' functional currencies are considered to be not significant.

As at 31 December 2022, the Group's total debts comprised borrowings and notes payable. Particulars of the Group's borrowings and notes payable are set out in Note 36 and Note 37 to the consolidated financial statements respectively.

The Group has floating rate debts, linked to USD LIBOR, including borrowings and senior notes, whose cash flows are hedged by using interest rate swaps. The effects of the interest rate swaps on the Group's financial position and performance are set out in Note 3.1 to the consolidated financial statements.

The Group assesses its creditworthiness based on its business and financial risk profile and monitors its capital by regularly reviewing its total debts to adjusted EBITDA ratio, being the measure of the Group's ability to pay off all of its debts which in turn reflects the Group's financial health and liquidity position. Details are set out in Note 3.2 to the consolidated financial statements.

The Group had no material contingent liabilities outstanding as at 31 December 2022.

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the material subsidiaries are set out in Note 48 to the consolidated financial statements.

The analysis of the Group's revenues and contribution to results by business segments and the Group's revenues by geographical area of operations is set out in Note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 132 of this annual report.

The Board has recommended the payment of a final dividend of HKD2.40 per Share for the year ended 31 December 2022. The 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. The total final dividend proposed for the year is HKD2.40 per Share.

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 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.

RESERVES

The Company may pay dividends out of share premium, retained earnings and any other reserves provided that immediately following the payment of such dividends, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

As at 31 December 2022, the Company had distributable reserves amounting to RMB82,562 million (2021: RMB66,701 million).

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on pages 136 to 139, Note 33, Note 34 and Note 46 to the consolidated financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 16 to the consolidated financial statements.

BUSINESS REVIEW AND DIVIDEND

A fair review of the business of the Group, comprising a discussion and analysis of the Group's performance during the year, an indication of likely future development in the business of the Group and the proposed dividend for the year ended 31 December 2022 are set out in the "Chairman's Statement" on pages 4 to 8 of this annual report. Particulars of important events affecting the Group that have occurred since the end of the financial year 2022 are set out in Note 47 to the consolidated financial statements. An analysis using financial key performance indicators is set out in the "Management Discussion and Analysis" on pages 9 to 29 of this annual report. Discussions on the Group's environmental policies and performance, and an account of the Group's key relationships with its stakeholders are set out in the standalone "Environmental, Social and Governance Report". Details regarding the Group's compliance with the relevant laws and regulations which have a significant impact on the Group are also set out in the standalone "Environmental, Social and Governance Report" and the "Corporate Governance Report" on pages 89 to 121 of this annual report. A description of the principal risks and uncertainties facing the Group is set out in the "Corporate Governance Report" on pages 89 to 121 of this annual report.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in Note 33 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's material subsidiaries as at 31 December 2022 are set out in Note 48 to the consolidated financial statements.

BORROWINGS AND NOTES PAYABLE

Particulars of the Group's borrowings and notes payable are set out in Note 36 and Note 37 to the consolidated financial statements respectively.

DONATION

The donations made by the Group in the year were RMB5,124 million.

FINANCIAL SUMMARY

A summary of the condensed consolidated results and financial positions of the Group is set out on page 3 of this annual report.

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

During the year ended 31 December 2022, the Company repurchased a total of 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 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 Highest price paid HKD	 Lowest price paid HKD	Aggregate consideration 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:	107,083,000			33,794,068,630

Save as disclosed above and in Note 33 to the consolidated financial statements, 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.

USE OF PROCEEDS FROM IPO AND FPO OF NON WHOLLY-OWNED SUBSIDIARIES

The use of proceeds from the IPO and FPO of TME, China Literature and HUYA, our non wholly-owned subsidiaries, are set out below:

TME

The American depositary shares of TME were listed on the New York Stock Exchange on 12 December 2018 and the net proceeds raised by TME during its IPO were approximately USD509 million.

As at 31 December 2022, TME had used all net proceeds from its IPO in the manner set out in its IPO prospectus for content acquisition, strategic investments, and other operating and investment purposes.

China Literature

The shares of China Literature were listed on the Stock Exchange on 8 November 2017 and the net proceeds raised by China Literature during its IPO were approximately HKD7,235 million (equivalent to approximately RMB6,145 million).

As at 31 December 2022, China Literature had fully utilised all net proceeds from its IPO.

HUYA

The American depositary shares of HUYA were listed on the New York Stock Exchange on 11 May 2018 and the net proceeds raised by HUYA during its IPO were approximately USD190 million. The net proceeds raised by HUYA in its FPO launched in April 2019 were approximately USD314 million.

As at 31 December 2022, HUYA had used all net proceeds from its IPO and USD73.4 million of the net proceeds from its FPO for investing in overseas expansion and for general corporate purposes.

The remaining balance of the net proceeds was placed with banks. The net proceeds were used and will be used in accordance with the intentions as set out in its FPO prospectus. HUYA currently expects to use up the remaining net proceeds before the end of 2027. The expected timeline and purposes for the use of proceeds are based on HUYA management's current outlook, and are subject to uncertainties as well as changes in circumstances.

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. As at 31 December 2022, there were no outstanding share options exercisable under the Pre-IPO Option Scheme, the Post-IPO Option Scheme I and the Post-IPO Option Scheme III. In respect of the Post-IPO Option Scheme IV, the Board may, at its discretion, grant options to any qualifying participants to subscribe for Shares, subject to the terms and conditions stipulated therein.

As at 31 December 2022, there were a total of 20,965,853 outstanding share options granted to a director of the Company, details of which are as follows:

		Number of share options						
Name of director	Date of grant	As at 1 January 2022	Granted during the year	Exercised during the year	Waived during the year	As at 31 December 2022	Exercise price HKD (Notes 3 and 4)	Exercise period
Lau Chi Ping Martin	21 March 2016	3,750,000	–	–	–	3,750,000	144.70	21 March 2017 to 20 March 2023 (Note 1)
	24 March 2017	5,250,000	–	–	–	5,250,000	210.04	24 March 2018 to 23 March 2024 (Note 1)
	9 April 2018	2,411,850	–	–	–	2,411,850	389.62	9 April 2019 to 8 April 2025 (Note 1)
		803,950	–	–	–	803,950	389.36	
	4 April 2019	1,753,290	–	–	–	1,753,290	355.26	4 April 2020 to 3 April 2026 (Note 1)
		876,645	–	–	–	876,645	354.99	
		876,645	–	–	–	876,645	354.46	

Name of director	Date of grant	As at 1 January 2022	Granted during the year	Exercised during the year	Waived during the year	As at 31 December 2022	Exercise price HKD (Notes 3 and 4)	Exercise period
		Number of share options						
Lau Chi Ping Martin	20 March 2020	1,099,953	–	–	–	1,099,953	340.50	20 March 2021 to
		1,099,954	–	–	–	1,099,954	340.31	19 March 2027
		1,099,954	–	–	–	1,099,954	339.51	(Note 1)
		1,099,954	–	–	–	1,099,954	338.82	
	30 March 2021	843,657	–	–	843,657	–	618.00	30 March 2022 to
		843,657	–	–	843,657	–	588.46	29 March 2028
		843,658	–	–	843,658	–	587.93	(Note 1)
		843,658	–	–	–	843,658	587.39	
	Total:	23,496,825	–	–	2,530,972	20,965,853		

Note:

1. For options granted with exercisable date determined based on the grant date of options, the first 25% of the total options shall be vested and can be exercised 1 year after the grant date, and each 25% of the total options will be vested and become exercisable in each subsequent year.

2. No options granted to the director were exercised, cancelled or lapsed, and a total of 2,530,972 options were voluntarily waived by the director during the year ended 31 December 2022.

3. 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 share options which remained outstanding as at 20 January 2022 (JD.com ex-dividend date). The adjusted exercise prices of the share options are reflected above. Please refer to the announcement of the Company dated 14 March 2022 for details.

4. As a result of the distribution in specie of Meituan Shares, pursuant to the scheme rules of the Post-IPO Option Scheme II and the Post-IPO Option Scheme IV, further adjustments had been made to the exercise prices of the share options as shown above which remained outstanding as at 5 January 2023 (Meituan ex-dividend date). The adjusted exercise prices of the share options had not been reflected above and were expected to be reflected during the year ending 31 December 2023. Please refer to the announcement of the Company dated 9 January 2023 for details.

Details of movements of share options granted to Employee Participants * of the Group (apart from director(s) of the Company) during the year ended 31 December 2022 are as follows:

	Number of share options						
Date of grant	As at 1 January 2022	Granted during the year (Notes 14 and 15)	Exercised during the year (Note 13)	Lapsed/ forfeited during the year	As at 31 December 2022	Exercise price HKD (Notes 16 and 17)	Exercise period/ Performance targets (Note 22)
2 Apr 2015	180,000	–	180,000	–	–	149.80	2 Apr 2016 to 1 Apr 2022 (Note 3)
10 Jul 2015	296,451	–	274,275	22,176	–	135.50	10 Jul 2016 to 9 Jul 2022 (Note 3)
21 Mar 2016	5,215,000	–	5,047,500	–	167,500	144.70	21 Mar 2017 to 20 Mar 2023 (Note 3)
6 Jul 2016	132,280	–	132,280	–	–	174.86	6 Jul 2017 to 5 Jul 2023 (Note 3)
	444,861	–	128,020	–	316,841	161.46	
24 Mar 2017	826,650	–	–	–	826,650	210.04	24 Mar 2018 to 23 Mar 2024 (Note 1)
24 Mar 2017	19,050,875	–	100,000	–	18,950,875	210.04	24 Mar 2018 to 23 Mar 2024 (Note 3)
10 Jul 2017	4,469	–	–	–	4,469	256.06	10 Jul 2018 to 9 Jul 2024 (Note 2)
10 Jul 2017	239,864	–	239,864	–	–	272.36	10 Jul 2018 to 9 Jul 2024 (Note 3)
	4,458,222	–	548,680	80,811	3,828,731	256.06	
10 Jul 2017	6,336	–	2,048	–	4,288	256.08	10 Jul 2019 to 9 Jul 2024 (Note 4)
	7,150	–	2,042	–	5,108	256.06	
23 Nov 2017	71,190	–	–	–	71,190	399.83	23 Nov 2018 to 22 Nov 2024 (Note 2)
16 Jan 2018	132,050	–	–	34,135	97,915	423.29	16 Jan 2019 to 15 Jan 2025 (Note 2)
9 Apr 2018	1,873,075	–	–	1,575	1,871,500	389.62	9 Apr 2019 to 8 Apr 2025 (Note 1)
9 Apr 2018	191,555	–	–	–	191,555	389.62	9 Apr 2019 to 8 Apr 2025 (Note 2)
9 Apr 2018	12,439,239	–	–	–	12,439,239	389.62	9 Apr 2019 to 8 Apr 2025 (Note 3)
	4,180,520	–	–	–	4,180,520	389.36	
24 May 2018	26,390	–	–	–	26,390	387.06	24 May 2019 to 23 May 2025 (Note 2)

Date of grant	As at 1 January 2022	Granted during the year (Notes 14 and 15)	Exercised during the year (Note 13)	Lapsed/ forfeited during the year	As at 31 December 2022	Exercise price HKD (Notes 16 and 17)	Exercise period/ Performance targets (Note 22)
	Number of share options						
22 Jun 2018	13,055	–	–	–	13,055	383.14	22 Jun 2019 to 21 Jun 2025 (Note 1)
22 Jun 2018	70,525	–	–	–	70,525	383.14	22 Jun 2019 to 21 Jun 2025 (Note 2)
6 Jul 2018	113,608	–	109,775	3,833	–	386.60	6 Jul 2019 to 5 Jul 2025 (Note 3)
	2,164,080	–	5,801	70,860	2,087,419	366.84	
	1,103,629	–	–	55,910	1,047,719	366.38	
6 Jul 2018	2,024	–	–	–	2,024	366.84	6 Jul 2020 to 5 Jul 2025 (Note 4)
	2,013	–	–	–	2,013	366.38	
	2,013	–	–	–	2,013	365.68	
6 Jul 2018	647	–	–	–	647	366.84	6 Jul 2021 to 5 Jul 2025 (Note 5)
	4,532	–	–	–	4,532	366.38	
	4,533	–	–	–	4,533	365.68	
	4,534	–	–	–	4,534	365.19	
24 Aug 2018	17,780	–	–	–	17,780	335.25	24 Aug 2019 to 23 Aug 2025 (Note 2)
24 Aug 2018	1,995	–	–	1,995	–	335.25	6 Jul 2019 to 23 Aug 2025 (Note 8)
	665	–	–	665	–	333.81	
4 Apr 2019	193,866	–	300	–	193,566	355.26	4 Apr 2020 to 3 Apr 2026 (Note 1)
4 Apr 2019	1,141,558	–	–	–	1,141,558	355.26	4 Apr 2020 to 3 Apr 2026 (Note 3)
	570,780	–	–	–	570,780	354.99	
	570,782	–	–	–	570,782	354.46	
4 Apr 2019	17,500,000	–	–	–	17,500,000	354.31	4 Apr 2024 to 3 Apr 2026 (Note 6)

