Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2023 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	925 209 171
Organisasjonsform:	Europeisk selskap
Foretaksnavn:	FUNCOM SE
Forretningsadresse:	Kirkegata 15 0153 OSLO

Regnskapsår

Årsregnskapets periode:	01.01.2023 - 31.12.2023

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	-

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Stian Skirstad Drageset
Dato for fastsettelse av årsregnskapet:	13.06.2024

Grunnlag for avgivelse

År 2023: Årsregnskapet er elektronisk innlevert
År 2022: Tall er hentet fra elektronisk innlevert årsregnskap fra 2023

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 05.08.2025

Resultatregnskap

Beløp i: USD	Note	2023	2022
RESULTATREGNSKAP			
Kostnader			
Personnel expenses	2		
Other operating expenses	3	53 607	149 179
Sum kostnader		**53 607**	**149 179**
Driftsresultat		**-53 607**	**-149 179**
Finansinntekter og finanskostnader			
Renteinntekt fra foretak i samme konsern	4	6 820 922	2 530 688
Annen renteinntekt	4	79 779	15 101
Other financial income	4	527 186	547 645
Sum finansinntekter		**7 427 887**	**3 093 434**
Rentekostnad til foretak i samme konsern	4	2 539 778	1 109 126
Annen rentekostnad	4	72 521	77 365
Other financial expenses	4	446 698	559 213
Sum finanskostnader		**3 058 997**	**1 745 704**
Netto finans	4	**4 368 890**	**1 347 730**
Ordinært resultat før skattekostnad		**4 315 283**	**1 198 551**
Income tax expense	5	1 074 642	336 484
Ordinært resultat etter skattekostnad		**3 240 640**	**862 068**
Årsresultat		**3 240 640**	**862 068**
Årsresultat etter minoritetsinteresser		**3 240 640**	**862 068**
Totalresultat		**3 240 640**	**862 068**
Overføringer og disponeringer			
Udekket tap		3 240 640	862 068
Sum overføringer og disponeringer		**3 240 640**	**862 068**

Balanse

Beløp i: USD	Note	2023	2022
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	5		
Finansielle anleggsmidler			
Investering i datterselskap	6	138 415 524	43 556 443
Investering i annet foretak i samme konsern	6		
Lån til foretak i samme konsern	7	23 819 362	56 979 457
Investments in shares	6		
Other long-term receivables	11		
Sum finansielle anleggsmidler		**162 234 886**	**100 535 900**
Sum anleggsmidler		**162 234 886**	**100 535 900**
Omløpsmidler			
Varer			
Fordringer			
Prepayments		10 342	30 153
Sum fordringer		**10 342**	**30 153**
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	8	2 109 261	445 888
Sum bankinnskudd, kontanter og lignende		**2 109 261**	**445 888**
Sum omløpsmidler		**2 119 602**	**476 041**
SUM EIENDELER		**164 354 488**	**101 011 941**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	9, 10	19 189 639	19 189 639

Balanse

Beløp i: USD	Note	2023	2022
Overkurs	10	188 886 918	188 886 918
Ikke registrert kapitalforhøyelse	10	35 429 726	
Annen innskutt egenkapital	10	18 227 719	15 738 889
Sum innskutt egenkapital		**261 734 003**	**223 815 447**
Opptjent egenkapital			
Other equity	10		
Udekket tap	10	175 463 759	178 704 400
Sum opptjent egenkapital		**-175 463 759**	**-178 704 400**
Sum egenkapital	10	**86 270 244**	**45 111 048**
Gjeld			
Langsiktig gjeld			
Utsatt skatt	5		
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	11		
Langsiktig konserngjeld	11	45 146 276	54 146 276
Other non-current liabilities	12	737 694	640 450
Sum annen langsiktig gjeld		**45 883 970**	**54 786 726**
Sum langsiktig gjeld		**45 883 970**	**54 786 726**
Kortsiktig gjeld			
Leverandørgjeld			21 851
Tax payable	5		
Kortsiktig konserngjeld	11	32 200 274	1 090 222
Other current liabilities			2 095
Sum kortsiktig gjeld		**32 200 274**	**1 114 167**
Sum gjeld		**78 084 244**	**55 900 893**
SUM EGENKAPITAL OG GJELD		**164 354 488**	**101 011 941**

Tencent 腾讯

Tencent Holdings Limited

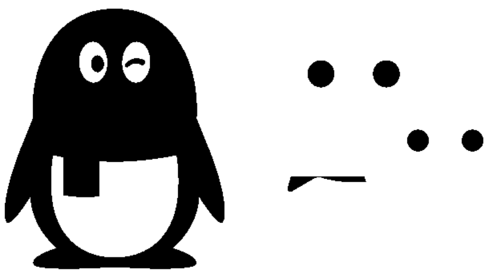
Incorporated in the Cayman Islands with limited liability

騰訊控股有限公司

於開曼群島註冊成立的有限公司

HKD Counter Stock Code：700

RMB Counter Stock Code：80700



CONTENTS

Corporate Information

DIRECTORS

Executive Directors

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

Non-Executive Directors

Jacobus Petrus (Koos) Bekker
Charles St Leger Searle

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

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

INVESTMENT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
and Registered Public Interest
Entity Auditor

PRINCIPAL BANKERS

Bank of China Limited
The Hongkong and Shanghai Banking
Corporation Limited

REGISTERED OFFICE

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

TENCENT GROUP HEAD OFFICE

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 CODES

HKD counter	700
RMB counter	80700

Financial Summary

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December				
	2019 Restated* RMB'Million	2020 Restated* RMB'Million	2021 Restated* RMB'Million	2022 Restated* RMB'Million	**2023** **RMB'Million**
Revenues	377,289	482,064	560,118	554,552	**609,015**
Gross profit	167,533	221,532	245,944	238,746	**293,109**
Operating profit (Restated for prior years)	96,501*	126,197*	124,656*	110,827*	**160,074**
Profit before income tax	109,400	180,022	248,062	210,225	**161,324**
Profit for the year	95,888	160,125	227,810	188,709	**118,048**
Profit attributable to equity holders of the Company	93,310	159,847	224,822	188,243	**115,216**
Total comprehensive income for the year	119,901	281,173	200,390	59,564	**107,182**
Total comprehensive income attributable to equity holders of the Company	116,670	277,834	200,323	60,699	**102,130**
Non-IFRS operating profit (Restated for prior years)	108,052*	143,241*	152,729*	143,203*	**191,886**
Non-IFRS profit attributable to equity holders of the Company	94,351	122,742	123,788	115,649	**157,688**

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December				
	2019 RMB'Million	2020 RMB'Million	2021 RMB'Million	2022 RMB'Million	**2023** **RMB'Million**
Assets					
Non-current assets	700,018	1,015,778	1,127,552	1,012,142	**1,058,800**
Current assets	253,968	317,647	484,812	565,989	**518,446**
Total assets	953,986	1,333,425	1,612,364	1,578,131	**1,577,246**
Equity and liabilities					
Equity attributable to equity holders of the Company	432,706	703,984	806,299	721,391	**808,591**
Non-controlling interests	56,118	74,059	70,394	61,469	**65,090**
Total equity	488,824	778,043	876,693	782,860	**873,681**
Non-current liabilities	225,006	286,303	332,573	361,067	**351,408**
Current liabilities	240,156	269,079	403,098	434,204	**352,157**
Total liabilities	465,162	555,382	735,671	795,271	**703,565**
Total equity and liabilities	953,986	1,333,425	1,612,364	1,578,131	**1,577,246**

* Certain items have been reclassified from above to below the operating profit line, and the comparative figures for prior periods have been restated accordingly. Please refer to Note 2.2 in the notes to the consolidated financial statements for details.

Chairman's Statement

I am pleased to present our annual report for the year ended 31 December 2023 to the shareholders.

RESULTS

The Group's audited profit attributable to equity holders of the Company for the year ended 31 December 2023 was RMB115,216 million, a decrease of 39% compared with the results for the previous year. Basic and diluted EPS for the year ended 31 December 2023 were RMB12.186 and RMB11.887, respectively.

The Group's non-IFRS profit attributable to equity holders of the Company for the year ended 31 December 2023 was RMB157,688 million, an increase of 36% compared with the results for the previous year. Non-IFRS basic and diluted EPS for the year ended 31 December 2023 were RMB16.678 and RMB16.320, respectively.

OPERATING INFORMATION

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

BUSINESS REVIEW AND OUTLOOK

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

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

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

- Mini Games' gross receipts increased over 50%, with Mini Games representing the leading casual game platform in China.

- QQ Channels enhanced interest-based user interactions across categories such as games, lifestyle and knowledge-based content.

- Tencent Video and TME extended their leadership in the long-form video and music streaming industries, with 117 million[1] video subscriptions and 107 million[2] music subscriptions.

- The number of Tencent mobile and PC "major hit games" in China surpassing average quarterly DAU of 5 million for mobile or 2 million for PC, and generating over RMB4 billion annual gross receipts (thresholds which we view as indicative of a major and enduring hit), increased from 6 in 2022 to 8 in 2023.

- We upgraded our AI-powered advertising technology platform, which significantly enhanced our targeting accuracy and thus advertising revenue.

- We strengthened our payment compliance capabilities, enhanced Mini Program-based transaction tools and upgraded cross-border payment experience.

- WeCom and Tencent Meeting deployed generative AI-powered functionalities and increased their monetisation.

- We launched our proprietary foundation model, Tencent Hunyuan, and scaled it up to trillion parameter scale, utilising a Mixture of Experts architecture.

We returned substantial capital to shareholders in 2023 through payment of cash dividend, share repurchases, and settlement of distribution in specie. We have proposed to increase our annual dividend in respect of the year ended 31 December 2023 by 42%, to HKD3.40 per share[3] (equivalent to approximately HKD32 billion), and we intend to at least double the size of our share repurchases, from approximately HKD49 billion in 2023 to over HKD100 billion in 2024.

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1 As at 31 December 2023

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

3 Subject to shareholders' approval at the 2024 AGM

Chairman's Statement

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

- Our digital philanthropy platform helped raise a record RMB3.8 billion in public donations during the 99 Giving Day campaign, up 15% year-on-year.

- Our New Cornerstone Investigator Program has supported 104 scientists, contributing to the development of basic science research.

- We made progress in our decarbonisation journey by applying our fourth-generation data centre technology to reduce emissions and increasing the adoption of renewable energy.

- In August 2023, we joined the United Nations Global Compact ("UNGC"), demonstrating our commitment to integrating UNGC's principles into our strategy, culture and day-to-day operations, and supporting UNGC's Sustainable Development Goals.

DIVIDEND

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

APPRECIATION

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

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

Ma Huateng
Chairman

Hong Kong, 20 March 2024

Management Discussion and Analysis

YEAR ENDED 31 DECEMBER 2023 COMPARED TO YEAR ENDED 31 DECEMBER 2022

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

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

* Certain items have been reclassified from above to below the operating profit line, and the comparative figures for prior periods have been restated accordingly. Please refer to Note 2.2 in the notes to the consolidated financial statements for details.

Management Discussion and Analysis

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

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

– Revenues from VAS increased by 4% year-on-year to RMB298.4 billion for the year ended 31 December 2023. International Games revenues increased by 14% to RMB53.2 billion, or by 8% excluding the effect of currency fluctuations, benefitting from the robust performance of VALORANT, contributions from recently launched games Goddess of Victory: NIKKE and Triple Match 3D, and a recovery in PUBG Mobile in the second half of the year. Domestic Games revenues increased by 2% to RMB126.7 billion, on contributions from our recently released VALORANT and Lost Ark, and robust growth in emerging titles such as Arena Breakout and Fight of the Golden Spatula, partly offset by a weak contribution from Peacekeeper Elite. Social Networks revenues grew by 1% year-on-year to RMB118.5 billion, due to revenue growth from music subscriptions and Mini Games platform service fees, partially offset by revenue declines from music-related and games-related live streaming services.

– Revenues from Online Advertising increased by 23% year-on-year to RMB101.5 billion for the year ended 31 December 2023. This growth was driven by new inventories in Video Accounts and Weixin Search, plus the ongoing upgrade of our advertising platform. We saw increased advertising spending with us by all major advertiser categories except automotive, with notable step-ups in spending by consumer goods, Internet services and healthcare categories.

Management Discussion and Analysis

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

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

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

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

Management Discussion and Analysis

– Gross profit for VAS increased by 11% year-on-year to RMB161.9 billion for the year ended 31 December 2023, and gross margin improved to 54% from 51% in the previous year. The improved gross margin was driven by a higher mix of high-margin games revenues and Mini Games platform service fees, and music subscriptions margin enhancement, together with decreased contributions from low-margin music-related and games-related live streaming revenues, and our cost efficiency improvement.

– Gross profit for Online Advertising increased by 47% year-on-year to RMB51.3 billion for the year ended 31 December 2023, and gross margin increased to 51% from 42% in the previous year. The increase in gross margin was primarily driven by the robust growth in high-quality revenue streams, notably from Video Accounts advertising, along with our cost control measures.

– Gross profit for FinTech and Business Services rose by 38% year-on-year to RMB80.6 billion for the year ended 31 December 2023, and gross margin rose to 40% from 33% last year. The higher gross margin was due to margin enhancement resulting from our cloud business restructuring, the introduction of high-margin revenues from Video Accounts eCommerce technology service fees, and increased monetisation from other business services, alongside growth of high-margin products within FinTech services.

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

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

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

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

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

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

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

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

Management Discussion and Analysis

FOURTH QUARTER OF 2023 COMPARED TO FOURTH QUARTER OF 2022

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

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

* Certain items have been reclassified from above to below the operating profit line, and the comparative figures for prior periods have been restated accordingly. Please refer to Note 2.2 in the notes to the consolidated financial statements for details.

Management Discussion and Analysis

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

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

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

– Revenues from Online Advertising were RMB29.8 billion for the fourth quarter of 2023, up 21% year-on-year, propelled by advertising demand for Video Accounts, as well as the ongoing upgrade of our advertising platform. All categories except for automotive saw a year-on-year increase in advertising spending with us, with particularly notable growth in Internet services, healthcare and consumer goods categories.

– Revenues from FinTech and Business Services increased by 15% year-on-year to RMB54.4 billion for the fourth quarter of 2023. FinTech Services sustained double-digit year-on-year growth due to the growth in commercial payment activities, as well as the expansion of wealth management services and consumer loan services. Business Services achieved year-on-year growth of around 20%, mainly driven by increased eCommerce technology service fees within Video Accounts, alongside moderate revenue growth in cloud services.

Management Discussion and Analysis

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

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

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

– Gross profit for VAS increased by 6% year-on-year to RMB37.1 billion for the fourth quarter of 2023. Gross margin increased to 54% from 50% in the same period last year, due to higher mix of high-margin Mini Games platform service fees, and reduced contributions from low-margin music-related and games-related live streaming revenues, alongside improved cost efficiency.

– Gross profit for Online Advertising increased by 55% year-on-year to RMB16.9 billion for the fourth quarter of 2023. Gross margin increased to 57% from 44% in the same period last year, primarily driven by the robust growth of high-margin Video Accounts advertising revenue, as well as our efficiency efforts.

Management Discussion and Analysis

– Gross profit for FinTech and Business Services increased by 50% year-on-year to RMB23.9 billion for the fourth quarter of 2023. Gross margin increased to 44% from 34% in the same period last year. This was driven by margin improvement following cloud business restructuring, strong growth of high-quality revenues including Video Accounts eCommerce technology service fees, and growth of high-margin products within FinTech services. Our cost efficiency initiatives further contributed to the overall segment margin improvement.

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

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

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

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

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

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

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

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

Management Discussion and Analysis

FOURTH QUARTER OF 2023 COMPARED TO THIRD QUARTER OF 2023

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

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

* Certain items have been reclassified from above to below the operating profit line, and the comparative figures for prior periods have been restated accordingly. Please refer to Note 2.2 in the notes to the consolidated financial statements for details.

Management Discussion and Analysis

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

– Revenues from VAS decreased by 9% to RMB69.1 billion. International Games revenues were RMB13.9 billion, up 5% quarter-on-quarter, mainly driven by revenue growth from PUBG Mobile and Clash of Clans. Domestic Games revenues were RMB27.0 billion, down 18% quarter-on-quarter, due to seasonally lower revenue accruals in the fourth quarter. Social Networks revenues decreased by 5% to RMB28.2 billion due to lower revenue accruals from app-based game virtual item sales.

– Revenues from Online Advertising increased by 16% to RMB29.8 billion, due to the ongoing upgrade of our advertising platform, which facilitated increased revenue for Video Accounts, our mobile ad network, and Weixin Moments, amongst other inventories.

– Revenues from FinTech and Business Services increased by 4% to RMB54.4 billion, supported by seasonally higher cloud services revenues due to more project deployments toward the year end, alongside increased revenues from wealth management services and payment activities.

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

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

– Gross profit for VAS decreased by 12% to RMB37.1 billion, and gross margin decreased to 54% from 56% in the third quarter of 2023. The lower gross margin was due to a seasonally lower mix of high-margin games revenues.

– Gross profit for Online Advertising rose by 26% to RMB16.9 billion, and gross margin rose to 57% from 52% in the third quarter of 2023. The improvement in gross margin was due to strong revenue growth driven by our advertising platform upgrade together with seasonally higher eCommerce activities, outpacing the growth in segment operating costs.

– Gross profit for FinTech and Business Services increased by 12% to RMB23.9 billion, and gross margin improved to 44% from 41% in the third quarter of 2023, driven by seasonally higher cloud services revenues with margin improvement, as well as increased contributions from high-margin Video Accounts eCommerce technology service fees and other business services.

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

Management Discussion and Analysis

General and administrative expenses. General and administrative expenses increased by 3% to RMB27.2 billion for the fourth quarter of 2023 on a quarter-on-quarter basis.

Share of profit/(loss) of associates and joint ventures, net. We recorded share of profits of associates and joint ventures of RMB2.4 billion for the fourth quarter of 2023, compared to share of profits of RMB2.1 billion for the previous quarter. Non-IFRS share of profits of associates and joint ventures was RMB4.5 billion for the fourth quarter of 2023, compared to share of profits of RMB4.8 billion for the previous quarter.

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

OTHER FINANCIAL INFORMATION

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

Note:

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

(b) Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by revenues.

(c) Net cash/(debt) represents period end balance and is calculated as cash and cash equivalents, plus term deposits and others, minus borrowings and notes payable.

(d) Capital expenditures consist of additions (excluding business combinations) to property, plant and equipment, construction in progress, investment properties, land use rights and intangible assets (excluding long-form video and music content, game licences and other content).

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

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

* Certain items have been reclassified from above to below the operating profit line, and the comparative figures for prior periods have been restated accordingly. Please refer to Note 2.2 in the notes to the consolidated financial statements for details.

Management Discussion and Analysis

NON-IFRS FINANCIAL MEASURES

To supplement the consolidated results of the Group prepared in accordance with IFRS, certain additional non-IFRS financial measures (in terms of operating profit, operating margin, profit for the period, net margin, profit attributable to equity holders of the Company, basic EPS and diluted EPS) have been presented in this 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 2023 and 2022, the third quarter of 2023, as well as the years ended 31 December 2023 and 2022 to the nearest measures prepared in accordance with IFRS:

	Unaudited three months ended 31 December 2023								
		Adjustments							
	As reported	Share-based compensation (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	41,401	5,732	–	1,564	–	437	1	–	49,135
Profit for the period	27,850	6,646	(94)	2,960	5,705	1,594	1	(829)	43,833
Profit attributable to equity holders	27,025	6,512	(55)	2,719	5,650	1,594	1	(765)	42,681
EPS (RMB per share)									
– basic	2.873								4.537
– diluted	2.807								4.443
Operating margin	27%								32%
Net margin	18%								28%

Management Discussion and Analysis

	Unaudited three months ended 30 September 2023							
		Adjustments						
	As reported	Share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/ (reversals) (d)	SSV & CPP (e)	Income tax effects (g)	Non-IFRS
				(RMB in millions, unless specified)				
Operating profit (Restated)*	44,348	5,655	–	1,434	–	231	–	51,668
Profit for the period	36,781	6,948	(565)	2,666	346	301	(640)	45,837
Profit attributable to equity holders	36,182	6,833	(583)	2,458	309	301	(579)	44,921
EPS (RMB per share)								
– basic	3.828							4.753
– diluted	3.752							4.657
Operating margin (Restated)*	29%							33%
Net margin	24%							30%

	Unaudited three months ended 31 December 2022								
		Adjustments							
	As reported	Share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/ (reversals) (d)	SSV & CPP (e)	Others (f)	Income tax effects (g)	Non-IFRS
					(RMB in millions, unless specified)				
Operating profit (Restated)*	29,163	5,680	–	1,241	–	326	14	–	36,424
Profit for the period	106,904	7,217	(107,955)	2,601	23,700	1,600	206	(3,717)	30,556
Profit attributable to equity holders	106,268	7,124	(107,928)	2,420	23,693	1,600	206	(3,672)	29,711
EPS (RMB per share)									
– basic	11.173								3.124
– diluted	10.977								3.042
Operating margin (Restated)*	20%								25%
Net margin	74%								21%

* Certain items have been reclassified from above to below the operating profit line, and the comparative figures for prior periods have been restated accordingly. Please refer to Note 2.2 in the notes to the consolidated financial statements for details.

Management Discussion and Analysis

	Year ended 31 December 2023								
		Adjustments							
	As reported	Share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/ (reversals) (d)	SSV & CPP (e)	Others (f)	Income tax effects (g)	Non-IFRS
	(RMB in millions, unless specified)								
Operating profit	**160,074**	**22,782**	**–**	**5,019**	**–**	**998**	**3,013**	**–**	**191,886**
Profit for the year	**118,048**	**27,766**	**(6,170)**	**10,269**	**8,123**	**3,790**	**3,012**	**(3,104)**	**161,734**
Profit attributable to equity holders	**115,216**	**27,100**	**(6,024)**	**9,462**	**8,004**	**3,790**	**3,012**	**(2,872)**	**157,688**
EPS (RMB per share)									
– basic	**12.186**								**16.678**
– diluted	**11.887**								**16.320**
Operating margin	**26%**								**32%**
Net margin	**19%**								**27%**

	Year ended 31 December 2022								
		Adjustments							
	As reported	Share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/ (reversals) (d)	SSV & CPP (e)	Others (f)	Income tax effects (g)	Non-IFRS
	(RMB in millions, unless specified)								
Operating profit (Restated)*	110,827	26,248	–	5,197	–	726	205	–	143,203
Profit for the year	188,709	33,311	(164,698)	11,818	48,004	5,763	2,125	(5,839)	119,193
Profit attributable to equity holders	188,243	32,651	(164,840)	10,880	46,326	5,763	2,125	(5,499)	115,649
EPS (RMB per share)									
– basic	19.757								12.138
– diluted	19.341								11.835
Operating margin (Restated)*	20%								26%
Net margin	34%								21%

* Certain items have been reclassified from above to below the operating profit line, and the comparative figures for prior periods have been restated accordingly. Please refer to Note 2.2 in the notes to the consolidated financial statements for details.

Note:

(a) Including put options granted to employees of investee companies on their shares and shares to be issued under investee companies' share-based incentive plans which can be acquired by the Group, and other incentives

(b) Including net (gains)/losses on deemed disposals/disposals of investee companies, fair value changes arising from investee companies, and other expenses in relation to equity transactions of investee companies

(c) Amortisation of intangible assets resulting from acquisitions

(d) Mainly including impairment provisions/(reversals) for associates, joint ventures, goodwill and other intangible assets arising from acquisitions

(e) Mainly including donations and expenses incurred for the Group's SSV & CPP initiatives

(f) Primarily non-recurring compliance-related costs and expenses incurred for certain litigation settlements of the Group and/or arising from investee companies

(g) Income tax effects of non-IFRS adjustments

INVESTMENTS HELD

As at 31 December 2023, our investment portfolio amounted to approximately RMB701,664 million (31 December 2022: RMB819,975 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[4] in listed investee companies (excluding subsidiaries) amounted to RMB550.7 billion as at 31 December 2023 (31 December 2022: RMB585.1 billion), and the carrying book value of our unlisted investments was RMB337.3 billion as at 31 December 2023 (31 December 2022: RMB333.4 billion). None of the carrying value of any of our investments (including listed equity investments) constituted 5% or more of our total assets as at 31 December 2023.

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

Management Discussion and Analysis

There were no material changes in our significant investment portfolio during the year ended 31 December 2023 that need to be disclosed under paragraph 32 of Appendix D2 to the Listing Rules.

Losses from our investment portfolio amounted to RMB2,686 million for the year ended 31 December 2023, compared to gains of RMB99,823 million in previous year. Details of our return from investment portfolio are as follows:

Performance of Principal Investment (Classified by nature)	**2023 RMB'Million**	2022 RMB'Million
Dividend income	**546**	948
Net gains on disposals and deemed disposals of investee companies	**4,283**	172,707
Net fair value losses	**(2,106)**	(7,703)
Impairment provision for investee companies, goodwill and other intangible assets from acquisitions	**(6,190)**	(44,803)
Share of profit/(loss) of associates and joint ventures, net	**5,800**	(16,129)
Amortisation of intangible assets resulting from acquisitions	**(5,019)**	(5,197)

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 2023 and 30 September 2023 were as follows:

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

Management Discussion and Analysis

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

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

As at 31 December 2023, bank balances and cash of the Group were mainly denominated in RMB and primarily held by subsidiaries in the Mainland of China whose functional currencies are 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. Details are set out in Note 4.1 to the consolidated financial statements.

As at 31 December 2023, the Group's total debts comprised borrowings and notes payable. Particulars of the Group's borrowings and notes payable are set out in Note 38 and Note 39 to the consolidated financial statements respectively.

As at 31 December 2023, the Group held some floating rate debts, 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 4.1 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 4.2 to the consolidated financial statements.

The Group had no material contingent liabilities outstanding as at 31 December 2023.

CHARGES

As at 31 December 2023, the Group's equity share in an investee company at a carrying amount of approximately RMB3.1 billion was charged to a bank syndicate (as part of the collateral) against a loan extended to such investee company.

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the material subsidiaries are set out in Note 50 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 6 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 129 of this annual report.

The Board has recommended the payment of a final dividend of HKD3.40 per Share for the year ended 31 December 2023. The dividend is expected to be payable on 31 May 2024 to the shareholders whose names appear on the register of members of the Company on 22 May 2024. The total final dividend proposed for the year is HKD3.40 per Share.

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 2023, the Company had distributable reserves amounting to RMB86,872 million (2022: RMB82,562 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 133 to 136, Note 35, Note 36 and Note 48 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 18 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 2023 are set out in the "Chairman's Statement" on pages 4 to 6 of this annual report. Particulars of important events affecting the Group that have occurred since the end of the financial year 2023 are set out in Note 49 to the consolidated financial statements. An analysis using financial key performance indicators is set out in the "Management Discussion and Analysis" on pages 7 to 25 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 85 to 118 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 85 to 118 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 35 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's material subsidiaries as at 31 December 2023 are set out in Note 50 to the consolidated financial statements.

BORROWINGS AND NOTES PAYABLE

Particulars of the Group's borrowings and notes payable are set out in Note 38 and Note 39 to the consolidated financial statements respectively.

Directors' Report

DONATION

The donations made by the Group in the year were RMB2,952 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 2023, the Company repurchased a total of 152,205,700 Shares on the Stock Exchange for an aggregate consideration of approximately HKD49.4 billion before expenses. The repurchased Shares were subsequently cancelled. The repurchase was effected for the enhancement of shareholder value in the long term. Details of the Shares repurchased are as follows:

		Purchase consideration per Share		
Month of purchase in 2023	**No. of Shares purchased**	**Highest price paid HKD**	**Lowest price paid HKD**	**Aggregate consideration paid HKD**
January	7,853,100	384.80	329.00	2,873,963,974.54
March	4,620,000	393.80	362.80	1,755,093,825.00
April	4,640,000	390.80	354.40	1,759,793,152.00
May	7,740,000	345.40	306.00	2,514,634,060.00
June	23,493,400	361.00	311.40	7,971,702,166.14
July	10,859,200	352.40	320.20	3,643,776,854.48
August	12,380,000	333.80	314.80	4,017,450,018.00
September	24,280,000	334.80	296.60	7,628,303,223.00
October	11,800,000	317.00	295.40	3,612,873,698.00
November	11,170,000	332.40	313.80	3,611,667,996.00
December	33,370,000	325.60	263.80	10,043,448,981.00
Total:	152,205,700			49,432,707,948.16

Save as disclosed above and in Note 35 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 2023.

USE OF PROCEEDS FROM FPO OF A NON WHOLLY-OWNED SUBSIDIARY

The use of proceeds from the FPO of HUYA, our non wholly-owned subsidiary, is set out below:

HUYA

In April 2019, HUYA launched its FPO of 18,400,000 American depositary shares ("ADS") representing 18,400,000 of its Class A ordinary shares (including 13,600,000 ADSs sold by HUYA and 4,800,000 ADSs sold by the selling shareholder) at a public offering price of USD24.00 per ADS. The net proceeds from the FPO amounted to approximately USD313.8 million and are intended to be applied in accordance with the proposed application as set out in the FPO prospectus of HUYA dated 10 April 2019. Up to 31 December 2023, USD142.7 million of the net proceeds from the FPO were utilised according to the intentions previously disclosed by HUYA. Details of the use of proceeds are as follows:

	Intended use of proceeds from the FPO USD'Million	Actual amount utilised during the year ended 31 December 2023 USD'Million	Unutilised amount as at 31 December 2023 USD'Million	Expected timeline for utilising the unutilised amount
Investment in content ecosystem and eSports partners to expand content genres and improve content quality	94.1 to 125.5	31.4	up to 51.9	Before the end of 2027
Research and development to strengthen technologies and products	78.5 to 94.1	3.8	up to 75.3	Before the end of 2027
Overseas expansion opportunities and potential strategic investments and merger and acquisition opportunities	31.4 to 47.1	3.6	up to 40.0	Before the end of 2027
Expanding and enhancing product and service offerings	15.7 to 31.4	2.1	up to 17.2	Before the end of 2027
General corporate purposes	15.7 to 94.1	28.4	up to 65.2	Before the end of 2027

As at 31 December 2023, the remaining USD171.1 million of the net proceeds from the FPO was placed with banks.

Directors' Report

SHARE OPTION SCHEMES

The Company has adopted six share option schemes, namely, the Pre-IPO Option Scheme, the Post-IPO Option Scheme I, the Post-IPO Option Scheme II, the Post-IPO Option Scheme III, the Post-IPO Option Scheme IV and the 2023 Share Option Scheme. The Pre-IPO Option Scheme, the Post-IPO Option Scheme I, the Post-IPO Option Scheme II and the Post-IPO Option Scheme III expired on 31 December 2011, 23 March 2014, 16 May 2017 and 13 May 2019, respectively. As at 31 December 2023, there were no outstanding share options exercisable under the Pre-IPO Option Scheme, the Post-IPO Option Scheme I and the Post-IPO Option Scheme III. The Post-IPO Option Scheme IV was terminated on 17 May 2023. Please refer to the circular of the Company dated 24 April 2023 for details. In respect of the 2023 Share Option Scheme, the Board may, at its discretion, grant options to any qualifying participant to subscribe for Shares, subject to the terms and conditions stipulated therein. The exercise price must be in compliance with the requirements under the Listing Rules. In addition, the option vesting period is determined by the Board provided that it is not later than the last day of a 10-year period after the date of grant of options.

The total number of options available for grant under the scheme mandate of the Post-IPO Option Scheme IV as at 1 January 2023 was 277,023,785 and such scheme was terminated on 17 May 2023. The total number of options available for grant under the scheme mandate of the 2023 Share Option Scheme as at the date of adoption (17 May 2023) and 31 December 2023 were 287,638,307 and 274,076,375, respectively. The total number of options available for grant under the Service Providers sub-limit of the 2023 Share Option Scheme as at the date of adoption (17 May 2023) and 31 December 2023 were both 958,794.