Date of grant	As at 1 January 2022	Granted during the year (Notes 14 and 15)	Exercised during the year (Note 13)	Lapsed/ forfeited during the year	As at 31 December 2022	Exercise price HKD (Notes 16 and 17)	Exercise period/ Performance targets (Note 22)
	Number of share options						
8 Jul 2019	44,614	–	32,136	12,478	–	359.04	8 Jul 2020 to 7 Jul 2026 (Note 3)
	714,173	–	1,146	2,131	710,896	339.90	
	492,350	–	–	2,250	490,100	339.46	
	489,089	–	–	2,250	486,839	338.69	
8 Jul 2019	3,000	–	–	–	3,000	339.90	8 Jul 2021 to 7 Jul 2026 (Note 4)
	3,001	–	–	–	3,001	339.46	
	3,001	–	–	–	3,001	338.69	
	3,003	–	–	–	3,003	338.03	
23 Aug 2019	9,870	–	–	–	9,870	315.52	15 Aug 2020 to 22 Aug 2026 (Note 10)
23 Aug 2019	16,949	–	–	16,949	–	315.95	15 Aug 2020 to 22 Aug 2026 (Note 8)
	16,949	–	–	16,949	–	315.52	
	16,949	–	–	16,949	–	314.78	
23 Aug 2019	99,731	–	–	7,262	92,469	315.95	15 Aug 2020 to 22 Aug 2026 (Note 7)
	53,498	–	–	7,263	46,235	315.52	
	53,499	–	–	7,263	46,236	314.78	
2 Dec 2019	82	–	–	–	82	317.53	15 Nov 2020 to 1 Dec 2026 (Note 10)
	17,582	–	–	–	17,582	316.91	
8 Jan 2020	74,340	–	–	–	74,340	360.78	15 Dec 2020 to 7 Jan 2027 (Note 10)
	37,170	–	–	–	37,170	359.81	

Date of grant	As at 1 January 2022	Granted during the year (Notes 14 and 15)	Exercised during the year (Note 13)	Lapsed/ forfeited during the year	As at 31 December 2022	Exercise price HKD (Notes 16 and 17)	Exercise period/ Performance targets (Note 22)
	Number of share options						
8 Jan 2020	17,500	–	–	17,500	–	360.78	15 Jan 2021 to 7 Jan 2027 (Note 10)
	8,750	–	–	8,750	–	359.82	
20 Mar 2020	2,140	–	2,140	–	–	359.60	21 Jan 2021 to 19 Mar 2027 (Note 9)
	102,255	–	–	2,002	100,253	340.50	
	190,658	–	818	2,003	187,837	340.47	
20 Mar 2020	597,545	–	–	–	597,545	340.50	20 Mar 2021 to 19 Mar 2027 (Note 8)
	646,205	–	–	–	646,205	340.31	
	646,205	–	–	–	646,205	339.51	
	670,536	–	–	–	670,536	338.82	
22 May 2020	16,613	–	–	–	16,613	406.98	15 May 2021 to 21 May 2027 (Note 10)
	16,613	–	–	–	16,613	406.50	
	16,614	–	–	–	16,614	405.70	
10 Jul 2020	18,860	–	–	18,860	–	546.50	5 Jul 2021 to 9 Jul 2027 (Note 8)
	325,203	–	–	16,717	308,486	520.29	
	338,737	–	–	16,721	322,016	520.16	
	338,812	–	–	16,726	322,086	518.51	
	338,859	–	–	16,727	322,132	518.25	
10 Jul 2020	876	–	–	–	876	520.16	5 Jul 2022 to 9 Jul 2027 (Note 8)
	877	–	–	–	877	518.51	
	877	–	–	–	877	518.25	
	877	–	–	–	877	518.08	

	Number of share options						
Date of grant	As at 1 January 2022	Granted during the year (Notes 14 and 15)	Exercised during the year (Note 13)	Lapsed/ forfeited during the year	As at 31 December 2022	Exercise price HKD (Notes 16 and 17)	Exercise period/ Performance targets (Note 22)
21 Aug 2020	12,232	–	–	–	12,232	491.48	15 Jul 2021 to 20 Aug 2027 (Note 9)
	12,233	–	–	–	12,233	491.22	
21 Aug 2020	3,511	–	–	–	3,511	491.48	15 Aug 2021 to 20 Aug 2027 (Note 10)
	3,512	–	–	–	3,512	491.16	
	3,512	–	–	–	3,512	490.57	
21 Aug 2020	1,239	–	–	–	1,239	491.48	15 Aug 2021 to 20 Aug 2027 (Note 8)
	1,240	–	–	–	1,240	491.16	
	1,242	–	–	–	1,242	490.57	
	1,243	–	–	–	1,243	490.30	
23 Nov 2020	54,353	–	–	–	54,353	557.52	15 Oct 2021 to 22 Nov 2027 (Note 9)
	54,355	–	–	38,992	15,363	557.28	
23 Nov 2020	2,951	–	–	–	2,951	557.52	15 Oct 2021 to 22 Nov 2027 (Note 10)
	2,952	–	–	–	2,952	557.28	
	2,952	–	–	–	2,952	556.65	
23 Nov 2020	4,206	–	–	–	4,206	557.52	15 Nov 2021 to 22 Nov 2027 (Note 8)
	4,206	–	–	–	4,206	557.23	
	4,206	–	–	–	4,206	556.59	
	4,207	–	–	–	4,207	555.91	

Date of grant	As at 1 January 2022	Granted during the year (Notes 14 and 15)	Exercised during the year (Note 13)	Lapsed/ forfeited during the year	As at 31 December 2022	Exercise price HKD (Notes 16 and 17)	Exercise period/ Performance targets (Note 22)
	Number of share options						
23 Dec 2020	7,014	–	–	–	7,014	547.29	15 Dec 2021 to 22 Dec 2027 (Note 9)
	7,014	–	–	–	7,014	546.94	
23 Dec 2020	35,069	–	–	–	35,069	547.29	15 Dec 2021 to 22 Dec 2027 (Note 10)
	35,069	–	–	–	35,069	546.94	
	35,069	–	–	–	35,069	546.44	
30 Mar 2021	531,351	–	–	6,353	524,998	588.81	8 Feb 2022 to 29 Mar 2028 (Note 9)
	531,559	–	–588.81	6,359	525,200	588.52	
30 Mar 2021	25,083	–	–	–	25,083	588.81	8 Feb 2022 to 29 Mar 2028 (Note 8)
	25,083	–	–	–	25,083	588.52	
	25,084	–	–	–	25,084	588.00	
	25,085	–	–	–	25,085	587.47	
30 Mar 2021	1,444	–	–	–	1,444	588.81	

Date of grant	Vesting period	Number of Shares granted	Closing price of Shares immediately before date of grant HKD	Fair value of awards at the date of grant per Share HKD
Employee Participants				
24 Mar 2022	15 Feb 2023 to 15 Feb 2025	936,925	389.0	366.0
24 Mar 2022	15 Feb 2023 to 15 Feb 2026	253,874	389.0	366.0
24 Mar 2022	15 Feb 2024 to 15 Feb 2026	91,682	389.0	366.0
24 Mar 2022	15 Jan 2023 to 15 Jan 2024	93,362	389.0	366.0
24 Mar 2022	15 Jan 2023 to 15 Jan 2025	1,421,877	389.0	366.0
24 Mar 2022	15 Jan 2023 to 15 Jan 2026	3,201	389.0	366.0
24 Mar 2022	15 Jan 2024 to 15 Jan 2026	22,146	389.0	366.0
24 Mar 2022	15 Mar 2023 to 15 Mar 2024	93,061	389.0	366.0
24 Mar 2022	15 Mar 2023 to 15 Mar 2025	1,018,382	389.0	366.0
24 Mar 2022	15 Mar 2023 to 15 Mar 2026	3,884	389.0	366.0
24 Mar 2022	15 Mar 2024 to 15 Mar 2026	27,136	389.0	366.0
24 Mar 2022	15 Nov 2022 to 15 Nov 2025	1,714	389.0	366.0
24 Mar 2022	24 Mar 2023 to 24 Mar 2026	2,140,780	389.0	366.0
24 Mar 2022	27 Jan 2023 to 27 Jan 2024	8,398,397	389.0	366.0
23 May 2022	15 Apr 2023 to 15 Apr 2024	132,094	352.2	346.8
23 May 2022	15 Apr 2023 to 15 Apr 2025	911,250	352.2	346.8
23 May 2022	15 Apr 2024 to 15 Apr 2026	10,544	352.2	346.8
23 May 2022	15 Dec 2022 to 15 Dec 2024	1,582	352.2	346.8

Date of grant	Vesting period	Number of Shares granted	Closing price of Shares immediately before date of grant HKD	Fair value of awards at the date of grant per Share HKD
Employee Participants				
23 May 2022	15 Feb 2023 to 15 Feb 2024	1,297	352.2	346.8
23 May 2022	15 Feb 2023 to 15 Feb 2025	56,392	352.2	346.8
23 May 2022	15 Jun 2023 to 15 Jun 2025	42,174	352.2	346.8
23 May 2022	15 Mar 2023 to 15 Mar 2025	86,654	352.2	346.8
23 May 2022	15 May 2023 to 15 May 2024	73,181	352.2	346.8
23 May 2022	15 May 2023 to 15 May 2025	536,881	352.2	346.8
23 May 2022	15 May 2024 to 15 May 2026	25,494	352.2	346.8
23 May 2022	23 May 2022	103	352.2	346.8
18 Aug 2022	1 Apr 2023 to 1 Apr 2026	81,513	303.2	312.6
18 Aug 2022	1 Apr 2023 to 1 Apr 2029	240,564	303.2	312.6
18 Aug 2022	1 Jul 2023 to 1 Jul 2026	9,523	303.2	312.6
18 Aug 2022	15 Aug 2023 to 15 Aug 2024	341,044	303.2	312.6
18 Aug 2022	15 Aug 2023 to 15 Aug 2025	452,937	303.2	312.6
18 Aug 2022	15 Aug 2023 to 15 Aug 2026	11,395	303.2	312.6
18 Aug 2022	15 Aug 2024 to 15 Aug 2026	28,543	303.2	312.6
18 Aug 2022	15 Dec 2022 to 15 Dec 2023	826	303.2	312.6
18 Aug 2022	15 Jul 2023 to 15 Jul 2024	2,175,664	303.2	312.6

Date of grant	Vesting period	Number of Shares granted	Closing price of Shares immediately before date of grant HKD	Fair value of awards at the date of grant per Share HKD
Employee Participants				
18 Aug 2022	15 Jul 2023 to 15 Jul 2025	434,842	303.2	312.6
18 Aug 2022	15 Jul 2023 to 15 Jul 2026	25,166,881	303.2	312.6
18 Aug 2022	15 Jul 2024 to 15 Jul 2026	23,647	303.2	312.6
18 Aug 2022	15 Jun 2023 to 15 Jun 2024	47,196	303.2	312.6
18 Aug 2022	15 Jun 2023 to 15 Jun 2025	630,840	303.2	312.6
18 Aug 2022	15 Jun 2024 to 15 Jun 2026	12,509	303.2	312.6
18 Aug 2022	15 May 2023 to 15 May 2025	2,696	303.2	312.6
18 Aug 2022	18 Aug 2022	3,601,259	303.2	312.6
17 Nov 2022	1 Jul 2023 to 1 Jul 2026	15,698	294.4	292.0
17 Nov 2022	1 Oct 2023 to 1 Oct 2026	33,492	294.4	292.0
17 Nov 2022	15 Apr 2023 to 15 Apr 2025	133,400	294.4	292.0
17 Nov 2022	15 Aug 2023 to 15 Aug 2024	7,856	294.4	292.0
17 Nov 2022	15 Aug 2023 to 15 Aug 2025	54,850	294.4	292.0
17 Nov 2022	15 Aug 2023 to 15 Aug 2026	47,910	294.4	292.0
17 Nov 2022	15 Aug 2024 to 15 Aug 2026	3,540	294.4	292.0