Directors' Report

As at 17 May 2023, there were a total of 17,215,853 outstanding share options granted to Mr Lau Chi Ping Martin, details of which are as follows:

Name of director	Date of grant	Number of share options: As at 1 January 2023	Granted during the period	Exercised during the period (Note 3)	As at 17 May 2023	Exercise price HKD (Note 4)	Exercise period
Lau Chi Ping Martin (ceased to be a director with effect from 17 May 2023)	21 March 2016	3,750,000	–	3,750,000 (Note 2)	–	126.57	21 March 2017 to 20 March 2023 (Note 1)
	24 March 2017	5,250,000	–	–	5,250,000	185.65	24 March 2018 to 23 March 2024 (Note 1)
	9 April 2018	2,411,850	–	–	2,411,850	358.11	9 April 2019 to 8 April 2025 (Note 1)
		803,950	–	–	803,950	357.86	
	4 April 2019	1,753,290	–	–	1,753,290	321.04	4 April 2020 to 3 April 2026 (Note 1)
		876,645	–	–	876,645	320.78	
		876,645	–	–	876,645	320.45	
	20 March 2020	1,099,953	–	–	1,099,953	305.66	20 March 2021 to 19 March 2027 (Note 1)
		1,099,954	–	–	1,099,954	305.49	
		1,099,954	–	–	1,099,954	304.23	
		1,099,954	–	–	1,099,954	303.74	
	30 March 2021	843,658	–	–	843,658	532.06	30 March 2022 to 29 March 2028 (Notes 1 and 7)
	Total:	20,965,853	–	3,750,000	17,215,853		

Directors' Report

Note:

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

2. In relation to the exercise of 750,000 share options out of 3,750,000 share options, 489,211 Shares were issued. The automatic deduction of 260,789 Shares represents the consideration payable for the exercise of 750,000 share options.

3. The weighted average closing price immediately before the date on which the options were exercised was HKD373.8 per Share.

4. As a result of the distribution in specie of Meituan Shares, pursuant to the scheme rules of the Post-IPO Option Scheme II and the Post-IPO Option Scheme IV, adjustments had been made to the exercise prices of the share options which remained outstanding as at 5 January 2023 (Meituan ex-dividend date). The adjusted exercise prices of the share options are reflected above. Please refer to the announcement of the Company dated 9 January 2023 for details.

5. No options were cancelled or lapsed during the period from 1 January 2023 to 17 May 2023.

6. Details of movements of share options granted to Mr Lau Chi Ping Martin during the year ended 31 December 2023 were included in the following section on details of movements of share options granted to Employee Participants of the Group.

7. Such options were voluntarily waived by Mr Lau Chi Ping Martin in January 2024.

8. As at 31 December 2023, there were no outstanding share options granted to any director of the Company.

Directors' Report

Details of movements of share options granted to Employee Participants of the Group (including Mr Lau Chi Ping Martin) during the year ended 31 December 2023 are as follows:

Date of grant	As at 1 January 2023	Granted during the year (Notes 14 and 15)	Exercised during the year (Note 13)	Lapsed/ forfeited during the year	As at 31 December 2023	Exercise price HKD (Note 16)	Exercise period/ Performance targets (Note 20)
	Number of share options						
21 Mar 2016	3,917,500	–	3,917,500	–	–	126.57	21 Mar 2017 to 20 Mar 2023 (Note 3)
6 Jul 2016	316,841	–	314,991	1,850	–	143.33	6 Jul 2017 to 5 Jul 2023 (Note 3)
24 Mar 2017	826,650	–	136,498	–	690,152	185.65	24 Mar 2018 to 23 Mar 2024 (Note 1)
24 Mar 2017	24,200,875	–	7,572,700	–	16,628,175	185.65	24 Mar 2018 to 23 Mar 2024 (Note 3)
10 Jul 2017	4,469	–	4,469	–	–	230.87	10 Jul 2018 to 9 Jul 2024 (Note 2)
10 Jul 2017	3,828,731	–	777,784	19,073	3,031,874	230.87	10 Jul 2018 to 9 Jul 2024 (Note 3)
10 Jul 2017	4,288	–	560	–	3,728	230.89	10 Jul 2019 to 9 Jul 2024 (Note 4)
	5,108	–	560	–	4,548	230.87	
23 Nov 2017	71,190	–	–	39,760	31,430	368.46	23 Nov 2018 to 22 Nov 2024 (Note 2)
16 Jan 2018	97,915	–	–	–	97,915	387.16	16 Jan 2019 to 15 Jan 2025 (Note 2)
9 Apr 2018	1,871,500	–	–	9,800	1,861,700	358.11	9 Apr 2019 to 8 Apr 2025 (Note 1)
9 Apr 2018	191,555	–	–	–	191,555	358.11	9 Apr 2019 to 8 Apr 2025 (Note 2)
9 Apr 2018	14,851,089	–	–	–	14,851,089	358.11	9 Apr 2019 to 8 Apr 2025 (Note 3)
	4,984,470	–	–	–	4,984,470	357.86	
24 May 2018	26,390	–	–	–	26,390	355.51	24 May 2019 to 23 May 2025 (Note 2)
22 Jun 2018	13,055	–	–	–	13,055	348.04	22 Jun 2019 to 21 Jun 2025 (Note 1)
22 Jun 2018	70,525	–	–	–	70,525	348.04	22 Jun 2019 to 21 Jun 2025 (Note 2)
6 Jul 2018	2,087,419	–	85,195	21,820	1,980,404	332.87	6 Jul 2019 to 5 Jul 2025 (Note 3)
	1,047,719	–	53,641	10,755	983,323	332.47	

Directors' Report

	Number of share options						
Date of grant	As at 1 January 2023	Granted during the year (Notes 14 and 15)	Exercised during the year (Note 13)	Lapsed/ forfeited during the year	As at 31 December 2023	Exercise price HKD (Note 16)	Exercise period/ Performance targets (Note 20)
6 Jul 2018	2,024	–	–	–	2,024	332.87	6 Jul 2020 to 5 Jul 2025 (Note 4)
	2,013	–	–	–	2,013	332.47	
	2,013	–	–	–	2,013	331.57	
6 Jul 2018	647	–	–	–	647	332.87	6 Jul 2021 to 5 Jul 2025 (Note 5)
	4,532	–	–	–	4,532	332.47	
	4,533	–	–	–	4,533	331.57	
	4,534	–	–	–	4,534	331.40	
24 Aug 2018	17,780	–	–	–	17,780	302.78	24 Aug 2019 to 23 Aug 2025 (Note 2)
4 Apr 2019	193,566	–	24,538	–	169,028	321.04	4 Apr 2020 to 3 Apr 2026 (Note 1)
4 Apr 2019	2,894,848	–	–	–	2,894,848	321.04	4 Apr 2020 to 3 Apr 2026 (Note 3)
	1,447,425	–	–	–	1,447,425	320.78	
	1,447,427	–	–	–	1,447,427	320.45	
4 Apr 2019	17,500,000	–	–	–	17,500,000	320.01	4 Apr 2024 to 3 Apr 2026 (Note 6)
8 Jul 2019	710,896	–	29,039	12,094	669,763	306.21	8 Jul 2020 to 7 Jul 2026 (Note 3)
	490,100	–	40,675	11,166	438,259	305.79	
	486,839	–	14,083	27,729	445,027	304.61	
8 Jul 2019	3,000	–	–	–	3,000	306.21	8 Jul 2021 to 7 Jul 2026 (Note 4)
	3,001	–	–	–	3,001	305.79	
	3,001	–	–	–	3,001	304.61	
	3,003	–	–	–	3,003	301.46	
23 Aug 2019	9,870	–	–	–	9,870	288.46	15 Aug 2020 to 22 Aug 2026 (Note 10)
23 Aug 2019	92,469	–	48,737	–	43,732	288.89	15 Aug 2020 to 22 Aug 2026 (Note 7)
	46,235	–	24,369	–	21,866	288.46	
	46,236	–	–	–	46,236	287.49	

Directors' Report

Date of grant	As at 1 January 2023	Granted during the year (Notes 14 and 15)	Exercised during the year (Note 13)	Lapsed/ forfeited during the year	As at 31 December 2023	Exercise price HKD (Note 16)	Exercise period/ Performance targets (Note 20)
	Number of share options						
2 Dec 2019	82	–	82	–	–	290.39	15 Nov 2020 to 1 Dec 2026 (Note 10)
	17,582	–	17,582	–	–	289.77	
8 Jan 2020	74,340	–	–	–	74,340	330.89	15 Dec 2020 to 7 Jan 2027 (Note 10)
	37,170	–	–	–	37,170	329.92	
20 Mar 2020	100,253	–	1,272	–	98,981	305.66	21 Jan 2021 to 19 Mar 2027 (Note 9)
	187,837	–	4,730	–	183,107	305.64	
20 Mar 2020	1,697,498	–	–	–	1,697,498	305.66	20 Mar 2021 to 19 Mar 2027 (Note 8)
	1,746,159	–	–	–	1,746,159	305.49	
	1,746,159	–	–	–	1,746,159	304.23	
	1,770,490	–	–	–	1,770,490	303.74	
22 May 2020	16,613	–	–	–	16,613	367.16	15 May 2021 to 21 May 2027 (Note 10)
	16,613	–	–	–	16,613	366.70	
	16,614	–	–	–	16,614	365.53	
10 Jul 2020	308,486	–	–	13,799	294,687	472.04	5 Jul 2021 to 9 Jul 2027 (Note 8)
	322,016	–	–	14,426	307,590	471.92	
	322,086	–	–	14,429	307,657	470.14	
	322,132	–	–	23,830	298,302	469.87	
10 Jul 2020	876	–	–	–	876	471.92	5 Jul 2022 to 9 Jul 2027 (Note 8)
	877	–	–	–	877	470.14	
	877	–	–	–	877	470.04	
	877	–	–	–	877	469.87	
21 Aug 2020	12,232	–	–	–	12,232	444.32	15 Jul 2021 to 20 Aug 2027 (Note 9)
	12,233	–	–	–	12,233	444.07	

Directors' Report

	Number of share options						
Date of grant	As at 1 January 2023	Granted during the year (Notes 14 and 15)	Exercised during the year (Note 13)	Lapsed/ forfeited during the year	As at 31 December 2023	Exercise price HKD (Note 16)	Exercise period/ Performance targets (Note 20)
21 Aug 2020	3,511	–	–	–	3,511	444.32	15 Aug 2021 to 20 Aug 2027 (Note 10)
	3,512	–	–	–	3,512	444.01	
	3,512	–	–	–	3,512	443.08	
21 Aug 2020	1,239	–	–	751	488	444.32	15 Aug 2021 to 20 Aug 2027 (Note 8)
	1,240	–	–	751	489	444.01	
	1,242	–	–	752	490	443.08	
	1,243	–	–	753	490	442.82	
23 Nov 2020	54,353	–	–	7,852	46,501	511.83	15 Oct 2021 to 22 Nov 2027 (Note 9)
	15,363	–	–	7,853	7,510	511.59	
23 Nov 2020	2,951	–	–	–	2,951	511.83	15 Oct 2021 to 22 Nov 2027 (Note 10)
	2,952	–	–	–	2,952	511.59	
	2,952	–	–	–	2,952	510.71	
23 Nov 2020	4,206	–	–	–	4,206	511.83	15 Nov 2021 to 22 Nov 2027 (Note 8)
	4,206	–	–	–	4,206	511.54	
	4,206	–	–	–	4,206	510.57	
	4,207	–	–	–	4,207	508.53	
23 Dec 2020	7,014	–	–	–	7,014	495.23	15 Dec 2021 to 22 Dec 2027 (Note 9)
	7,014	–	–	–	7,014	494.94	
23 Dec 2020	35,069	–	–	–	35,069	495.23	15 Dec 2021 to 22 Dec 2027 (Note 10)
	35,069	–	–	–	35,069	494.94	
	35,069	–	–	–	35,069	494.22	
30 Mar 2021	524,998	–	–	6,654	518,344	533.39	8 Feb 2022 to 29 Mar 2028 (Note 9)
	525,200	–	–	6,663	518,537	533.13	

Directors' Report

Date of grant	Number of share options: As at 1 January 2023	Granted during the year (Notes 14 and 15)	Exercised during the year (Note 13)	Lapsed/ forfeited during the year	As at 31 December 2023	Exercise price HKD (Note 16)	Exercise period/ Performance targets (Note 20)
30 Mar 2021	25,083	–	–	–	25,083	533.39	8 Feb 2022 to 29 Mar 2028 (Note 8)
	25,083	–	–	–	25,083	533.13	
	25,084	–	–	–	25,084	532.35	
	25,085	–	–	–	25,085	531.71	
30 Mar 2021	1,444	–	–	–	1,444	533.39	15 Feb 2022 to 29 Mar 2028 (Note 10)
	1,444	–	–	–	1,444	533.13	
	1,445	–	–	–	1,445	532.24	
30 Mar 2021	761	–	–	–	761	533.39	15 Feb 2022 to 29 Mar 2028 (Note 8)
	762	–	–	–	762	533.13	
	763	–	–	–	763	532.35	
	763	–	–	–	763	532.24	
30 Mar 2021	966,958	–	–	–	966,958	533.39	30 Mar 2022 to 29 Mar 2028 (Note 8)
	966,958	–	–	–	966,958	533.07	
	966,961	–	–	–	966,961	532.29	
	1,810,622	–	–	–	1,810,622	532.06	
10 Jun 2021	2,944	–	–	771	2,173	529.18	5 Jul 2021 to 9 Jun 2028 (Note 8)
	2,944	–	–	771	2,173	529.08	
	2,945	–	–	771	2,174	528.40	
	2,945	–	–	771	2,174	526.97	
10 Jun 2021	50,534	–	–	46,681	3,853	529.15	15 May 2022 to 9 Jun 2028 (Note 10)
	50,536	–	–	46,682	3,854	528.51	
	50,537	–	–	46,683	3,854	527.29	

Directors' Report

	Number of share options						
Date of grant	As at 1 January 2023	Granted during the year (Notes 14 and 15)	Exercised during the year (Note 13)	Lapsed/ forfeited during the year	As at 31 December 2023	Exercise price HKD (Note 16)	Exercise period/ Performance targets (Note 20)
14 Jul 2021	1,917,789	–	–	43,508	1,874,281	478.17	5 Jul 2022 to 13 Jul 2028 (Note 8)
	1,918,080	–	–	48,057	1,870,023	477.46	
	1,918,365	–	–	62,649	1,855,716	476.52	
	1,918,693	–	–	62,659	1,856,034	476.09	
16 Nov 2021	57,632	–	–	–	57,632	437.83	15 Sep 2022 to 15 Nov 2028 (Note 10)
	57,632	–	–	–	57,632	436.86	
	57,633	–	–	–	57,633	433.54	
16 Nov 2021	5,231	–	–	–	5,231	435.86	15 Oct 2022 to 15 Nov 2028 (Note 10)
	5,231	–	–	–	5,231	434.78	
	5,232	–	–	–	5,232	433.25	
24 Mar 2022	8,947	–	100	78	8,769	343.96	5 Jul 2022 to 23 Mar 2029 (Note 8)
	8,953	–	–	2,126	6,827	343.22	
	8,950	–	–	178	8,772	343.21	
	8,953	–	–	2,126	6,827	342.87	
24 Mar 2022	790,044	–	1,101	2,866	786,077	343.84	27 Jan 2023 to 23 Mar 2029 (Note 9)
	790,206	–	–	2,928	787,278	343.20	
24 Mar 2022	3,094	–	–	–	3,094	343.77	15 Feb 2023 to 23 Mar 2029 (Note 10)
	3,094	–	–	–	3,094	343.06	
	3,094	–	–	–	3,094	342.81	
24 Mar 2022	7,472	–	–	2,889	4,583	343.77	15 Feb 2023 to 23 Mar 2029 (Note 8)
	7,486	–	–	2,891	4,595	343.06	
	7,474	–	–	2,890	4,584	342.81	
	7,487	–	–	2,892	4,595	342.50	

Directors' Report

	Number of share options							
Date of grant	As at 1 January 2023	Granted during the year (Notes 14 and 15)	Exercised during the year (Note 13)	Lapsed/ forfeited during the year	As at 31 December 2023	Exercise price HKD (Note 16)	Exercise period/ Performance targets (Note 20)
24 Mar 2022	1,399,354	–	–	–	1,399,354	343.61	24 Mar 2023 to 23 Mar 2029 (Note 8)
	1,399,355	–	–	–	1,399,355	342.79	
	1,399,356	–	–	–	1,399,356	342.49	
	1,399,357	–	–	–	1,399,357	341.94	
18 Aug 2022	1,370,532	–	78,148	22,476	1,269,908	277.91	15 Jul 2023 to 17 Aug 2029 (Note 8)
	1,370,703	–	–	69,857	1,300,846	277.42	
	1,370,900	–	–	69,870	1,301,030	276.81	
	1,371,135	–	–	69,883	1,301,252	276.01	
23 Mar 2023	–	588,782	–	256	588,526	375.60	15 Jan 2024 to 22 Mar 2030 (Notes 9 and 11)
23 Mar 2023	–	3,071,143	–	–	3,071,143	375.60	15 Apr 2024 to 22 Mar 2030 (Notes 8 and 11)
17 Aug 2023	–	36,883	–	–	36,883	334.04	15 Jun 2024 to 17 Aug 2030 (Notes 9 and 12)
17 Aug 2023	–	60,862	–	–	60,862	334.04	15 Jun 2024 to 17 Aug 2030 (Notes 10 and 12)
17 Aug 2023	–	22,551	–	–	22,551	334.04	15 Jul 2024 to 17 Aug 2030 (Notes 9 and 12)
17 Aug 2023	–	1,884,286	–	19,434	1,864,852	334.04	15 Jul 2024 to 17 Aug 2030 (Notes 8 and 12)
17 Aug 2023	–	11,557,350	–	–	11,557,350	334.04	15 Sep 2024 to 17 Aug 2030 (Notes 8 and 12)
Total:	119,423,776	17,221,857	13,148,354	886,203	122,611,076		

Directors' Report

Note:

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

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

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

4. For options granted with exercisable date determined based on the grant date of options, the first 25% of the total options shall be vested and can be exercised 2 years after the grant date, and each 25% of the total options will be vested and become exercisable in each subsequent year.

5. For options granted with exercisable date determined based on the grant date of options, the first 25% of the total options shall be vested and can be exercised 3 years after the grant date, and each 25% of the total options will be vested and become exercisable in each subsequent year.

6. For options granted with exercisable date determined based on the grant date of options, 100% of the total options shall be vested and can be exercised 5 years after the grant date.

7. Subject to the satisfaction of certain conditions, the first 25% of the total options shall be vested and can be exercised on the dates as specified in the relevant grant letters, and each 25% of the total options will be vested and become exercisable in each subsequent year.

8. The first 25% of the total options shall be vested and can be exercised on the dates as specified in the relevant grant letters, and each 25% of the total options will be vested and become exercisable in each subsequent year.

9. The first 50% of the total options shall be vested and can be exercised on the dates as specified in the relevant grant letters, and the remaining 50% of the total options will be vested and become exercisable in the subsequent year.

10. The first 33.33% (one-third) of the total options shall be vested and can be exercised on the dates as specified in the relevant grant letters, and each 33.33% (one-third) of the total options will be vested and become exercisable in each subsequent year.

11. The closing price immediately before the date on which the options were granted on 23 March 2023 was HKD347.2 per Share.

12. The closing price immediately before the date on which the options were granted on 17 August 2023 was HKD328.8 per Share.

13. The weighted average closing price immediately before the date on which the options were exercised (without taking into account the exercise of options by Mr Lau Chi Ping Martin during the period from 1 January 2023 to 17 May 2023) was HKD329.57 per Share.

14. The average fair value of the options granted on 23 March 2023 was HKD132.11 per Share at the date of grant.

15. The average fair value of the options granted on 17 August 2023 was HKD125.28 per Share at the date of grant.

16. As a result of the distribution in specie of Meituan Shares, pursuant to the scheme rules of the Post-IPO Option Scheme II and the Post-IPO Option Scheme IV, adjustments had been made to the exercise prices of the share options which remained outstanding as at 5 January 2023 (Meituan ex-dividend date). The adjusted exercise prices of the share options are reflected above. Please refer to the announcement of the Company dated 9 January 2023 for details.

17. No options granted to the Employee Participants were cancelled during the year ended 31 December 2023.

18. None of the participants has been granted with options and awards in excess of the 1% individual limit.

19. Details of the valuation of share options of the Company during the year ended 31 December 2023, including the accounting standard and policy adopted for the share option schemes, are set out in Note 37 and Note 2.20 to the consolidated financial statements.

20. All of the grants made during the year ended 31 December 2023 were made without any performance targets.

21. Please refer to the Definition section for the description of Employee Participants.

Directors' Report

SUMMARY OF THE SHARE OPTION SCHEMES

	Details	Post-IPO Option Scheme II	Post-IPO Option Scheme IV	2023 Share Option Scheme
1.	Purposes	To recognise the contribution that certain individuals have made to the Group, to attract the best available personnel and to promote the success of the Group's business		
2.	Qualifying participants	Any employee (whether full time or part time), executive or officer, director (including executive, non-executive and independent non-executive directors) of any member of the Group or any invested entity, which is any entity in which the Group holds an equity interest, and any consultant, adviser or agent of any member of the Board, who have contributed or will contribute to the growth and development of the Group or any invested entity	Any employee (whether full time or part time), executive or officer, director (including executive, non-executive and independent non-executive directors) of any member of the Group or any invested entity, and any consultant, adviser or agent of any member of the Board, who have contributed or will contribute to the growth and development of the Group or any invested entity	Any Employee Participant, any director or employee of a Related Entity, and any Service Provider
3.	Scheme limit	The maximum number of Shares in respect of which options may be granted under the Post-IPO Option Scheme II shall be 444,518,270 Shares (after the effect of the Share Subdivision), 5% of the relevant class of securities of the Company in issue as at 16 May 2007 (Note 1).	The maximum number of Shares in respect of which options may be granted under the Post-IPO Option Scheme IV shall be 379,099,339 Shares, 4% of the relevant class of securities of the Company in issue as at 17 May 2017.	The maximum number of Shares in respect of which options may be granted under the 2023 Share Option Scheme shall be 287,638,307 Shares, 3% of the relevant class of securities of the Company in issue as at 17 May 2023.

	Details	Post-IPO Option Scheme II	Post-IPO Option Scheme IV	2023 Share Option Scheme
4.	Maximum entitlement of each participant	1% of the issued Shares from time to time within any 12-month period up to the date of the latest grant	1% of the issued Shares from time to time within any 12-month period up to the date of the latest grant	For any 12-month period up to and including the date of grant, the aggregate number of Shares issued and to be issued in respect of all options or awards granted to any Eligible Person (excluding any lapsed options or awards) under the share scheme(s) of the Company shall not exceed 1% of the issued Shares from time to time, unless such grant is separately approved by the shareholders of the Company.
5.	Option period	The option period is determined by the Board provided that it shall expire not later than the last day of the 7-year period after the date of grant of the options. There is no minimum period for which an option must be held before it can be exercised.	The option period is determined by the Board provided that it shall expire not later than the last day of the 7-year period after the date of grant of the options. There is no minimum period for which an option must be held before it can be exercised.	The option period is determined by the Board provided that it shall expire not later than the last day of the 10-year period after the date of grant of the options. There is no minimum period for which an option must be held before it can be exercised.
6.	Vesting period	The total vesting period of options granted ranges from approximately 24 to 83 months.	The total vesting period of options granted ranges from approximately 22 to 72 months.	The total vesting period of options granted ranges from approximately 22 to 72 months.

Directors' Report

	Details	Post-IPO Option Scheme II	Post-IPO Option Scheme IV	2023 Share Option Scheme
7.	Acceptance of offer	Options granted must be accepted within 28 days of the date of grant, upon payment of HKD1 per grant.	Options granted must be accepted within 28 days of the date of grant, upon payment of HKD1 per grant.	Options granted must be accepted within 28 days of the date of grant.
8.	Exercise price	The exercise price must be at least the higher of: (i) the closing price of the securities as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the securities as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Share.	The exercise price must be at least the higher of: (i) the closing price of the securities as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the securities as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Share.	The exercise price must be at least the higher of: (i) the closing price of the securities as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the securities as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Share.
9.	Remaining life of the scheme	It expired on 16 May 2017.	The Post-IPO Option Scheme IV had been terminated upon the completion of the transfer of the outstanding share options of the Post-IPO Option Scheme IV to the 2023 Share Option Scheme in accordance with the circular of the Company dated 24 April 2023.	It shall expire on 17 May 2033, subject to early termination in accordance with the scheme rules (i.e. the remaining life of the scheme as at the date of this annual report is approximately 9 years and 2 months).

Note:

1. The Post-IPO Option Scheme II expired on 16 May 2017 and no further options will be granted under the scheme.

2. The total number of Shares available for issue under the 2023 Share Option Scheme as at the date of this annual report is 378,388,424, representing approximately 4.01% of the issued Shares as at the date of this annual report.

3. The total number of unexercised outstanding Shares (i.e. the total number of Shares available for issue) under the Post-IPO Option Scheme II as at the date of this annual report is 16,619,375, representing approximately 0.18% of the issued Shares as at the date of this annual report.

Directors' Report

MOVEMENTS IN THE SHARE OPTIONS

Details of the movements in the share options of the Company during the year are set out in Note 37 to the consolidated financial statements.

SHARE AWARD SCHEMES

The Company has adopted four share award schemes, namely, the 2007 Share Award Scheme, the 2013 Share Award Scheme, the 2019 Share Award Scheme and the 2023 Share Award Scheme, among which the 2007 Share Award Scheme expired on 13 December 2022 and the 2023 Share Award Scheme was adopted on 17 May 2023. All the outstanding unvested share awards under the 2013 Share Award Scheme and the 2019 Share Award Scheme had been transferred to the 2023 Share Award Scheme. As disclosed in the circular of the Company dated 24 April 2023, upon the completion of the transfer of the shares held by the Trustee for the purpose of satisfying the outstanding share awards under the 2013 Share Award Scheme and the 2019 Share Award Scheme to the Trustee administering the 2023 Share Award Scheme, the 2013 Share Award Scheme and the 2019 Share Award Scheme would be terminated. The transfer had been completed during the year ended 31 December 2023. As at 31 December 2023, the 2023 Share Award Scheme was the only effective share award scheme of the Company. As at 31 December 2023, there were no outstanding share awards under the 2007 Share Award Scheme.

		2013 Share Award Scheme	2019 Share Award Scheme	2023 Share Award Scheme
1.	Purposes	To recognise the contributions and to attract, motivate and retain eligible persons (including any director) of the Group		
2.	Duration and termination	It shall be valid and effective unless and until being terminated on the earlier of: (i) the 15th anniversary date of the Adoption Date II; and (ii) such date of early termination as determined by the Board provided that such termination does not affect any subsisting rights of any Selected Participant.	It shall be valid and effective unless and until being terminated on the earlier of: (i) the 15th anniversary date of the Adoption Date III; and (ii) such date of early termination as determined by the Board provided that such termination does not affect any subsisting rights of any Selected Participant.	It shall be valid and effective unless and until being terminated on the earlier of: (i) the 10th anniversary date of the Adoption Date IV; and (ii) such date of early termination as determined by the Board provided that such termination does not affect any subsisting rights of any Selected Participant.

Directors' Report

		2013 Share Award Scheme	2019 Share Award Scheme	2023 Share Award Scheme
3.	Eligible Persons	Any employee (whether full time or part time), executives or officers, directors (including executive, non-executive and independent non-executive directors) of any member of the Group, any invested entity or any business partner and any consultant, adviser or agent of any member of the Group, any invested entity or any business partner, who have contributed or will contribute to the growth and development of the Group or any invested entity	Any employee (whether full time or part time), executives or officers, directors (including executive, non-executive and independent non-executive directors) of any member of the Group, any invested entity or any business partner and any consultant, adviser or agent of any member of the Group, any invested entity or any business partner, who have contributed or will contribute to the growth and development of the Group or any invested entity	Any Employee Participant, any director or employee of a Related Entity, and any Service Provider
4.	Scheme limit	3% of the issued Shares as at the Adoption Date II (i.e. 278,937,260 Shares (after the effect of the Share Subdivision))	2% of the issued Shares as at the Adoption Date III (i.e. 191,047,317 Shares)	4.5% of the issued Shares as at the Adoption Date IV (i.e. 431,457,460 Shares), among which the total number of new Shares which may be issued in respect of all awards to be granted under the 2023 Share Award Scheme shall be no more than 3.5% of the issued Shares as at the Adoption Date IV (i.e. 335,578,024 Shares) and the number of existing Shares to be used for satisfying the awards to be granted under the 2023 Share Award Scheme shall be no more than 1% of the issued Shares as at the Adoption Date IV (i.e. 95,879,435 Shares)

Directors' Report

		2013 Share Award Scheme	2019 Share Award Scheme	2023 Share Award Scheme
5.	Maximum entitlement of each participant	1% of the issued Shares at the Adoption Date II (i.e. 92,979,085 Shares (after the effect of the Share Subdivision))	1% of the issued Shares at the Adoption Date III (i.e. 95,523,658 Shares)	For any 12-month period up to and including the date of grant, the aggregate number of Shares issued and to be issued in respect of all options or awards granted to any Eligible Person (excluding any lapsed options or awards) under the share scheme(s) of the Company shall not exceed 1% of the issued Shares from time to time, unless such grant is separately approved by the shareholders of the Company.
6.	Operation	The Board may, from time to time, at its absolute discretion select any Eligible Person to be a Selected Participant and grant to such Selected Participant Awarded Shares. The Board may at any time at its discretion, in respect of each Selected Participant, cause to be paid the relevant amount from the Company's resources or any subsidiary's resources into an account for the purchase and/or subscription of the Awarded Shares after the Grant Date.	The Board may, from time to time, at its absolute discretion select any Eligible Person to be a Selected Participant and grant to such Selected Participant Awarded Shares. The Board may at any time at its discretion, in respect of each Selected Participant, cause to be paid the relevant amount from the Company's resources or any subsidiary's resources into an account for the purchase and/or subscription of the Awarded Shares after the Grant Date.	The Board may, from time to time, at its absolute discretion select any Eligible Person to be a Selected Participant and grant to such Selected Participant Awarded Shares. The Board may at any time at its discretion, in respect of each Selected Participant, cause to be paid the relevant amount from the Company's resources or any subsidiary's resources into an account for the purchase and/or subscription of the Awarded Shares after the Grant Date.

		2013 Share Award Scheme	2019 Share Award Scheme	2023 Share Award Scheme
7.	Restrictions	No award may be made by the Board to any Selected Participant: (i) where the Company has information that must be disclosed under Rule 13.09 of the Listing Rules or where the Company reasonably believes there is inside information which must be disclosed under Part XIVA of the SFO, until such inside information has been published on the websites of the Stock Exchange and the Company; (ii) after any inside information in relation to the securities of the Company has occurred or has become the subject of a decision, until such inside information has been published; (iii) within the period commencing 60 days (in the case of yearly results), or 30 days (in the case of results for half-year, quarterly or other interim period) immediately preceding the earlier of (1) the date of a meeting of the Board (as such date is first notified to the Stock Exchange) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or	No award may be made by the Board to any Selected Participant: (i) where the Company has information that must be disclosed under Rule 13.09 of the Listing Rules or where the Company reasonably believes there is inside information which must be disclosed under Part XIVA of the SFO, until such inside information has been published on the websites of the Stock Exchange and the Company; (ii) after any inside information in relation to the securities of the Company has occurred or has become the subject of a decision, until such inside information has been published; (iii) within the period commencing 60 days (in the case of yearly results), or 30 days (in the case of results for half-year, quarterly or other interim period) immediately preceding the earlier of (1) the date of a meeting of the Board (as such date is first notified to the Stock Exchange) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or	No award may be granted by the Board to any Selected Participant: (i) where the Company has information that must be disclosed under Rule 13.09 of the Listing Rules or where the Company reasonably believes there is inside information which must be disclosed under Part XIVA of the SFO, until (and including) the trading date after such inside information has been published on the websites of the Stock Exchange and the Company; (ii) after any inside information in relation to the securities of the Company has occurred or has become the subject of a decision, until such inside information has been published; (iii) within the period commencing 60 days (in the case of yearly results), or 30 days (in the case of results for half-year, quarterly or other interim period) immediately preceding the earlier of (1) the date of a meeting of the Board (as such date is first notified to the Stock Exchange) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or

Directors' Report

		2013 Share Award Scheme	2019 Share Award Scheme	2023 Share Award Scheme
7.	Restrictions (continued)	not required under the Listing Rules); and (2) the deadline for the Company to publish its quarterly, interim or annual results announcement for any such period, and ending on the date of such announcement; or (iv) in any other circumstances where dealings by Selected Participant (including directors of the Company) are prohibited under the Listing Rules, the SFO or any other applicable laws or regulations or where the requisite approval from any applicable regulatory authorities has not been granted.	not required under the Listing Rules); and (2) the deadline for the Company to publish its quarterly, interim or annual results announcement for any such period, and ending on the date of such announcement; or (iv) in any other circumstances where dealings by Selected Participant (including directors of the Company) are prohibited under the Listing Rules, the SFO or any other applicable laws or regulations or where the requisite approval from any applicable regulatory authorities has not been granted.	not required under the Listing Rules); and (2) the deadline for the Company to publish its quarterly, interim or annual results announcement for any such period, and ending on the date of such announcement; or (iv) in any other circumstances where dealings by Selected Participant (including directors of the Company) are prohibited under the Listing Rules, the SFO or any other applicable laws or regulations or where the requisite approval from any applicable regulatory authorities has not been granted.

		2013 Share Award Scheme	2019 Share Award Scheme	2023 Share Award Scheme
8.	Vesting and clawback/lapse	The vesting of the Awarded Shares is subject to the Selected Participant remaining at all times after the Grant Date and on the date of vesting, an Eligible Person, subject to the rules of the 2013 Share Award Scheme. The Awarded Shares can either be vested immediately or up to a period of approximately 84 months, subject to a vesting schedule as determined by the Board on the date of grant. Subject to the satisfaction of all vesting conditions as prescribed in the 2013 Share Award Scheme, the Selected Participants will be entitled to receive the Awarded Shares.	The vesting of the Awarded Shares is subject to the Selected Participant remaining at all times after the Grant Date and on the date of vesting, an Eligible Person, subject to the rules of the 2019 Share Award Scheme. The Awarded Shares can either be vested immediately or up to a period of approximately 60 months, subject to a vesting schedule as determined by the Board on the date of grant. Subject to the satisfaction of all vesting conditions as prescribed in the 2019 Share Award Scheme, the Selected Participants will be entitled to receive the Awarded Shares.	The vesting of the Awarded Shares is subject to the Selected Participant remaining at all times after the Grant Date and on the date of vesting, an Eligible Person, subject to the rules of the 2023 Share Award Scheme. The Awarded Shares can be vested up to a period of approximately 84 months, subject to a vesting schedule as determined by the Board on the date of grant. Where a grantee's service or employment with the Group has been terminated by the Group by reason of, among others, dishonesty or serious misconduct, incompetence or negligence in the performance of his/her duties, the grantee having been convicted of any criminal offence involving his/her integrity or honesty, the grantee will cease to be an Eligible Person and the awards granted will automatically lapse.

Directors' Report

		2013 Share Award Scheme	2019 Share Award Scheme	2023 Share Award Scheme
8.	Vesting and clawback/lapse (continued)			Where a grantee is involved in serious misconduct or malfeasance, or has conducted any unlawful acts which prejudiced the interest and reputation of the Group, the awards granted shall be clawed back and shall lapse accordingly. Subject to the satisfaction of all vesting conditions as prescribed in the 2023 Share Award Scheme, the Selected Participants will be entitled to receive the Awarded Shares.
9.	Purchase price	Not applicable	Not applicable	Not applicable
10.	Voting rights	The Trustee shall not exercise any voting rights in respect of any Shares held pursuant to the Trust Deed II or as nominee.	The Trustee shall not exercise any voting rights in respect of any Shares held pursuant to the Trust Deed III or as nominee.	The Trustee shall not exercise any voting rights in respect of any Shares held pursuant to the Trust Deed IV or as nominee.
11.	Remaining life of the scheme	The 2013 Share Award Scheme had been terminated upon the completion of the transfer of the shares held by the Trustee for the purpose of satisfying the outstanding share awards under the 2013 Share Award Scheme to the Trustee administering the 2023 Share Award Scheme in accordance with the circular of the Company dated 24 April 2023.	The 2019 Share Award Scheme had been terminated upon the completion of the transfer of the shares held by the Trustee for the purpose of satisfying the outstanding share awards under the 2019 Share Award Scheme to the Trustee administering the 2023 Share Award Scheme in accordance with the circular of the Company dated 24 April 2023.	It shall expire on 17 May 2033, subject to early termination in accordance with the scheme rules (i.e. the remaining life of the scheme as at the date of this annual report is approximately 9 years and 2 months).

Note:

1. The total number of awards available for grant under the scheme mandate of the 2013 Share Award Scheme as at 1 January 2023 was 13,790,025 and such scheme was terminated during the year ended 31 December 2023.

2. The total number of awards available for grant under the scheme mandate of the 2019 Share Award Scheme as at 1 January 2023 was 31,752,436 and such scheme was terminated during the year ended 31 December 2023.

3. The total number of awards available for grant under the scheme mandate of the 2023 Share Award Scheme as at the Adoption Date IV and 31 December 2023 were 431,457,460 and 383,287,393 respectively. The total number of awards (to be satisfied by new Shares) available for grant under the Service Providers sub-limit of the 2023 Share Award Scheme as at the Adoption Date IV and 31 December 2023 were both 958,794.

During the year, a total of 156,911, 9,923,573 and 48,337,204 Awarded Shares were granted under the 2013 Share Award Scheme, the 2019 Share Award Scheme and the 2023 Share Award Scheme respectively and out of which, 74,542 Awarded Shares were granted to the independent non-executive directors of the Company under the 2019 Share Award Scheme. In addition, a total of 6,186,967 additional Awarded Shares were awarded pursuant to adjustments made as a result of the distribution in specie of Meituan Shares and out of which, 6,281 Awarded Shares were awarded to the independent non-executive directors of the Company. Details of the movements in the Share Award Schemes during the year are set out in Note 37 to the consolidated financial statements.

During the year, a total of 55,069,585 Shares were issued to option holders who exercised their share options granted under the Post-IPO Option Scheme II, the Post-IPO Option Scheme IV and the 2023 Share Option Scheme, and pursuant to the Share Award Schemes.

The total number of Shares available for issue under the 2023 Share Award Scheme as at the date of this annual report is 335,745,161, representing approximately 3.56% of the issued Shares as at the date of this annual report.

The total number of Shares that may be issued in respect of options and awards granted under all share schemes of the Company during the year ended 31 December 2023 divided by the weighted average number of Shares in issue for the year was 0.73%.

Directors' Report

As at 31 December 2023, there were a total of 155,017 outstanding Awarded Shares granted to the directors of the Company, details of which are as follows:

		Number of Awarded Shares					
Name of director	Date of grant	As at 1 January 2023	Granted during the year	Additional Awarded Shares (Note 1)	Vested during the year (Note 4)	As at 31 December 2023	Vesting period
Ian Charles Stone	4 April 2019	4,378	–	219	4,597	–	4 April 2020 to 4 April 2023
	20 March 2020	8,756	–	438	4,595	4,599	20 March 2021 to 20 March 2024
	30 March 2021	10,815	–	541	3,785	7,571	30 March 2022 to 30 March 2025
	24 March 2022	18,000	–	900	4,725	14,175	24 March 2023 to 24 March 2026
	23 March 2023	–	21,996	–	–	21,996	15 April 2024 to 15 April 2027 (Notes 2 and 3)
	Total:	41,949	21,996	2,098	17,702	48,341	
Li Dong Sheng	4 April 2019	2,190	–	110	2,300	–	4 April 2020 to 4 April 2023
	20 March 2020	4,378	–	219	2,297	2,300	20 March 2021 to 20 March 2024
	30 March 2021	5,408	–	270	1,892	3,786	30 March 2022 to 30 March 2025
	24 March 2022	9,000	–	450	2,362	7,088	24 March 2023 to 24 March 2026
	23 March 2023	–	10,998	–	–	10,998	15 April 2024 to 15 April 2027 (Notes 2 and 3)
	Total:	20,976	10,998	1,049	8,851	24,172	

Directors' Report

		Number of Awarded Shares					
Name of director	Date of grant	As at 1 January 2023	Granted during the year	Additional Awarded Shares (Note 1)	Vested during the year (Note 4)	As at 31 December 2023	Vesting period
Yang Siu Shun	4 April 2019	3,863	–	193	4,056	–	4 April 2020 to 4 April 2023
	20 March 2020	7,726	–	386	4,055	4,057	20 March 2021 to 20 March 2024
	30 March 2021	9,657	–	483	3,378	6,762	30 March 2022 to 30 March 2025
	24 March 2022	16,000	–	800	4,200	12,600	24 March 2023 to 24 March 2026
	23 March 2023	–	19,552	–	–	19,552	15 April 2024 to 15 April 2027 (Notes 2 and 3)
	Total:	37,246	19,552	1,862	15,689	42,971	
Ke Yang	23 August 2019	1,542	–	77	1,619	–	23 August 2020 to 23 August 2023
	20 March 2020	3,090	–	155	1,622	1,623	20 March 2021 to 20 March 2024
	30 March 2021	5,408	–	270	1,892	3,786	30 March 2022 to 30 March 2025
	24 March 2022	9,000	–	450	2,362	7,088	24 March 2023 to 24 March 2026
	23 March 2023	–	10,998	–	–	10,998	15 April 2024 to 15 April 2027 (Notes 2 and 3)
	Total:	19,040	10,998	952	7,495	23,495	

Directors' Report

		Number of Awarded Shares					
Name of director	Date of grant	As at 1 January 2023	Granted during the year	Additional Awarded Shares (Note 1)	Vested during the year (Note 4)	As at 31 December 2023	Vesting period
Zhang Xiulan	18 August 2022	6,398	–	320	1,678	5,040	18 August 2023 to 18 August 2026
	23 March 2023	–	10,998	–	–	10,998	15 April 2024 to 15 April 2027 (Notes 2 and 3)
	Total:	6,398	10,998	320	1,678	16,038	
	Grand Total:	125,609	74,542	6,281	51,415	155,017	

Note:

1. As a result of the distribution in specie of Meituan Shares, pursuant to the scheme rules of the 2013 Share Award Scheme and the 2019 Share Award Scheme, adjustments had been made to the number of Shares subject to share awards which remained unvested as at 5 January 2023 (Meituan ex-dividend date). The number of additional Awarded Shares awarded pursuant to the adjustments is shown above. Please refer to the announcement of the Company dated 9 January 2023 for details.

2. The closing price immediately before the date on which the Awarded Shares were granted on 23 March 2023 was HKD347.2 per Share.

3. The fair value of the Awarded Shares granted on 23 March 2023 was HKD375.6 per Share at the date of grant.

4. The weighted average closing price of the Shares immediately before the dates on which the awards were vested in 2023 was HKD351.25 per Share.

5. No Awarded Shares granted to the directors were lapsed or cancelled during the year ended 31 December 2023.

6. All of the grants made during the year ended 31 December 2023 were made without any performance targets.

Directors' Report

Details of movements of Awarded Shares of the Group (excluding directors of the Company) during the year ended 31 December 2023 are as follows:

Year of grant	As at 1 January 2023	Granted during the year	Additional Awarded Shares (Note 11)	Vested during the year	Lapsed/ forfeited during the year	As at 31 December 2023	Vesting period/ Performance targets (Note 9)
			Number of Awarded Shares				
Employee Participants				(Note 3)			
Top five highest paid employees *(Note 10)*							
2019	15,450,000	–	772,500	–	–	16,222,500	Note 1
2021	7,199,015	–	359,952	1,038,026	–	6,520,941	Note 1
2023	–	1,094,919	–	837,904	–	257,015	Notes 1 and 5
Sub-total:	22,649,015	1,094,919	1,132,452	1,875,930	–	23,000,456	
Other Employee Participants							
2016	7,099	–	–	–	–	7,099	Note 1
2017	30,921	–	1,546	32,467	–	–	Note 1
2018	50,475	–	2,523	46,537	850	5,611	Note 1
2019	4,947,368	–	246,131	4,940,631	151,183	101,685	Note 1
2020	10,002,214	–	497,669	5,885,905	644,205	3,969,773	Note 1
2021	36,869,360	–	1,842,047	16,562,512	2,631,618	19,517,277	Note 1
2022	48,649,755	–	2,431,853	15,308,366	3,150,081	32,623,161	Note 1
2023	–	56,811,186	–	2,992,582	954,972	52,863,632	Notes 1 and 5
Sub-total:	100,557,192	56,811,186	5,021,769	45,769,000	7,532,909	109,088,238	
Total:	123,206,207	57,906,105	6,154,221	47,644,930	7,532,909	132,088,694	
Service Providers				(Note 4)			
2019	3,599	–	180	3,779	–	–	Note 2
2020	17,126	–	856	11,649	–	6,333	Note 2
2021	109,279	–	5,463	43,407	–	71,335	Note 2
2022	399,358	–	19,966	106,033	5,865	307,426	Note 2
2023	–	437,041	–	70,025	6,572	360,444	Notes 2 and 5
Total:	529,362	437,041	26,465	234,893	12,437	745,538	
Grand Total:	123,735,569	58,343,146	6,180,686	47,879,823	7,545,346	132,834,232	

Directors' Report

Note:

1. The Awarded Shares can either be vested immediately or over a period of up to 7 years.
2. The Awarded Shares can either be vested immediately or over a period of up to 4 years.
3. For Employee Participants, the weighted average closing price of the Shares immediately before the dates on which the awards were vested in 2023 was HKD351.29 per Share.
4. For Service Providers, the weighted average closing price of the Shares immediately before the dates on which the awards were vested in 2023 was HKD338.91 per Share.
5. The following grants were made during the year ended 31 December 2023:

Date of grant	Vesting period	Number of Shares granted	Closing price of Shares immediately before date of grant HKD	Fair value of awards at the date of grant per Share HKD
Employee Participants				
23 Mar 2023	15 Apr 2024 to 15 Apr 2025	1,084,932	347.2	375.6
23 Mar 2023	15 Apr 2024 to 15 Apr 2026	911	347.2	375.6
23 Mar 2023	15 Apr 2024 to 15 Apr 2027	2,287,189	347.2	375.6
23 Mar 2023	15 Dec 2023 to 15 Dec 2024	15,092	347.2	375.6
23 Mar 2023	15 Dec 2023 to 15 Dec 2025	293,027	347.2	375.6
23 Mar 2023	15 Dec 2023 to 15 Dec 2026	13,146	347.2	375.6
23 Mar 2023	15 Dec 2024 to 15 Dec 2026	39,833	347.2	375.6
23 Mar 2023	15 Feb 2024 to 15 Feb 2025	18,064	347.2	375.6
23 Mar 2023	15 Feb 2024 to 15 Feb 2026	163,354	347.2	375.6
23 Mar 2023	15 Feb 2024 to 15 Feb 2027	6,439	347.2	375.6
23 Mar 2023	15 Feb 2025 to 15 Feb 2027	5,992	347.2	375.6

Directors' Report

Date of grant	Vesting period	Number of Shares granted	Closing price of Shares immediately before date of grant HKD	Fair value of awards at the date of grant per Share HKD
Employee Participants				
23 Mar 2023	15 Jan 2024 to 15 Jan 2025	4,982,360	347.2	375.6
23 Mar 2023	15 Jan 2024 to 15 Jan 2026	230,778	347.2	375.6
23 Mar 2023	15 Jan 2024 to 15 Jan 2027	37,512	347.2	375.6
23 Mar 2023	15 Jan 2025 to 15 Jan 2027	67,615	347.2	375.6
23 Mar 2023	15 Mar 2024 to 15 Mar 2025	12,173	347.2	375.6
23 Mar 2023	15 Mar 2024 to 15 Mar 2026	179,521	347.2	375.6
23 Mar 2023	15 Mar 2024 to 15 Mar 2027	64,589	347.2	375.6
23 Mar 2023	15 Mar 2025 to 15 Mar 2027	32,900	347.2	375.6
23 Mar 2023	15 Nov 2023 to 15 Nov 2024	8,757	347.2	375.6
23 Mar 2023	15 Nov 2023 to 15 Nov 2025	83,432	347.2	375.6
23 Mar 2023	15 Nov 2023 to 15 Nov 2026	3,120	347.2	375.6
23 Mar 2023	15 Nov 2024 to 15 Nov 2026	21,958	347.2	375.6
23 Mar 2023	15 Oct 2023 to 15 Oct 2025	3,665	347.2	375.6
23 Mar 2023	23 Mar 2023 to 15 Jan 2025	346	347.2	375.6
23 Mar 2023	23 Mar 2023 to 15 Oct 2024	5,392	347.2	375.6

Directors' Report

Date of grant	Vesting period	Number of Shares granted	Closing price of Shares immediately before date of grant HKD	Fair value of awards at the date of grant per Share HKD
Employee Participants				
23 Mar 2023	1 Jan 2024 to 1 Jan 2027	80,390	347.2	375.6
23 Mar 2023	1 Oct 2023 to 1 Oct 2026	76,521	347.2	375.6
17 Aug 2023	1 Apr 2024 to 1 Apr 2027	31,093	328.8	332.8
17 Aug 2023	1 Jul 2024 to 1 Jul 2027	15,253	328.8	332.8
17 Aug 2023	15 Apr 2024 to 15 Apr 2025	173,070	328.8	332.8
17 Aug 2023	15 Apr 2024 to 15 Apr 2026	400,687	328.8	332.8
17 Aug 2023	15 Apr 2024 to 15 Apr 2027	16,795	328.8	332.8
17 Aug 2023	15 Apr 2025 to 15 Apr 2027	25,547	328.8	332.8
17 Aug 2023	15 Apr 2025 to 15 Apr 2028	2,964	328.8	332.8
17 Aug 2023	15 Apr 2026 to 15 Apr 2029	2,964	328.8	332.8
17 Aug 2023	15 Aug 2024 to 15 Aug 2025	24,834	328.8	332.8
17 Aug 2023	15 Aug 2024 to 15 Aug 2026	447,887	328.8	332.8
17 Aug 2023	15 Aug 2024 to 15 Aug 2027	5,662	328.8	332.8
17 Aug 2023	15 Aug 2025 to 15 Aug 2027	29,328	328.8	332.8
17 Aug 2023	15 Jul 2024 to 15 Jul 2025	1,470,297	328.8	332.8

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				
17 Aug 2023	15 Jul 2024 to 15 Jul 2026	580,826	328.8	332.8
17 Aug 2023	15 Jul 2024 to 15 Jul 2027	28,331,934	328.8	332.8
17 Aug 2023	15 Jul 2025 to 15 Jul 2027	3,635	328.8	332.8
17 Aug 2023	15 Jun 2024 to 15 Jun 2025	30,295	328.8	332.8
17 Aug 2023	15 Jun 2024 to 15 Jun 2026	430,983	328.8	332.8
17 Aug 2023	15 Jun 2025 to 15 Jun 2027	7,334	328.8	332.8
17 Aug 2023	15 May 2024 to 15 May 2025	8,922	328.8	332.8
17 Aug 2023	15 May 2024 to 15 May 2026	316,492	328.8	332.8
17 Aug 2023	15 May 2025 to 15 May 2027	28,129	328.8	332.8
17 Aug 2023	15 Sep 2028	12,000,000	328.8	332.8
17 Aug 2023	17 Aug 2023	3,702,166	328.8	332.8
	Total:	57,906,105		
Service Providers				
23 Mar 2023	15 Apr 2024 to 15 Apr 2025	66,106	347.2	375.6
23 Mar 2023	15 Apr 2024 to 15 Apr 2027	2,314	347.2	375.6
23 Mar 2023	15 Dec 2023 to 15 Dec 2026	20,188	347.2	375.6
23 Mar 2023	15 Feb 2024 to 15 Feb 2027	30,423	347.2	375.6

Directors' Report

Date of grant	Vesting period	Number of Shares granted	Closing price of Shares immediately before date of grant HKD	Fair value of awards at the date of grant per Share HKD
Service Providers				
23 Mar 2023	15 Jan 2024 to 15 Jan 2025	6,863	347.2	375.6
23 Mar 2023	15 Jan 2024 to 15 Jan 2026	12,353	347.2	375.6
23 Mar 2023	15 Jan 2024 to 15 Jan 2027	18,183	347.2	375.6
23 Mar 2023	15 Mar 2024 to 15 Mar 2025	5,166	347.2	375.6
23 Mar 2023	15 Mar 2024 to 15 Mar 2027	25,338	347.2	375.6
17 Aug 2023	15 Apr 2024 to 15 Apr 2027	4,399	328.8	332.8
17 Aug 2023	15 Aug 2024 to 15 Aug 2027	63,484	328.8	332.8
17 Aug 2023	15 Jul 2024 to 15 Jul 2026	7,316	328.8	332.8
17 Aug 2023	15 Jul 2024 to 15 Jul 2027	31,831	328.8	332.8
17 Aug 2023	15 Jun 2024 to 15 Jun 2026	38,635	328.8	332.8
17 Aug 2023	15 Jun 2024 to 15 Jun 2027	23,493	328.8	332.8
17 Aug 2023	15 May 2024 to 15 May 2027	15,969	328.8	332.8
17 Aug 2023	17 Aug 2023	64,980	328.8	332.8
	Total:	437,041		
	Grand Total:	58,343,146		

6. No Awarded Shares granted to the Employee Participants or the Service Providers were cancelled during the year ended 31 December 2023.

7. None of the participants has been granted with options and awards in excess of the 1% individual limit. None of the Service Providers has been granted with options and awards in any 12-month period in excess of 0.1% of the Shares in issue.

8. Details of the valuation of share awards of the Company during the year ended 31 December 2023, including the accounting standard and policy adopted for the Share Award Schemes, are set out in Note 37 and Note 2.20 to the consolidated financial statements.

9. All of the grants made during the year ended 31 December 2023 were made without any performance targets.

10. 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 "Other Employee Participants" category.

11. As a result of the distribution in specie of Meituan Shares, pursuant to the scheme rules of the 2013 Share Award Scheme and the 2019 Share Award Scheme, adjustments had been made to the number of Shares subject to share awards which remained unvested as at 5 January 2023 (Meituan ex-dividend date). The number of additional Awarded Shares awarded pursuant to the adjustments is shown above. Please refer to the announcement of the Company dated 9 January 2023 for details.

12. Please refer to the Definition section for the description of Employee Participants and Service Providers.

Directors' Report

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 (ceased to be a director with effect from 17 May 2023)

Non-Executive Directors

Jacobus Petrus (Koos) Bekker
Charles St Leger Searle

Independent Non-Executive Directors

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

In accordance with Article 87 of the Articles of Association, Mr Charles St Leger Searle and Professor Ke Yang will retire at the 2024 AGM and, being eligible, will offer themselves for re-election.

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

BIOGRAPHICAL DETAILS AND OTHER INFORMATION OF DIRECTORS

Ma Huateng, age 52, 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 30 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.

Jacobus Petrus (Koos) Bekker, age 71, has been a non-executive director since November 2012. Koos led the founding team of the M-Net/MultiChoice pay-television business in 1985. He was also a founder director of MTN in cellular telephony. Koos headed the MIH group in its international and Internet expansions until 1997, when he became chief executive of Naspers, which is listed on the Johannesburg Stock Exchange. He serves on the boards of other companies within the group and associates, as well as other bodies. In April 2015, he became non-executive chair. On 14 August 2019, he was appointed as non-executive chair of Prosus N.V., which is listed on Euronext Amsterdam and on the Johannesburg Stock Exchange. Academic qualifications include BA Hons and honorary doctorate in commerce (Stellenbosch University), LLB (University of the Witwatersrand) and MBA (Columbia University, New York).

Charles St Leger Searle, age 60, has been a non-executive director since June 2001. Mr Searle is currently the Chief Executive Officer of Naspers Internet Listed Assets. He serves on the board of a number of companies associated with the Naspers Group, and was a director of VK Company Limited (now known as VK International Public Joint-Stock Company) that is listed on the Moscow Exchange and was delisted on the London Stock Exchange on 12 September 2023 until his resignation on 4 March 2022. Prior to joining the Naspers Group, he held positions at Cable & Wireless plc and at Deloitte & Touche in London and Sydney. Mr Searle is a member of the Institute of Chartered Accountants in Australia and New Zealand. Mr Searle has more than 30 years of international experience in the telecommunications and Internet industries. Mr Searle also serves as a director of certain subsidiaries of the Company.

Li Dong Sheng, age 66, has been an independent non-executive director since April 2004. Mr Li is the Chairman and Chief Executive Officer of TCL Technology Group Corporation that is listed on the Shenzhen Stock Exchange, and the strategic development consultant of TCL Electronics Holdings Limited that is listed on the Stock Exchange, both of which produce consumer electronic products. Mr Li graduated from South China University of Technology in 1982 with a Bachelor degree in radio technology and has more than 29 years of experience in the information technology field. Mr Li was the Chairman and an executive director of TCL Electronics Holdings Limited, that is listed on the Stock Exchange, up to 9 August 2021.

Directors' Report

Ian Charles Stone, age 73, has been an independent non-executive director since April 2004. Mr Stone is currently an independent advisor on Technology, Media and Telecoms after retiring from PCCW in Hong Kong in 2011. His career in the last 34 years has been primarily in leading mobile telecoms businesses, and new wireless and Internet technology, during which time he held senior roles in PCCW, SmarTone, First Pacific, Hong Kong Telecom and CSL, as Chief Executive or at Director level, primarily in Hong Kong, and also in London and Manila. Since 2011, Mr Stone has provided telecoms advisory services to telecom companies and investors in Hong Kong (China), the Mainland of China, South East Asia and the Middle East and has more than 53 years of experience in the telecom and mobile industries. Mr Stone was an independent director of Summit Healthcare Acquisition Corp. that was listed on NASDAQ, up to 16 March 2023. Mr Stone is a fellow member of The Hong Kong Institute of Directors.

Yang Siu Shun, age 68, has been an independent non-executive director since July 2016. Mr Yang is currently serving as a Member of the 14th National Committee of the Chinese People's Political Consultative Conference, a Justice of the Peace in Hong Kong, a Steward of the Hong Kong Jockey Club, and an independent non-executive director of Industrial and Commercial Bank of China Limited which is publicly listed on the Stock Exchange and the Shanghai Stock Exchange. Mr Yang is also an independent non-executive director of Man Wah Holdings Limited and Xinyi Glass Holdings Limited, both of these companies are publicly listed on the Stock Exchange. Mr Yang retired from PricewaterhouseCoopers ("PwC") on 30 June 2015. Before his retirement, he served as the Chairman and Senior Partner of PwC Hong Kong, the Executive Chairman and Senior Partner of PwC China and Hong Kong, one of the five members of the Global Network Leadership Team of PwC and the PwC Asia Pacific Chairman. Mr Yang served as a Board Member and the Audit Committee Chairman of The Hang Seng University of Hong Kong (formerly known as Hang Seng Management College), up to 30 September 2018 and the Deputy Chairman of the Council of Hong Kong Metropolitan University ("HKMU") (formerly known as The Open University of Hong Kong), up to 19 June 2019. Mr Yang also served as a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority, up to 31 August 2021. Mr Yang graduated from the London School of Economics and Political Science in 1978 and was awarded the degree of Honorary Doctor of Social Sciences by HKMU in 2019. Mr Yang is a Fellow Member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants.

Directors' Report

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

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

Directors' Report

BIOGRAPHICAL DETAILS OF SENIOR MANAGEMENT

Lau Chi Ping Martin, age 50, President, 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 operations of the Company. In 2007, Mr Lau was appointed as an executive director of the Company until his retirement by rotation on 17 May 2023. 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 currently serves as a director or corporate representative of certain subsidiaries of the Company.

Xu Chenye, age 52, Chief Information Officer, oversees the strategic planning and development for the website properties and communities, and customer relations of the Company. Mr Xu is one of the core founders and has been employed by the Group since 1999. Prior to that, Mr Xu had experiences in software system design, network administration as well as marketing and sales management in his previous position at Shenzhen Data Telecommunications Bureau. Mr Xu received a Bachelor of Science degree in Computer Science from Shenzhen University in 1993 and a Master of Science degree in Computer Science from Nanjing University in 1996. Mr Xu currently serves as a director or officer of certain subsidiaries of the Company.

Ren Yuxin, age 48, Chief Operating Officer and President of Platform & Content Group and Interactive Entertainment Group, joined the Company in 2000 and had served as the General Manager for the Value-Added Services Development Division and General Manager for the Interactive Entertainment Business Division. Since September 2005, Mr Ren has been responsible for the research and development, operations, marketing and sales of gaming products for the Interactive Entertainment Business. Since May 2012, Mr Ren has been appointed as Chief Operating Officer and is now in charge of the overall operation of the Platform & Content Group and the Interactive Entertainment Group. Prior to joining the Company, Mr Ren worked at Huawei Technologies Co., Ltd. Mr Ren received a Bachelor of Science degree in Computer Science and Engineering from University of Electronic Science and Technology of China in 1998 and an EMBA degree from China Europe International Business School (CEIBS) in 2008.

Zhang Xiaolong, age 54, Senior Executive Vice President and President of Weixin Group, joined the Company in March 2005 and had served as the General Manager for the Guangzhou R&D Division and led the QQ Mail team to be the top mail service provider in China. Later he was promoted to Corporate Vice President and since September 2012, Mr Zhang has been appointed as Senior Vice President in charge of the product and team management of Weixin/WeChat and QQ Mail. He is also responsible for the management and review of major innovation projects. In May 2014, Mr Zhang was promoted to Senior Executive Vice President in charge of the Weixin Group. Prior to joining the Company, Mr Zhang developed Foxmail independently in 1997 as the first generation of Internet software developer in China. He joined Boda China as Corporate Vice President in 2000, responsible for corporate mail developing. Mr Zhang received a Master's degree in Telecommunications from Huazhong University of Science and Technology in 1994.

James Gordon Mitchell, age 50, Chief Strategy Officer and Senior Executive Vice President, joined the Company in 2011. He is responsible for various functions, including the Company's strategic planning and implementation, investor relations, mergers and acquisitions and investment activities. Prior to joining the Company, Mr Mitchell had worked in investment banking for 16 years. Most recently, Mr Mitchell was a managing director at Goldman Sachs in New York, leading the bank's Communications, Media and Entertainment research team, which analysed Internet, entertainment and media companies globally. Mr Mitchell received a degree from Oxford University and holds a Chartered Financial Analyst Certification. Mr Mitchell currently serves as a chairman and/or a director of certain subsidiaries of the Company.

Tong Tao Sang, age 50, Senior Executive Vice President and President of Cloud and Smart Industries Group, is leading the Industrial Internet strategy and the enterprise businesses for Tencent. Mr Tong manages the security labs, the multi-media lab, and Youtu AI lab, and he is one of the co-chairs of Tencent's technology council. Mr Tong joined the Company as a technical architect in 2005, and had previously led QQ, Qzone, QQshow, and their advertising and value-added services. Mr Tong received a Bachelor of Science degree in Computer Engineering from University of Michigan, Ann Arbor and a Master of Science degree in Electrical Engineering from Stanford University. Mr Tong currently serves as a director of certain subsidiaries of the Company.