Date of grant	Vesting period	Number of Shares granted	Closing price of Shares immediately before date of grant HKD	Fair value of awards at the date of grant per Share HKD
Employee Participants				
17 Nov 2022	15 Jan 2023 to 15 Jan 2025	9,065	294.4	292.0
17 Nov 2022	15 Jul 2023 to 15 Jul 2026	4,282	294.4	292.0
17 Nov 2022	15 Jun 2023 to 15 Jun 2025	90,031	294.4	292.0
17 Nov 2022	15 May 2023 to 15 May 2025	1,657	294.4	292.0
17 Nov 2022	15 Nov 2023 to 15 Nov 2024	12,396	294.4	292.0
17 Nov 2022	15 Nov 2023 to 15 Nov 2025	728,285	294.4	292.0
17 Nov 2022	15 Nov 2023 to 15 Nov 2026	13,760	294.4	292.0
17 Nov 2022	15 Nov 2024 to 15 Nov 2026	35,657	294.4	292.0
17 Nov 2022	15 Oct 2023 to 15 Oct 2024	31,404	294.4	292.0
17 Nov 2022	15 Oct 2023 to 15 Oct 2025	499,945	294.4	292.0
17 Nov 2022	15 Oct 2023 to 15 Oct 2026	2,795	294.4	292.0
17 Nov 2022	15 Oct 2024 to 15 Oct 2026	30,545	294.4	292.0
17 Nov 2022	15 Sep 2023 to 15 Sep 2024	43,474	294.4	292.0
17 Nov 2022	15 Sep 2023 to 15 Sep 2025	357,064	294.4	292.0
17 Nov 2022	15 Sep 2023 to 15 Sep 2026	5,430	294.4	292.0
17 Nov 2022	15 Sep 2024 to 15 Sep 2026	3,177	294.4	292.0

Date of grant	Vesting period	Number of Shares granted	Closing price of Shares immediately before date of grant HKD	Fair value of awards at the date of grant per Share HKD
Employee Participants				
17 Nov 2022	17 Nov 2022 to 5 Jul 2025	3,337	294.4	292.0
7 Dec 2022	7 Dec 2022	6,939,821	311.8	300.2
	Total:	60,892,716		
Service Providers				
24 Mar 2022	15 Apr 2023 to 15 Apr 2026	6,899	389.0	366.0
24 Mar 2022	15 Feb 2023 to 15 Feb 2026	16,347	389.0	366.0
24 Mar 2022	15 Mar 2023 to 15 Mar 2026	11,854	389.0	366.0
24 Mar 2022	24 Mar 2023 to 24 Mar 2024	12,806	389.0	366.0
24 Mar 2022	24 Mar 2024 to 24 Mar 2025	12,806	389.0	366.0
23 May 2022	15 Apr 2023 to 15 Apr 2026	3,848	352.2	346.8
23 May 2022	15 Mar 2023 to 15 Mar 2024	4,907	352.2	346.8
23 May 2022	15 May 2023 to 15 May 2026	10,945	352.2	346.8
18 Aug 2022	15 Aug 2023 to 15 Aug 2026	37,307	303.2	312.6
18 Aug 2022	15 Jul 2023 to 15 Jul 2026	68,379	303.2	312.6
18 Aug 2022	15 Jun 2023 to 15 Jun 2026	7,810	303.2	312.6
18 Aug 2022	18 Aug 2022	123,333	303.2	312.6
17 Nov 2022	15 Aug 2023 to 15 Aug 2026	16,991	294.4	292.0
17 Nov 2022	15 Jul 2023 to 15 Jul 2026	2,136	294.4	292.0

Date of grant	Vesting period	Number of Shares granted	Closing price of Shares immediately before date of grant HKD	Fair value of awards at the date of grant per Share HKD
Service Providers				
17 Nov 2022	15 Nov 2023 to 15 Nov 2026	45,406	294.4	292.0
17 Nov 2022	15 Oct 2023 to 15 Oct 2026	34,757	294.4	292.0
17 Nov 2022	15 Sep 2023 to 15 Sep 2026	106,160	294.4	292.0
7 Dec 2022	7 Dec 2022	94,918	311.8	300.2
	Total:	617,609		
	Grand Total:	61,510,325		

6. No awards granted to the Employee Participants or the Service Providers were cancelled during the year ended 31 December 2022.
7. All of the above grants were made prior to the amendment to Chapter 17 of the Listing Rules taking effect.
8. None of the grants of awards to any participant is in excess of the 1% individual limit.
9. Details of the valuation of share awards of the Company during the year, including the accounting standard and policy adopted for the Share Award Schemes, are set out in Note 35 and Note 2.26 to the consolidated financial statements.
10. All of the grants made during the year ended 31 December 2022 were made without any performance targets.
11. Disclosures herein with respect to the top five highest paid employees consist of the number of Awarded Shares to be satisfied by existing shares only. The number of Awarded Shares granted to the top five highest paid employees to be satisfied by shares to be issued are included under the "Employee Participants" category.
12. 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 (JD.com ex-dividend date). The number of additional Awarded Shares awarded pursuant to the adjustments is shown above. Please refer to the announcement of the Company dated 14 March 2022 for details.
13. As a result of the distribution in specie of Meituan Shares, pursuant to the scheme rules of the 2013 Share Award Scheme and the 2019 Share Award Scheme, further adjustments had been made to the number of Shares subject to share awards which remained unvested as at 5 January 2023 (Meituan ex-dividend date). The adjusted number of Awarded Shares had not been reflected above and were expected to be reflected during the year ending 31 December 2023. Please refer to the announcement of the Company dated 9 January 2023 for details.

* Employee Participants include employees of any member of the Group (including persons who are granted options under the Post-IPO Option Scheme II and the Post-IPO Option Scheme IV or awards under the Share Award Schemes as an inducement to enter into employment contracts with these companies (as the case may be))

\# Service Providers include any person who, or which, provides services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group, including independent contractors, consultants, advisers, agents and suppliers, with reference to, among other things, research and development, engineering or technical contribution, the design or development or distribution of products/services provided by the Group, or otherwise will contribute significantly to the growth of the Group's financial or business performance for research and development, product commercialisation, marketing, innovation upgrading, strategic/commercial planning on corporate image and investor relations in investment environment of the Group, as determined by the Board in its sole and absolute discretion.

DIRECTORS AND SENIOR MANAGEMENT

The directors and senior management of the Company during the year and up to the date of this annual report were:

Executive Directors

Ma Huateng *(Chairman)*
Lau Chi Ping Martin

Non-Executive Directors

Jacobus Petrus (Koos) Bekker
Charles St Leger Searle

Independent Non-Executive Directors

Li Dong Sheng
Ian Charles Stone
Yang Siu Shun
Ke Yang
Zhang Xiulan (appointed with effect from 18 August 2022)

In accordance with Article 87 of the Articles of Association, Mr Lau Chi Ping Martin and Mr Jacobus Petrus (Koos) Bekker will retire at the 2023 AGM. Mr Lau will not offer himself for re-election at the 2023 AGM and Mr Koos Bekker, being eligible, will offer himself for re-election. In addition, in accordance with Article 86(3) of the Articles of Association, Professor Zhang Xiulan, who was appointed as director with effect from 18 August 2022, will hold office until the 2023 AGM and, being eligible, will offer herself for re-election.

The Company has received from each independent non-executive director an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Board considers them independent.

Directors' Report

BIOGRAPHICAL DETAILS AND OTHER INFORMATION OF DIRECTORS

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

Lau Chi Ping Martin, age 49, is an executive director and President of the Company. Mr Lau joined the Company in 2005 as the Chief Strategy and Investment Officer and was responsible for corporate strategies, investments, mergers and acquisitions and investor relations. In 2006, Mr Lau was promoted to President of the Company to manage the day-to-day operation of the Company. In 2007, he was appointed as an executive director of the Company. Prior to joining the Company, Mr Lau was an executive director at Goldman Sachs (Asia) L.L.C.'s investment banking division and the Chief Operating Officer of its Telecom, Media and Technology Group. Prior to that, he worked at McKinsey & Company, Inc. as a management consultant. Mr Lau received a Bachelor of Science degree in Electrical Engineering from University of Michigan, a Master of Science degree in Electrical Engineering from Stanford University and an MBA degree from Kellogg Graduate School of Management, Northwestern University. Mr Lau is currently a director of Vipshop Holdings Limited, an online discount retailer company, that is listed on the New York Stock Exchange. Mr Lau was a non-executive director of Kingsoft Corporation Limited, an Internet based software developer, distributor and software service provider, and Meituan, a leading eCommerce platform for services the Chief Stra3Se u022ror o 5rentare57 Tw 9 0 0 9 56.699 56.699 56.699 56.60

- appoints the Chief Executive Officer, who reports to the Board, and ensures that succession is planned;
- approves the Company's financial statements and interim and annual reports;
- determines the Group's communication policy;
- determines directors' selection, orientation and evaluation;
- ensures that the Group has appropriate risk management, internal control, internal audit and regulatory compliance procedures in place and that it communicates adequately with shareholders and stakeholders;
- establishes Board committees with clear terms of reference and responsibilities as appropriate;
- defines levels of delegation in respect of specific matters, with required authority to Board committees and management;
- monitors non-financial aspects pertaining to the businesses of the Group;
- considers and, if appropriate, declares the payment of dividends to shareholders; and
- regularly evaluates its own performance and effectiveness.

The Board delegates the responsibility of day-to-day business and operations to the Company's senior management team, which includes its chief officers, the president and executive vice-presidents. The senior management team meets once every two weeks or as frequently as necessary to formulate policies and make recommendations to the Board. The senior management team administers, enforces, interprets and supervises compliance with the internal rules and operational procedures of the Company as well as its subsidiaries and conducts regular reviews, recommends and advises on appropriate amendments to such rules and procedures. The senior management team reports to the Board on a regular basis and communicates with the Board whenever required.

To better serve the long-term interests of our stakeholders, the Board delegates certain matters requiring particular time, attention and expertise to its committees. The Board has determined that these matters are better dealt with by the committees as they require independent oversight and specialist input. As such, the Board has established five committees to assist the Board: Audit Committee, Corporate Governance Committee, Investment Committee, Nomination Committee and Remuneration Committee. Each of the committees has its terms of reference which clearly specifies its powers and authorities. All committees report back to the Board and make recommendations to the Board if necessary.

The Company's governance structure of these committees can be summarised as follows:

Audit Committee

- handles the relationship with the Company's external auditor;
- reviews the Company's financial information;
- exercises oversight of the Company's financial reporting system;
- reviews the work done by the Company's management with respect to risk management and internal control systems;
- oversees the risks undertaken by the Company including determining the level of risk the Company expects to and is able to take; and
- oversees the Group's anti-money laundering and sanctions compliance system.

Corporate Governance Committee

- reviews the Company's corporate governance and makes recommendations to the Board;
- reviews and monitors the Company's policies and practices on its compliance with legal and regulatory requirements;
- develops, reviews and monitors the code of conduct and compliance manual (if any) applicable to employees and directors;
- reviews the shareholders communication policy and makes recommendations to the Board where appropriate to enhance effective communications between the Company and its shareholders;
- reviews and monitors the evaluation and management of issues related to the Company's Environmental, Social and Governance ("ESG") matters;
- reviews and monitors the progress made against ESG-related goals and targets;
- reviews the Company's compliance with the CG Code and disclosure in the Corporate Governance Report and the ESG Report;
- reviews the Company's ESG strategy and makes recommendations to the Board; and
- reviews and monitors the training and continuous professional development of the directors and senior management team.

Investment Committee

- identifies, considers and makes recommendations on mergers, acquisitions and disposals; and
- ensures compliance with the Listing Rules and any other relevant laws and regulations on any mergers, acquisitions and disposals.