Lu Shan, age 49, Senior Executive Vice President and President of Technology and Engineering Group, joined the Company in 2000 and had served as the General Manager for the IM Product Division, Vice President for the Platform Research and Development System and Senior Vice President for the Operations Platform System. Since March 2008, Mr Lu has been in charge of management of the Operations Platform System of the Company. Since May 2012, Mr Lu has been in charge of management of the Technology and Engineering Group. Prior to joining the Company, he worked for Shenzhen Liming Network Systems Limited. Mr Lu received a Bachelor of Science degree in Computer Science and Technology from University of Science and Technology of China (USTC) in 1998. Mr Lu currently serves as a director or officer of certain subsidiaries of the Company.

Ma Xiaoyi, age 50, Senior Vice President, joined the Company in 2007 and has been responsible for international publishing of Tencent Games, establishing and maintaining long-term business partnerships and cooperation for the Company since November 2008. Prior to joining the Company, Mr Ma served as the General Manager of the games division of OPTIC Communication Co., Ltd. Prior to that, Mr Ma worked as the General Manager in Shanghai EasyService Technology Development Ltd. Mr Ma graduated from Shanghai Jiaotong University in 1997, and received an EMBA degree from Fudan University in 2008. Mr Ma currently serves as a director of certain subsidiaries of the Company.

Directors' Report

Lin Ching-Hua, age 51, Senior Vice President, joined the Company in 2013 and has been responsible for the exploration and development of the Company's Advertising and Smart Retail businesses. He also oversees strategic development of the Company and drives the Group's strategic upgrade and business collaboration. In 2020, Mr Lin was promoted to Senior Vice President. Prior to joining the Company, Mr Lin was a partner at McKinsey & Company and the managing partner of its Taiwan office. Mr Lin received a Bachelor of Sociology degree from National Taiwan University and a Master of Business Administration degree from Harvard University. Mr Lin currently serves as a director or officer of certain subsidiaries of the Company.

John Shek Hon Lo, age 55, Chief Financial Officer and Senior Vice President, joined the Company in 2004 and was appointed as Chief Financial Officer in May 2012. Prior to joining the Company, Mr Lo worked at PricewaterhouseCoopers. He is a Fellow of the CPA Australia, a Fellow of the Hong Kong Institute of Certified Public Accountants, a Fellow of the Chartered Institute of Management Accountants and a Fellow of the Association of Chartered Certified Accountants. Mr Lo received a Bachelor of Business degree in Accounting from Curtin University and an EMBA degree from Kellogg Graduate School of Management, Northwestern University and The Hong Kong University of Science and Technology. Mr Lo currently serves as a director of a subsidiary of the Company.

Guo Kaitian, age 51, Senior Vice President, joined the Company in 2002 and has been responsible for overseeing the Company's functional divisions of legal affairs, administration, infrastructure, procurement, public strategy, information security and corporate social responsibility. Mr Guo received a Bachelor of Law degree from Zhongnan University of Economics and Law in 1996. Mr Guo currently serves as a director or officer of certain members of the Group.

Xi Dan, age 48, Senior Vice President, joined the Company in 2002 and has been responsible for overseeing the Company's talent development and functional management since May 2008. Prior to joining the Company, Mr Xi was responsible for HR management in ZTE Corporation and has more than 28 years of experience in IT and Internet industries. Mr Xi received a Bachelor of Science degree in Applied Computer Science from Shenzhen University in 1996 and an MBA degree from Tsinghua University in 2005. Mr Xi currently serves as a director or officer of certain subsidiaries of the Company.

Yeung Kwok On, age 62, Senior Management Adviser, joined the Company in 2008. He supports and facilitates organisational innovation and leadership development within the Company and its key strategic partners. Mr Yeung also serves as Dean of TencentX, a corporate learning platform that has approximately 700 entrepreneur alumni. Prior to joining the Company, Mr Yeung, as a professor, had taught at University of Michigan and China Europe International Business School and also served as Chief HR Officer of Acer Group from 1998 to 2002. Mr Yeung received a Bachelor's and a Master's degree from The University of Hong Kong and a Doctoral degree from University of Michigan.

DIRECTORS' SERVICE CONTRACTS

Each of Mr Ma Huateng and Mr Lau Chi Ping Martin (Mr Lau ceased to be a director with effect from 17 May 2023) has entered into a service contract with the Company for a term of three years from 1 January 2022 to 31 December 2024. The term of their service contracts can be renewed upon expiry and the Company may terminate their service contracts by three months' written notice.

None of the directors who are proposed for re-election at the 2024 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this annual report, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company or an entity connected with a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the directors of the Company is currently in force and was in force throughout the financial year. The Company has taken out and maintained directors and officers liability insurance which provides appropriate cover for, among others, directors of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, neither the Company nor any of its subsidiaries was a party to any arrangements to enable directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during the year or at the end of the year.

Directors' Report

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2023, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or are deemed to have taken, under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

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

Name of director	Nature of interest	Number of Shares/ underlying Shares held	Approximate % of shareholding (Note 7)
Ma Huateng	Corporate (Note 1)	804,859,700	8.49%
Li Dong Sheng	Personal*	58,000 (Note 2)	0.0006%
Ian Charles Stone	Personal*	119,250	0.004%
	Family+	240,000	
		359,250 (Note 3)	
Yang Siu Shun	Personal*	45,401 (Note 4)	0.0005%
Ke Yang	Personal*	40,369 (Note 5)	0.0004%
Zhang Xiulan	Personal*	17,716 (Note 6)	0.0002%

Note:

1. Advance Data Services Limited, a British Virgin Islands company wholly-owned by Mr Ma Huateng, holds 709,859,700 Shares directly and 95,000,000 Shares indirectly through its wholly-owned subsidiary, Ma Huateng Global Foundation.

2. The interest comprises 33,828 Shares and 24,172 underlying Shares in respect of the Awarded Shares granted pursuant to the 2013 Share Award Scheme and the 2019 Share Award Scheme, and all the outstanding unvested Awarded Shares granted under these two schemes were transferred to the 2023 Share Award Scheme. Details of the Awarded Shares granted to this director are set out above under "Share Award Schemes".

3. The interest comprises 310,909 Shares and 48,341 underlying Shares in respect of the Awarded Shares granted pursuant to the 2013 Share Award Scheme and the 2019 Share Award Scheme, and all the outstanding unvested Awarded Shares granted under these two schemes were transferred to the 2023 Share Award Scheme. Details of the Awarded Shares granted to this director are set out above under "Share Award Schemes".

4. The interest comprises 2,430 Shares and 42,971 underlying Shares in respect of the Awarded Shares granted pursuant to the 2013 Share Award Scheme and the 2019 Share Award Scheme, and all the outstanding unvested Awarded Shares granted under these two schemes were transferred to the 2023 Share Award Scheme. Details of the Awarded Shares granted to this director are set out above under "Share Award Schemes".

5. The interest comprises 16,874 Shares and 23,495 underlying Shares in respect of the Awarded Shares granted pursuant to the 2013 Share Award Scheme and the 2019 Share Award Scheme, and all the outstanding unvested Awarded Shares granted under these two schemes were transferred to the 2023 Share Award Scheme. Details of the Awarded Shares granted to this director are set out above under "Share Award Schemes".

6. The interest comprises 1,678 Shares and 16,038 underlying Shares in respect of the Awarded Shares granted pursuant to the 2019 Share Award Scheme and all the outstanding unvested Awarded Shares granted under such scheme were transferred to the 2023 Share Award Scheme. Details of the Awarded Shares granted to this director are set out above under "Share Award Schemes".

7. As at 31 December 2023, the total number of issued Shares was 9,482,992,820.

* Interests of beneficial owner

\+ Interests of spouse or child under 18 as beneficial owner

Directors' Report

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

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

Save as disclosed above, none of the directors or chief executive of the Company and their associates, had interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations as at 31 December 2023.

CONNECTED TRANSACTIONS

Reference is made to the waiver granted by the Stock Exchange regarding the compliance with the applicable disclosure, reporting and shareholders' approval requirements under Chapter 14A of the Listing Rules when the Company was listed in June 2004.

The reasons for using Structure Contracts

Current PRC laws and regulations limit foreign investment in businesses providing value-added telecommunications services in China. As foreign-invested enterprises, the WFOEs do not have licences to provide Internet content or information services and other telecommunications value-added services. Accordingly, the value-added telecommunications business of the Group has been conducted through Tencent Computer, Shiji Kaixuan, Wang Dian, Beijing BIZCOM, Beijing Starsinhand and Shenzhen Tencent Tianyou (Wang Dian, Beijing BIZCOM, Beijing Starsinhand and Shenzhen Tencent Tianyou are referred herein as the "New OPCOs", and together with Tencent Computer and Shiji Kaixuan, the "OPCOs") by themselves or through their subsidiaries under the Structure Contracts (as defined in the section "Our History and Structure – Structure Contracts" of the IPO prospectus of the Company). As a result of the Structure Contracts, the Group is able to recognise and receive the economic benefit of the business and operations of the OPCOs. The Structure Contracts are also designed to provide the Company with effective control over and (to the extent permitted by PRC law) the right to acquire the equity interests in and/or assets of the OPCOs.

For a summary of the major terms of the Structure Contracts, please refer to the sections headed "Our History and Structure" and "Structure Contracts" in the IPO prospectus. During the year ended 31 December 2023, there was no material change in the Structure Contracts and/or the circumstances under which they were adopted, and none of the Structure Contracts has been unwound as none of the restrictions that led to the adoption of Structure Contracts has been removed.

Requirements related to Structure Contracts (other than relevant foreign ownership restrictions) as at 31 December 2023

Requirements related to Structure Contracts (other than relevant foreign ownership restrictions) include the Notice on Further Strengthening the Administration of Pre-examination and Approval of Online Games and the Examination and Approval of Imported Online Games (關於貫徹落實國務院《"三定"規定》和中央編辦有關解釋，進一步加強網絡遊戲前置審批和進口網絡遊戲審批管理的通知) (the "Circular 13") jointly issued by PRC General Administration of Press and Publication, the National Copyright Administration and the National Office of Combating Pornography and Illegal Publications in September 2009, which provides that foreign investors are not permitted to invest in online game-operating businesses in the PRC via wholly-owned, equity joint venture or co-operative joint venture investments and further expressly prohibits foreign investors from gaining control over or participating in domestic online game operators through indirect ways such as establishing other joint venture companies or entering into contractual or technical arrangements with the Chinese licence holders.

However, the Circular 13 does not provide any interpretation of the term "foreign investors" or make a distinction between foreign online game companies and companies under a corporate structure similar to the Group. Thus, it is unclear whether National Press and Publication Administration (National Copyright Administration) will deem the Group's structure and operations to be in violation of these provisions.

In the view of the Company's PRC legal advisers, the arrangement of the Structure Contracts does not violate applicable existing PRC laws and regulations as the businesses involving value-added telecommunication services, online and mobile games, online advertising and other Internet and wireless portals in the PRC are operated by OPCOs that hold the necessary licenses for the existing lines of businesses.

However, the Company's PRC legal advisers also advised that there are substantial uncertainties regarding the interpretation and application of the currently applicable PRC laws, rules and regulations. Accordingly, the PRC regulatory authorities and PRC courts may in the future take a view that is contrary to the position of the Company's PRC legal advisers concerning the Structure Contracts.

It is uncertain whether any new PRC laws, rules or regulations relating to Structure Contracts will be adopted or if adopted, what they would provide. On 15 March 2019, the Standing Committee of National People's Congress promulgated Law of Foreign Investment which became effective on 1 January 2020 (the "2019 Law of Foreign Investment"). While the 2019 Law of Foreign Investment does not define Structure Contracts as a form of foreign investment explicitly, the Company cannot assure that future laws and regulations will not provide for Structure Contracts as a form of foreign investment. Therefore, there can be no assurance that the Company's control over OPCOs through Structure Contracts will not be deemed as foreign investment in the future. If the Structure Contracts were to be deemed as a method of foreign investment under any future laws, regulations and rules, and if any of the Company's business operations were to fall under the "negative list" for foreign investment, the Company would need to take further actions in order to comply with these laws, regulations and rules, which may materially and adversely affect its current corporate structure, business, financial condition and results of operations.

Directors' Report

Particulars of the OPCOs

Set out below is the registered owners and business activities of the OPCOs which had entered into transactions with the Group during the year ended 31 December 2023:

Name of the operating companies	Registered owners as at 31 December 2023	Business activities
Tencent Computer	54.29% by Ma Huateng 22.85% by Zhang Zhidong 11.43% by Xu Chenye 11.43% by Chen Yidan	Provision of value-added services and Internet advertisement services in the PRC
Shiji Kaixuan	54.29% by Ma Huateng 22.85% by Zhang Zhidong 11.43% by Xu Chenye 11.43% by Chen Yidan	Provision of Internet advertisement services in the PRC
Wang Dian	Shiji Kaixuan	Provision of value-added services in the PRC
Beijing BIZCOM	Tencent Computer	Provision of value-added services in the PRC
Beijing Starsinhand	Shiji Kaixuan	Provision of value-added services in the PRC
Shenzhen Tencent Tianyou*	Tencent Enterprise Management	Provision of value-added services in the PRC

* Ultimate registered owners being Mr Ma Huateng and Mr Xu Chenye, both being founders, and a management team member, each ultimately interested in 60%, 35% and 5% respectively of Tencent Enterprise Management.

The above OPCOs are significant to the Group as they hold relevant licences to provide Internet information services and other value-added telecommunications services. The aggregate gross revenue and net asset value of the above OPCOs that are subject to the Structure Contracts amounted to approximately RMB310 billion for the year ended 31 December 2023 and approximately RMB27 billion as at 31 December 2023 respectively.

Review of the transactions carried out under the Structure Contracts during the financial year

The Company's independent non-executive directors had reviewed the Structure Contracts and confirmed that the transactions carried out during the financial year had been entered into in accordance with the relevant provisions of the Structure Contracts and, had been operated so as to transfer by the date of this annual report the Surplus Cash (as defined in the section "Our History and Structure – Structure Contracts" of the IPO prospectus of the Company) of each of the OPCOs as at 31 December 2023 to Tencent Technology, Cyber Tianjin (formerly known as Shidai Zhaoyang Technology (Shenzhen) Company Limited in the IPO prospectus of the Company), 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, Guangzhou Tencent Computer and Hangzhou Tencent Information.

The Company's independent non-executive directors had also confirmed that no dividends or other distributions had been made by the OPCOs to the holders of their equity interests and the terms of any new Structure Contracts entered into, renewed and/or cloned during the relevant financial period are fair and reasonable so far as the Group was concerned and in the interests of the Company's shareholders as a whole. To this extent, similar Structure Contracts were entered into relating to the New OPCOs.

The Auditor had carried out procedures on the transactions conducted pursuant to the Structure Contracts and had provided a letter to the Board confirming that such transactions had been approved by the Board and had been entered into, in all material respects, in accordance with the relevant Structure Contracts and had been operated so as to transfer the Surplus Cash of the OPCOs as at 31 December 2023 to the WFOEs and that no dividends or other distributions had been made by the OPCOs to the holders of their equity interests.

Transactions carried out during the year ended 31 December 2023, which have been eliminated in the consolidated financial statements of the Group, are set out as follows:

1. Pursuant to the TCS CFC, the parties shall co-operate in the provision of communications services. Tencent Technology and its affiliates shall allow Tencent Computer to use its and its affiliates' assets and provide services to Tencent Computer. Tencent Computer shall transfer all of its Surplus Cash to Tencent Technology and its affiliates as consideration. The parties also established the TCS Co-operation Committee according to this agreement. During the year, revenue sharing amounting to approximately RMB142,015 million, RMB822 million, RMB23,566 million, RMB1,069 million, RMB15,936 million, RMB2,113 million, RMB3,189 million, RMB2 million, RMB1,757 million, RMB628 million, RMB0.027 million, RMB55 million, RMB583 million, RMB1,986 million, RMB157 million and RMB2 million were paid or payable by Tencent Computer to Tencent Technology, Cyber Tianjin, Tencent Beijing, Tencent Chengdu, Tencent Shanghai, Tencent Wuhan, Chongqing Tencent Information, Shenzhen Tencent Information, Hainan Network, Guangzhou Tencent Technology, Shenzhen Tencent Network, Guian New Area Tencent Cyber, Cyber Shenzhen, Wuhan Tencent Information, Guangzhou Tencent Computer and Hangzhou Tencent Information respectively.

2. Pursuant to the SKT CFC, the parties shall co-operate in the provision of communications services. Cyber Tianjin and its affiliates shall allow Shiji Kaixuan to use its and its affiliates' assets and provide services to Shiji Kaixuan. Shiji Kaixuan shall transfer all of its Surplus Cash to Cyber Tianjin and its affiliates as consideration. The parties also established the SKT Co-operation Committee according to this agreement. During the year, no services were transacted under such arrangements, save as disclosed elsewhere in this section.

Directors' Report

3. Pursuant to the amended and restated IP transfer agreement dated 28 February 2004 entered into between Tencent Technology and Tencent Computer, Tencent Computer shall assign to Tencent Technology its principal present and future IP rights, free from encumbrances (except for licences granted in the ordinary course of Tencent Computer's business) in consideration of Tencent Technology's undertaking to provide certain technology and information services to Tencent Computer. During the year, no IP transfer was transacted under such arrangements, save as disclosed elsewhere in this section.

4. Pursuant to the IP transfer agreement dated 28 February 2004 entered into between Cyber Tianjin and Shiji Kaixuan, Shiji Kaixuan shall assign to Cyber Tianjin its principal present and future IP rights, free from encumbrance (except for licences granted in the ordinary course of Shiji Kaixuan's business) in consideration of Cyber Tianjin's undertaking to provide certain technology and information services to Shiji Kaixuan. During the year, no IP transfer was transacted under such arrangements, save as disclosed elsewhere in this section.

5. Pursuant to the domain name licence agreement dated 28 February 2004 entered into between Tencent Technology, as licensor, and Tencent Computer, as licensee, Tencent Technology shall grant to Tencent Computer a non-exclusive licence to use specified domain names against payment of annual royalties determined by the TCS Co-operation Committee within a range of percentages of Tencent Computer's annual revenues. During the year, no domain name licence was transacted under such arrangements, save as disclosed elsewhere in this section.

6. Pursuant to the domain name licence agreement dated 28 February 2004 entered into between Tencent Technology, as licensor, and Shiji Kaixuan, as licensee, Tencent Technology shall grant to Shiji Kaixuan a non-exclusive licence to use specified domain names against payment of annual royalties determined as a percentage of Shiji Kaixuan's annual revenues (which may be adjusted pursuant to the agreement or the SKT CFC). During the year, no domain name licence was transacted under such arrangements, save as disclosed elsewhere in this section.

7. Pursuant to the trademark licence agreement dated 28 February 2004 entered into between Tencent Technology, as licensor, and Tencent Computer, as licensee, Tencent Technology shall grant to Tencent Computer a non-exclusive licence to use specified trademarks against payment of annual royalties determined as a percentage of Tencent Computer's annual revenues (which may be adjusted pursuant to the agreement or the TCS CFC). During the year, no trademark licence was transacted under such arrangements, save as disclosed elsewhere in this section.

8. Pursuant to the trademark licence agreement dated 28 February 2004 entered into between Tencent Technology, as licensor, and Shiji Kaixuan, as licensee, Tencent Technology shall grant to Shiji Kaixuan a non-exclusive licence to use specified trademarks against payment of annual royalties determined as a percentage of Shiji Kaixuan's annual revenues (which may be adjusted pursuant to the agreement or the SKT CFC). During the year, no trademark licence was transacted under such arrangements, save as disclosed elsewhere in this section.

9. Pursuant to the information consultancy services agreement dated 28 February 2004 entered into between Tencent Technology, as consultant, and Tencent Computer, Tencent Technology shall provide specified information consultancy services to Tencent Computer against payment of an annual consultancy service fee determined by the TCS Co-operation Committee within a range of percentages of Tencent Computer's annual revenues. During the year, no consultancy service was transacted under such arrangements, save as disclosed elsewhere in this section.

10. Pursuant to the technical consultancy services agreement dated 28 February 2004 entered into between Tencent Technology, as consultant, and Shiji Kaixuan, Tencent Technology shall provide specified technical consultancy services to Shiji Kaixuan against payment of an annual consultancy service fee determined by the SKT Co-operation Committee within a range of percentages of Shiji Kaixuan's annual revenues. During the year, no consultancy service was transacted under such arrangements, save as disclosed elsewhere in this section.

11. Pursuant to the co-operation framework agreement entered into between each of the New OPCOs and the relevant WFOEs, the parties shall cooperate in the provision of communications services. For each agreement, the WFOEs shall allow the New OPCOs to use its and its affiliates' assets and provide services to the New OPCOs. The New OPCOs shall transfer all of its Surplus Cash to the WFOEs and its affiliates as consideration. Co-operation committees have also been established according to these agreements. During the year, (i) revenue sharing amounting to approximately RMB627 and RMB0.041 million were paid or payable by Wang Dian to Tencent Technology and Tencent Beijing respectively; (ii) revenue sharing amounting to approximately RMB311 and RMB85 million were paid or payable by Beijing BIZCOM to Tencent Technology and Shenzhen Tencent Information respectively; (iii) revenue sharing amounting to approximately RMB44,952 million, RMB505 million, RMB4 million, RMB50,351 million, RMB2,300 million, RMB117 million, RMB241 million, RMB99 million, RMB37 million, RMB4,245 million, RMB571 million and RMB6 million were paid or payable by Shenzhen Tencent Tianyou to Tencent Technology, Cyber Tianjin, Tencent Beijing, Tencent Chengdu, Tencent Shanghai, Tencent Wuhan, Chongqing Tencent Information, Shenzhen Tencent Information, Hainan Network, Shenzhen Tencent Network, Cyber Shenzhen and Wuhan Tencent Information respectively.

Directors' Report

The risks associated with Structure Contracts and the actions taken by the Company to mitigate the risks

Due to regulatory limitations restricting foreign investment in businesses providing value-added telecommunications services in China, the Company conducts some of its business in the PRC through the OPCOs. These contractual arrangements may not be as effective in providing control as direct ownership. Pursuant to the Structure Contracts, the arbitration tribunal is entitled to decide compensation for the equity interests or property ownership of OPCOs, decide to implement enforceable remedy (including mandatorily requiring OPCOs to transfer the equity interests of OPCOs to the WFOEs, etc.) or order the bankruptcy of OPCOs. Prior to the formation of the arbitration tribunal, the courts of the places where the major assets of OPCOs are situated are entitled to implement interim remedies to ensure the enforcement of the future decisions of the arbitration tribunals.

The WFOEs have been structured and located in order to benefit from preferential tax treatments offered to companies located in designated economic zones and/or operating software-related businesses. Although the relevant governmental authority has granted such preferential tax treatment to certain WFOEs and OPCOs, there can be no assurance that the conditions under which these treatments are provided will always be present. The relevant WFOEs and OPCOs would use their reasonable endeavours to take all necessary actions, including but not limited to maintaining or acquiring their status as "High and New Technology Enterprise" or "National Key Software Enterprise", in order to continue to enjoy the reduced income tax rate and the other tax concessions.

Due to the legal constraints in relation to foreign investment in the telecommunications value-added services industry in the PRC, a number of agreements have been entered into between members of the Group whereby the Company and the WFOEs derive substantially all their revenues from transactions with the OPCOs. The recognition of revenues outlined in these intra-group contracts could be challenged by tax authorities and any adjustment in tax treatment could have a material and adverse impact on the taxable profitability of the Group. As advised by the Company's PRC legal advisers, it is unlikely that the tax treatment of revenues will be challenged by the PRC tax authorities, provided that the transactions under these intra-group contracts represent bona fide transactions conducted on an arm's length basis. The Company will take all necessary actions to ensure and monitor that relevant transactions are to be conducted on an arm's length basis to minimise the risks of adjustment in tax treatment.

For details of the risks associated with the Structure Contracts, please refer to the section headed "Risk factors – Risks relating to our structure" in the IPO prospectus.

Other connected transactions

The Group entered into certain transactions with "related parties" as defined under applicable accounting standards during the financial year ended 31 December 2023 which were disclosed in Note 15(a) (Senior management's emoluments), Note 15(b) (Five highest paid individuals), Note 16 (Benefits and interests of directors), Note 28 (Loans to investees and investees' shareholders), Note 37 (Share-based payments) and Note 47 (Related party transactions) to the consolidated financial statements. Save as the related parties transactions involving payment of remuneration to certain directors of the Group which constitute continuing connected transactions fully exempt from the connected transaction requirements under Rule 14A.76(1) or Rule 14A.95 of the Listing Rules, no related parties transactions disclosed in the consolidated financial statements constitutes a connected transaction as defined under Chapter 14A of the Listing Rules.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2023, the following persons, other than the directors or chief executive of the Company, had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the Shares:

Long/ short position in the shares of the Company

Name of shareholder	Long/ short position	Nature of interest/ capacity	Number of Shares/ underlying Shares held	Approximate % of shareholding (Note 3)
MIH Internet Holdings B.V.	Long position	Corporate (Note 1)	2,366,821,000	24.96%
Advance Data Services Limited	Long position	Corporate (Note 2)	804,859,700	8.49%

Note:

1. MIH Internet Holdings B.V. is controlled by Naspers Limited and held through its non wholly-owned subsidiary, Prosus N.V. MIH Internet Holdings B.V. is a wholly-owned subsidiary of Prosus N.V. As such, Naspers Limited, Prosus N.V. and MIH Internet Holdings B.V. are deemed to be interested in the same block of 2,366,821,000 Shares under Part XV of the SFO.

2. Advance Data Services Limited holds 709,859,700 Shares directly and 95,000,000 Shares indirectly through its wholly-owned subsidiary, Ma Huateng Global Foundation. As Advance Data Services Limited is wholly-owned by Mr Ma Huateng, Mr Ma has an interest in these Shares as disclosed under the section of "Directors' Interests in Securities".

3. As at 31 December 2023, the total number of issued Shares was 9,482,992,820.

Save as disclosed above, the Company had not been notified of any other persons (other than the directors or chief executive of the Company) who, as at 31 December 2023, had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

Directors' Report

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, the five largest customers of the Group accounted for approximately 7.49% of the Group's total revenues while the largest customer of the Group accounted for approximately 3.87% of the Group's total revenues. In addition, for the year ended 31 December 2023, the five largest suppliers of the Group accounted for approximately 20.42% of the Group's total purchases while the largest supplier of the Group accounted for approximately 6.54% of the Group's total purchases.

None of the directors, their close associates or any shareholder (which to the knowledge of the directors owns more than 5% of the number of issued Shares) had an interest in any of the major customers or suppliers noted above.

AUDIT COMMITTEE

The Audit Committee, together with the Auditor, has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2023. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

ENVIRONMENT AND COMPLIANCE WITH LAWS

The Group is committed to minimising the impact on the environment from our business activities and the details of such efforts are set out in the section headed "Environmental Protection" in the standalone "Environmental, Social and Governance Report". As far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material respects.

Directors' Report

ADOPTION OF CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. The directors of the Company have complied with such code of conduct throughout the accounting year covered by this annual report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro rata basis to existing shareholders of the Company.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2023, the Group had 105,417 employees (2022: 108,436). The number of employees employed by the Group varies from time to time depending on needs and employees are remunerated based on industry practice.

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

The total remuneration cost incurred by the Group for the year ended 31 December 2023 was RMB107,675 million (2022: RMB111,182 million).

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual report, based on information that is publicly available to the Company and within the knowledge of its directors, the directors confirm that the Company has maintained during the year the amount of public float as required under the Listing Rules.

Directors' Report

CLOSURE OF REGISTER OF MEMBERS

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

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

(B) Entitlement to the Proposed Final Dividend

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

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment at the 2024 AGM.

On behalf of the Board

Ma Huateng
Chairman

Hong Kong, 20 March 2024

Corporate Governance Report

Maintaining the highest standards of corporate governance and ethical business practices are core values of the Group. The Board views effective corporate governance practices as a priority of the Group, with the aim of providing our investors with a thorough understanding of the Group's management and how such management oversees and manages different businesses of the Group. Our belief is that investors will realise significant long-term value when the Group's businesses are conducted in an open and responsible manner. Ethical business practices go hand in hand with strong corporate governance, and we believe that running our businesses in an ethical manner will lead to public trust and will ultimately create shareholder value for the Group.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the code provisions as set out in the CG Code. The Board believes that throughout the year ended 31 December 2023, the Company complied with the applicable code provisions set out in the CG Code, except for the deviation from code provisions B.2.2 regarding the retirement and re-election of directors and C.2.1 regarding the segregation of the roles of chairman and chief executive. The reasons for the deviations are further explained in the sub-sections headed "Chairman and Chief Executive Officer" and "Appointments, Re-election and Removal" below.

The Board continues to monitor and review the Company's corporate governance practices and makes necessary changes when appropriate.

CORPORATE CULTURE

The Company promotes the values of "Integrity, Proactivity, Collaboration, Creativity" as its guiding principles for the Company's long-term sustainable development. The essence of the Company's vision and mission of "Value for Users, Tech for Good" is to use the power of technology to better care for the people; and the creation of social value is a journey where the Company transforms the abstract concept of kindness and care into executable strategies, action plans, products, and operations. The Company promotes the integration of its corporate values into the Company's operations through policies and initiatives, including without limitation advocating a workplace culture of diversity, equity, and inclusion and focusing on long-term creation of sustainable social value by driving innovation in technologies, products and models, and providing solutions to social challenges. For further information of the Company's corporate culture, please refer to the "Environmental, Social and Governance Report 2023" published by the Company.

BOARD OF DIRECTORS

Responsibilities

The Board's fundamental responsibility is to exercise its best judgment and to act in the best interests of the Company and its shareholders. The Board oversees management's efforts to promote the Company's success while operating in an effective and responsible manner. The Board also formulates the Company's overall business strategy and monitors management's execution of such strategy.

Corporate Governance Report

The Board has defined the business and governance issues for which it needs to be responsible, and these matters are reviewed periodically to ensure that the Company maintains effective and up-to-date corporate governance practices. In this regard, the Board:

- determines the Group's mission, provides its strategic direction and is responsible for the approval of strategic plans;
- approves the annual business plan and budget proposed by management;
- retains full and effective control over the Group and monitors management with regard to the implementation of the approved annual business plan and budget;
- 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 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.

The terms of reference of the Corporate Governance Committee were revised in March 2024 to align with the revised structure of the appendices to the Listing Rules which took effect from 31 December 2023.

Corporate Governance Report

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.

The terms of reference of the Nomination Committee were revised in March 2024 to align with the revised structure of the appendices to the Listing Rules which took effect from 31 December 2023.

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 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, and were further revised in March 2024 to align with the revised structure of the appendices to the Listing Rules which took effect from 31 December 2023.

The major work of these committees during the year 2023 is set out on pages 95 to 102.

Corporate Governance Report

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 2023, 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 2023:

Name of director	**Participated in continuous professional development**[1]
Executive directors	
Ma Huateng	√
Lau Chi Ping Martin[2]	√
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	√

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

2 Mr Lau Chi Ping Martin ceased to be an executive director with effect from the conclusion of the annual general meeting of the Company held on 17 May 2023 (the "2023 AGM").

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:

- review of the shareholders communication policy has been and will be conducted on a regular basis;
- 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;
- the company secretary who is an employee of the Company attends training in compliance with the Listing Rules requirements; and
- 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.

Corporate Governance Report

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 2023, 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 eight directors, with the executive director, two non-executive directors and five independent non-executive directors. During the year ended 31 December 2023 and up to the date of this annual report, there is no change to the composition of the Board except that Mr Lau Chi Ping Martin ceased to be an executive director with effect from the conclusion of the 2023 AGM.