Nomination Committee

- reviews and monitors the structure, size, composition and diversity of the Board in light of the Company's strategy;
- identifies suitable and qualified individuals and makes recommendations to the Board as to new Board members, by taking into account the individual's experience, knowledge, skills, gender and background, as well as the Listing Rules requirements;
- reviews and makes recommendations to the Board on individuals nominated to be directors by shareholders;
- assesses the independence of independent non-executive directors and the perspectives, skills and experience that such director can bring to the Board; and
- reviews and monitors the implementation of the board diversity policy and the board nomination policy of the Company.

Remuneration Committee

- reviews and approves proposals about the policy and structure of remuneration of directors and senior management team;
- ensures that these remuneration proposals are aligned to corporate goals and objectives;
- ensures that no director or any of his associates is involved in deciding his own remuneration; and
- reviews and approves matters relating to share schemes under Chapter 17 of the Listing Rules.

The terms of reference of the Remuneration Committee were revised and adopted in January 2023 taking into account the roles and responsibilities of the Remuneration Committee set out under the new requirements in Chapter 17 of the Listing Rules which took effect in January 2023.

The major work of these committees during the year 2022 is set out on pages 99 to 106.

All directors have full and timely access to all relevant information as well as the advice and services of the Company's general counsel and the company secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. All directors may also obtain independent professional advice at the Company's expense for carrying out their functions.

We believe education and training are important for maintaining an effective Board. New directors undergo an orientation programme designed to provide a thorough understanding of the Group's operations and businesses, and also receive a handbook outlining their responsibilities under the Listing Rules and applicable laws. Existing directors are provided with tailored training programmes covering topics such as best practices in corporate governance, legal and regulatory trends and, given the nature of our business, emerging technologies and products. Directors also regularly meet with the senior management team to understand the Group's businesses, governance policies and regulatory environment. During the year ended 31 December 2022, the Company arranged training on topics relating to corporate governance, legal and regulatory updates and product trends which are relevant to the Group's businesses. The table below summarises the participation of each of the directors in continuous professional development during the year ended 31 December 2022:

Name of director	Participated in continuous professional development[1]
Executive directors	
Ma Huateng	
Lau Chi Ping Martin	
Non-executive directors	
Jacobus Petrus (Koos) Bekker	
Charles St Leger Searle	
Independent non-executive directors	
Li Dong Sheng	
Ian Charles Stone	
Yang Siu Shun	
Ke Yang	
Zhang Xiulan[2]	

[1] Attended training/seminar/conference arranged by the Company or other external parties or read relevant materials.

[2] Professor Zhang Xiulan has been appointed as an independent non-executive director of the Company with effect from 18 August 2022.

Corporate Governance Report

A high level of corporate governance and integrity cannot be maintained only with the Board's efforts. Each of the Group's employees plays a role in contributing to such cause. A code of conduct which emphasises integrity and respect is distributed by the Company to all employees and it forms part of the employment agreement with each of the employees.

In addition, the Board has adopted various practices to bring the Group to a high level of corporate governance and compliance with the CG Code.

To stay abreast of the high level of corporate governance and maintain transparency of our corporate governance practices, we have continued to adopt and foster the following corporate governance practices:

h review of the shareholders communication policy has been and will be conducted on a regular basis;

h training has been and will continue to be provided to the directors on a timely basis, including briefing the directors on any updates to the Listing Rules and relevant laws;

h the company secretary who is an employee of the Company attends training in compliance with the Listing Rules requirements; and

h informal updates from time to time and structured monthly updates on the Company's performance, position and prospects are provided to the directors.

Chairman and Chief Executive Officer

Mr Ma Huateng serves as the Chairman and Chief Executive Officer of the Company. This is at variance with code provision C.2.1 of the CG Code, which provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual, and that the division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

In view of the ever-changing business environment in which our Group operates, the Chairman and Chief Executive Officer must be technically sophisticated and sensitive to fast and rapid market changes, including changes in users' preferences, in order to promote the different businesses of the Group. The Board thus considers that a segregation of the roles of the Chairman and Chief Executive Officer may create unnecessary costs for the daily operation of the Group.

Besides, all major decisions have been made in consultation with members of the Board and appropriate committees, as well as the senior management team. Chief officers and senior executives are invited to attend Board meetings from time to time to make presentations and answer the Board's enquiries. In addition, directors are encouraged to participate actively in all Board and committee meetings of which they are members, and the Chairman ensures that all issues raised are properly briefed at the Board meetings, and he works with the senior management team to provide adequate, accurate, clear, complete and reliable information to members of the Board in a timely manner. Further, the Chairman ensures that adequate time is available for discussion for all items at the Board meetings. During the year ended 31 December 2022, the Chairman held a meeting with the independent non-executive directors without the presence of other directors as required by the Listing Rules.

The Board is therefore of the view that there is an adequate balance of power and that appropriate safeguards are in place. Nevertheless, the Board will continue to regularly monitor and review the Company's current structure and make necessary changes when appropriate.

Composition

As at the date of this annual report, the Board is comprised of nine directors, with two executive directors, two non-executive directors and five independent non-executive directors. During the year ended 31 December 2022 and up to the date of this annual report, there is no change to the composition of the Board except that Professor Zhang Xiulan has been appointed as an independent non-executive director with effect from 18 August 2022.

A list of directors and their respective biographies which include their positions held at the Company and certain subsidiaries are set out on pages 67 to 71 of this annual report. There is no relationship (including financial, business, family or other material/relevant relationship(s)) among members of the Board.

In order to take advantage of the skills, experiences and diversity of perspectives of the directors and in order to ensure that the directors give sufficient time and attention to the Group's affairs, we request each director to disclose to the Company, on a quarterly basis, the number and the nature of offices held in public companies or organisations and other significant commitments. The Board's composition is otm t22

Independent Auditor's Report

TO THE SHAREHOLDERS OF TENCENT HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Tencent Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 131 to 275, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- 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.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition on provision of online games value-added services – estimates of the lifespans of virtual items

- Impairment assessments of goodwill, investments in associates and joint ventures

- Fair value measurement of Level 3 financial instruments, including financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and other financial liabilities

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition on provision of online games value-added services – estimates of the lifespans of virtual items Refer to Notes 2.28(a), 4(a) and 5(b) to the consolidated financial statements The Group recognises revenue from sales of virtual items to the users in respect of value-added services rendered on the Group's online platforms. The relevant revenue is recognised over the lifespans of the respective virtual items determined by the management, on an item by item basis, with reference to the expected users' relationship periods or the stipulated period of validity of the relevant virtual items, depending on the terms of the virtual items. During the year ended 31 December 2022, majority of the Group's revenue from value-added services was contributed by online games and was predominately derived from the sales of virtual items. We focused on this area due to the fact that management applied significant judgments in determining the expected users' relationship periods for certain virtual items. These judgments included (i) the determination of key assumptions applied in the expected users' relationship periods, including but not limited to historical users' consumption patterns, churn rates and reactivity on marketing activities, games life-cycle, and the Group's marketing strategy; and (ii) the identification of events that may trigger changes in the expected users' relationship periods.	We discussed with management and evaluated their judgments on key assumptions in determining the estimated lifespans of the virtual items that were based on the expected users' relationship periods. We tested, on a sample basis, key controls in respect of the recognition of revenue from sales of virtual items, including management's review and approval of (i) determination of the estimated lifespans of new virtual items prior to their launches; and (ii) changes in the estimated lifespans of existing virtual items based on periodic reassessment on any indicators triggering such changes. We also assessed the data generated from the Group's information system supporting the management's review, tested the information system logic for generation of reports, and checked, on a sample basis, the monthly computation of revenue recognised on selected virtual items generated directly from the Group's information system. We assessed, on a sample basis, the expected users' relationship periods adopted by management by testing the data integrity of historical users' consumption patterns and calculation of the churn rates. We also evaluated the consideration made by management in determining the underlying assumptions for expected users' relationship periods with reference to historical operating and marketing data of the relevant games. We also assessed, on a sample basis, the historical accuracy of the management's estimation process by comparing the actual users' relationship periods for the year against the original estimation for selected virtual items. We found that the results of our procedures performed to be materially consistent with management's assessment.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessments of goodwill, investments in associates and joint ventures	
Refer to Notes 2.12(a), 2.14, 4(b), 20, 21 and 22 to the consolidated financial statements As at 31 December 2022, the Group held significant amounts of goodwill, investments in associates and joint ventures amounting to RMB116,731 million, RMB246,043 million and RMB6,672 million, respectively. Impairment of RMB8,826 million, RMB25,689 million and RMB3 million had been provided for against the carrying amounts of goodwill, investments in associates and investments in joint ventures, respectively, during the year ended 31 December 2022. We focused on this area due to the magnitude of the carrying amounts of these assets and the fact that significant judgments were required by management (i) to identify whether any impairment indicators existed for any of these assets during the year; (ii) to determine the appropriate impairment assessment approaches, i.e. fair value less costs of disposal and value in use; and (iii) to select key assumptions to be adopted in the valuation models, including discounted cash flows and market approach, for the impairment assessments.	We tested management's assessment including periodic impairment indicators evaluation as to whether indicators of impairment exist by corroborating with management and market information. We also tested, on a sample basis, key controls in respect of the impairment assessments, including the determination of appropriate impairment approaches, valuation models and assumptions and the calculation of impairment provisions, where we found no material exceptions. Management adopted different valuation models, on a case by case basis, in carrying out the impairment assessments, mainly including discounted cash flows and market approach. We assessed, on a sample basis, the basis management used to monitor separate groups of cash generating units that contain goodwill, the impairment assessment approaches and the valuation models used in management's impairment assessments, which we found to be appropriate.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessments of goodwill, investments in associates and joint ventures (continued)	
	In respect of the impairment assessments of cash generating units that contain goodwill, investments in associates and investments in joint ventures using discounted cash flows, we assessed the key assumptions adopted including revenue growth rates, terminal growth rates, discount rates and other assumptions by examining the approved financial/business forecast models, and comparing actual results for the year against the previous period's forecasts and the applicable industry/business data external to the Group. We assessed certain of these key assumptions with the involvement of our internal valuation experts. We considered that the key assumptions adopted by management were in line with our expectations and evidences obtained. In respect of the impairment assessments of cash generating units that contain goodwill, investments in associates and investments in joint ventures using market approach, we assessed the valuation assumptions including the selection of comparable companies, recent market transactions, and liquidity discount for lack of marketability, etc. We assessed these key assumptions adopted by management with the involvement of our internal valuation experts based on our industry knowledge and independent research performed by us. We considered that the key assumptions adopted by management were in line with our expectations and evidences obtained. We independently tested, on a sample basis, the accuracy of mathematical calculations applied in the valuation models and the calculation of impairment charges. We found that the valuation models were acceptable, and the key assumptions made by management were supported by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Fair value measurement of Level 3 financial instruments, including financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and other financial liabilities	
Refer to Notes 3.3, 4(c), 24, 25 and 39 to the consolidated financial statements As at 31 December 2022, the Group's financial assets and financial liabilities which were carried at fair value mainly comprised financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and other financial liabilities of approximately RMB234,048 million, RMB185,247 million and RMB3,307 million, respectively, of which approximately RMB215,843 million of these financial assets and approximately RMB3,298 million of these financial liabilities were measured based on significant unobservable inputs and classified as "Level 3 financial instruments". We focused on this area due to the high degree of judgment required in determining the respective fair values of Level 3 financial instruments, which do not have direct open market quoted values, with respect to the adoption of applicable valuation methodology and the application of appropriate assumptions in the valuation.	In respect of the fair value measurement of Level 3 financial instruments, we tested the key controls, on a sample basis, in relation to the valuation process including the adoption of applicable valuation methodology and the application of appropriate assumptions in different circumstances, by inspection of the evidence of management's review, where we found no material exceptions. We involved our internal valuation experts to discuss with management and assess the appropriateness of valuation methodology and assumptions used. We tested, on a sample basis, valuation of Level 3 financial instruments as at 31 December 2022 by evaluating the underlying assumptions and inputs including risk-free rates, expected volatility, relevant underlying financial projections, and market information of recent transactions (such as recent fund raising transactions undertaken by the investees) as well as underlying supporting documentation. We also tested, on a sample basis, the arithmetical accuracy of the valuation computation. We found that the valuation methodology of Level 3 financial instruments was acceptable and the assumptions made by management were supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSO FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

h Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

h Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

h Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

h Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

h Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

h Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wilson W.Y. Chow.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2023

Consolidated Income Statement

For the year ended 31 December 2022

	Note	Year ended 31 December 2022 RMB'Million	2021 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
	5	554,552	560,118
Cost of revenues	8	(315,806)	(314,174)
Gross profit		238,746	245,944
Interest income	6	8,592	6,650
Other gains/(losses), net	7	124,293	149,467
Selling and marketing expenses	8	(29,229)	(40,594)
General and administrative expenses	8	(106,696)	(89,847)
Operating profit		235,706	271,620
Finance costs, net	9	(9,352)	(7,114)
Share of profit/(loss) of associates and joint ventures, net	10	(16,129)	(16,444)
Profit before income tax		210,225	248,062
Income tax expense	11	(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
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)			
– basic	12(a)	19.757	23.597
– diluted	12(b)	19.341	23.164

The notes on pages 142 to 275 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	Note	2022 RMB'Million	2021 RMB'Million
		Year ended 31 December	
Profit for the year		188,709	227,810
Other comprehensive income, net of tax:			
Items that may be subsequently reclassified to profit or loss			
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
Items that will not be subsequently reclassified to profit or loss			
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	32	(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)
		(129,145)	(27,420)
Total comprehensive income for the year		59,564	200,390
Attributable to:			
Equity holders of the Company		60,699	200,323
Non-controlling interests		(1,135)	67
		59,564	200,390

The notes on pages 142 to 275 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2022

	Note	As at 31 December 2022 RMB'Million	2021 RMB'Million
ASSETS			
Non-current assets			
Property, plant and equipment	16	53,978	61,914
Land use rights	17	18,046	17,728
Right-of-use assets	18	22,524	20,468
Construction in progress	19	9,229	5,923
Investment properties		559	517
Intangible assets	20	161,802	171,376
Investments in associates	21	246,043	316,574
Investments in joint ventures	22	6,672	6,614
Financial assets at fair value through profit or loss	24	206,085	192,184
Financial assets at fair value through other comprehensive income	25	185,247	250,257
Prepayments, deposits and other assets	26	36,752	37,177
Other financial assets	27	6,987	1,261
Deferred income tax assets	28	29,882	26,068
Term deposits	29	28,336	19,491
		1,012,142	1,127,552
Current assets			
Inventories		2,333	1,063
Accounts receivable	30	45,467	49,331
Prepayments, deposits and other assets	26	76,685	65,390
Other financial assets	27	1,278	1,749
Financial assets at fair value through profit or loss	24	27,963	10,573
Term deposits	29	104,776	83,813
Restricted cash	31	2,783	2,476
Cash and cash equivalents	31	156,739	167,966
Assets held for distribution	32	147,965	102,451
		565,989	484,812
Total assets		1,578,131	1,612,364

Consolidated Statement of Financial Position

As at 31 December 2022

	Note	As at 31 December 2022 RMB'Million	2021 RMB'Million
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	33	–	–
Share premium	33	62,418	67,330
Treasury shares	33	(1,868)	–
Shares held for share award schemes	33	(4,226)	(4,843)
Other reserves	34	(40,914)	73,901
Retained earnings		705,981	669,911
		721,391	806,299
Non-controlling interests		61,469	70,394
Total equity		782,860	876,693
LIABILITIES			
Non-current liabilities			
Borrowings	36	163,668	136,936
Notes payable	37	148,669	145,590
Long-term payables	38	9,067	9,966
Other financial liabilities	39	5,574	5,912
Deferred income tax liabilities	28	12,162	13,142
Lease liabilities		18,424	16,501
Deferred revenue	5(c)(i)	3,503	4,526
		361,067	332,573

As at 31 December 2022

	Note	As at 31 December 2022 RMB'Million	2021 RMB'Million
Current liabilities			
Accounts payable	40	92,381	109,470
Other payables and accruals	41	61,139	60,582
Borrowings	36	11,580	19,003
Notes payable	37	10,446	–
Current income tax liabilities		13,488	12,506
Other tax liabilities		4,698	2,240
Other financial liabilities	39	3,937	3,554
Lease liabilities		6,354	5,446
Deferred revenue	5(c)(i)	82,216	87,846
Dividends payable for distribution in specie	15(b)	147,965	102,451
		434,204	403,098
Total liabilities		795,271	735,671
Total equity and liabilities		1,578,131	1,612,364

The notes on pages 142 to 275 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 131 to 275 were approved by the Board on 22 March 2023 and were signed on its behalf:

Ma Huateng
Director

Lau Chi Ping Martin
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to equity holders of the Company								
	Share capital RMB'Million	Share premium RMB'Million	Treasury shares RMB'Million	Shares held for share award schemes RMB'Million	Other reserves RMB'Million	Retained earnings RMB'Million	Total RMB'Million	Non-controlling interests RMB'Million	Total equity RMB'Million
Balance at 1 January 2022	–	67,330	–	(4,843)	73,901	669,911	806,299	70,394	876,693
Comprehensive income									
Profit for the year	–	–	–	–	–	188,243	188,243	466	188,709
Other comprehensive income, net of tax:									
– share of other comprehensive income of associates and joint ventures	–	–	–	–	2,337	–	2,337	79	2,416
– net losses from changes in fair value of assets held for distribution	–	–	–	–	(6,102)	–	(6,102)	–	(6,102)
– transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	–	–	–	–	(129)	–	(129)	–	(129)
– net losses from changes in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	(146,500)	–	(146,500)	(2,238)	(148,738)
– transfer to profit or loss upon disposal of financial assets at fair value through other comprehensive income	–	–	–	–	11	–	11	2	13
– currency translation differences	–	–	–	–	17,494	–	17,494	444	17,938
– other fair value gains, net	–	–	–	–	5,345	–	5,345	112	5,457
Total comprehensive income for the year	–	–	–	–	(127,544)	188,243	60,699	(1,135)	59,564
Transfer of losses on disposal and deemed disposal of financial instruments to retained earnings	–	–	–	–	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)

For the year ended 31 December 2022

	Attributable to equity holders of the Company								
	Share capital RMB'Million	Share premium RMB'Million	Treasury shares RMB'Million	Shares held for share award schemes RMB'Million	Other reserves RMB'Million	Retained earnings RMB'Million	Total RMB'Million	Non-controlling interests RMB'Million	Total equity RMB'Million
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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	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)

For the year ended 31 December 2022

	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
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)

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Year ended 31 December	
	2022	2021
	RMB'Million	RMB'Million
Cash flows from financing activities		
Proceeds from short-term borrowings	7,701	23,103
Repayments of short-term borrowings	(15,378)	(22,944)
Proceeds from long-term borrowings	22,535	33,348
Repayments of long-term borrowings	(8,451)	(777)
Net proceeds from issuance of notes payable	–	27,060
Principal elements of lease payments	(5,969)	(4,423)
Interest paid	(9,342)	(7,525)
Payments for repurchase of shares	(29,307)	(2,170)
Proceeds from issuance of ordinary shares as a result of exercise of share options	995	1,043
Shares withheld for share award schemes	(2,882)	(2,827)
Proceeds from issuance of additional equity of non wholly-owned subsidiaries	8	727
Proceeds from partial disposals of equity interests in non wholly-owned subsidiaries	–	110
Payments for acquisition of non-controlling interests in non wholly-owned subsidiaries	(4,746)	(9,199)
Dividends paid to the Company's shareholders	(12,952)	(12,503)
Dividends paid to non-controlling interests	(2,165)	(1,403)
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	156,739	167,966

The notes on pages 142 to 275 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1 GENERAL INFORMATION

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

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

The operations of the Group were initially conducted through Shenzhen Tencent Computer Systems Company Limited ("Tencent Computer"), a limited liability company established in the PRC by certain shareholders of the Company on 11 November 1998. Tencent Computer is legally owned by the core founders of the Company who are PRC citizens (the "Registered Shareholders").

The PRC regulations restrict foreign ownership of companies that provide value-added telecommunications services, which include activities and services operated by Tencent Computer. In order to enable the Company to own and control the business of the Group, the Company established a subsidiary, Tencent Technology (Shenzhen) Company Limited ("Tencent Technology"), which is a wholly foreign owned enterprise incorporated in the PRC, on 24 February 2000.

Under a series of contractual arrangements (collectively, "Structure Contracts") entered into among the Company, Tencent Technology, Tencent Computer and the Registered Shareholders, the Company is able to effectively control, recognise and receive substantially all the economic benefit of the business and operations of Tencent Computer. In summary, the Structure Contracts provide the Company through Tencent Technology with, among other things:

- the right to receive the cash received by Tencent Computer from its operations which is surplus to its requirements, having regard to its forecast working capital needs, capital expenditure, and other short-term anticipated expenditure through various commercial arrangements;

- the right to ensure that Tencent Technology owns the valuable assets of the business through the assignment to Tencent Technology of the principal present and future intellectual property rights of Tencent Computer; and

- the right to control the management, financial and operating policies of Tencent Computer.

1 GENERAL INFORMATION (continued)

As a result, Tencent Computer is accounted for as a controlled structured entity (see also Note 2.2(a) and Note 48) and the formation of the Group in 2000 was accounted for as a business combination between entities under common control under a method similar to the uniting of interests method for recording all assets and liabilities at predecessor carrying amounts. This approach was adopted because in management's belief it best reflected the substance of the formation.

Similar Structure Contracts were also executed for other PRC operating companies established by the Group similar to Tencent Computer subsequent to 2000. All these PRC operating companies are treated as controlled structured entities of the Company and their financial statements have also been consolidated by the Company. See details in Note 48.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss ("FVPL"), financial assets at fair value through other comprehensive income ("FVOCI"), dividends payable for distribution in specie, certain other financial assets and liabilities, which are carried at fair value.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) Amendments to standards adopted by the Group

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Amendments to standards adopted by the Group (continued)

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

(b) New standards and amendments to standards issued but not yet effective

The following new standards and amendments to standards have not come into effect for the financial year beginning on 1 January 2022 and have not been early adopted by the Group in preparing the consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

		Effective for annual periods beginning on or after
Amendments to IAS 28 and IFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024

The Group considers the lease as a single transaction in which the assets and liabilities are integrally linked.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.28 Revenue recognition (continued)

(d) Other revenues

The Group's other revenues are primarily derived from production of and distribution of, films and television programmes for third parties, copyrights licensing, merchandise sales and various other activities. The Group recognises other revenues when the respective services are rendered, or when the control of the products is transferred to customers.

(e) Principal agent consideration

The Group reports the revenue on a gross or net basis depending on whether the Group is acting as a principal or an agent in a transaction. The Group is a principal if it controls the specified product or service before that product or service is transferred to a customer or it has a right to direct others to provide the product or service to the customer on the Group's behalf. Indicators that the Group is a principal include but are not limited to whether the Group (i) is the primary obligor in the arrangement; (ii) has latitude in establishing the selling price; (iii) has discretion in supplier selection; (iv) changes the product or performs part of the service, and (v) has involvement in the determination of product or service specifications.

(f) Deferred revenue, contract liabilities and contract costs

The Group's deferred revenue includes contract liabilities and refundable advance payments in certain businesses. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The Group's contract liabilities mainly comprise virtual items, unamortised pre-paid tokens or cards, Internet traffic and other support to be offered to certain investee companies in the future periods measured at their fair value on the inception dates, and customer loyalty incentives offered to the customers (Note 5(c)), which are presented as "deferred revenue" in the consolidated statement of financial position.

Contract costs include incremental costs of obtaining a contract and costs to fulfil a contract with the customers. The contract costs are amortised using a method which is consistent with the pattern of recognition of the respective revenues. The Group has applied the practical expedient to recognise the contract cost relating to obtaining a contract as an expense when incurred, if otherwise the amortisation period is one year or less.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.29 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). Interest income is presented as "Interest income" where it is mainly earned from financial assets that are held for cash management purposes.

2.30 Dividend income

Dividends are received from FVPL and FVOCI. Dividends are recognised in "Other gains/(losses), net" in the consolidated income statement when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in other comprehensive income if it relates to an investment measured at FVOCI.

2.31 Government grants/subsidies

Grants/subsidies from government are recognised at their fair values where there is a reasonable assurance that the grants/subsidies will be received and the Group will comply with all attached conditions.