A list of directors and their respective biographies which include their positions held at the Company and certain subsidiaries are set out on pages 64 to 67 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 in compliance with the requirement under Rule 3.10A of the Listing Rules that the number of independent non-executive directors must represent at least one-third of the Board. The Board believes that the balance between the executive director and the non-executive directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of the shareholders and the Group.

Corporate Governance Report

The Board values the importance of professional judgment and advice provided by non-executive directors to safeguard the interests of the shareholders. The non-executive directors contribute diversified qualifications and experience to the Group by expressing their views in a professional, constructive and informed manner, and actively participate in Board and committee meetings and bring professional judgment and advice on issues relating to the Group's strategies, policies, performance, accountability, resources, key appointments, standards of conduct, conflicts of interests and management process, with the shareholders' interests being the utmost important factor. The non-executive directors also take the lead where potential conflicts of interests arise and exercise their professional judgment and utilise their expertise to scrutinise the Company's performance in achieving agreed corporate goals, and monitor performance reporting.

Further, in compliance with Rule 3.10 of the Listing Rules, one of our independent non-executive directors has the appropriate professional qualifications in accounting or related financial management expertise, and provides valuable advice from time to time to the Board. The Company has also received from each independent non-executive director a confirmation annually of their independence and the Nomination Committee has conducted an annual review and considers that all independent non-executive directors are independent, taking into account of the independence guidelines set out in Rule 3.13 of the Listing Rules in the context of the length of service of each independent non-executive director.

As part of our corporate governance practice to provide transparency to the investor community and in compliance with the Listing Rules and the CG Code, independent non-executive directors are identified as such in all corporate communications containing the names of the directors. In addition, an updated list of directors identifying the independent non-executive directors and the roles and functions of the directors is maintained on the Company Website and the Stock Exchange's website.

Appointments, Re-election and Removal

The Board is the core of the Group's success, and with the appropriate composition of the Board, we can benefit from the right set of skills, experience and diversity of perspectives to take the Company forward. Therefore, it is essential for the Company to maintain a formal, considered and transparent procedure for the appointment of new directors to the Board. It is our corporate governance practice and in accordance with the Articles of Association that all directors (except for the Chairman) should be subject to re-election at regular intervals and the resignation and removal of any director should be explained with reasons. At the 2023 AGM, Mr Lau Chi Ping Martin and Mr Jacobus Petrus (Koos) Bekker retired and Mr Jacobus Petrus (Koos) Bekker was re-elected whilst Mr Lau Chi Ping Martin did not offer himself for re-election. Professor Zhang Xiulan was re-elected at the 2023 AGM pursuant to Article 86(3) of the Articles of Association.

Code provision B.2.2 of the CG Code provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Corporate Governance Report

The Chairman, in accordance with the Articles of Association, whilst holding such office is not subject to retirement by rotation nor taken into account in determining the number of directors to retire in each year. Therefore, this is a deviation from code provision B.2.2 of the CG Code. The Chairman is one of the founders of the Group and he plays a key role in the growth and development of the Group and his continuing presence in the Board is vital to the sustainable development of the Group. Given the importance of the Chairman's role in the development of the Group, the Board considers that the deviation from code provision B.2.2 of the CG Code has no material impact on the operation of the Group as a whole.

As the re-election of Mr Charles St Leger Searle and Professor Ke Yang, who were re-elected in 2020, were not considered at the 2023 AGM, there is a deviation from code provision B.2.2 of the CG Code. Notwithstanding that Mr Charles St Leger Searle and Professor Ke Yang were not subject to retirement by rotation at the 2023 AGM, their biographies and details of their emoluments are set out in the Directors' Report and Note 16 to the consolidated financial statements respectively for shareholders' information. Considering that the re-election of Mr Charles St Leger Searle and Professor Ke Yang will be considered at the 2024 AGM, the Board believes that such deviation does not have a material impact on the operation of the Company as a whole.

Board Activity

The Board met five times in 2023. The attendance of each director at Board meetings, committee meetings, the annual general meeting and the extraordinary general meeting, whether in person or by means of electronic communication, is detailed in the table below:

Name of director	Board	Audit Committee	Corporate Governance Committee	Nomination Committee	Remuneration Committee	Annual General Meeting	Extraordinary General Meeting
Executive directors							
Ma Huateng	5/5			1/1		1/1	1/1
Lau Chi Ping Martin*	2/2					1/1	1/1
Non-executive directors							
Jacobus Petrus (Koos) Bekker	5/5				4/4	1/1	1/1
Charles St Leger Searle	5/5	8/8	2/2	1/1		1/1	1/1
Independent non-executive directors							
Li Dong Sheng	4/5			1/1	4/4	1/1	1/1
Ian Charles Stone	5/5	8/8	2/2	1/1	4/4	1/1	1/1
Yang Siu Shun	5/5	8/8	2/2	1/1		1/1	1/1
Ke Yang	5/5		2/2			1/1	1/1
Zhang Xiulan	5/5		2/2			1/1	1/1

* Mr Lau Chi Ping Martin ceased to be an executive director with effect from the conclusion of the 2023 AGM.

Corporate Governance Report

At the Board meetings, the Board discussed a wide range of matters, including the Group's overall strategies, financial and operational performances, approved the annual, interim and quarterly results of the Group, the appointment of directors, business prospects, regulatory compliance and corporate governance, and other significant matters. The company secretary, in consultation with the Chairman and the senior management team, prepares the agenda for each meeting and all directors are given the opportunity to include matters for discussion in the agenda. The company secretary also ensures that all applicable rules and regulations in relation to the Board meetings are followed. The company secretary sends notice of the Board meeting to each of the directors at least 14 days in advance of each regular Board meeting. The company secretary also sends the agenda, board papers and relevant information relating to the Group to each of the directors at least 3 days in advance of each regular Board meeting and committee meeting, and keeps the directors updated on the Group's financial performance and latest developments. If any director raises any queries, steps will be taken to respond to such queries as promptly and fully as possible. If there is potential or actual conflict of interests involving a substantial shareholder or a director, such director will declare his/her interest and will abstain from voting on such matters. The directors may approach the Company's senior management team when necessary. The directors may also seek independent professional advice at the Company's expense in appropriate circumstances.

The company secretary ensures that there is a good and timely flow of information to the Board. The company secretary is responsible for taking minutes of all Board and committee meetings and ensuring that sufficient details of the matters considered and decisions reached have been recorded. Draft and final versions of the minutes of meetings are sent to the directors for comments and records respectively within a reasonable time after each meeting, and final minutes with the relevant board papers and related materials are kept by the company secretary and are available for review and inspection by the directors at any time.

THE COMMITTEES

As described above, the Board has established five committees, each of which has been delegated responsibilities and reports back to the Board: Audit Committee, Corporate Governance Committee, Investment Committee, Nomination Committee and Remuneration Committee. The roles and functions of these committees are set out in their respective terms of reference. The terms of reference of each of these committees will be revised from time to time to ensure that they continue to meet the needs of the Company and to ensure compliance with the CG Code. The terms of reference of the Audit Committee, the Nomination Committee and the Remuneration Committee are available on the Company Website under the section headed "Investors – Environment, Social and Governance – Governance – Board Committees" and on the Stock Exchange's website.

Audit Committee

The Audit Committee comprises only non-executive directors. Its members are Mr Yang Siu Shun, Mr Ian Charles Stone (both are independent non-executive directors) and Mr Charles St Leger Searle (non-executive director). Mr Yang Siu Shun, who chairs the Audit Committee, and Mr Charles St Leger Searle have appropriate professional qualifications and experiences in financial matters.

The Audit Committee should meet not less than four times a year and the Audit Committee met eight times in 2023. Individual attendance of each Audit Committee member is set out on page 93. In addition to the members of the Audit Committee, meetings were attended by the Chief Financial Officer, the Financial Controller, the Treasurer, the Head of IA and the Head of IC, and the external auditor at the invitation of the Audit Committee.

The Audit Committee's major work during the year 2023 includes the following:

- reviewing the 2022 annual report, including the Corporate Governance Report, the ESG Report, the Directors' Report and the financial statements, as well as the related results announcement;
- reviewing the 2023 interim report and interim results announcement;
- reviewing the 2023 first and third quarters results announcements;
- reviewing the status of compliance with the CG Code, the Listing Rules and relevant laws by the Group;
- reviewing the dividend policy of the Company;
- in relation to the external auditor, reviewing their plans, reports and management letter, fees, involvement in non-audit services, and their terms of engagement;
- reviewing the plans (including those for 2023), resources and work of the Company's internal auditors;
- reviewing the adequacy of resources, qualifications and training of the Group's finance department; and
- reviewing the effectiveness of the Company's financial reporting system, the system of internal controls in operation, risk management system and associated procedures within the Group.

PricewaterhouseCoopers ("PwC") is the Company's external auditor. The Audit Committee annually reviews the relationship of the Company with PwC. Having reviewed the effectiveness of the external audit process as well as the independence and objectivity of PwC, the Audit Committee is satisfied with this relationship. As such, the Audit Committee has recommended their re-appointment at the 2024 AGM.

Corporate Governance Report

Corporate Governance Committee

The Corporate Governance Committee comprises only non-executive directors. Its members are Mr Charles St Leger Searle (non-executive director), Mr Ian Charles Stone, Mr Yang Siu Shun, Professor Ke Yang and Professor Zhang Xiulan (all of them are independent non-executive directors). The Corporate Governance Committee is chaired by Mr Charles St Leger Searle.

The Corporate Governance Committee met twice in 2023. Individual attendance of each Corporate Governance Committee member is set out on page 93.

The Corporate Governance Committee's major work during the year 2023 and up to the date of this annual report includes the following:

- reviewing the Company's policies and practices on corporate governance and ESG;
- reviewing legal and regulatory compliance, including the insider dealing policy, the disclosure of inside information policy and the shareholders communication policy. The insider dealing policy was revised and adopted in March 2023 and March 2024 respectively;
- reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report;
- reviewing the Company's compliance with the ESG Reporting Guide and disclosure in the ESG Report;
- considering the Company's environmental targets; and
- discussing the arrangements made for directors and senior management team to attend training sessions for continuous professional development.

Corporate Governance Report

Investment Committee

The Investment Committee comprises executive director, non-executive director and the President of the Company. Its members are Mr Lau Chi Ping Martin, Mr Ma Huateng and Mr Charles St Leger Searle (non-executive director). The Investment Committee is chaired by Mr Lau Chi Ping Martin, the President of the Company.

In 2023, the Investment Committee had considered and passed various resolutions on its decisions on the Group's acquisitions and disposals.

Nomination Committee

The Nomination Committee comprises a majority of independent non-executive directors. Its members are Mr Ma Huateng, Mr Li Dong Sheng, Mr Ian Charles Stone, Mr Yang Siu Shun (all three are independent non-executive directors) and Mr Charles St Leger Searle (non-executive director). The Nomination Committee is chaired by Mr Ma Huateng.

The Nomination Committee met once in 2023. Individual attendance of each Nomination Committee member is set out on page 93.

During 2023, the Nomination Committee reviewed board composition and director succession, the board diversity policy and the board nomination policy, and also considered and made recommendations to the Board on the re-appointment of the retiring directors at the 2023 AGM. The Nomination Committee has also assessed the independence of the independent non-executive directors and considers all of them to be independent, taking into account of the independence guidelines set out in Rule 3.13 of the Listing Rules in the context of the length of service of each independent non-executive director, and the perspectives, skills and experience that such director can bring to the Board. The Company recognises the benefits of having a diverse Board, and views diversity at Board level as a business imperative that will help the Company achieve its strategic objectives and maintain a competitive advantage. As such, the Board has set measurable objectives for the implementation of the board diversity policy to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and maintain the effectiveness of the Board. The Nomination Committee is satisfied that the board diversity policy and the board nomination policy are successfully implemented with reference to the measurable objectives. The Nomination Committee will continue to conduct periodic review and monitor the implementation of the board diversity policy and the board nomination policy to ensure their continued effectiveness.

Corporate Governance Report

A summary of the board nomination policy and related nomination procedures is set out as follows:

Purpose and Objectives

The board nomination policy aims to set out the approach to enable the Nomination Committee to nominate a director to the Board.

Director Selection Criteria

In the determination of the suitability of a candidate, the Nomination Committee will consider a range of factors, including but not limited to the following selection criteria, before making recommendations to the Board:

(a) the Company's prevailing board diversity policy and the requirements under the Listing Rules;

(b) the independence of the independent non-executive directors and the independence criteria set out in Rule 3.13 of the Listing Rules;

(c) potential or actual conflicts of interest of the candidate or the re-elected director;

(d) the expected contribution that the candidate would add to the Board and to ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business;

(e) the candidate or the re-elected director's reputation for integrity, accomplishment and experience in the relevant sectors;

(f) the candidate or the re-elected director's ability to commit and devote sufficient time and attention to the Company's affairs; and

(g) other relevant factors which will be considered by the Nomination Committee on a case-by-case basis.

The Nomination Committee has the discretion to nominate any person as it considers appropriate.

Corporate Governance Report

Nomination Procedure by Nomination Committee

The Nomination Committee will have a meeting at least once a year, and candidates, if any, will be identified for consideration. Nomination from the human resources department, external agencies, Board referrals, or shareholders, if appropriate, will be considered.

Where a retiring director, being eligible, offers himself/herself for re-election, the Nomination Committee will review the overall contribution to the Company of the retiring director and will also determine whether the retiring director continues to meet the selection criteria set out in the board nomination policy.

The Nomination Committee will assess the eligibility of a candidate to become a director of the Company taking into account factors, including without limitation his/her reputation, character, knowledge and experience, and make recommendations for the Board's consideration and approval.

The Board will consider and approve the appointment, if appropriate, based upon the recommendation of the Nomination Committee.

Monitoring, Reporting and Review

The Nomination Committee will report annually on the Board's composition and make appropriate disclosures regarding the board diversity policy in the Corporate Governance Report of the Company's annual reports.

Corporate Governance Report

A summary of the board diversity policy is set out as follows:

Purpose and Objectives	The board diversity policy aims to set out the approach to enable the Nomination Committee to achieve diversity on the Board.
Policy Statement	The Company recognises the benefits of having a diverse Board, and views diversity at Board level as a business imperative that will help the Company achieve its strategic objectives and maintain a competitive advantage. A truly diverse Board will be achieved through a number of factors, including but not limited to differences in skills, knowledge, experience and background.
Measurable Objectives	Board appointments will be made on the basis of merit and fairness, with due regard to the benefits of diversity on the Board. The Nomination Committee will continue to have primary responsibility for identifying suitably qualified candidates to become members of the Board and, in carrying out this responsibility, will give adequate consideration to the board diversity policy. In forming its perspective on diversity, the Nomination Committee will also take into account factors based on the Company's business model and specific needs from time to time, including without limitation, skills, knowledge, experience, gender and background. The Nomination Committee and the Board would ensure that appropriate balance of gender diversity is achieved with reference to the expectation of shareholders as well as international and local recommended best practices. Following the appointment of one female director in 2022, the female representation of the Board was increased to above 20%. The Board has achieved gender diversity and targets to reach 30% female representation of the Board by 2030. As at 31 December 2023, our workforce (inclusive of permanent employees and other employees who are engaged in direct employment relationships with the Company only) consisted of 40,469 male employees and 16,311 female employees, representing approximately 71.3% and 28.7% of the total workforce, respectively. As at 31 December 2023, female members accounted for approximately 7.9% of senior management team, and approximately 24.8% of the managerial positions of the Company were held by female employees. In March 2023, the Company released "Our Commitment to Diversity, Equity and Inclusion", declaring its plan to integrate diversity, equity and inclusion ("DEI") into its workplace culture and daily operations, and gradually achieve the DEI goals. The Company regularly reviews the DEI implementation progress and will continue to enhance diversity in different levels of workforce. For further details regarding the gender diversity of our workforce (including the gender ratio), please refer to the sections headed "Implement Diversity, Equity, and Inclusion" and "ESG Key Performance Tables" in the Environmental, Social and Governance Report 2023. The Nomination Committee will ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and in order for the Board to be effective.

Corporate Governance Report

Independent Views

In assessing whether a potential candidate is qualified to become an independent non-executive director of the Company, the Nomination Committee and the Board will consider, among others, whether the candidate is able to devote sufficient time on performing his/her duties as an independent non-executive director of the Company, and the background and qualification of the candidate, in order to assess whether such candidate is able to bring independent views to the Board.

In considering whether an independent non-executive director should be proposed for re-election, the Nomination Committee and the Board will assess and evaluate the independent non-executive director's contribution to the Board during the term, in particular, whether the independent non-executive director is able to bring independent views to the Board.

The Company will ensure that there are channels (in addition to independent non-executive directors) where independent views are available, including but not limited to availability of access by directors of the Company to external independent professional advice to assist their performance of duties.

The Board had reviewed the implementation and effectiveness of the above mechanisms during the year 2023.

Monitoring, Reporting and Review

The Nomination Committee will report annually on the Board's composition and make appropriate disclosures regarding the board diversity policy in the Corporate Governance Report of the Company's annual reports. It will also monitor the implementation of the board diversity policy.

Remuneration Committee

The Remuneration Committee comprises only non-executive directors. Its members are Mr Ian Charles Stone, Mr Li Dong Sheng (both are independent non-executive directors) and Mr Jacobus Petrus (Koos) Bekker (non-executive director). The Remuneration Committee is chaired by Mr Ian Charles Stone.

The Remuneration Committee met four times in 2023. Individual attendance of each Remuneration Committee member is set out on page 93.

The Remuneration Committee has the delegated responsibility to determine the remuneration packages of each member of the senior management team and make recommendations to the Board on the remuneration package of each director.

Corporate Governance Report

The Remuneration Committee's major work during the year 2023 includes the following:

- reviewing and recommending to the Board in respect of the remuneration policies and structure of the Company by benchmarking peer companies with a similar scale to ensure that the Company's remuneration packages are competitive to recruit the best talents in the industry and to retain key staff;
- reviewing and recommending to the Board on the remuneration packages for the directors;
- assessing performance and, reviewing and approving adjustments to the remuneration packages for the members of the senior management team;
- reviewing and approving compensation awards granted to senior management team, recognising their contributions to the Company and providing incentives for future performances;
- reviewing and endorsing the adoption of the 2023 Share Option Scheme and the 2023 Share Award Scheme;
- reviewing and endorsing the amendments to the 2013 Share Award Scheme and the 2019 Share Award Scheme;
- reviewing and approving (a) the grant of options under the Post-IPO Option Scheme IV and the 2023 Share Option Scheme, and the grants of share awards under the 2013 Share Award Scheme, the 2019 Share Award Scheme and the 2023 Share Award Scheme, respectively; (b) the adjustment to the exercise prices of the outstanding share options under the Post-IPO Option Scheme II and the Post-IPO Option Scheme IV as a result of the distribution in specie of Meituan Shares; and (c) the adjustment to the number of unvested restricted shares under the 2013 Share Award Scheme and the 2019 Share Award Scheme as a result of the distribution in specie of Meituan Shares; and
- reviewing and recommending to the Board on the adoption of and amendments to the share incentive schemes of certain subsidiaries of the Company.

All the options or awards involving new Shares granted to Employee Participants during the year ended 31 December 2023 were without performance targets. In view that (i) the grantees are employees of the Group who would contribute directly to the overall business performance, sustainable development and/or good corporate governance of the Group; (ii) the grant was a recognition for the grantees' past contributions to the Group; and (iii) the options or awards were subject to certain vesting conditions and terms of the 2023 Share Option Scheme and the 2023 Share Award Scheme, which already cover situations where the options or awards would lapse in the event that the grantees cease to be employees of the Group, the Remuneration Committee was of the view that the grant of options or awards to Employee Participants without performance targets is market competitive and aligns with the purposes of the 2023 Share Option Scheme and the 2023 Share Award Scheme.

In conducting its work in relation to the remuneration of directors and senior management team, the Remuneration Committee ensured that no individual or any of his/her associates was involved in determining his/her own remuneration. It also ensured that remuneration awards were determined by reference to the performance of the individual and the Company and were aligned with the market practice and conditions, the Company's goals and strategies. The remuneration awards are designed to attract, retain and motivate high performing individuals, and reflect the specifics of individual roles. For further details of emoluments of the senior management by band, please refer to Note 15 to the consolidated financial statements.

In respect of non-executive directors, the Remuneration Committee has reviewed the fees payable to them taking into account the particular nature of their duties, relevant guidance available and the requirements of the Listing Rules.

ACCOUNTS, RISK MANAGEMENT AND INTERNAL CONTROL

As part of the Board's responsibilities, the Board ensures that the assessment over the Group's performance and prospects are comprehensively and clearly presented. The directors acknowledge that it is their ultimate responsibilities to prepare the accounts which give a true and fair view of the financial position of the Group on a going-concern basis and other announcements and financial disclosures. To assist the Board in discharging its responsibilities, management provides updates to the Board from time to time, including the Group's detailed business and financial position information, in order to facilitate the directors to perform a comprehensive, understandable and clear assessment of the performance, position and prospects of the Group. Management also provides all necessary and relevant information to the Board, giving the directors sufficient explanation and information they need, to discharge their responsibilities and make an informed assessment of financial and other information put before them for approval. The Auditor's statement in respect of their reporting responsibilities is set out in the "Independent Auditor's Report" of this annual report.

Adequate and effective risk management and internal control systems are key to safeguarding the achievement of the Company's strategic objectives. Risk management and internal control systems shall ensure the Company's effective business operation, the truthfulness and accuracy of financial reporting, as well as the compliance with applicable laws, regulations and policies.

In respect of risk management organisational structure establishment, risk management process implementation, and risk culture enhancement, the Company has been continuously improving its risk management and internal control system and enhancing risk management capabilities to ensure the healthy and sustainable development of the Company.

The Board acknowledges that it is its responsibility to ensure that the Company has established and maintained adequate and effective risk management and internal control systems. The Board delegates its responsibility to the Audit Committee to review the practices of management with respect to risk management and internal control on a quarterly basis, including the design, implementation and monitoring of risk management and internal control systems. The Audit Committee also reviews the effectiveness of risk management and internal control systems on an annual basis. The members of the Audit Committee have extensive experience and knowledge in financial management and risk management. They also receive updates on the latest risk management requirements and best practices from the internal teams and would discuss in the quarterly Audit Committee meetings if necessary.

Corporate Governance Report

The Board is responsible for overseeing risks that the Company faces, determining the risk appetite of the Company, and proactively considering, analysing and formulating strategies to manage the Company's significant risks to acceptable levels. The risks mentioned above also include, but are not limited to, significant risks relating to the environment, social and governance aspects of the Company.

Under the supervision and guidance of the Board, the Company has adopted a risk management and internal control structure, referred to as the "Three Lines Model", to ensure the effectiveness of its risk management and internal control systems.

The First Line – Operation and Management

Our First Line is mainly comprised of business and functional departments of each business group of the Company who are responsible for the day-to-day operation and management. They are responsible for designing and implementing controls to address the risks.

The Second Line – Risk Management

Our Second Line is mainly the IC. They are responsible for formulating policies related to the risk management and internal control of the Company and for planning and implementing the establishment of integrated risk control systems. To ensure the effective implementation of such systems, they also assist and supervise the first line in the establishment and improvement of risk management and internal control systems.

The Third Line – Independent Assurance

Our Third Line is comprised of the IA and the Anti-fraud Investigation Department.

The IA holds a high degree of independence and is responsible for providing independent evaluation and verification on the effectiveness of the Company's risk management and internal control systems, and monitoring the management's improvement and enhancement on risk management and internal controls.

The Company has formulated policies and established management systems to enhance and support the Company's compliance with anti-corruption laws and regulations. The Anti-fraud Investigation Department is responsible for receiving whistleblower reports through various channels and following up and investigating alleged fraudulent activities. It also assists management in promoting the value of integrity and the "Tencent Sunshine Code of Conduct" (the "Sunshine Code") to all employees of the Company.

The IA and the Anti-fraud Investigation Department have direct reporting lines to the Audit Committee.

The Three Lines Model of the risk management and internal control systems are designed to manage rather than eliminate the risk of failing to implement the business strategy of the Company, and can only provide reasonable but not absolute assurance against material misstatement or loss.

Corporate Governance Report

The Board and management always prioritise the maintenance and establishment of the Company's risk management and internal control systems. In 2023, the Company has consistently improved the risk management and internal control systems, and has also continuously increased the awareness of risk management among employees. The Internal Control Department continues to delve into the front-line of the business and provide active monitoring supports during business operations over risk management and internal controls. IC strengthens its digital capabilities to further assist the business groups in identifying and managing the risks more comprehensively and timely, driving healthy business development. The Internal Audit Department continues to carry out independent audits over various key businesses and management areas. IA improves its digital audit capabilities to effectively identify risks and provide effective and timely independent evaluations. The Anti-fraud Investigation Department further advocates the value of integrity among the employees, increases the expectation on management standards, and applies digital methods to proactively and timely follow up and investigate the alleged fraudulent activities. The connection and interaction among the three lines have been further enhanced to provide more effective support to the Company's development.

Risk Culture Building

The Company is committed to establishing and improving the internal control environment, to strengthening employees' risk management awareness, and to continuously enhancing its risk management capabilities.

The Company provides regular risk management and internal control training to all employees through various channels such as on-site and online courses, comic series, and online interactive columns. The training covers topics such as risk management system, key risk analysis and internal control activities. Risk management training is included in the mandatory courses for new employees to increase the overall employees' risk awareness.

In addition, the Company incorporates the evaluation results of the risk management and internal control practices of business groups and functional departments into the performance review process.

Risk Management

The Company is committed to continuously improving its risk management system, including its structure, process, and culture. By enhancing the Company's risk management capabilities, it ensures the healthy and sustainable development of the Company's business.

The Company has established a risk management system (including the "Three Lines Model" as detailed above) which sets out the roles and responsibilities of each relevant party in the system as well as the relevant risk management policies and processes. Each business group of the Company, on a regular basis, identifies and assesses any risks that may negatively impact the achievement of its objectives, and formulates appropriate response measures. The Company also provides risk management and internal control training for staff on a regular basis.

Corporate Governance Report

Risk Management Process

Being an Internet and technology company with a wide variety of rapidly changing businesses, the Company has adopted the following dynamic risk management process in response to the ever-changing risk landscape:

- Business and functional departments of each business group identify, assess and respond to risks in the course of operation in a bottom-up and systematic manner;

- Through collecting, consolidating and analysing the Company's businesses, the IC builds a list of significant risks at both the corporate and business level, and ensures that appropriate risk response strategies and control measures have been taken for such risks. These significant risks as well as the corresponding risk responses and control measures will be reviewed by management and subsequently by the Audit Committee before reporting to the Board;

- The IC analyses and evaluates the responses to significant risks from time to time, and reports to the Audit Committee at least once a year; and

- The Audit Committee, on behalf of the Board, assesses and determines the nature and level of the risks that the Company is willing to take in order to achieve its business objectives and formulates appropriate response strategies which include designating responsible departments for handling each significant risk. The Audit Committee provides guidance to the Company's management to implement effective risk management system with support from the IC.

Significant Risks of the Company

The complexity of the Company's business continues to increase, and the external environment continues to evolve. Management faces a wide range of risks, including but not limited to ESG risk. Through risk management analysis and evaluation, management considers that the ten significant risks disclosed in the financial year 2022 still exist, among which the "Market competition and innovation risk" and "Business continuity risk" have increased to a certain extent while the other risks remain at a similar risk level as last year.

On behalf of the Board, the Audit Committee supervises the overall risk management of the Company and assesses, the risk acceptable level, risk rating and the response strategies of the Company's risks. The Audit Committee considers that management has taken appropriate measures to address and manage the significant risks that they are responsible for at a level acceptable to the Board.

Corporate Governance Report

Below is a summary of the significant risks of the Company along with the applicable response strategies. The Company's risk profile may change, and the list below is not intended to be exhaustive.

1. *Market competition and innovation risk*

   The Internet and technology industries are highly competitive with rapid product updates and replacements, and the development of AI-related technologies is progressing rapidly. The development of technologies brings evolutional changes to the existing business models and brings in more new players into the market. The existing market competition landscape may face major changes. Therefore, how to promote innovative and sustainable social values through innovation in technology, product and business model is one of the key challenges of the Company.

   The Company attaches great importance to innovation and stays on top of the developments of the industry and user needs, keeps up with the technological development through innovation in frontier technology, and constantly improves the Company's products and services. It also explores the application scenarios of emerging technologies and brings additional values and experiences to its users and business partners. By attracting and cultivating key talents and increasing investment in scientific research, the Company continuously improves its technology and innovation abilities, which integrate with "Hunyuan" model and other innovative technologies, and brings more cutting-edge technological benefits to the Company's business and products. The Company also continuously optimises its resource allocation, enhances its core products and business, strengthens its product development and technical capabilities, explores innovative business models, develops products that meet the expectations of both domestic and international markets, continuously improves user experience, promotes sustainable and high quality development of its businesses and increases its market competitiveness. The Company collaborates with its partners to jointly innovate, enhance service capabilities, and support the ecosystem in order to achieve product service growth and continuous iterative innovation, and create value for users and the society.

2. *Macroeconomic risk*

   The Company's revenue generated from certain businesses is closely related to the macro-economic circumstances and the overall consumption economy. As the Company continues to expand its international businesses, factors such as the ever-changing international circumstances, the difference in the speed of economic development across regions, and emergency events may reduce individual users' purchasing power and their willingness to consume, impacting the operation and profits of our corporate clients, and thereby leading to a reduction in the resources they invest in business development and market expansion, which may in turn adversely affect certain revenue streams of the Company. In addition, the uncertainty of international situation may lead to changes in trading and investment policies and markets, and negatively impact the Company's operations and collaborations with its business partners, and in turn affect and weaken the Company's competitiveness and growth potential.

Corporate Governance Report

Based on the changes in macroeconomic environment, the Company adjusts its business development strategy in a scientific, flexible, and reasonable manner to address the risks posed by the macroeconomic risks, and continuously seeks opportunities for business growth. The Company attaches great importance to product innovation, upholds the business philosophy of focusing on user value, continuously improves user experience, and builds long-term and stable relationships with its existing customers to achieve sustainable business growth. Meanwhile, the Company will continue to uphold its mission and vision of "Value for Users, Tech for Good" to provide innovative product solutions and digital services to assist its clients and business partners in further enhancing their competitiveness and productivity to achieve sustainable growth, and to also create value for its customers and business partners, and fulfill its social responsibility.

3. *Regulatory and compliance risk*

As the Company continuously expands its businesses domestically and globally, the Company must abide by and comply with the relevant applicable laws and regulations in different countries and jurisdictions, including but not limited to laws and regulations relating to privacy and data protection, anti-trust, anti-unfair competition, consumer protection, IP, labour protection, and continue to pay attention to changes in industry laws and regulations, including but not limited to telecommunications and Internet, gaming, Internet finance, foreign investment, international trade, etc. In addition, changes in international circumstances may affect the development of global policies and regulations and impact the development of various industries across different regions.

The Company has taken practical steps to devote substantial resources in various areas to ensure the Company's compliance with regulatory requirements. The Company has set up both domestic and international dedicated departments and specialist teams, engaged external professional consultants, communicated with relevant regulatory authorities in a timely manner, kept abreast of the changes to relevant laws and regulations, adjusted strategies accordingly, taken appropriate actions or measures, improved internal training and the understanding of the laws and regulations, and enhanced the corresponding management system and policies to ensure that the Company is in compliance with such applicable laws and regulations.

4. *Information security risk*

All countries and jurisdictions continue to heighten the regulatory enforcement over cyber security and personal data protection. The security of personal user and corporate client data is the top priority of the Company. The Company continues to pay attention to the laws and policies relating to user privacy and data security in various jurisdictions and is fully aware that any loss or theft of such information could have a significant negative impact on the affected users and clients, which could expose the Company to significant legal liability and significant reputational risk.