Under these circumstances, the grants/subsidies are recognised as income or matched with the associated costs and expenses which the grants/subsidies are intended to compensate.

2.32 Leases

The Group leases land (Note 2.11), various buildings, computer and other operating equipment and others. Rental contracts other than land are typically made for fixed periods of no longer than 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. A lease is recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. A right-of-use asset arising from land lease is presented as "Land use rights".

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.32 Leases (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received;
- uses a build-up approach that starts with a risk-free rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.32 Leases (continued)

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

A right-of-use asset is generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

2.33 Dividends distribution

Dividends distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividend is approved by the Company's shareholders or board of directors where appropriate and no longer at the discretion of the Group.

In respect of a dividend by way of distribution of non-cash assets, the liability to distribute the non-cash assets as a dividend is measured at the fair value of the assets to be distributed on the declaration date. At the end of the reporting period and at the date of settlement, the Group reviews and adjusts the carrying amount of the dividend liability, and any subsequent change in the fair value of the dividend liability is recognised in equity as an adjustment to the amount of the dividend distribution. Upon settlement, the difference between the carrying amount of the dividend liability which is also the fair value of the assets distributed, and the carrying amount of the assets distributed, if any, is recognised in profit or loss.

The non-cash assets to be distributed are presented as "Assets held for distribution" in the consolidated statement of financial position.

2.34 Research and development expenses

Research expenditure is recognised as an expense as incurred.

Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalised when recognition criteria are fulfilled and tests for impairment are performed annually. Other development expenditures that do not meet those criteria are recognised as expenses as incurred. Development costs previously recognised as expenses are not recognised as assets in subsequent periods.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise the potential adverse effects on the financial performance of the Group. Risk management is carried out by the management of the Group.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong Dollars ("HKD"), USD and Euro ("EUR"). Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the respective functional currency of the Group's subsidiaries. The functional currency of the Company and majority of its overseas subsidiaries is USD whereas the functional currency of the subsidiaries which operate in the PRC is RMB.

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures.

As at 31 December 2022, the Group's major monetary assets and liabilities exposed to foreign exchange risk are listed below:

	USD denominated RMB'Million	Non-USD denominated RMB'Million
As at 31 December 2022		
Monetary assets, current	13,332	7,536
Monetary assets, non-current	3	1,490
Monetary liabilities, current	(9,242)	(3,397)
Monetary liabilities, non-current	(2,957)	(869)
	1,136	4,760
As at 31 December 2021		
Monetary assets, current	11,059	4,587
Monetary assets, non-current	–	–
Monetary liabilities, current	(6,224)	(2,671)
Monetary liabilities, non-current	(5,241)	(721)
	(406)	1,195

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

During the year ended 31 December 2022, the Group reported net exchange gains of approximately RMB633 million (2021: RMB804 million) within "Finance costs, net" in the consolidated income statement.

As at 31 December 2022, management considered that any reasonable changes in foreign exchange rates of the above currencies against the two major functional currencies would not result in a significant change in the Group's results, as the net carrying amounts of financial assets and liabilities denominated in a currency other than the respective subsidiaries' functional currencies are considered to be not significant. Accordingly, no sensitivity analysis is presented for foreign exchange risk.

(ii) Price risk

The Group is exposed to equity price risk mainly arising from investments held by the Group that are classified either as FVPL (Note 24) or FVOCI (Note 25). To manage its price risk arising from the investments, the Group diversifies its investment portfolio. The investments are made either for strategic purposes, or for the purpose of achieving investment yield and balancing the Group's liquidity level simultaneously. Each investment is managed by management on a case by case basis.

Sensitivity analysis is performed by management to assess the exposure of the Group's financial results to equity price risk of FVPL and FVOCI at the end of each reporting period. If prices of the respective instruments held by the Group had been 5% (31 December 2021: 5%) higher/lower as at 31 December 2022, profit for the year would have been approximately RMB11,028 million (2021: RMB9,815 million) higher/lower as a result of gains/losses on financial instruments classified as at FVPL, other comprehensive income would have been approximately RMB9,096 million (2021: RMB12,348 million) higher/lower as a result of gains/losses on financial instruments classified as at FVOCI.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for loans to investees and investees' shareholders, term deposits with initial terms of over three months, restricted cash and cash and cash equivalents, details of which have been disclosed in Notes 26, 29 and 31.

If the interest rate of term deposits with initial terms of over three months had been 50 basis points higher/lower, the profit before income tax for the year ended 31 December 2022 would have been RMB666 million (2021: RMB517 million) higher/lower. If the interest rate of cash and cash equivalents had been 50 basis points higher/lower, the profit before income tax for the year ended 31 December 2022 would have been RMB784 million (2021: RMB840 million) higher/lower.

The Group's exposure to changes in interest rates is also attributable to its borrowings and notes payable, details of which have been disclosed in Notes 36 and 37, representing a substantial portion of the Group's debts. Borrowings and notes payable carried at floating rates expose the Group to cash flow interest-rate risk whereas those carried at fixed rates expose the Group to fair value interest-rate risk.

The Group regularly monitors its interest rate risk to identify if there are any undue exposures to significant interest rate movements and manages its cash flow interest rate risk by using interest rate swaps, whenever considered necessary.

The Group entered into certain interest rate swap contracts to hedge its exposure arising from borrowings and senior notes carried at floating rates. Under these interest rate swap contracts, the Group agreed with the counterparties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts. These interest rate swap contracts had the economic effect of converting borrowings and senior notes from floating rates to fixed rates and were qualified for hedge accounting. Details of the Group's outstanding interest rate swap contracts as at 31 December 2022 are mainly disclosed in both Note 27 and 39.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

The effects of the interest rate swaps on the Group's financial position and performance are as follows:

	2022 RMB'Million	2021 RMB'Million
Interest rate swaps		
Carrying amount (current assets)	216	–
Carrying amount (non-current assets)	6,752	1,253
Carrying amount (current liabilities)	–	(109)
Carrying amount (non-current liabilities)	–	(249)
Notional amount	103,410	104,708
Maturity date	2023/1/19~ 2026/2/24	2022/3/29~ 2026/2/24
Hedge ratio	1:1	1:1
Changes in fair value of outstanding hedging instruments since 1 January	5,457	2,796
Change in value of hedged item used to determine hedge effectiveness since 1 January	5,457	2,796
Weighted average hedged rate for the year	0.64%	0.77%
Notional amount directly impacted by IBOR reform	103,410	104,708

Swaps currently in place covered majority of the floating-rate borrowings and notes payable principal outstanding.

As at 31 December 2022 and 2021, management considered that any reasonable changes in the interest rates would not result in a significant change in the Group's results as the Group's exposure to cash flow interest-rate risk arising from its borrowings and notes payable carried at floating rates after considering the effect of hedging is considered to be insignificant.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents and readily marketable securities, which are classified as FVPL. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate balances of such.

The table below analyses the Group's financial liabilities by relevant maturity groupings based on the remaining period since the end of the reporting period to the contractual maturity date (or the earliest date a financial liability may become payable in the absence of a fixed maturity date). The amounts disclosed in the table are the contractual undiscounted cash flows or the carrying amount of the financial assets to be delivered.

	Less than 1 year RMB'Million	Between 1 and 2 years RMB'Million	Between 2 and 5 years RMB'Million	Over 5 years RMB'Million	Total RMB'Million
At 31 December 2022					
Non-derivatives:					
Notes payable	15,614	18,737	31,511	163,558	229,420
Long-term payables	–	5,290	1,264	423	6,977
Borrowings	18,868	38,953	142,964	4	200,789
Lease liabilities	6,661	5,294	9,366	4,296	25,617
Other financial liabilities	3,835	1,967	3,901	480	10,183
Accounts payable, other payables and accruals (excluding prepayments received from customers and others, staff costs and welfare accruals)	125,040	–	–	–	125,040
Dividends payable for distribution in specie	147,965	–	–	–	147,965
Derivatives:					
Other financial liabilities	9	–	–	–	9
	317,992	70,241	189,006	168,761	746,000

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Less than 1 year RMB'Million	Between 1 and 2 years RMB'Million	Between 2 and 5 years RMB'Million	Over 5 years RMB'Million	Total RMB'Million
At 31 December 2021					
Non-derivatives:					
Notes payable	4,856	14,268	42,196	152,539	213,859
Long-term payables	–	5,917	4,092	51	10,060
Borrowings	20,937	9,046	131,505	6	161,494
Lease liabilities	5,877	5,192	9,541	3,711	24,321
Other financial liabilities	3,795	2,117	2,848	1,016	9,776
Accounts payable, other payables and accruals (excluding prepayments received from customers and others, staff costs and welfare accruals)	140,690	–	–	–	140,690
Dividends payable for distribution in specie	102,451	–	–	–	102,451
Derivatives:					
Other financial liabilities	109	77	172	–	358
	278,715	36,617	190,354	157,323	663,009

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

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

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

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

	As at 31 December	
	2022 RMB'Million	2021 RMB'Million
Borrowings (Note 36)	175,248	155,939
Notes payable (Note 37)	159,115	145,590
Total debts	334,363	301,529
Adjusted EBITDA (Note)	188,986	194,798
Total debts/Adjusted EBITDA ratio	1.77	1.55

Note:

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2022 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

	Level 1 RMB'Million	Level 2 RMB'Million	Level 3 RMB'Million	Total RMB'Million
As at 31 December 2022				
FVPL	13,934	27,109	193,005	234,048
FVOCI	160,528	1,881	22,838	185,247
Assets held for distribution	147,965	–	–	147,965
Other financial assets	–	7,059	211	7,270
Other financial liabilities	–	(9)	(3,298)	(3,307)
Dividends payable for distribution in specie (Note)	(147,965)	–	–	(147,965)
As at 31 December 2021				
FVPL	23,566	8,069	171,122	202,757
FVOCI	227,788	–	22,469	250,257
Assets held for distribution	102,451	–	–	102,451
Other financial assets	–	1,709	17	1,726
Other financial liabilities	–	(358)	(2,444)	(2,802)
Dividends payable for distribution in specie	(102,451)	–	–	(102,451)

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

Note:

It represented the dividend liability resulting from distribution in specie which was measured at fair value of shares of Meituan to be distributed (Note 15(b)) as at 31 December 2022.

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

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

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

Specific valuation techniques used to value financial instruments mainly include:

- Dealer quotes for similar instruments;

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

During the year ended 31 December 2022, there was no transfer between level 1 and 2 for recurring fair value measurements. Transfers in and out of level 3 measurements are set out in the following table, which presents the changes of financial instruments in level 3 for the years ended 31 December 2022 and 2021:

	Financial assets		Financial liabilities	
	2022	2021	2022	2021
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Opening balance	193,608	152,906	(2,444)	(3,352)
Additions	22,581	79,756	(1,238)	(102)
Business combinations	14	–	(61)	–
Disposals/settlements	(6,620)	(11,333)	753	803
Transfers	(7,847)	(90,778)	–	–
Changes in fair value recognised in other comprehensive income	363	17,120	–	–
Changes in fair value recognised in profit or loss*	(1,220)	52,076	(146)	46
Currency translation differences	15,175	(6,139)	(162)	161
Closing balance	216,054	193,608	(3,298)	(2,444)
*Includes unrealised (losses)/gains recognised in profit or loss attributable to balances held at the end of the reporting period	(3,564)	12,053	(148)	113

Note:

During the years ended 31 December 2022 and 2021, transfers from level 3 to level 1 were mainly due to the successful Initial Public Offerings ("IPOs") of existing investees.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

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

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

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

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

Description	Fair value as at 31 December		Significant unobservable inputs	Range of inputs as at 31 December		Relationship of unobservable inputs to fair value
	2022 RMB'Million	2021 RMB'Million		2022	2021	
Investments in unlisted companies in FVPL and FVOCI	210,340	185,774	Expected volatility	29%~83%	29%~70%	Depends on rights and restrictions of shares held by the Group
			Risk-free rate	0.04%~7.14%	-0.58%~5.39%	

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

For the fair value of the Group's investments in unlisted companies, the sensitivity analysis on equity price risk is performed by management, see Note 3.1(a)(ii) for details.

For the fair value of contingent consideration related to business combinations, management considered that any reasonable changes in the growth rate of net profit or expected volatility would not result in a significant change in the Group's results for the years ended 31 December 2022 and 2021.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) The estimates of the lifespans of virtual items provided on the Group's online platforms

As mentioned in Note 2.28(a), the end users purchase certain virtual items provided on the Group's online platforms and the relevant revenue is recognised based on the estimated lifespans of the virtual items. The estimated lifespans of different virtual items are determined by the management based on either the expected users' relationship periods or the stipulated period of validity of the relevant virtual items depending on the respective terms of virtual items.

Significant judgments are required in determining the expected users' relationship periods, including but not limited to historical users' consumption patterns, churn out rate and reactivity on marketing activities, games life-cycle, and the Group's marketing strategy. The Group has adopted a policy of assessing the estimated lifespans of virtual items on a regular basis whenever there is any indicator of change in the expected users' relationship periods.

The Group will continue to monitor the average lifespans of the virtual items. The results may differ from the historical period, and any change in the estimates may result in the revenue being recognised on a different basis from that in prior periods.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(b) Recoverability of non-financial assets

The Group tests annually whether goodwill has suffered any impairment. Goodwill and other non-financial assets, mainly including property, plant and equipment, construction in progress, other intangible assets, investment properties, land use rights, right-of-use assets as well as investments in associates and joint ventures are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs of disposal. These calculations require the use of judgments and estimates.

Judgment is required to identify any impairment indicators existing for any of the Group's goodwill and other non-financial assets, to determine appropriate impairment approaches, i.e., fair value less costs of disposal or value in use, for impairment review purposes, and to select key assumptions applied in the adopted valuation models, including discounted cash flows and market approach. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and in turn affect the Group's financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to take additional impairment charge to the consolidated income statement.

(c) Fair value measurement of FVPL, FVOCI and other financial liabilities

The fair value assessment of FVPL, FVOCI and other financial liabilities that are measured at level 3 fair value hierarchy requires significant estimates, which include risk-free rates, expected volatility, relevant underlying financial projections, market information of recent transactions (such as recent fund raising transactions undertaken by the investees) and other assumptions. Changes in these assumptions and estimates could materially affect the respective fair value of these investments.

(d) Share-based compensation arrangements

As mentioned in Note 2.26(e), the Group has granted share options to its employees and other qualifying participants. The directors have adopted the Binomial Model to determine the total fair value of the options granted, which is to be expensed over the respective vesting periods. Significant estimates and judgment on key parameters, such as risk-free rate, dividend yield and expected volatility, are required to be made by the directors based on historical experience and other relevant factors in applying the Binomial Model (Note 35). Changes in these estimates and judgments could materially affect the fair value of these options granted.

The fair value of share options granted to employees and other qualifying participants determined using the Binomial Model was approximately HKD1,452 million (equivalent to approximately RMB1,211 million) in 2022 (2021: approximately HKD2,994million (equivalent to approximately RMB2,513 million)).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(d) Share-based compensation arrangements (continued)

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of vesting periods of the options and awarded shares (the "Expected Retention Rate") in order to determine the amount of share-based compensation expenses charged to the consolidated income statement. Where the final retention rate is different from the initial estimate, such differences will impact the share-based compensation expenses in subsequent periods. As at 31 December 2022, the Expected Retention Rate of the Group's wholly-owned subsidiaries was assessed to be not lower than 89% (31 December 2021: not lower than 89%).

(e) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact current income tax and deferred income tax in the period in which such determination is made.

(f) Scope of consolidation

Consolidation is required only if control exists. The Group controls an investee when it has all the following: (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. Power results from rights that can be straightforward through voting rights or complicated in contractual arrangements. Variable returns normally encompass financial benefits and risks, but in certain cases, they also include operational values specific to the Group. These three factors cannot be considered in isolation by the Group in its assessment of control over an investee. Where the factors of control are not apparent, significant judgement is applied in the assessment, which is based on an overall analysis of all of the relevant facts and circumstances.

The Group is required to reassess whether it controls the investee if facts and circumstances indicate a change to one or more of the three factors of control.

5 SEGMENT INFORMATION AND REVENUES

(a) Description of segments and principal activities

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

The Group has the following reportable segments for the 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.

The chief operating decision-makers assess the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and marketing expenses and general and administrative expenses are common costs incurred for these operating segments as a whole and therefore, they are not included in the measure of the segments' performance which is used by the chief operating decision-makers as a basis for the purpose of resource allocation and assessment of segment performance. Interest income, other gains/(losses), net, finance costs, net, share of profit/(loss) of associates and joint ventures, net and income tax expense are not allocated to individual operating segment, either.

There were no material inter-segment sales during the 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.

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

5 SEGMENT INFORMATION AND REVENUES (continued)

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

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

	Year ended 31 December 2022				
	VAS	Online Advertising	FinTech and Business Services	Others	Total
	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Segment revenues	287,565	82,729	177,064	7,194	554,552
Gross profit/(loss)	145,647	35,009	58,374	(284)	238,746
Cost of revenues					
Depreciation	6,147	6,477	9,467	50	22,141
Amortisation	19,320	8,422	200	1,569	29,511

	Year ended 31 December 2021				
	VAS	Online Advertising	FinTech and Business Services	Others	Total
	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Segment revenues	291,572	88,666	172,195	7,685	560,118
Gross profit	152,936	40,594	51,396	1,018	245,944
Cost of revenues					
Depreciation	5,797	5,322	10,268	106	21,493
Amortisation	18,740	7,810	72	1,973	28,595

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

5 SEGMENT INFORMATION AND REVENUES (continued)

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

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the Mainland of China. During the years ended 31 December 2022 and 2021, breakdown of the total revenues by geographical location is as follows:

	2022 RMB'Million	2021 RMB'Million
Revenues		
– The Mainland of China	502,534	513,688
– Others	52,018	46,430
	554,552	560,118

The Group also conducts operations in the North America, Europe and other regions, and holds investments (including investments in associates, investments in joint ventures, FVPL, FVOCI and assets held for distribution) in various territories. The geographical information on the total assets is as follows:

	As at 31 December	
	2022 RMB'Million	2021 RMB'Million
Operating assets		
– The Mainland of China	482,401	490,415
– Others	275,755	243,296
Investments		
– The Mainland of China and Hong Kong	560,835	539,900
– North America	91,636	148,455
– Asia excluding the Mainland of China and Hong Kong	105,891	103,386
– Europe	45,835	63,117
– Others	15,778	23,795
	1,578,131	1,612,364

5 SEGMENT INFORMATION AND REVENUES (continued)

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

As at 31 December 2022, the total non-current assets other than financial instruments and deferred income tax assets located in the Mainland of China and other regions amounted to RMB352,703 million (31 December 2021: RMB446,565 million) and RMB192,413 million (31 December 2021: RMB182,612 million), respectively.

All the revenues derived from any single external customer were less than 10% of the Group's total revenues during the years ended 31 December 2022 and 2021.

(b) Disaggregation of revenue from contracts with customers

In the following table, revenue of the Group from contracts with customers is disaggregated by revenue source. The table also includes a reconciliation to the segment information (Note 5(a)).

	2022 RMB'Million	2021 RMB'Million
Revenue from contracts with customers		
– VAS	287,565	291,572
Games	170,715	174,314
Social networks	116,850	117,258
– Online Advertising	82,729	88,666
Social and others advertising	72,020	75,349
Media advertising	10,709	13,317
– FinTech and Business Services	177,064	172,195
– Others	7,194	7,685
	554,552	560,118

5 SEGMENT INFORMATION AND REVENUES (continued)

(c) Assets and liabilities related to contracts with customers

The Group has recognised the following liabilities related to contracts with customers under “Deferred revenue”:

	As at 31 December
	2022

34 OTHER RESERVES (continued)

	Capital reserves RMB'Million (Note (a))	FVOCI RMB'Million (Note (b))	Investments in associates and joint ventures RMB'Million	Currency translation differences RMB'Million	PRC statutory reserves RMB'Million (Note (c))	Share-based compensation reserves RMB'Million (Note (d))	Others RMB'Million	Total RMB'Million
Balance at 1 January 2021	(27,238)	134,309	10,918	(5,871)	4,260	6,878	(2,117)	121,139
Transfer of gains on disposal and deemed disposal of financial instruments to retained earnings	–	(22,393)	–	–	–	–	–	(22,393)
Share of other changes in net assets of associates and joint ventures	–	–	8,429	–	–	–	–	8,429
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)
Transfer of share of other comprehensive income to retained earnings upon disposal and deemed disposal of associates and joint ventures	–	–	(35)	–	–	–	–	(35)
Value of employee services:								
– Employee share option schemes	–	–	–	–	–	53	–	53
– Employee share award schemes	–	–	–	–	–	611	–	611
Tax benefit from share-based payments	–	–	–	–	–	462	–	462
Acquisition of additional equity interests in non wholly-owned subsidiaries	(4,305)	–	–	–	–	–	–	(4,305)
Transfer of equity interests of subsidiaries to non-controlling interests	(2,323)	–	–	–	–	–	–	(2,323)
Recognition of put option liabilities arising from business combinations	(1,289)	–	–	–	–	–	–	(1,289)
Changes in put option liabilities in respect of non-controlling interests	1,483	–	–	–	–	–	–	1,483
Dilution of/changes in interests in subsidiaries	205	–	–	–	–	–	–	205
Profit appropriations to statutory reserves	–	–	–	–	669	–	–	669
Net losses from changes in fair value of FVOCI	–	(15,073)	–	–	–	–	–	(15,073)
Share of other comprehensive income of associates and joint ventures	–	–	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
Currency translation differences	–	–	–	(18,032)	–	–	–	(18,032)
Lapses of put option liability in respect of non-controlling interests	783	–	–	–	–	–	–	783
Other fair value gains, net	–	–	–	–	–	–	2,706	2,706
Gain from changes in fair value of assets held for distribution	–	5,380	–	–	–	–	–	5,380
Balance at 31 December 2021	(32,684)	102,223	14,743	(23,903)	4,929	8,004	589	73,901

34 OTHER RESERVES (continued)

Note:

(a) The capital reserve mainly arises from transactions undertaken with non-controlling interests.

(b) The Group elects to recognise changes in the fair value of certain investments in other comprehensive income. These changes are accumulated with FVOCI reserve within equity. When the relevant investments are derecognised, amounts from this reserve are transferred to retained earnings for equity instruments or to profit or loss for debt instruments.

(c) In accordance with the Companies Laws of the PRC and the stipulated provisions of the articles of association of subsidiaries with limited liabilities in the PRC, appropriation of net profit (after offsetting accumulated losses from prior years) should be made by these companies to their respective Statutory Surplus Reserve Funds and the Discretionary Reserve Funds before distributions are made to the owners. The percentage of appropriation to Statutory Surplus Reserve Fund is 10%. The amount to be transferred to the Discretionary Reserve Fund is determined by the equity owners of these companies. When the balance of the Statutory Surplus Reserve Fund reaches 50% of the registered capital, further transfer needs not be made. Both the Statutory Surplus Reserve Fund and Discretionary Reserves Fund can be capitalised as capital of an enterprise, provided that the remaining Statutory Surplus Reserve Fund shall not be less than 25% of the registered capital.

In addition, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions of the articles of association of wholly-owned foreign subsidiaries in the PRC, appropriation from net profit (after offsetting accumulated losses brought forward from prior years) should be made by these companies to their respective Reserve Fund. The percentage of net profit to be appropriated to the Reserve Fund is not less than 10% of the net profit. When the balance of the Reserve Fund reaches 50% of the registered capital, further transfer needs not be made.

With approvals obtained from respective boards of directors of these companies, the Reserve Fund can be used to offset accumulated deficit or to increase capital.

(d) Share-based compensation reserve arises from share option schemes and share award schemes adopted by certain subsidiaries of the Group (Note 35(d)).

35 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.