Corporate Governance Report

The Company strongly believes that the security of user data and privacy is the key prerequisite for delivering secured and high-quality products and user experience. The Company strictly complies with local relevant laws and regulations, continuously invests resources in strengthening information security management. The Company classifies user and client data as the Company's most sensitive information. It has also established and will continue to enhance the policies and management measures to ensure the security of such information and data. The management measures of the Company include but are not limited to establishing effective information management systems with the use of encryption, data access restrictions and controls, establishment of rigorous approval processes, and the strict control of data transmission and storage. In addition, the Company has established a specialised team to conduct independent regular reviews over the management of the business groups' sensitive information and data, and provide training on information security to raise employees' awareness of information security. The Company has obtained multiple well-acknowledged certifications in relation to information security to safeguard the information security of users and customers. The Company upholds the mission and vision of "Value for Users, Tech for Good" and constantly improves the infrastructure of its network and data security.

5. *Crisis management, public relations and reputational risk*

As an Internet and technology company, the Company has a diverse portfolio of businesses and products with increasingly complicated business models, and an extensive network of users and business partners, which draws attention from the public and media to the Company's brand. The Company needs to fully consider possible crisis that may occur in its domestic and international business operations, and actively responds to them to avoid further deepening of issues or escalation of crisis. The Company also needs to timely disclose comprehensive and accurate information to the public. Otherwise, it may damage the Company's reputation, brand and image, and may adversely affect the business and prospects of the Company.

The Company treasures its brand and reputation. In adherence to the principles of openness and transparency, the Company communicates to the public comprehensive and accurate information in a timely manner. In response to crisis, the Company has established a corresponding response mechanism, to follow up on the development of crisis, conduct risk assessment, and make prompt decisions, to reduce the impact of the crisis on the Company. The Company has also set up a public relations department and professional teams to establish and continuously enhance its public relations, brand and reputation management mechanism, to provide training and guidance related to public relations management, to continuously improve its response capabilities, and to reduce the possibility of crisis. The public relations team maintains close contact with the Company's management and business teams, pays close attention to and gathers public opinions, analyses relevant information in a timely manner and reports to management to enable management to respond promptly and effectively in accordance with the Company's policies and procedures and disclose comprehensive and accurate information to the public in a timely manner and to continuously protect the Company's reputation.

Corporate Governance Report

6. *Business continuity risk*

The stability of servers and network infrastructure for products and platforms of the Company is of vital importance for the sustainable operation of the Company's business as well as the provision of high-quality user experience. Therefore, any material functional defect, interruption, breakdown, or other issues in IT system functions are likely to adversely impact the Company's businesses. In addition, the Company's operations may be affected by uncontrollable external factors such as operator's operational incidents, natural disasters, social security events, epidemic disease or energy supply. Relevant incidents may damage workplaces and equipment that are vital to the operations of the Company and its business partners, and threaten the health of their employees, which results in disruption of the Company's normal operation.

The Company continues to invest in its network infrastructure, to enhance its business recovery mechanism, to deepen its collaboration with operators to improve management capabilities, to strengthen the stability of its domestic and international product services and business operations, to safeguard network security and to provide consistent support to business development. The Company has also established dedicated teams and defined the responsibilities of different parties to develop contingency plans in relation to business continuity and perform regular drills. All business units also actively implement various emergency measures to ensure the smooth operation of business. In addition, the Company has established an independent team to perform regular checks on the effectiveness of relevant contingency plans, emergency measures and regular drills, and will actively follow up the remedial actions and improvement plans.

7. *M&A and investment management risk*

The Company has a diversified investment portfolio. The complex and ever-changing international relations and heightened domestic and foreign regulatory policies have imposed higher requirements over the formulation of investment strategies, fund management, pre-investment evaluation and post-investment management. Failure to timely and effectively manage investment risks could hinder the realisation of investment strategies and lead to probable financial loss of the Company.

The Company pays a lot of attention to investment risk and has established an Investment Committee under the Board. The Company also puts in place an investment evaluation and approval process, and sets up a dedicated professional team to advise on investment projects. Finance, legal and other relevant professional teams are responsible for managing relevant investment risks and following up with post-investment management, reviewing the operating, financial and risk management information of the investee companies on a regular basis, monitoring and analysing the performance of the investee companies, to ensure that they continue to meet the Company's investment strategies. The Company will continuously monitor the trend of the macroeconomic environment and the changes in the laws and regulations of various industries, conduct dynamic analysis and develop strategy for risk management to effectively manage the investment risks.

8. *ToB business risk*

The Company has actively developed various ToB businesses related to Industrial Internet. With the rapid development of the ToB business, if the Company fails to adjust its business strategy to respond to changes in industry trends and market needs on a timely basis, to continuously enhance its organisational structure and suitability with professional talents, to improve its internal management system and processes for ToB businesses, to enhance its supply chain management capabilities, or to improve its collaboration mechanisms with various business partners, it may face more management challenges, and may affect the sustainable development of its ToB businesses and the realisation of the Company's strategic goals.

The Company continues to accumulate and solidify its experience in the ToB business, actively follow up and analyse the development trends and changes in customer needs of different industries in both the domestic and foreign markets. The Company has expanded its footprints in various industries including financial services, retail, healthcare, industry, transportation, education, etc. by leveraging technological innovations such as cloud computing and AI technologies to create the smart industry upgrade solutions, and to build a new, intelligent ecosystem that connects consumers and business enterprises.

The Company continues to optimise its resource allocation, business strategy, organisational structure, human resources, management systems, business processes, and strengthen its product development, improve its own product competitiveness, so as to enhance the effectiveness of the collaboration with external stakeholders, and to ensure the sustainable and high quality development of ToB business. At the same time, through continuous technological innovation, the Company creates healthy ecosystem with business partners to enhance its ability to serve corporate clients and to promote the integrated development of digital and real economies for better social value.

9. *Social responsibility and environmental sustainability risk*

There is a consensus among organisations of United Nations, international listing rules-setting organisations and regulators that ESG affairs are classified as regular disclosures for listed companies. As one of the important standards to evaluate the health of a company's development, ESG performance will affect how shareholders and other stakeholders determine the value of the Company.

The Company has established an ESG team to comprehensively assess and manage ESG risks, enhance ESG performance, and make annual disclosures in accordance with compliance requirements and international standards. The Company has incorporated relevant ESG issues into its annual corporate risk assessment. The Board has authorised the Corporate Governance Committee to comprehensively supervise ESG performance and release annual reports. Please refer to the "Environmental, Social and Governance Report 2023" published by the Company for related details.

Corporate Governance Report

The Company upholds its vision and mission of "Value for Users, Tech for Good", and constantly reviews its products from the perspective of social responsibility and incorporated "Sustainable Innovations for Social Value" into its core strategy as part of its strategic upgrade in 2021. The Company actively commits to promoting social and environmental sustainability with the use of its core technology, products and services capabilities.

The Company is committed to continuously improving the privacy protection system, building reasonable and effective data governance policies and processes, enhancing data and network security capabilities to comprehensively safeguard the security of network infrastructure and data assets, practicing the concept of responsible artificial intelligence development, establishing governance structures and implementing security technologies to address risks.

The Company empowers industrial upgrading with the use of digital technologies, continuously enhances its core capabilities such as cloud computing, AI, big data, cybersecurity, etc., to apply them in the areas of healthcare, rural revitalization and talent cultivation. The Company has been providing long-term support on technologies and scientific research by establishing the "Xplorer Prize" to encourage talented young scientists to study and conduct scientific research of cutting-edge technologies and fundamental sciences and the "New Cornerstone Science Foundation" to encourage outstanding scientists to focus on fundamental research and achieve original innovation from scratch.

In respect of the digital safety and wellbeing, the Company has launched "Minors Mode" in multiple products, built protection systems for Minors in games and provided technology-related courses and training to create a safe and healthy digital environment and improve Internet literacy for Minors. Meanwhile, the Company has provided "Caring Mode" in multiple products for the elderly to help them better integrate into the digital world and continuously invested resources into SliverTech to help the elderly achieve a better quality of life using digital technology.

In relation to the public welfare, as the first Internet and technology enterprise to establish a charity foundation in China, the Company self-develops and operates an online donation platform to assist charitable organisations in reaching users and use digital technology to improve the transparency, openness, and efficiency of the public welfare and charity area.

In the field of environmental protection, the Company has committed to achieving the goals of carbon neutrality, investing in biodiversity conservation and continuously paying attention to the environment and climate change. The Company has set a goal to achieve carbon neutrality in its own operations and supply chain by 2030 and has released a "Biodiversity Statement", committing to implementing specific actions to reduce dependence on nature and apply digital technology to ecological protection.

10. *Fraud risk*

In recent years, fraudulent activities have occurred frequently in the Internet and technology industry and therefore integrity has been an important concern. As the business continues to develop, and the form and complexity continues to evolve, it is inevitable that the Company faces a higher level of fraud risk. For example, fraudulent activities caused by collusion between suppliers/business partners and employees can have a negative impact on the reputation and financial position of the Company.

The Company always adheres to the value of integrity, has zero tolerance for fraud, determines to fight against any fraudulent activities and implements measures of sunshine project in the Company. The Company has established effective internal control systems and is continuously improving them. These systems have been strengthened by systematic, transparent control measures and procedures with digital methods. To enhance and promote integrity, the Company continuously conducts various training for its employees, suppliers, and business partners. With regard to employees, the Company has established the Sunshine Code, continuously optimises the relevant requirements, and requires all employees to pass the annual examination on the Sunshine Code and strictly comply with the code during their employment and in the course of dealing with suppliers and business partners. For suppliers and business partners, the Company cooperates with them to create an ecosystem with integrity. The Company has signed an Anti-commercial Bribery Declaration with its suppliers and business partners to build a healthy and transparent environment for business. Furthermore, the Company has set up an Anti-fraud Investigation Department for years to receive whistleblowing reports from various channels, and to follow up and investigate alleged fraudulent cases in a timely manner. Once an employee is found and proven to be fraudulent, he/she will be dismissed immediately. The Company may also transfer the more serious cases to the judiciaries or initiate legal proceeding according to national laws and regulations. At the same time, the Company further raises the requirements for management in relevant policies. The management are required to actively play their roles in risk management to ensure the healthy and sustainable development of the business. Any supplier/business partner found to be involved in any fraudulent activities will be blacklisted and deprived of the opportunity to work with the Company permanently. The Company will announce to the public the criminal cases and serious abuse-of-power cases that were investigated and handled by the Company via the “Sunshine Tencent” WeChat official platform. This shows the Company’s determination to fight against corruption and fraud, as well as its commitment towards creating a virtuous and honest atmosphere within the Company and the industry.

Corporate Governance Report

Internal Control

The Company has always valued the importance of the internal control systems and has implemented its internal control systems according to the COSO Framework.

Management of the Company is responsible for the design, implementation and maintenance of the effectiveness of internal control systems. The Board and the Audit Committee are responsible for monitoring and overseeing the performance of management over the internal control systems to ensure its appropriateness and effectiveness.

The Company's internal control systems clearly define the roles and responsibilities of each party as well as the authorisation and approvals required for the key actions of each party. Policies and procedures are in place for the key business processes. This information is clearly conveyed to employees in practice and emphasised the importance of the internal control systems. All employees must strictly follow the policies which cover, amongst other things, financial, legal and operational issues that set the control standards for the management of each business process.

In order to further strengthen the accountability of the management team in the internal control systems of the Company and to assist in determining the effectiveness of such internal control systems, the management team of each business group conducts self-assessment and confirms the internal control status of the business group for which it is responsible. The IC assists management in preparing a self-assessment questionnaire according to the COSO Framework and guides the management of each business group to carry out the self-assessment. The IC is also responsible for collecting and summarising the results of self-assessment. The Chief Executive Officer of the Company reviews this summarised self-assessment of each business group, assesses the general effectiveness of the internal control systems of the Company and submits the written confirmation thereof on behalf of management to the Audit Committee and the Board.

In addition, the IC supervises the establishment of the risk management and internal control systems set up by management, ensures that management has implemented appropriate measures to resolve material internal control defects and reports the general situation of risk management and internal control of the Company to the Audit Committee on a quarterly basis. The IA, serving as the independent third line, conducts objective evaluation on the effectiveness of the Company's risk management and internal control systems and reports the results to the Audit Committee.

The Company has also engaged independent professional consulting firms to perform a review of the Group's internal control framework and an assessment of its internal audit quality to ensure their standards are in compliance with international best practices.

Effectiveness of Risk Management and Internal Control

The Audit Committee, on behalf of the Board, continuously reviews the risk management and internal control systems.

The review process comprises of, among other things, meetings with management of business groups, IA, IC, legal team, and the external auditor, reviewing the relevant work reports and information of key performance indicators, the management's self-assessment on internal control as detailed above and discussing the significant risks with senior management of the Company.

Based on theses reviews, the Board is of the view that throughout the year ended 31 December 2023, the risk management and internal control systems of the Company (including the Company's processes for financial reporting and Listing Rules compliance) are effective and adequate.

In addition, the Board believes that the Company's accounting and financial reporting functions as well as the ESG performance and reporting functions have been performed by staff with the appropriate qualifications and experience and that such staff receives appropriate and sufficient training and development. Based on the report of the Audit Committee, the Board has reviewed and is satisfied that sufficient resources have been obtained for the Company's internal audit and financial reporting function and that its staff qualifications and experience, training programmes and budgets etc., are sufficient.

SHAREHOLDERS

To enable shareholders and other stakeholders to exercise their rights in an informed manner based on a good understanding of the Group's operations, businesses and financial information, the Company adopted the shareholders communication policy which aims to ensure that shareholders and other stakeholders at large are provided with ready, equal, regular and timely access to material information about the Group. The policy also sets out a number of ways to ensure effective and efficient communication with shareholders and other stakeholders is achieved, including but not limited to our quarterly results announcements, webcasts, responses to shareholders' enquiries, corporate communications (in both English and Chinese, to facilitate shareholders' understanding), posting of relevant information on the Company Website, shareholders' meetings and investment market communications. For shareholders to communicate their views on various matters affecting the Company and the Company to solicit and understand the views of shareholders and other stakeholders, the Company adopts a number of mechanisms, including encouraging shareholders to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings and making appropriate arrangements for the annual general meetings to encourage and facilitate shareholders' participation. To facilitate communication between the Company, shareholders and the investor community, investor and analyst briefings, one-on-one meetings, domestic and international roadshows, media interviews and specialist industry forums are organised on a regular basis and are attended by our directors and designated spokespersons. In addition, the Company Website has been adopted as the designated hub for publication of the Company's announcements, press releases and other corporate communications including the shareholders communication policy and the investor calendar which highlights important dates for shareholders' information. During the year 2023, the Corporate Governance Committee reviewed the implementation and effectiveness of the shareholders communication policy, including the multiple communication channels for shareholders in place and the steps taken to handle shareholders' enquiries, and considered that the shareholders communication policy has been properly implemented and effective.

Corporate Governance Report

The dividend policy of the Company is also set out in the "Corporate Governance Report" on page 117 of this annual report and the historical information of dividend payout is available on the Company Website under the section headed "Investors – Equity & Bond Information – Interactive Share Price Chart & Dividend History".

The Company also encourages shareholders' active participation in annual general meetings and other general meetings. Notices to shareholders for annual general meetings are sent to shareholders at least 21 clear days before the meetings and at least 14 clear days for all other general meetings to allow sufficient time for their consideration of the proposed resolutions. The Company's shareholders communication policy also requires appropriate arrangements to be put in place for the annual general meetings to encourage and facilitate shareholders' participation, and the process of the meetings is monitored and reviewed on a regular basis to ensure that shareholders' needs are best served.

The Company's general meetings provide a transparent and open platform for the Company's shareholders to communicate with the Board and the senior management team. The Chairman, other members of the Board and relevant members of the senior management team, under normal circumstances, attend to answer questions raised and discuss matters in relation to the Company in an open manner. All directors attended the 2023 AGM and the extraordinary general meeting held on 17 May 2023 ("2023 EGM"), with a view to understanding the views of the Company's shareholders. The company secretary provided the minutes of the 2023 AGM and the 2023 EGM to all directors to have a thorough understanding of the views of the Company's shareholders. The Company's external auditor will also attend the annual general meeting to answer questions relating to the conduct of the audit, the auditor's report and auditor independence.

Pursuant to the Articles of Association, any one or more shareholder(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such requests must be sent to the Board or the company secretary at the Company's registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, or by email to cosec@tencent.com, and such meeting shall be held within two months after the deposit of such requisition. If a shareholder wishes to propose a person for election as a director at a general meeting, he/she should provide a written requisition to the Board or the company secretary to call an extraordinary meeting following the procedures set forth above, or lodge a written notice to nominate a person at the Company's Hong Kong principal place of business at 29/F., Three Pacific Place, No. 1 Queen's Road East, Wanchai, Hong Kong, or the Company's branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. Detailed procedures for shareholders to propose a person for election as a director are available on the Company Website under the section headed "Investors – Environment, Social and Governance – Governance – Shareholders".

In order to ensure that shareholders' interests and rights are adequately protected, a separate resolution will be proposed for each substantially separate issue at the general meetings, and all resolutions will be voted by poll pursuant to the Articles of Association and the Listing Rules. To ensure that the shareholders are familiar with the detailed procedures for conducting a poll, detailed procedures for conducting a poll are explained at the commencement of the general meetings, and all questions from shareholders on the voting procedures will be answered before the poll voting starts. An external scrutineer will be appointed to monitor and count the votes cast by poll. Poll results will be posted on the Company Website and the Stock Exchange's website after each general meeting.

Apart from participating in the Company's general meetings, shareholders and other stakeholders may at any time contact or send enquiries and concerns to us via the Company Website, or by addressing them to the Investor Relations teams, and sending them by post to the Investor Relations teams, Tencent Holdings Limited, at 29/F., Three Pacific Place, No. 1 Queen's Road East, Wanchai, Hong Kong, or by email to ir@tencent.com. Shareholders may also contact the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, if they have any enquiries about their shareholdings and entitlements to dividends.

DIVIDEND POLICY

The Company endeavours to maintain sufficient working capital to develop and operate the business of the Group and to provide sustainable returns to the shareholders of the Company.

Under the current dividend policy of the Company, dividends may be declared out of the distributable earnings or reserves of the Company. While the dividend payout ratio is not pre-determined, in proposing or declaring any dividend payout, the Board shall take into account the Group's earnings performance, general financial position, debt covenants, future working capital requirements and investment needs, and other factors that the Board considers relevant and appropriate.

DISCLOSURE OF OTHER INFORMATION

The Company is required to disclose certain information pursuant to the Listing Rules and the CG Code. Set out below is the information which has not been covered above.

Significant Change in the Constitutional Documents

There has not been any change in the Company's memorandum and articles of association during the year ended 31 December 2023.

Corporate Governance Report

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code. The Company has also adopted an insider dealing policy to govern and regulate securities transactions by employees who are likely to be in possession of inside information relating to the Company, the terms of which are no less exacting than those of the Model Code. The Company has made specific enquiries with the directors and the directors have confirmed they have complied with the Model Code throughout 2023.

Appointment Terms of Non-Executive Directors

Each non-executive director, whether independent or not, is appointed for a term of one year and is subject to retirement by rotation at least once every three years. A director appointed to fill a casual vacancy or as an addition to the Board will be subject to re-election by shareholders at the first general meeting after his/her appointment.

Directors and Officers Liability Insurance

The Company has arranged appropriate directors and officers liability insurance in respect of legal action against the directors and officers.

External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" on pages 119 to 127. During the year ended 31 December 2023, the remuneration paid/payable to the Company's external auditor, PwC, was disclosed in Note 7 to the consolidated financial statements. The audit and audit-related services conducted by the external auditor mainly comprise of statutory audits and reviews for the Group and its certain subsidiaries. The non-audit services conducted by the external auditor mainly include tax advisory services for certain subsidiaries, due diligence services and other services such as ESG assurance service and services relating to risk management and internal control review. Please refer to Note 7 to the consolidated financial statements for a breakdown of the fees paid for the key non-audit services.

Framework for Disclosure of Inside Information

The Company has in place a framework for the handling and disclosure of inside information in compliance with the SFO. The framework sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner so as to allow all the shareholders and stakeholders to assess the latest position of the Group.

Under the framework, if an employee is aware of any project, transaction, information or situation which he/she thinks could potentially be inside information, he/she should contact the Head of Compliance and Transactions Department, the general counsel and the company secretary as soon as possible. Legal analysis and consultations with the Company's directors and senior executives will be made so as to identify whether any such information constitutes inside information and is required to be disclosed to the public pursuant to the SFO. The framework and its effectiveness are subject to review on a regular basis according to established procedures.

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 128 to 272, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- 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, comprising material accounting policy information 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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Independent Auditor's Report

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 related to in-game permanent virtual items – the estimates of the expected users' relationship periods

- 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 and financial assets at fair value through other comprehensive income

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition on provision of online games value-added services related to in-game permanent virtual items – the estimates of the expected users' relationship periods	
Refer to Notes 2.22(a), 5(a) and 6(b) to the consolidated financial statements. The Group recognises revenue from sales of online games virtual items to the users in respect of value-added services rendered on the Group's online platforms. Among them, revenues from sales of in-game permanent virtual items are recognised ratably over the respective estimates of the expected users' relationship periods of the applicable games. We focused on this area due to the fact that management applied significant judgments in determining the expected users' relationship periods. These judgments include (i) historical users' consumption patterns, churn rates, game life-cycles, and qualitative factors such as reactivity on marketing activities and the Group's marketing strategy; and (ii) the identification of events that may trigger changes in the estimates of the expected users' relationship periods.	We assessed and tested the effectiveness of controls in respect of determination of expected users' relationship periods for recognition of revenue from sales of in-game permanent virtual items, including management's review and approval of (i) determination of the expected users' relationship periods of new games prior to their launches in the current year; (ii) periodic reassessment on the expected users' relationship periods of existing games; and (iii) changes in the estimates of the expected users' relationship periods on any indicators triggering such changes. We assessed, on a sample basis, the data generated from the Group's information system supporting the management's estimates, including testing the information system logic for generation of the applicable reports, and checking the completeness and accuracy of underlying data utilised in development of the management's estimates. We assessed, on a sample basis, the expected users' relationship periods adopted by management by (i) testing the data integrity of historical users' consumption patterns and calculation of the churn rates; (ii) evaluating 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; and (iii) assessing the accuracy of the management's historical estimation results by comparing the actual users' relationship periods for current year against the original estimation made in prior years. We found that the results of our procedures performed to be materially consistent with management's assessment.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessments of goodwill, investments in associates and joint ventures	
Refer to Notes 2.8(a), 2.10, 5(b), 22, 23 and 24 to the consolidated financial statements. As at 31 December 2023, the Group had significant amounts of goodwill, investments in associates and joint ventures amounting to RMB126,220 million, RMB253,696 million and RMB7,969 million, respectively. Impairment provisions of RMB5 million and RMB6,847 million had been recognised against the carrying amounts of goodwill and investments in associates, respectively, while impairment reversals of RMB752 million had been recognised for the carrying amounts of investments in joint ventures, during the year ended 31 December 2023. Goodwill is subject to impairment assessments annually or more frequently when there is an impairment indicator. Investments in associates and joint ventures are subject to impairment assessment when there is an impairment indicator. In carrying out impairment assessments, significant judgments are required to estimate the recoverable amounts, being the higher of the fair value less costs of disposal and value in use. Management adopted either the discounted cash flows or market approach as valuation models depending on the situation of the respective assessments. In assessing the value in use, significant management assumptions have to be applied in the determination of revenue growth rates, terminal growth rates, and discount rates when using discounted cash flows; while in assessing the fair value less costs of disposal, assumptions are applied in the selection of comparable companies, recent market transactions, liquidity discounts adopted for lack of marketability for unlisted investments, and share prices for listed investments when using market approach.	We assessed and tested the effectiveness of controls in respect of (i) the annual impairment assessments of goodwill; and (ii) identification of impairment indicators of and performing impairment assessments on investments in associates and joint ventures, including the determination of appropriate valuation models and assumptions used in impairment provisions. We assessed, on a sample basis, the basis management adopted to ascertain and identify separate groups of cash generating units that contain the goodwill balances; the valuation models used in management's impairment assessments. In respect of the impairment assessments using discounted cash flows, we assessed and evaluated, on a sample basis, the key assumptions adopted including revenue growth rates, terminal growth rates, discount rates and other assumptions adopted by management by examining the approved financial/business forecast models, and comparing actual results for current year against the previous period's forecasts and the applicable industry/business data available to the Group from external sources. We assessed these key assumptions with the involvement of our internal valuation experts.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessments of goodwill, investments in associates and joint ventures (continued)	
We focused on these areas due to the magnitude of the carrying amounts of these assets and the fact that significant judgments were applied by management.	In respect of impairment assessments performed using the market approach, we assessed and evaluated, on a sample basis, the valuation assumptions adopted by management including the selection of comparable companies (i.e., by making reference to the respective market segments, geographic areas, and revenue size, etc.), recent market transactions undertaken, liquidity discounts adopted for lack of marketability for unlisted investments, and share prices for listed investments, 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 independently tested, on a sample basis, the accuracy of mathematical calculations applied in the valuation models and the calculation of the applicable impairment charges. We found that the valuation models were acceptable, and the key assumptions used by management were in line with our expectations and supported by available evidence.

Independent Auditor's Report

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 and financial assets at fair value through other comprehensive income	
Refer to Notes 4.3, 5(c), 26 and 27 to the consolidated financial statements. As at 31 December 2023, approximately RMB199,535 million of financial assets at fair value through profit or loss and approximately RMB22,671 million of financial assets at fair value through other comprehensive income 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 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 assessed and tested the effectiveness of management controls in relation to the valuation process employed, which include the adoption of applicable valuation methodology and the related assumptions under different circumstances, and inspected the evidence of management's review. We involved our internal valuation experts to assess the appropriateness of valuation methodology adopted and key assumptions used. We tested, on a sample basis, valuation of Level 3 financial instruments as at 31 December 2023 by evaluating the underlying assumptions and inputs including risk-free rates, expected volatility and market information of recent transactions (such as recent fund raising transactions undertaken by the investees), as well as the 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.

Independent Auditor's Report

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 CONSOLIDATED 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 IFRS Accounting Standards 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.

Independent Auditor's Report

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

- 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.

- 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.

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

- 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.

- 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.

- 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.

Independent Auditor's Report

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, 20 March 2024

Consolidated Income Statement

For the year ended 31 December 2023

	Note	Year ended 31 December 2023 RMB'Million	2022 Restated (Note 2.2) RMB'Million
Revenues			
Value-added Services		**298,375**	287,565
Online Advertising		**101,482**	82,729
FinTech and Business Services		**203,763**	177,064
Others		**5,395**	7,194
	6	**609,015**	554,552
Cost of revenues	7	**(315,906)**	(315,806)
Gross profit		**293,109**	238,746
Selling and marketing expenses	7	**(34,211)**	(29,229)
General and administrative expenses	7	**(103,525)**	(106,696)
Other gains/(losses), net	8	**4,701**	8,006
Operating profit		**160,074**	110,827
Net gains/(losses) from investments and others	9	**(6,090)**	116,287
Interest income	10	**13,808**	8,592
Finance costs	11	**(12,268)**	(9,352)
Share of profit/(loss) of associates and joint ventures, net	12	**5,800**	(16,129)
Profit before income tax		**161,324**	210,225
Income tax expense	13(a)	**(43,276)**	(21,516)
Profit for the year		**118,048**	188,709
Attributable to:			
Equity holders of the Company		**115,216**	188,243
Non-controlling interests		**2,832**	466
		118,048	188,709
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)			
– basic	14(a)	**12.186**	19.757
– diluted	14(b)	**11.887**	19.341

The notes on pages 139 to 272 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	Note	Year ended 31 December 2023 RMB'Million	2022 RMB'Million
Profit for the year		**118,048**	188,709
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		**(176)**	1,479
Transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures		**(9)**	(129)
Transfer to profit or loss upon disposal of financial assets at fair value through other comprehensive income		**–**	13
Net gains/(losses) from changes in fair value of financial assets at fair value through other comprehensive income		**59**	(52)
Currency translation differences		**13,328**	18,732
Other fair value (losses)/gains, net		**(3,581)**	5,457
Items that will not be subsequently reclassified to profit or loss			
Share of other comprehensive income of associates and joint ventures		**(561)**	937
Net losses from changes in fair value of assets held for distribution	34	**(29,991)**	(6,102)
Net gains/(losses) from changes in fair value of financial assets at fair value through other comprehensive income		**11,142**	(148,686)
Currency translation differences		**(1,077)**	(794)
		(10,866)	(129,145)
Total comprehensive income for the year		**107,182**	59,564
Attributable to:			
Equity holders of the Company		**102,130**	60,699
Non-controlling interests		**5,052**	(1,135)
		107,182	59,564

The notes on pages 139 to 272 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2023

	Note	As at 31 December 2023 RMB'Million	2022 RMB'Million
ASSETS			
Non-current assets			
Property, plant and equipment	18	**53,232**	53,978
Land use rights	19	**17,179**	18,046
Right-of-use assets	20	**20,464**	22,524
Construction in progress	21	**13,583**	9,229
Investment properties		**570**	559
Intangible assets	22	**177,727**	161,802
Investments in associates	23	**253,696**	246,043
Investments in joint ventures	24	**7,969**	6,672
Financial assets at fair value through profit or loss	26	**211,145**	206,085
Financial assets at fair value through other comprehensive income	27	**213,951**	185,247
Prepayments, deposits and other assets	28	**28,439**	36,752
Other financial assets	29	**2,527**	6,987
Deferred income tax assets	30	**29,017**	29,882
Term deposits	31	**29,301**	28,336
		1,058,800	1,012,142
Current assets			
Inventories		**456**	2,333
Accounts receivable	32	**46,606**	45,467
Prepayments, deposits and other assets	28	**88,411**	76,685
Other financial assets	29	**5,949**	1,278
Financial assets at fair value through profit or loss	26	**14,903**	27,963
Term deposits	31	**185,983**	104,776
Restricted cash	33	**3,818**	2,783
Cash and cash equivalents	33	**172,320**	156,739
Assets held for distribution	34	**–**	147,965
		518,446	565,989
Total assets		**1,577,246**	1,578,131

Consolidated Statement of Financial Position

As at 31 December 2023

	Note	As at 31 December 2023 RMB'Million	2022 RMB'Million
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	35	**–**	–
Share premium	35	**37,989**	62,418
Treasury shares	35	**(4,740)**	(1,868)
Shares held for share award schemes	35	**(5,350)**	(4,226)
Other reserves	36	**(33,219)**	(40,914)
Retained earnings		**813,911**	705,981
		808,591	721,391
Non-controlling interests		**65,090**	61,469
Total equity		**873,681**	782,860
LIABILITIES			
Non-current liabilities			
Borrowings	38	**155,819**	163,668
Notes payable	39	**137,101**	148,669
Long-term payables	40	**12,169**	9,067
Other financial liabilities	41	**8,781**	5,574
Deferred income tax liabilities	30	**17,635**	12,162
Lease liabilities		**16,468**	18,424
Deferred revenue	6(c)(i)	**3,435**	3,503
		351,408	361,067

Consolidated Statement of Financial Position

As at 31 December 2023

		As at 31 December	
		2023	2022
	Note	**RMB'Million**	RMB'Million
Current liabilities			
Accounts payable	42	**100,948**	92,381
Other payables and accruals	43	**76,595**	61,139
Borrowings	38	**41,537**	11,580
Notes payable	39	**14,161**	10,446
Current income tax liabilities		**17,664**	13,488
Other tax liabilities		**4,372**	4,698
Other financial liabilities	41	**4,558**	3,937
Lease liabilities		**6,154**	6,354
Deferred revenue	6(c)(i)	**86,168**	82,216
Dividends payable for distribution in specie	17(b)	**–**	147,965
		352,157	434,204
Total liabilities		**703,565**	795,271
Total equity and liabilities		**1,577,246**	1,578,131

The notes on pages 139 to 272 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 128 to 272 were approved by the Board on 20 March 2024 and were signed on its behalf:

Ma Huateng
Director

Yang Siu Shun
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to equity holders of the Company								
	Share capital RMB'Million	Share premium RMB'Million	Treasury shares RMB'Million	Shares held for share award schemes RMB'Million	Other reserves RMB'Million	Retained earnings RMB'Million	Total RMB'Million	Non-controlling interests RMB'Million	Total equity RMB'Million
Balance at 1 January 2023	–	62,418	(1,868)	(4,226)	(40,914)	705,981	721,391	61,469	782,860
Comprehensive income									
Profit for the year	–	–	–	–	–	115,216	115,216	2,832	118,048
Other comprehensive income, net of tax:									
– share of other comprehensive income of associates and joint ventures	–	–	–	–	(701)	–	(701)	(36)	(737)
– losses from changes in fair value of assets held for distribution	–	–	–	–	(29,991)	–	(29,991)	–	(29,991)
– transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	–	–	–	–	(9)	–	(9)	–	(9)
– net gains from changes in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	9,650	–	9,650	1,551	11,201
– currency translation differences	–	–	–	–	11,480	–	11,480	771	12,251
– other fair value losses, net	–	–	–	–	(3,515)	–	(3,515)	(66)	(3,581)
Total comprehensive income for the year	–	–	–	–	(13,086)	115,216	102,130	5,052	107,182
Transfer of losses on disposal and deemed disposal of financial instruments to retained earnings, net of tax	–	–	–	–	17,846	(17,891)	(45)	–	(45)
Transfer of share of other comprehensive income to retained earnings upon disposal and deemed disposal of associates and joint ventures	–	–	–	–	66	(66)	–	–	–
Share of other changes in net assets of associates and joint ventures	–	–	–	–	4,680	–	4,680	–	4,680
Transfer of share of other changes in net assets of associates and joint ventures to profit or loss upon disposal and deemed disposal	–	–	–	–	(118)	–	(118)	–	(118)

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to equity holders of the Company								
	Share capital RMB'Million	Share premium RMB'Million	Treasury shares RMB'Million	Shares held for share award schemes RMB'Million	Other reserves RMB'Million	Retained earnings RMB'Million	Total RMB'Million	Non-controlling interests RMB'Million	Total equity RMB'Million
Transactions with equity holders									
Capital injections/(reductions)	–	–	–	–	–	–	–	121	121
Employee share option schemes:									
– value of employee services	–	1,687	–	–	73	–	1,760	64	1,824
– proceeds from shares issued, net of withholding individual income tax	–	828	–	–	–	–	828	–	828
Employee share award schemes:									
– value of employee services	–	17,267	–	–	1,583	–	18,850	342	19,192
– shares purchased/withheld for share award schemes	–	–	–	(4,378)	–	–	(4,378)	–	(4,378)
– vesting of awarded shares	–	(2,071)	–	2,071	–	–	–	–	–
Tax benefit from share-based payments	–	–	–	–	21	–	21	–	21
Profit appropriations to statutory reserves	–	–	–	–	912	(912)	–	–	–
Repurchase and cancellation of shares	–	(42,112)	1,868	–	–	–	(40,244)	–	(40,244)
Repurchase of shares (to be cancelled)	–	–	(4,740)	–	–	–	(4,740)	–	(4,740)
Cash dividends	–	–	–	–	–	(20,586)	(20,586)	(598)	(21,184)
Dividends under distribution in specie	–	–	–	–	–	32,169	32,169	–	32,169
Non-controlling interests arising from business combinations	–	–	–	–	–	–	–	3,386	3,386
Acquisition of additional equity interests in non wholly-owned subsidiaries	–	–	–	–	1,449	–	1,449	(4,560)	(3,111)
Dilution of interests in subsidiaries	–	–	–	–	(1,349)	–	(1,349)	1,361	12
Disposal of subsidiaries	–	–	–	–	–	–	–	(101)	(101)
Changes in put option liabilities in respect of non-controlling interests	–	–	–	–	117	–	117	16	133
Recognition of put option liabilities arising from business combinations	–	–	–	–	(4,594)	–	(4,594)	–	(4,594)
Transfer of equity interests of subsidiaries to non-controlling interests	–	(28)	–	1,183	95	–	1,250	(1,462)	(212)
Total transactions with equity holders in their capacity as equity holders for the year	–	(24,429)	(2,872)	(1,124)	(1,693)	10,671	(19,447)	(1,431)	(20,878)
Balance at 31 December 2023	–	37,989	(4,740)	(5,350)	(33,219)	813,911	808,591	65,090	873,681

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to equity holders of the Company								
	Share capital RMB'Million	Share premium RMB'Million	Treasury shares RMB'Million	Shares held for share award schemes RMB'Million	Other reserves RMB'Million	Retained earnings RMB'Million	Total RMB'Million	Non-controlling interests RMB'Million	Total equity RMB'Million
Balance at 1 January 2022	–	67,330	–	(4,843)	73,901	669,911	806,299	70,394	876,693
Comprehensive income									
Profit for the year	–	–	–	–	–	188,243	188,243	466	188,709
Other comprehensive income, net of tax:									
– share of other comprehensive income of associates and joint ventures	–	–	–	–	2,337	–	2,337	79	2,416
– net losses from changes in fair value of assets held for distribution	–	–	–	–	(6,102)	–	(6,102)	–	(6,102)
– transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	–	–	–	–	(129)	–	(129)	–	(129)
– net losses from changes in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	(146,500)	–	(146,500)	(2,238)	(148,738)
– transfer to profit or loss upon disposal of financial assets at fair value through other comprehensive income	–	–	–	–	11	–	11	2	13
– currency translation differences	–	–	–	–	17,494	–	17,494	444	17,938
– other fair value gains, net	–	–	–	–	5,345	–	5,345	112	5,457
Total comprehensive income for the year	–	–	–	–	(127,544)	188,243	60,699	(1,135)	59,564
Transfer of losses on disposal and deemed disposal of financial instruments to retained earnings, net of tax	–	–	–	–	7,838	(7,978)	(140)	–	(140)
Transfer of share of other comprehensive income to retained earnings upon disposal and deemed disposal of associates and joint ventures	–	–	–	–	7	(7)	–	–	–
Share of other changes in net assets of associates and joint ventures	–	–	–	–	7,009	–	7,009	–	7,009
Transfer of share of other changes in net assets of associates and joint ventures to profit or loss upon disposal and deemed disposal	–	–	–	–	(5,541)	–	(5,541)	–	(5,541)

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to equity holders of the Company								
	Share capital RMB'Million	Share premium RMB'Million	Treasury shares RMB'Million	Shares held for share award schemes RMB'Million	Other reserves RMB'Million	Retained earnings RMB'Million	Total RMB'Million	Non-controlling interests RMB'Million	Total equity RMB'Million
Transactions with equity holders									
Capital injections	–	–	–	–	–	–	–	3	3
Employee share option schemes:									
– value of employee services	–	2,055	–	–	110	–	2,165	97	2,262
– proceeds from shares issued	–	995	–	–	–	–	995	–	995
Employee share award schemes:									
– value of employee services	–	20,632	–	–	1,425	–	22,057	445	22,502
– shares withheld for share award schemes	–	–	–	(2,882)	–	–	(2,882)	–	(2,882)
– vesting of awarded shares	–	(2,882)	–	2,882	–	–	–	–	–
Tax benefit from share-based payments	–	–	–	–	5	–	5	–	5
Profit appropriations to statutory reserves	–	–	–	–	1,082	(1,082)	–	–	–
Repurchase and cancellation of shares	–	(28,010)	–	–	–	–	(28,010)	–	(28,010)
Repurchase of shares (to be cancelled)	–	–	(1,868)	–	–	–	(1,868)	–	(1,868)
Cash dividends	–	–	–	–	–	(12,950)	(12,950)	(1,610)	(14,560)
Dividends under distribution in specie	–	–	–	–	–	(130,156)	(130,156)	–	(130,156)
Non-controlling interests arising from business combinations	–	–	–	–	–	–	–	908	908
Acquisition of additional equity interests in non wholly-owned subsidiaries	–	–	–	–	992	–	992	(5,199)	(4,207)
Dilution of interests in subsidiaries	–	–	–	–	(929)	–	(929)	1,029	100
Disposal of subsidiaries	–	–	–	–	–	–	–	(1)	(1)
Changes in put option liabilities in respect of non-controlling interests	–	–	–	–	727	–	727	121	848
Recognition of put option liabilities arising from business combinations	–	–	–	–	(175)	–	(175)	–	(175)
Transfer of equity interests of subsidiaries to non-controlling interests	–	2,298	–	617	179	–	3,094	(3,583)	(489)
Total transactions with equity holders in their capacity as equity holders for the year	–	(4,912)	(1,868)	617	3,416	(144,188)	(146,935)	(7,790)	(154,725)
Balance at 31 December 2022	–	62,418	(1,868)	(4,226)	(40,914)	705,981	721,391	61,469	782,860

The notes on pages 139 to 272 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Note	Year ended 31 December 2023 RMB'Million	2022 RMB'Million
Cash flows from operating activities			
Cash generated from operations	45(a)	**256,691**	173,760
Income tax paid		**(34,729)**	(27,669)
Net cash flows generated from operating activities		**221,962**	146,091
Cash flows from investing activities			
Payments for business combinations, net of cash acquired		**(7,633)**	(12,267)
Net inflow of cash in respect of disposals of investments in subsidiaries		**14**	33
Purchase of property, plant and equipment, construction in progress and investment properties		**(21,008)**	(22,679)
Proceeds from disposal of property, plant and equipment		**257**	376
Purchase of/prepayments for intangible assets		**(26,042)**	(27,645)
Purchase of/prepayments for land use rights		**(357)**	(526)
Payments for acquisition of investments in associates		**(5,625)**	(11,602)
Proceeds from disposal of investments in associates		**3,938**	22,269
Payments for acquisition of investments in joint ventures		**(25)**	(20)
Proceeds from disposal of investments in joint ventures		**431**	352
Payments for acquisition of financial assets at fair value through other comprehensive income		**(8,511)**	(12,925)
Proceeds from disposal of financial assets at fair value through other comprehensive income		**7,727**	8,048
Payments for acquisition of financial assets at fair value through profit or loss		**(45,614)**	(41,181)
Proceeds from disposal of financial assets at fair value through profit or loss		**49,324**	20,019
Payments for acquisition/settlement of other financial instruments		**(3,616)**	(870)
Net (outflow)/inflow of acquisition/settlement of other financial assets		**(730)**	344
Payments for loans to investees and others		**(544)**	(2,949)
Loans repayments from investees and others		**1,199**	501
Receipt from maturity of term deposits with initial terms of over three months		**163,713**	92,199
Placement of term deposits with initial terms of over three months		**(244,419)**	(127,046)
Interest received		**10,349**	8,506
Dividends received		**2,011**	2,192
Net cash flows used in investing activities		**(125,161)**	(104,871)

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Year ended 31 December	
	2023	2022
	RMB'Million	RMB'Million
Cash flows from financing activities		
Proceeds from short-term borrowings	**29,809**	7,701
Repayments of short-term borrowings	**(9,889)**	(15,378)
Proceeds from long-term borrowings	**33,641**	22,535
Repayments of long-term borrowings	**(34,116)**	(8,451)
Repayments of notes payable	**(10,141)**	–
Principal elements of lease payments	**(6,652)**	(5,969)
Interest paid	**(11,478)**	(9,342)
Payments for repurchase of shares	**(43,767)**	(29,307)
Proceeds from issuance of ordinary shares as a result of exercise of share options	**1,070**	995
Payments for withholding individual income tax for share option schemes	**(242)**	–
Payments for purchased/withheld of shares for share award schemes	**(4,378)**	(2,882)
Proceeds from issuance of additional equity of non wholly-owned subsidiaries	**196**	8
Payments for acquisition of non-controlling interests in non wholly-owned subsidiaries	**(4,818)**	(4,746)
Capital reductions of non-controlling interests in non wholly-owned subsidiaries	**(20)**	–
Dividends paid to the Company's shareholders	**(20,983)**	(12,952)
Dividends paid to non-controlling interests	**(805)**	(2,165)
Net cash flows used in financing activities	**(82,573)**	(59,953)
Net increase/(decrease) in cash and cash equivalents	**14,228**	(18,733)
Cash and cash equivalents at beginning of the year	**156,739**	167,966
Exchange gains on cash and cash equivalents	**1,353**	7,506
Cash and cash equivalents at end of the year	**172,320**	156,739

The notes on pages 139 to 272 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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.

As a result, Tencent Computer is accounted for as a controlled structured entity (see also Note 2.3(a) and Note 50) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

1 GENERAL INFORMATION (continued)

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 50.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material 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 issued by the International Accounting Standards Board ("IFRS Accounting Standards"). 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 IFRS Accounting Standards 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 5.

2.2 Changes in accounting policies

(a) Changes in presentation of the consolidated income statement

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

(a) Changes in presentation of the consolidated income statement (continued)

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

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

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

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

The Group has adopted the Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" on 1 January 2023, which resulted in the recognition of separate deferred income tax assets and separate deferred income tax liabilities for temporary differences arising on leases, both at initial recognition and subsequently. In accordance with the transitional provisions, the Group adopted the amendments for the first time by recognising deferred tax for all temporary differences related to leases at the beginning of the earliest comparative period presented. As a result, with the beginning of the earliest period presented being 1 January 2022, an adjustment of RMB3,070 million was recognised to the gross amounts of deferred income tax assets and deferred income tax liabilities simultaneously, and the resultant deferred income tax assets and deferred income tax liabilities met the set-off provisions and were presented on a net basis in the consolidated statement of financial position. Since the Group had considered the lease as a single transaction in which the assets and liabilities were integrally linked and recognised deferred tax on a net basis previously, there were nil impact on opening retained earnings upon the adoption of the amendments.

In addition, Amendments to IAS 12 "International Tax Reform - Pillar Two Model Rules" were issued on 23 May 2023 which are effective upon issuance and require retrospective application. The Group applied the temporary exception to deferred tax accounting for Pillar Two top-up taxes immediately upon the release of the amendments in May 2023, and provided new disclosures about its exposure to these taxes, the details of which are described in Note 13.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

(c) Amendments to standards issued but not yet effective

The following amendments to standards have not come into effect for the financial year beginning on 1 January 2023 and have not been early adopted by the Group in preparing the 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 IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to IAS 21	Lack of Exchangeability	1 January 2025

2.3 Subsidiaries

(a) Consolidation

Subsidiaries are all entities (including controlled structured entities as stated in Note 1 above) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.3 Subsidiaries (continued)

(a) Consolidation (continued)

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement, which is recognised under "Other financial assets" or "Other financial liabilities" in the consolidated financial statements. Identifiable assets acquired and liabilities and contingent consideration assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs other than those incurred to issue equity interests are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying amount of the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.3 Subsidiaries (continued)

(a) Consolidation (continued)

(i) Business combinations (continued)

The excess of the total of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill in "Intangible assets" in the consolidated financial statements. Goodwill is not amortised, but must instead subject to an impairment test at least annually (Notes 2.8 and 2.10). If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the identifiable net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

(ii) Changes in ownership interests in subsidiaries without loss of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the former subsidiary is recognised at its fair value at the date when control is lost and is included in the calculation of the gain or loss on disposal of that subsidiary. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, a joint venture or a financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means that amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement or transferred to another category of equity as specified/permitted by applicable IFRS Accounting Standards.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.3 Subsidiaries (continued)

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable. In addition, the contribution to the Company's Share Scheme Trust (as defined in Note 50(f)) will be transferred to the "Shares held for share award schemes" under equity when the contribution is used for the acquisition of the Company's shares.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividends exceed the total comprehensive income of the subsidiaries in the period the dividends are declared or if the carrying amount of the investments in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Investments under equity accounting method

(a) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally but not necessarily accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. The Group's investments in associates include underlying goodwill identified on acquisition, net of any accumulated impairment loss.

(b) Joint ventures

Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement and are accounted for using the equity method of accounting.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.4 Investments under equity accounting method (continued)

(c) Equity accounting method

Under the equity method of accounting, the investments are initially recognised at cost and subsequently the Group's share of post-acquisition profit or loss of the investees is recognised in the consolidated income statement, the Group's share of post-acquisition movements in other comprehensive income of the investees is recognised in other comprehensive income. When the investees have a change in net assets (other than from a transaction with other investors) that does not affect profit or loss or other comprehensive income, the Group's share of other changes in net assets is recognised in consolidated statement of changes in equity. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment. Where the Group's share of losses in an associate or a joint venture equals or exceeds its interests in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the entity.

The Group determines at each reporting date whether there is any objective evidence that investments accounted for using the equity method, including investments in associates and joint ventures, are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying amount and recognises the amount in "Net gains/(losses) from investments and others" in the consolidated income statement.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interests in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

An associate or a joint venture of the Group might issue shares to other investors which dilute the Group's interest. This is deemed as a partial disposal of the Group's interest in this entity. A dilution gain or loss arising on the deemed partial disposal is recognised in the consolidated income statement. If the ownership interest in an associate or a joint venture is reduced but significant influence or joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to consolidated income statement where appropriate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.4 Investments under equity accounting method (continued)

(d) Investments in associates/joint ventures achieved in stages

The cost of associates/joint ventures acquired in stages, except for the change from an associate to a joint venture, is measured as the sum of the fair value of the interests previously held plus the fair value of any additional consideration transferred as of the date when they become associates/joint ventures.

(e) Disposal of associates and joint ventures

When the Group ceases to continue equity accounting for an associate or joint venture because of a loss of significant influence or joint control, it measures any retained investment at fair value. A gain or loss is recognised at any difference between the fair value of any retained interest plus any proceeds from disposing of part of the interests in the associate or joint venture and the carrying amount of the investment at the date the equity method of accounting is discontinued. The amounts previously recognised in other comprehensive income and other changes in equity in respect of the associate or joint venture are reclassified to the consolidated income statement or transferred to another category of equity as specified/permitted by applicable IFRS Accounting Standards when the Group ceases to continue equity accounting for the associate or joint venture.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company and certain of its overseas subsidiaries is United States Dollars ("USD"). As the major operations of the Group are within the Mainland of China, the Group presents its consolidated financial statements in Renminbi ("RMB"), unless otherwise stated.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised, except as disclosed in Note (c) below, in the consolidated income statement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.5 Foreign currency translation (continued)

(b) Transactions and balances (continued)

Non-monetary items that are measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value is determined. Translation differences on non-monetary assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary financial assets and liabilities such as equity instruments held at fair value through profit or loss are recognised in the consolidated income statement as part of the fair value gain or loss and translation differences on non-monetary financial assets, such as equity instruments classified as FVOCI, are included in other comprehensive income.

(c) Translation of foreign operations

The results and financial position of all the Group's entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency of RMB are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) All resulting currency translation differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other financial instruments designated as hedges of such investments, are taken to other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Currency translation differences arising thereon are recognised in other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.6 Property, plant and equipment and construction in progress

All property, plant and equipment are stated at historical costs less accumulated depreciation and accumulated impairment charges. Historical costs include expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost net of their residual values over their estimated useful lives, as follows:

Buildings	20 ~ 50 years
Computer and other operating equipment	2 ~ 10 years
Furniture and office equipment	2 ~ 5 years
Motor vehicles	5 years
Leasehold improvements	Shorter of their useful lives and the lease term

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction in progress represents office buildings and data centers under construction, which is stated at actual construction costs less any impairment loss. Construction in progress is transferred to property, plant and equipment when completed and ready for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in "Other gains/(losses), net" in the consolidated income statement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.7 Land use rights

Land use rights are up-front payments to acquire long-term interest in land. These payments are stated at cost and charged to the consolidated income statement on a straight-line basis over the remaining period of the lease.

2.8 Intangible assets

(a) Goodwill

Goodwill on acquisition of subsidiaries is recognised as described in Note 2.3(a) and included in "Intangible assets" in the consolidated financial statements.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each CGU or group of CGUs to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying amount of the CGU or group of CGUs including the allocated goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately under "Net gains/(losses) from investments and others" and is not subsequently reversed.

(b) Media content

Media content mainly includes game licenses, long-form video and music content, and literature copyrights. They are initially recognised and measured at cost or estimated fair value as acquired through business combinations. Media content is amortised using a straight-line method or an accelerated method which reflects the estimated consumption patterns.

(c) Other intangible assets

Other intangible assets mainly include trademarks, other copyrights, computer software and technology, non-compete agreements and customer relationships. They are initially recognised and measured at cost or estimated fair value as intangible assets acquired through business combinations.

Other intangible assets are amortised over their estimated useful lives (generally one to ten years) using the straight-line method which reflects the pattern in which the intangible assets' future economic benefits are expected to be consumed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.9 Shares held for share award schemes

The consideration paid by the Share Scheme Trust (see Note 50(f)) for purchasing the Company's shares from the market, including any directly attributable incremental cost, is presented as "Shares held for share award schemes" and the amount is deducted from total equity.

When the Share Scheme Trust transfers the Company's shares to the awardees upon vesting, the related costs of the awarded shares vested are credited to "Shares held for share award schemes", with a corresponding adjustment made to "Share premium".

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Investments and other financial assets

(a) Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Except for accounts receivable, at initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.11 Investments and other financial assets (continued)

(a) Classification and measurement (continued)

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. There are three categories into which the Group classifies its debt instruments:

- Amortised cost: Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as and measured at amortised cost. A gain or loss on a debt instrument measured at amortised cost which is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is recognised using the effective interest method.

- FVOCI: Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are classified as and measured at FVOCI. Gains and losses on these financial assets are taken through other comprehensive income, except for the recognition of impairment losses or reversals, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in "Net gains/(losses) from investments and others" in the consolidated income statement. Interest income from these financial assets is recognised using the effective interest method. Foreign exchange gains and losses are presented in "Finance costs" and impairment losses or reversals are presented in "Net gains/(losses) from investments and others".

- FVPL: Financial assets that do not meet the criteria for amortised cost or FVOCI are classified as and measured at fair value through profit or loss. A gain or loss on a debt instrument measured at fair value through profit or loss which is not part of a hedging relationship is recognised in profit or loss and presented in "Net gains/(losses) from investments and others" for the period in which it arises.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.11 Investments and other financial assets (continued)

(a) Classification and measurement (continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Upon initial recognition, the Group's management can elect to present fair value gains and losses on equity investments in other comprehensive income when they are in the scope of IFRS 9 and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Where the Group has made the irrevocable election to present fair value gains or losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains or losses to profit or loss following the derecognition of the investments. Dividends from such investments continue to be recognised in profit or loss as "Net gains/(losses) from investments and others" when the Group's right to receive payments is established. Equity instruments designated as FVOCI are not subject to impairment assessment.

All other investments in equity instruments are classified as and measured at FVPL. Changes in the fair value of FVPL are recognised in "Net gains/(losses) from investments and others" in the consolidated income statement.

(b) Impairment

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For accounts receivable and contract assets, the Group applies the simplified approach prescribed by IFRS 9, which requires lifetime ECL to be recognised since initial recognition.

Impairment on deposits and other receivables is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a deposit or other receivable has occurred since initial recognition, the impairment is measured as lifetime ECL.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.12 Derivative and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative, which are recognised under “Other financial assets” and “Other financial liabilities” in the consolidated financial statements, respectively. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as hedges of a particular risk associated with the cash flows of a recognised asset or liability or a highly probable forecast transaction (cash flow hedges). The Group documents at the inception of the hedging relationship the economic relationship between hedging instruments and hedged items including how the hedging instrument is expected to offset changes in cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedge relationship.

A hedging relationship qualifies for hedge accounting if it meets all of the hedge effectiveness requirements under IFRS 9. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised through other comprehensive income within equity, while any ineffective portion is recognised immediately in profit or loss.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item (“aligned time value”) are recognised within other comprehensive income in the costs of hedging reserve within equity.

Except as disclosed below, amounts accumulated in equity are accounted for, depending on the nature of the underlying hedged transaction, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset, the amounts accumulated in equity are removed from other reserves and included within the initial cost of the asset. These deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss.

- For any other cash flow hedges, the gain or loss relating to the effective portion of the derivatives is reclassified to profit or loss at the same time when the hedged cash flows affect profit or loss.

For an option that hedges a time-period related hedged item, the aligned time value at the inception date is amortised on a straight-line basis over the period during which the hedged cash flows affect profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.12 Derivative and hedging activities (continued)

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remain in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging included in equity are immediately reclassified to profit or loss.

Hedge relationships

The interest rate benchmark reform – phase 2 amendments address issues arising during interest rate benchmark reform, including specifying when the interest rate benchmark reform – phase 1 ("phase 1") amendments will cease to apply, when hedge designations and documentation should be updated, and when hedges of the alternative benchmark rate as the hedged risk are permitted.

The "phase 1" amendments provided temporary reliefs from applying specific hedge accounting requirements to hedging relationships directly affected by Inter Bank Offered Rate ("IBOR") reform. The reliefs had the effect that IBOR reform should not generally cause hedge accounting to terminate prior to contracts being amended. However, any hedge ineffectiveness continued to be recorded in the income statement. Furthermore, the amendments set out triggers for when the reliefs would end, which included the uncertainty arising from interest rate benchmark reform no longer being present.

Following the IBOR benchmark reform, all the borrowings and notes payable the Group held which referenced to USD LIBOR, had been transitioned to SOFR/Term SOFR-referenced in July 2023. These amendments to the hedge documentation do not require the Group to discontinue its hedge relationships.

2.13 Accounts receivable

Accounts receivable are amounts due from customers or agents for services performed or merchandise sold in the ordinary course of business. Accounts receivable are presented as current assets unless collection is not expected within 12 months after the end of the reporting period.

Accounts receivable are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value, and subsequently measured at amortised cost using the effective interest method, less provision for impairment that is subject to ECL model (Note 4.1(b)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.14 Cash and cash equivalents

Cash and cash equivalents mainly include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with initial maturities of three months or less.

The Group does not recognise cash amounts deposited with banks in the Mainland of China under users' entrustment (which are received under its payment business) in the consolidated statement of financial position as the Group holds these cash amounts as a custodian according to the relevant users' agreements.

2.15 Repurchase of shares

Save as disclosed in Note 2.9, where any group company purchases the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to equity holders of the Company as treasury shares until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs) is included in equity attributable to equity holders of the Company.

2.16 Accounts payable

Accounts payable are obligations to pay for services or goods that have been acquired in the ordinary course of business from suppliers. Accounts payable are presented as current liabilities unless payment is not due within 12 months after the end of the reporting period.

Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.17 Put option arrangements on non-controlling interest

Put options on non-controlling interest of the Group are financial instruments granted by the Group which permit the holders to put back to the Group their shares in certain non wholly-owned subsidiaries of the Group for cash or other financial instruments when certain conditions are met. If the Group does not have the unconditional right to avoid delivering cash or other financial instruments under the put option, a financial liability is initially recognised under "Other financial liabilities" in the consolidated financial statements at the present value of the estimated future cash outflows on exercise under the put option. Subsequently, if the Group revises its estimates of payments, the Group will adjust the carrying amount of the financial liability to reflect actual and revised estimated cash outflows. The Group will recalculate the carrying amount based on the present value of revised estimated future cash outflows at the financial instrument's original effective interest rate and the adjustment will be recognised in the consolidated statement of changes in equity. In the event that the put option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

The put option liabilities are non-current liabilities unless the put option first becomes exercisable within 12 months after the end of the reporting period.

2.18 Borrowings, notes payable and borrowing costs

Borrowings and notes payable issued by the Group are recognised initially at fair value, net of transaction costs incurred. They are subsequently carried at amortised cost. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over their terms using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan facilities to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the term of the facility to which it relates.

Borrowings and notes payable are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific finance costs directly attributable to the acquisition and construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time that the assets are substantially ready for their intended use or sale. During the year ended 31 December 2023, finance cost capitalised was insignificant to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.19 Current and deferred income tax

The income tax expense for the year comprises current and deferred income tax, which is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the income tax is also recognised in other comprehensive income or in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. When it is not probable, the Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax liabilities are provided on temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates and joint ventures. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred income tax liability in relation to taxable temporary differences arising from the associates' and joint ventures' undistributed profit is not recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.19 Current and deferred income tax (continued)

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the foreseeable future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset where: (i) there is a legally enforceable right to offset current tax assets against current tax liabilities; and (ii) the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.20 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they are accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group participates in various defined contribution retirement benefit plans which are available to all relevant employees. These plans are generally funded through payments to schemes established by governments or trustee-administered funds. A defined contribution plan is a pension plan under which the Group pays contributions on a mandatory, contractual or voluntary basis into a separate fund, and the Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior years. The Group's contributions to the defined contribution plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plans prior to vesting fully in the contributions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.20 Employee benefits (continued)

(c) Long-term employee benefit obligations

In addition to participating in the defined contribution plans as described above, the Group also provides commercial health insurance benefits to certain eligible employees till their resignation or retirement. These obligations are classified as non-current liabilities unless it is expected to be settled wholly within 12 months after the end of the reporting period.

These long-term employee benefit obligations are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. For currencies for which there is no deep market in such high-quality corporate bonds, the market yields on government bonds denominated in that currency were applied. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

(d) Long-term service awards

The Group recognises a liability and an expense for long-term service awards where cash is paid to retired employees qualified for certain criteria as one-off retirement bonus and it is considered as a defined benefit plan. The method of accounting is similar to those used for long-term employee benefits as described above, except that re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the period in which they occur.

(e) Share-based compensation benefits

The Group operates a number of share-based compensation plans (including share option schemes and share award schemes), under which the Group receives services from employees and other qualifying participants as consideration for equity instruments (including share options and awarded shares) of the Group. The fair value of the employee services and other qualifying participants' services received in exchange for the grant of equity instruments of the Group is recognised as an expense over the vesting period, i.e., the period over which all of the specified vesting conditions are to be satisfied and credited to equity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.20 Employee benefits (continued)

(e) Share-based compensation benefits (continued)

For grant of share options, the total amount to be expensed is determined by reference to the fair value of the options granted by using option-pricing model, "Enhanced FAS 123" binomial model (the "Binomial Model"), which includes the impact of market performance conditions (such as the Company's share price) but excludes the impact of service condition and non-market performance conditions. For grant of awarded shares, the total amount to be expensed is determined by reference to the market price of the Company's shares at the grant date. The Group also adopts valuation and actuarial techniques to assess the fair value of other equity instruments of the Group granted under the share-based compensation plans as appropriate.

Non-market performance and service conditions are included in assumptions about the number of options and awarded shares that are expected to become vested.

From the perspective of the Company, the grants of its equity instruments to employees of its subsidiaries are made in exchange for their services related to the subsidiaries. Accordingly, the share-based compensation expenses are treated as part of the "Investments in subsidiaries", or "Other receivables" if rechargeable, in the Company's statement of financial position.

At each reporting period end, the Group revises the estimates of the number of options and awarded shares that are expected to ultimately vest. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement of the Group, with a corresponding adjustment to equity.

When the options are exercised, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium. When the vested equity instruments are later forfeited prior to expiry date, the amount previously recognised in share premium may be transferred to retained earnings.

If the Group repurchases vested equity instruments, the payments made to the employees and other qualifying participants are accounted for as a deduction from equity, except to the extent that the payment exceeds the fair value of the equity instruments repurchased, measured at the repurchase date. Any such excess is recognised as an expense.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.20 Employee benefits (continued)

(e) Share-based compensation benefits (continued)

If the terms of an equity-settled share-based award are modified, an additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employees and other qualifying participants, as measured at the date of modification. Modifications of an equity-settled share-based award in a manner that is not beneficial to employees are not taken into account when determining the expenses to be recognised.