48 SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITIES (continued)

Name	Place of establishment and nature of legal entity	Particulars of issued/paid-in capital	Proportion of equity interest held by the Group (%)	Principal activities and place of operation
Tencent Technology (Shanghai) Company Limited	Established in the PRC, wholly foreign owned enterprise	USD5,000,000	100%	Development of softwares and provision of information technology services in the PRC
Tencent Technology (Chengdu) Company Limited	Established in the PRC, wholly foreign owned enterprise	USD220,000,000	100%	Development of softwares and provision of information technology services in the PRC
Tencent Technology (Wuhan) Company Limited	Established in the PRC, wholly foreign owned enterprise	USD30,000,000	100%	Development of softwares and provision of information technology services in the PRC
Tencent Cloud Computing (Beijing) Company Limited	Established in the PRC, limited liability company	RMB1,042,500,000	100% (Note (a))	Provision of information system integration services in the PRC
Beijing Tencent Culture Media Company Limited	Established in the PRC, limited liability company	RMB5,000,000	100%	Design and production of advertisement in the PRC
Riot Games, Inc.	Established in the United States, limited liability company	USD1,309	99.79%	Development and operation of online games in the United States
China Literature Limited	Established in the Cayman Islands, limited liability company	USD101,524	57.43%*	Provision of online literature services in the PRC
TME (Note (b))	Established in the Cayman Islands, limited liability company	USD280,447	52.65%*	Provision of online music entertainment services in the PRC
Supercell Oy	Established in Finland, limited liability company	EUR2,500	79.95%	Development and operation of mobile games in Finland
Shenzhen Tencent Culture Media Company Limited	Established in the PRC, limited liability company	RMB5,000,000	100%	Design and production of advertisement in the PRC
Shenzhen Tencent Tianyou Technology Company Limited	Established in the PRC, limited liability company	RMB10,000,000	100% (Note (a))	Provision of value-added services in the PRC

* on an outstanding basis

48 SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITIES (continued)

Note:

(a) As described in Note 1, the Company does not have legal ownership in equity of these structured entities or their subsidiaries. Nevertheless, under certain contractual agreements entered into with the registered owners of these structured entities, the Company and its other legally owned subsidiaries control these companies by way of controlling the voting rights, governing their financial and operating policies, appointing or removing the majority of the members of their controlling authorities, and casting the majority of votes at meetings of such authorities. In addition, such contractual agreements also transfer the risks and rewards of these companies to the Company and/or its other legally owned subsidiaries. As a result, they are presented as controlled structured entities of the Company.

(b) In September 2020, TME issued two tranches of senior notes with an aggregate principal amount of USD800 million due in 5 years to 10 years, with interest rate ranging from 1.375% to 2.000%. As at 31 December 2022, the principal amount and net book balance of its notes payable were USD800 million and USD795 million respectively.

(c) The directors of the Company considered that the non wholly-owned subsidiaries with non-controlling interests are not significant to the Group, therefore, no summarised financial information of these non wholly-owned subsidiaries is presented separately.

(d) All subsidiaries' undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary's undertakings held directly by the parent company does not differ from its proportion of ordinary shares held. The parent company does not have any shareholdings in the preference shares of subsidiary undertakings included in the Group.

(e) Significant restrictions

As at 31 December 2022, cash and cash equivalents, term deposits and restricted cash of the Group, amounting to RMB167,926 million were held in the Mainland of China and they are subject to local exchange control and other financial and treasury regulations. The local exchange control, and other financial and treasury regulations provide for restrictions, on payment of dividends, share repurchase and offshore investments, other than through normal activities.

(f) Consolidation of structured entities

As mentioned in Note (a) above and Note 35(c), the Company has consolidated the operating entities within the Group without any legal interests and the EISs out of which wholly-owned subsidiaries of the Company act as general partner. In addition, due to the implementation of the share award schemes of the Group mentioned in Note 35(b), the Company has also set up a structured entity ("Share Scheme Trust"), and its particulars are as follows:

Structured entity	Principal activities
Share Scheme Trust	Administering and holding the Company's shares acquired for share award schemes which are set up for the benefits of eligible persons of the schemes

As the Company has the power to govern the financial and operating policies of the Share Scheme Trust and can derive benefits from the contributions of the eligible persons who are awarded with the shares by the schemes, the directors of the Company consider that it is appropriate to consolidate the Share Scheme Trust.

During the year ended 31 December 2022, the Company contributed approximately RMB2,882 million (2021: RMB2,827 million) to the Share Scheme Trust for financing its acquisition of the Company's shares.

Definition

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

Term	Definition
"2007 Share Award Scheme"	the share award scheme adopted by the Company on Adoption Date I, as amended
"2013 Share Award Scheme"	the share award scheme adopted by the Company on Adoption Date II, as amended from time to time
"2019 Share Award Scheme"	the share award scheme adopted by the Company on Adoption Date III, 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
"Adoption Date I"	13 December 2007, being the date on which the Company adopted the 2007 Share Award Scheme
"Adoption Date II"	13 November 2013, being the date on which the Company adopted the 2013 Share Award Scheme
"Adoption Date III"	25 November 2019, being the date on which the Company adopted the 2019 Share Award Scheme
"AI"	artificial intelligence
"ARPU"	average revenue per user
"Articles of Association"	the third amended and restated articles of association of the Company adopted by special resolution passed on 18 May 2022
"Audit Committee"	the audit committee of the Company
"Auditor"	PricewaterhouseCoopers, the auditor of the Company
"Awarded Share(s)"	the share(s) of the Company awarded under the Share Award Schemes

Term	Definition
"Beijing BIZCOM"	Beijing BIZCOM Technology Company Limited
"Beijing Starsinhand"	Beijing Starsinhand Technology Company Limited
"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
"China Literature"	China Literature Limited, a non wholly-owned subsidiary of the Company which is incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
"Chongqing Tencent Information"	Chongqing Tencent Information Technology Company Limited
"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
"Company Website"	the website of the Company at www.tencent.com
"Corporate Governance Committee"	the corporate governance committee of the Company
"COSO Framework"	the Internal Control Integrated Framework issued by the Committee of Sponsoring Organisations
"Cyber Shenzhen"	Tencent Cyber (Shenzhen) Company Limited
"Cyber Tianjin"	Tencent Cyber (Tianjin) Company Limited
"DAU"	daily active user accounts

Definition

Term	Definition
"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
"Eligible Person(s)"	any person(s) eligible to participate in the respective Share Award Schemes
"EPS"	earnings per share
"ESG Reporting Guide"	the environmental, social and governance reporting guide as set out in Appendix 27 to the Listing Rules
"FinTech"	financial technology
"FMCG"	fast-moving consumer goods
"FPO"	Follow-on Public Offering
"GBP"	the lawful currency of the United Kingdom of Great Britain and Northern Ireland
"Grant Date"	in relation to any Awarded Share, the date on which the Awarded Share is, was or is to be granted
"Group"	the Company and its subsidiaries
"Guangzhou Tencent Computer"	Guangzhou Tencent Computer System Company Limited
"Guangzhou Tencent Technology"	Guangzhou Tencent Technology Company Limited

Term	Definition
"Guian New Area Tencent Cyber"	Guian New Area Tencent Cyber Company Limited
"Hainan Network"	Hainan Tencent Network Information Technology Company Limited
"HKD"	the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region, the PRC
"HUYA"	HUYA Inc., a non wholly-owned subsidiary of the Company which is incorporated in the Cayman Islands with limited liability and the shares of which are listed on the New York Stock Exchange
"IA"	internal audit department of the Company
"IAS"	International Accounting Standards
"IC"	risk management and internal control department of the Company
"IFRS"	International Financial Reporting Standards
"IM"	Instant Messaging
"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
"IP"	intellectual property
"IPO"	initial public offering
"IT"	information technology
"JD.com"	JD.com, Inc., a company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability, whose American depositary shares are listed on NASDAQ and whose Class A ordinary shares are listed on the Stock Exchange

Definition

Term	Definition
“JD.com Shares”	the approximately 457 million Class A ordinary shares in the share capital of JD.com with a par value of USD0.00002 each, held by the Group conferring a holder of a Class A ordinary share to one vote per share on any resolution tabled at JD.com’s general meeting and which were distributed on 25 March 2022
“JPY”	the lawful currency of Japan
“LIBOR”	London InterBank Offered Rate
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“M&A”	mergers and acquisitions
“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(s)”	players who are aged under 18
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“NASDAQ”	NASDAQ Global Select Market
“Nomination Committee”	the nomination committee of the Company
“PaaS”	Platform-as-a-Service

Definition

Term	Definition
"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
"Reference Date"	in respect to a Selected Participant, the date of final approval by the Board of the total number of Shares to be awarded to the relevant Selected Participant on a single occasion pursuant to the 2007 Share Award Scheme
"Remuneration Committee"	the remuneration committee of the Company
"RMB"	the lawful currency of the PRC
"Selected Participant(s)"	any Eligible Person(s) selected by the Board to participate in the respective Share Award Schemes
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

Definition

Term	Definition
“Shanghai Tencent Information”	Shanghai Tencent Information Technology Company Limited
“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 2007 Share Award Scheme, the 2013 Share Award Scheme and the 2019 Share Award Scheme
“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
“Share Subdivision”	with effect from 15 May 2014, each existing issued and unissued share of HKD0.0001 each in the share capital of the Company was subdivided into five subdivided shares of HKD0.00002 each, after passing of an ordinary resolution at the annual general meeting of the Company held on 14 May 2014 and granting by the Stock Exchange of the listing of, and permission to deal in, the subdivided shares
“Shenzhen Tencent Information”	Shenzhen Tencent Information Technology Company Limited
“Shenzhen Tencent Network”	Shenzhen Tencent Network Information Technology Company Limited
“Shenzhen Tencent Tianyou”	Shenzhen Tencent Tianyou Technology Company Limited
“Shiji Kaixuan”	Shenzhen Shiji Kaixuan Technology Company Limited
“SKT CFC”	the co-operation framework contract dated 28 February 2004 entered into between Cyber Tianjin and Shiji Kaixuan
“SKT Co-operation Committee”	the co-operation committee established under the SKT CFC
“SSV & CPP”	Sustainable Social Value and Common Prosperity Programmes

Term	Definition
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supercell"	Supercell Oy, a private company incorporated in Finland
"TCS CFC"	the co-operation framework contract dated 28 February 2004 entered into between Tencent Technology and Tencent Computer
"TCS Co-operation Committee"	the co-operation committee established under the TCS CFC
"Tencent Beijing"	Tencent Technology (Beijing) Company Limited
"Tencent Chengdu"	Tencent Technology (Chengdu) Company Limited
"Tencent Computer"	Shenzhen Tencent Computer Systems Company Limited
"Tencent Enterprise Management"	Shenzhen Tencent Enterprise Management Limited
"Tencent Shanghai"	Tencent Technology (Shanghai) Company Limited
"Tencent Technology"	Tencent Technology (Shenzhen) Company Limited
"Tencent Wuhan"	Tencent Technology (Wuhan) Company Limited
"TIBOR"	Tokyo InterBank Offered Rate
"TME"	Tencent Music Entertainment Group, a non wholly-owned subsidiary of the Company which is incorporated in the Cayman Islands with limited liability and the shares of which are listed on the New York Stock Exchange and the Stock Exchange
"ToB"	Product/Service provided to business customers

Definition

Term	Definition
"Trust Deed I"	a trust deed entered into between the Company and the Trustee (as restated, supplemented and amended from time to time) in respect of the appointment of the Trustee for the administration of the 2007 Share Award Scheme
"Trust Deed II"	a trust deed entered into between the Company and the Trustee (as restated, supplemented and amended from time to time) in respect of the appointment of the Trustee for the administration of the 2013 Share Award Scheme
"Trust Deed III"	a trust deed entered into between the Company and the Trustee (as restated, supplemented and amended from time to time) in respect of the appointment of the Trustee for the administration of the 2019 Share Award Scheme
"Trustee"	an independent trustee appointed by the Company for managing the Share Award Schemes
"United States"	the United States of America
"USD"	the lawful currency of the United States
"VAS"	value-added services
"Wang Dian"	Nanjing Wang Dian Technology Company Limited
"WFOEs"	Tencent Technology, Cyber Tianjin, Tencent Beijing, Shenzhen Tencent Information, Tencent Chengdu, Chongqing Tencent Information, Shanghai Tencent Information, Tencent Shanghai, Tencent Wuhan, Hainan Network, Guangzhou Tencent Technology, Shenzhen Tencent Network, Guian New Area Tencent Cyber, Cyber Shenzhen, Wuhan Tencent Information and Guangzhou Tencent Computer
"Wuhan Tencent Information"	Wuhan Tencent Information Technology Company Limited

Tencent 腾讯

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