If a grant of equity instruments is cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the Group accounts for the cancellation or settlement as an acceleration of vesting, and therefore recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

Cash-settled share-based payment transactions are those arrangements where the terms provide the Group to settle the transaction in cash. For cash-settled share-based payments, a liability equal to the portion of the services received is recognised at the current fair value determined at the end of the reporting period until the date of settlement, with any changes in fair value recognised in profit or loss.

2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.22 Revenue recognition

The Group generates revenues primarily from provision of VAS, Online Advertising services, FinTech and Business Services, and other online related services in the PRC. Revenue is recognised when the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

(a) VAS

Revenues from VAS primarily include revenues from the provision of online games and social networks services. Online games revenues are mainly derived from sales of in-game virtual items, and social networks revenues are mainly derived from sales of virtual items such as VAS subscriptions across various online platforms, and games revenues attributable to social networks business. The Group offers virtual items to users on the Group's online platforms. The VAS fees are paid directly by end users mainly via online payment channels.

Revenue from VAS is recognised when the Group satisfies its performance obligations by rendering services. Given that there is an explicit or implicit obligation of the Group to maintain the virtual items operated on the Group's platforms and allow users to gain access to them, revenue is recognised over the estimated lifespans of the respective virtual items. Revenues from sales of limited life virtual items are recognised based on the consumption or the stipulated period of validity of the relevant virtual items ratably. Revenues from sales of in-game permanent virtual items are recognised ratably over the respective estimates of the expected users' relationship periods of the applicable games determined by the management.

Where the contracts include multiple performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, which is determined based on the prices charged to or expected to recover from customers.

In respect of the Group's VAS directly delivered to the Group's customers and paid through various third-party platforms, these third-party platforms collect the relevant service fees (the "Online Service Fees") on behalf of the Group and they are entitled to a pre-determined percentage of platform provider fees (as part of "Channel and distribution costs"). Such Channel and distribution costs are withheld and deducted from the gross Online Service Fees collected by these platforms from the users, with the net amounts remitted to the Group. The Group recognises the Online Service Fees as revenue on a gross or net basis depending on whether the Group is acting as a principal or an agent in these transactions based on the assessment according to the criteria stated in (e) below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.22 Revenue recognition (continued)

(a) VAS (continued)

The Group also opens its online platforms to third-party game/application developers under certain co-operation agreements, under which the Group pays to the third-party game/application developers a pre-determined percentage of the fees paid by and collected from the users of the Group's online platforms for the virtual items sold. The Group recognises the related revenue on a gross or net basis depending on whether the Group is acting as a principal or an agent in the transaction.

The Group adopts different revenue recognition methods based on its specific responsibilities/obligations in different VAS offerings.

(b) Online Advertising

Online Advertising revenues mainly comprise revenues derived from media advertisements and from social and other advertisements, depending on the placement of advertising properties and inventories.

Advertising contracts are signed to establish the prices and advertising services to be provided based on different arrangements, including display-based advertising that is display of advertisements for an agreed period of time, and performance-based advertising that is based on actual performance measurement.

Revenue from display-based advertising is recognised on number of display/impression basis or depending on the contractual measures. Revenue from performance-based advertising is recognised when relevant specific performance measures are fulfilled. Where the contracts include multiple performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, which is determined based on the prices charged to or expected to recover from customers.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.22 Revenue recognition (continued)

(c) FinTech and Business Services

FinTech and Business Services revenues mainly comprise revenues derived from provision of FinTech and cloud services.

FinTech service revenues mainly include commissions from payment, wealth management and other FinTech services, which are generally determined as a percentage based on the value of transaction amount or retention amount. Revenue related to such commissions is recognised upon a point in time when the Group satisfies its performance obligations by rendering services.

Cloud services are mainly charged on either a subscription or consumption basis. For cloud service contracts billed based on a fixed amount for a specified service period, revenue is recognised over the subscribed period when the services are delivered to customers. For cloud service provided on a consumption basis, revenue is recognised based on the customer utilisation of the resources. When a cloud-based service includes multiple performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, which is determined based on the prices charged to or expected to recover from customers.

(d) Other revenues

The Group's other revenues are primarily derived from investments in, 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: 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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.22 Revenue recognition (continued)

(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 unamortised virtual items, prepaid subscription fees, prepaid tokens or cards, Internet traffic and other support to be offered to certain investee companies in the future periods measured at their fair value on the inception dates, and customer loyalty incentives (Note 6(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.

2.23 Government grants/subsidies

Grants/subsidies from the 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 deducted in reporting the associated costs and expenses which the grants/subsidies are intended to compensate.

2.24 Leases

The Group leases land (Note 2.7), various buildings, computer and other operating equipment and others. Rental contracts other than land are typically made for fixed periods of not 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".

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.24 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 lessee, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g., term, country, currency and security.

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 entity uses 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.24 Leases (continued)

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.

2.25 Dividends distribution

Dividends distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividend is approved by the Company's shareholders or Board 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.26 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 capitalisation 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 SUMMARY OF OTHER ACCOUNTING POLICIES

3.1 Inventories

Inventories, mainly consisting of merchandise for sale, are primarily accounted for using the weighted average cost method and are stated at the lower of cost and net realisable value.

3.2 Investment properties

Investment properties are held for long-term rental yields and are not occupied by the Group. Investment properties are carried at historical costs less accumulated depreciation and accumulated impairment charges. Historical costs include expenditures that are directly attributable to the acquisition of the items.

Depreciation is calculated on the straight-line method to allocate their costs net of their residual values over their estimated useful lives of 20-50 years. Investment properties' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Investment properties' carrying amounts are written down immediately to their recoverable amounts if their carrying amounts are greater than their estimated recoverable amounts (Note 2.10).

3.3 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3 SUMMARY OF OTHER ACCOUNTING POLICIES (continued)

3.4 Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount is reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in certain circumstances, such as default, insolvency, bankruptcy or the termination of a contract.

3.5 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.

3.6 Dividend income

Dividends received from FVPL and FVOCI are recognised in “Net gains/(losses) from investments and others” 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4 FINANCIAL RISK MANAGEMENT

4.1 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.

(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 the majority of its overseas subsidiaries is USD whereas the functional currency of the subsidiaries which operate in the Mainland of China 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 2023, 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 2023		
Monetary assets, current	**13,637**	**9,184**
Monetary assets, non-current	**4**	**1,593**
Monetary liabilities, current	**(9,160)**	**(3,985)**
Monetary liabilities, non-current	**(3,629)**	**(534)**
	852	**6,258**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4 FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

	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

During the year ended 31 December 2023, the Group reported net exchange losses of approximately RMB383 million (2022: net exchange gains of RMB633 million) within "Finance costs" in the consolidated income statement.

As at 31 December 2023, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4 FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(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 26) or FVOCI (Note 27). 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 2022: 5%) higher/lower as at 31 December 2023, profit for the year would have been approximately RMB10,888 million (2022: RMB11,028 million) higher/lower as a result of gains/losses on financial instruments classified as at FVPL, other comprehensive income would have been approximately RMB10,424 million (2022: RMB9,096 million) higher/lower as a result of gains/losses on financial instruments classified as at FVOCI.

(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 28, 31 and 33.

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 2023 would have been RMB1,076 million (2022: RMB666 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 2023 would have been RMB862 million (2022: RMB784 million) higher/lower.

4 FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

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 38 and 39, 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 2023 are mainly disclosed in Note 29.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4 FINANCIAL RISK MANAGEMENT (continued)

4.1 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:

	2023	2022
	RMB'Million	RMB'Million
Interest rate swaps		
Carrying amount (current assets)	**2,520**	216
Carrying amount (non-current assets)	**969**	6,752
Notional amount	**97,019**	103,410
Maturity date	**2024/3/28~ 2026/2/24**	2023/1/19~ 2026/2/24
Hedge ratio	**1:1**	1:1
Changes in fair value of outstanding hedging instruments since 1 January	**(3,581)**	5,457
Change in value of hedged item used to determine hedge effectiveness since 1 January	**(3,581)**	5,457
Weighted average hedged rate for the year	**0.59%**	0.64%

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

As at 31 December 2023 and 2022, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4 FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(b) Credit risk

The Group is exposed to credit risk in relation to its cash, deposits and restricted cash placed with banks and financial institutions, accounts receivable, other receivables, derivative financial instruments, as well as debt investments measured at amortised cost, at FVOCI and at FVPL. The carrying amount of each class of these financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

The majority of the balances of accounts receivable are due from online advertising customers and agents, FinTech and cloud customers, content production related customers and third party platform providers. To manage the credit risk arising from accounts receivable, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit periods granted to these customers are disclosed in Note 32 and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors. The Group has a large number of customers and there is no significant concentration of credit risk.

Other receivables are mainly comprised of loan receivables related to financial services, interest receivables, loans to investees and investees' shareholders, lease deposits and other receivables. Management manages the loans by category, makes periodic assessments as well as individual assessments on the recoverability of other receivables based on historical settlement records and past experience.

For financial assets whose impairment losses are measured using ECL model, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their impairment allowance and recognise their ECL, as follows:

- Stage 1: If the credit risk has not increased significantly since its initial recognition, the financial instrument is included in stage 1.

- Stage 2: If the credit risk has increased significantly since its initial recognition but not yet deemed to be credit-impaired, the financial instrument is included in stage 2.

- Stage 3: If the financial instrument is credit-impaired, the financial instrument is included in stage 3.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4 FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(b) Credit risk (continued)

The Group considers the credit risk characteristics of different financial instruments when determining if there is significant increase in credit risk. For financial instruments with or without significant increase in credit risk, lifetime or 12-month ECL are provided respectively.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each of the years. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at year end with the risk of default as at the date of initial recognition. In particular, the following indicators are incorporated:

- internal credit rating;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;
- actual or expected significant changes in the operating results of the counterparty; and
- significant changes in the expected performance and behavior of the counterparty, including changes in the payment status of the counterparty.

(i) Credit risk of cash and deposits

To manage this risk, the Group only makes transactions with state-owned banks and financial institutions in the PRC and reputable international banks and financial institutions outside of the PRC, which are of high credit quality. The ECL is close to zero.

(ii) Credit risk of accounts receivable

The Group applies the simplified approach to provide for ECL prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all accounts receivable. In view of the sound financial position and collection history of receivables due from these counterparties and insignificant risk of default, to measure the ECL, accounts receivable have been grouped based on shared credit risk characteristics and the days past due.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4 FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Credit risk of accounts receivable (continued)

The expected loss rates are based on the payment profiles of revenue over 12 months before 31 December 2023 and the corresponding historical credit losses experienced within this period or probability of a receivable progressing through successive stages of delinquency to write-off. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product ("GDP") to be the most relevant factor. Various economic scenarios are considered in generating the forward-looking adjustment.

A default on accounts receivable occurs when the counterparty fails to make contractual payments within 90 days when they fall due. To measure the ECL, accounts receivable are grouped on the basis of shared credit risk characteristics, such as industry, with the objective of facilitating recognition of loss allowance on a timely basis. Accounts receivable are written off, in whole or in part, when the Group has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 3 years past due.

Impairment losses on accounts receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same item.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4 FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Credit risk of loan receivables related to financial services

To manage credit risk arising from loan receivables related to financial services, standardised credit management procedures are performed. The Group measures credit risk using Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD"). This is consistent with the general approach used for the purpose of measuring ECL under IFRS 9. ECL is the product of the PD, EAD, and LGD.

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition. No significant changes to estimation techniques or assumptions were made during the reporting period.

Details of the Group's loan receivables related to financial services are included in Note 28. As at 31 December 2023, the majority of the gross carrying amount of loan receivables was classified in stage 1, and the amounts of loan receivables transferred from stage 1 to stage 2 or stage 3 were immaterial (31 December 2022: immaterial). During the year ended 31 December 2023, the impairment loss resulting from loan receivables related to financial services was immaterial (2022: immaterial).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4 FINANCIAL RISK MANAGEMENT (continued)

4.1 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 2023					
Non-derivatives:					
Notes payable	19,138	13,034	40,529	144,814	217,515
Long-term payables	–	6,330	3,027	89	9,446
Borrowings	49,390	46,547	128,371	2	224,310
Lease liabilities	6,547	5,379	8,516	4,402	24,844
Other financial liabilities	4,523	2,375	5,548	8,360	20,806
Accounts payable, other payables and accruals	144,283	–	–	–	144,283
Derivatives:					
Other financial liabilities	8	–	–	–	8
	223,889	73,665	185,991	157,667	641,212

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4 FINANCIAL RISK MANAGEMENT (continued)

4.1 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 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	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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 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	
	2023	2022
	RMB'Million	RMB'Million
Borrowings (Note 38)	**197,356**	175,248
Notes payable (Note 39)	**151,262**	159,115
Total debts	**348,618**	334,363
Adjusted EBITDA (Note)	**235,454**	188,986
Total debts/Adjusted EBITDA ratio	**1.48**	1.77

Note:

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4 FINANCIAL RISK MANAGEMENT (continued)

4.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2023 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

	Level 1 RMB'Million	Level 2 RMB'Million	Level 3 RMB'Million	Total RMB'Million
As at 31 December 2023				
FVPL	**12,280**	**14,233**	**199,535**	**226,048**
FVOCI	**190,011**	**1,269**	**22,671**	**213,951**
Other financial assets	**–**	**6,715**	**26**	**6,741**
Other financial liabilities	**–**	**(8)**	**(2,977)**	**(2,985)**
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)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4 FINANCIAL RISK MANAGEMENT (continued)

4.3 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 17(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.

The group did not change any valuation techniques in determining the Level 2 and Level 3 fair values.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4 FINANCIAL RISK MANAGEMENT (continued)

4.3 Fair value estimation (continued)

During the year ended 31 December 2023, there was no transfer between Level 1 and 2 for recurring fair value measurements. Transfers in and out of Level 3 measurements are set out in the following table, which presents the changes of financial instruments in Level 3 for the years ended 31 December 2023 and 2022:

	Financial assets		Financial liabilities	
	2023	2022	**2023**	2022
	RMB'Million	RMB'Million	**RMB'Million**	RMB'Million
Opening balance	**216,054**	193,608	**(3,298)**	(2,444)
Additions and others	**18,770**	22,581	**40**	(1,238)
Business combinations	**5,238**	14	**2**	(61)
Disposals/settlements	**(2,911)**	(6,620)	**906**	753
Transfers (Note)	**(17,202)**	(7,847)	**–**	–
Changes in fair value recognised in other comprehensive income	**34**	363	**–**	–
Changes in fair value recognised in profit or loss*	**(1,508)**	(1,220)	**(579)**	(146)
Currency translation differences	**3,757**	15,175	**(48)**	(162)
Closing balance	**222,232**	216,054	**(2,977)**	(3,298)
*Includes unrealised losses recognised in profit or loss attributable to balances held at the end of the reporting period	**(3,678)**	(3,564)	**(496)**	(148)

Note:

During the years ended 31 December 2023 and 2022, transfers from Level 3 to Level 1 were mainly due to the successful Initial Public Offerings ("IPO"s) of certain existing investees.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4 FINANCIAL RISK MANAGEMENT (continued)

4.3 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 included in Level 3 instruments mainly include contingent consideration payables related to certain business combinations. As these investments and instruments are not traded in an active market, the majority of their fair values have been determined using applicable valuation techniques including comparable companies approach, comparable transactions approach and option pricing approach. These valuation approaches require significant judgments, assumptions and inputs, including risk-free rates, expected volatility, 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
	2023	2022		**2023**	2022	
	RMB'Million	RMB'Million				
Investments in unlisted companies in FVPL and FVOCI	**213,369**	210,340	Expected volatility	**33%~82%**	29%~83%	Depends on rights and restrictions of shares held by the Group
			Risk-free rate	**0.04%~7.05%**	0.04%~7.14%	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4 FINANCIAL RISK MANAGEMENT (continued)

4.3 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 4.1(a)(ii) for details.

For the fair value of contingent consideration payables related to business combinations, management considered that any reasonable changes in the growth rate of net profit or expected volatility would not result in a significant change in the Group's results for the years ended 31 December 2023 and 2022.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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 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 expected users' relationship periods related to in-game permanent virtual items provided on the Group's online platforms

As mentioned in Note 2.22(a), the end users purchase certain in-game permanent virtual items provided on the Group's online platforms and the relevant revenue is recognised ratably over the respective estimates of the expected users' relationship periods.

Significant judgments are required in determining the expected users' relationship periods, including but not limited to historical users' consumption patterns, churn rates, game life-cycles, and qualitative factors such as reactivity on marketing activities and the Group's marketing strategy. The Group has adopted a policy of reassessing the expected users' relationship periods on a regular basis whenever there is any indicator of change in the estimates of the expected users' relationship periods.

The Group will continue to monitor the estimates of the expected users' relationship periods. The results may differ from prior periods, and any change in the estimates may result in the revenue being recognised on a different basis from that in prior periods.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(b) Recoverability of non-financial assets

The Group tests at least 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 and FVOCI

The fair value assessment of FVPL and FVOCI that are measured at Level 3 fair value hierarchy requires significant estimates, which include risk-free rates, expected volatility, 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 2.20(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 37). 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 HKD2,183 million (equivalent to approximately RMB1,987 million) in 2023 (2022: approximately HKD1,452 million (equivalent to approximately RMB1,211 million)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

5 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 2023, the Expected Retention Rate of the Group's wholly-owned subsidiaries was assessed to be not lower than approximately 89% (31 December 2022: 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 judgment 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

6 SEGMENT INFORMATION AND REVENUES

(a) Description of segments and principal activities

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers.

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

The Group has the following reportable segments for the years ended 31 December 2023 and 2022:

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

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

The chief operating decision-makers assess the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. Revenues and cost of revenues are directly attributable to our operating segments, whereas other income and expenses, such as selling and marketing expenses, general and administrative expenses, interest income and finance costs (net), are managed centrally at group level due to the coherent nature of our businesses; therefore, they are not included in the measure of the operating segments' performance. Other gains/losses (net), net gains/(losses) from investments and others, 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 2023 and 2022. The revenues from external customers reported to the chief operating decision-makers are measured in a manner consistent with that applied in the consolidated income statement.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

6 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 2023 and 2022 is as follows:

	Year ended 31 December 2023				
	VAS	Online Advertising	FinTech and Business Services	Others	Total
	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Segment revenues	**298,375**	**101,482**	**203,763**	**5,395**	**609,015**
Gross profit/(loss)	**161,919**	**51,344**	**80,636**	**(790)**	**293,109**
Cost of revenues					
Depreciation	**5,239**	**6,025**	**8,713**	**59**	**20,036**
Amortisation	**19,468**	**8,661**	**158**	**1,930**	**30,217**

	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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

6 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 2023 and 2022, breakdown of the total revenues by geographical location is as follows:

	2023	2022
	RMB'Million	RMB'Million
Revenues		
– The Mainland of China	**550,779**	502,534
– Others	**58,236**	52,018
	609,015	554,552

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	
	2023	2022
	RMB'Million	RMB'Million
Operating assets		
– The Mainland of China	**550,635**	482,401
– Others	**324,947**	275,755
Investments		
– The Mainland of China and Hong Kong	**393,836**	560,835
– North America	**110,106**	91,636
– Asia excluding the Mainland of China and Hong Kong	**110,224**	105,891
– Europe	**64,123**	45,835
– Others	**23,375**	15,778
	1,577,246	1,578,131

As at 31 December 2023, 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 RMB361,619 million (31 December 2022: RMB352,703 million) and RMB201,821 million (31 December 2022: RMB192,413 million), respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

6 SEGMENT INFORMATION AND REVENUES (continued)

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

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 2023 and 2022.

(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 6(a)).

	2023	2022
	RMB'Million	RMB'Million
Revenue from contracts with customers		
– VAS	**298,375**	287,565
Games	**179,860**	170,715
Social networks	**118,515**	116,850
– Online Advertising	**101,482**	82,729
Social and others advertising	**91,164**	72,020
Media advertising	**10,318**	10,709
– FinTech and Business Services	**203,763**	177,064
– Others	**5,395**	7,194
	609,015	554,552

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

6 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	
	2023	2022
	RMB'Million	RMB'Million
Contract liabilities:		
VAS	**62,890**	62,478
Online Advertising	**1,335**	2,152
FinTech and Business Services	**6,733**	6,082
Others	**172**	182
	71,130	70,894

Note:

(i) Contract liabilities

Contract liabilities mainly comprised unamortised virtual items, prepaid subscription fees, prepaid tokens or cards, Internet traffic and other support to be offered to certain investee companies in the future periods measured at their fair value on the inception dates, and customer loyalty incentives.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

6 SEGMENT INFORMATION AND REVENUES (continued)

(c) Assets and liabilities related to contracts with customers (continued)

Note: (continued)

(ii) Revenue recognised in relation to contract liabilities

The following table shows the extent of the revenue recognised in the current reporting period which relates to carried-forward contract liabilities:

	2023	2022
	RMB'Million	RMB'Million
Revenue recognised that was included in the contract liabilities balance at the beginning of the year:		
VAS	**59,697**	59,326
Online Advertising	**1,802**	1,549
FinTech and Business Services	**5,334**	5,558
Others	**155**	108
	66,988	66,541

As at 31 December 2023 and 2022, total capitalised contract costs to obtain or fulfil contracts with customers were immaterial.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

7 EXPENSES BY NATURE

	2023	2022
	RMB'Million	RMB'Million
Transaction costs (Note (a))	**134,864**	124,282
Employee benefits expenses (Note (b) and Note 15)	**107,675**	111,182
Content costs (excluding amortisation of intangible assets)	**62,696**	67,306
Amortisation of intangible assets (Note (c) and Note 22)	**32,623**	32,695
Depreciation of property, plant and equipment, investment properties and right-of-use assets	**26,305**	28,444
Bandwidth and server custody fees (excluding depreciation of right-of-use assets)	**24,248**	30,719
Promotion and advertising expenses	**22,836**	18,764
Auditor's remuneration		
– Audit and audit-related services	**155**	146
– Non-audit services	**57**	32
– Tax advisory	***23***	*18*
– Due diligence service	***2***	*5*
– Other services	***32***	*9*

Note:

(a) Transaction costs primarily consist of bank handling fees, channel and distribution costs.

(b) During the year ended 31 December 2023, the Group had incurred expenses for the purpose of research and development of approximately RMB64,078 million (2022: RMB61,401 million), which mainly comprised employee benefits expenses of approximately RMB52,416 million (2022: RMB50,000 million).

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

7 EXPENSES BY NATURE (continued)

Note: (continued)

(c) Amortisation charges of intangible assets are mainly in respect of media content including long-form video and music content, game licenses, and other content. During the year ended 31 December 2023, amortisation of media content was approximately RMB30,088 million (2022: RMB28,893 million).

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

(d) During the year ended 31 December 2023, expenses incurred related to SSV & CPP (excluding share-based compensation expenses) were approximately RMB998 million (2022: RMB726 million).

(e) During the year ended 31 December 2023, except as disclosed in Note 8(a), non-recurring compliance-related costs and expenses incurred for certain litigation settlements in total were approximately RMB18 million (2022: RMB205 million), of which approximately RMB1 million (2022: RMB20 million) were included in "Other gains/(losses), net".

8 OTHER GAINS/(LOSSES), NET

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

Note:

(a) In July 2023, Tenpay received a notice from the People's Bank of China regarding its decision to impose a fine amounted to approximately RMB2.99 billion for its past regulatory breaches in relation to the provision of payment services in the Mainland of China. The amount was paid in July 2023.

9 NET GAINS/(LOSSES) FROM INVESTMENTS AND OTHERS

	2023	2022 Restated
	RMB'Million	RMB'Million
Net gains on disposals and deemed disposals of investee companies (Note (a))	**4,283**	172,707
Net fair value losses on FVPL (Note (b))	**(1,954)**	(7,117)
Impairment provisions for investments in associates (Note 23(c))	**(6,847)**	(25,689)
Impairment reversals/(provisions) for investments in joint ventures and others	**752**	(1,849)
Impairment provisions for goodwill and other intangible assets arising from acquisitions (Note 22)	**(95)**	(17,265)
Net fair value losses on other financial instruments (Note (c))	**(165)**	(633)
Donations (Note (d))	**(2,952)**	(5,124)
Dividend income	**546**	948
Others	**342**	309
	(6,090)	116,287

Note:

(a) The net disposal and deemed disposal gains of approximately RMB4,283 million recognised during the year ended 31 December 2023 comprised the following:

– aggregate net gains of approximately RMB1,574 million (2022: RMB18,914 million) on disposals and partial disposals of investee companies of the Group;

– aggregate net gains of approximately RMB4,004 million (2022: RMB151,000 million) on deemed disposals of investee companies of the Group; and

– aggregate net losses of approximately RMB1,295 million on dilution of the Group's equity interests in certain associates due to new equity interests being issued by these associates (2022: net gains of approximately RMB2,793 million on dilution of the Group's equity interests in certain associates and a joint venture). These investee companies are principally engaged in eCommerce, manufacture and sales of electric vehicles, and other Internet-related businesses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

9 NET GAINS/(LOSSES) FROM INVESTMENTS AND OTHERS (continued)

Note: (continued)

(b) During the year ended 31 December 2023, the net fair value losses on FVPL mainly comprised net losses of approximately RMB2,886 million as a result of changes in valuations of certain investee companies (2022: RMB7,737 million).

(c) During the year ended 31 December 2023, the net fair value losses on other financial instruments mainly included net losses of approximately RMB152 million, as a result of changes in valuations of investment-related financial instruments (2022: RMB586 million).

(d) During the year ended 31 December 2023, donations mainly included approximately RMB2,792 million for SSV & CPP of the Group (2022: RMB5,037 million).

10 INTEREST INCOME

Interest income mainly represents interest income from bank deposits, including bank balance and term deposits.

11 FINANCE COSTS

	2023	2022
	RMB'Million	RMB'Million
Interest and related expenses	**11,885**	9,985
Exchange losses/(gains), net	**383**	(633)
	12,268	9,352

Interest and related expenses mainly arose from the borrowings, notes payable and lease liabilities as disclosed in Notes 38, 39 and 20, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

	2023	2022
	RMB'Million	RMB'Million
Share of profit/(loss) of associates, net (Note 23)	**5,400**	(16,379)
Share of profit/(loss) of joint ventures, net (Note 24)	**400**	250
	5,800	(16,129)

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

(b) Details of the Group's impairment provisions/reversals for investments in associates and joint ventures are included in Notes 9, 23 and 24.

13 TAXATION

(a) Income tax expense

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

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

The Group was not subject to any taxation in the Cayman Islands and the British Virgin Islands for the years ended 31 December 2023 and 2022.

(ii) Hong Kong profits tax

Hong Kong profits tax had been provided for at the rate of 16.5% on the estimated assessable profits for the years ended 31 December 2023 and 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

13 TAXATION (continued)

(a) Income tax expense (continued)

(iii) PRC CIT

PRC CIT had been provided for at applicable tax rates under the relevant regulations of the PRC after considering the available preferential tax benefits from refunds and allowances, and on the estimated assessable profit of entities within the Group established in the Mainland of China for the years ended 31 December 2023 and 2022. The general PRC CIT rate was 25% in 2023 and 2022.

Certain subsidiaries of the Company in the Mainland of China were approved as High and New Technology Enterprise, and they were subject to a preferential corporate income tax rate of 15% for the years ended 31 December 2023 and 2022. Moreover, according to announcement and circular issued by relevant government authorities, a subsidiary which was qualified as a national key software enterprise was subject to a preferential corporate income tax rate of 10%.

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

(iv) Corporate income tax in other jurisdictions

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

(v) Withholding tax

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

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

13 TAXATION (continued)

(a) Income tax expense (continued)

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

	2023	2022
	RMB'Million	RMB'Million
Current income tax	**32,720**	24,425
Deferred income tax (Note 30)	**10,556**	(2,909)
	43,276	21,516

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of 25% (2022: 25%) for the year ended 31 December 2023, being the general tax rate of the major subsidiaries of the Group before enjoying preferential tax treatments, as follows:

	2023	2022
	RMB'Million	RMB'Million
Profit before income tax	**161,324**	210,225
Share of (profit)/loss of associates and joint ventures, net	**(5,800)**	16,129
	155,524	226,354
Tax calculated at a tax rate of 25%	**38,881**	56,588
Effects of different tax rates applicable to different subsidiaries of the Group	**(13,971)**	(45,335)
Effects of tax holiday and preferential tax benefits on assessable profits of subsidiaries incorporated in the Mainland of China	**(4,400)**	(4,641)
Income not subject to tax	**(433)**	(84)
Expenses not deductible for tax purposes	**2,918**	2,532
Withholding tax on earnings expected to be remitted by subsidiaries (Note 30)	**10,300**	4,350
Unrecognised deferred income tax assets	**9,983**	7,992
Others	**(2)**	114
Income tax expense	**43,276**	21,516

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

13 TAXATION (continued)

(b) Value-added tax and other taxes

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

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

Note:

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

(c) OECD Pillar Two model rules

The Organisation for Economic Co-operation and Development ("OECD") published Pillar Two model rules in December 2021, with the effect that a jurisdiction may enact domestic tax laws ("Pillar Two legislation") to implement the Pillar Two model rules on a globally agreed common approach. Pillar Two legislation applies to a member of a multinational group within the scope of the Pillar Two model rules, which the Group is reasonably expected to fall into. It imposes a top-up tax on profits arising in a jurisdiction whenever the effective tax rate determined by the Pillar Two model rules on a jurisdictional basis is below a minimum rate of 15%.

The Group has reviewed its corporate structure in light of the introduction of Pillar Two model rules in various jurisdictions and engaged external tax specialists in assessing its tax exposure. As at 31 December 2023, the Group mainly operates in the Mainland of China and Hong Kong, in which exposures to Pillar Two income taxes might exist in the future although the legislation is not yet substantively enacted or enacted. Besides, certain subsidiaries of the Company are located in jurisdictions mainly including Luxembourg, Netherlands and Ireland where Pillar Two legislation had been enacted or substantively enacted, but not yet in effect; it is estimated that the Group's income tax would not be materially different should those legislation had been in effect for the year ended 31 December 2023.

Since none of the Pillar Two legislation relevant to the Group has come into effect, the Group does not recognise any relevant current tax or deferred tax for the year ended 31 December 2023.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

14 EARNINGS PER SHARE

(a) Basic

Basic earnings per share ("EPS") is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue (excluding shares held for share award schemes and treasury shares) during the year.

	2023	2022
Profit attributable to equity holders of the Company (RMB'Million)	**115,216**	188,243
Weighted average number of ordinary shares in issue excluding shares held for share award schemes and treasury shares (million shares)	**9,455**	9,528
Basic EPS (RMB per share)	**12.186**	19.757

(b) Diluted

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

15 EMPLOYEE BENEFITS EXPENSES

	2023	2022
	RMB'Million	RMB'Million
Wages, salaries and bonuses	**71,225**	70,213
Share-based compensation expenses	**22,782**	26,248
Contributions to pension plans (Note)	**7,299**	7,108
Welfare, medical and other expenses (Note)	**6,241**	7,473
Training expenses	**128**	140
	107,675	111,182

Note:

The majority of the Group's contributions to pension plans are related to the local employees in the PRC. All local employees of the subsidiaries in the PRC participate in employee social security plans established in the PRC, which cover pension, medical and other welfare benefits. The plans are organised and administered by the governmental authorities. Except for the contributions made to these social security plans, the Group has no other material commitments owing to the employees. According to the relevant regulations, the portion of premium and welfare benefit contributions that should be borne by the companies within the Group as required by the above social security plans are principally determined based on percentages of the basic salaries of employees, subject to certain ceilings imposed. These contributions are paid to the respective labour and social welfare authorities and are expensed as incurred. The applicable percentages used to provide for these social security plans for the years ended 31 December 2023 and 2022 are listed below:

	Percentage
Pension insurance	12.0 ~ 20.0%
Medical insurance	5.0 ~ 10.0%
Unemployment insurance	0.25 ~ 1.5%
Housing fund	10.0 ~ 12.0%

Effective from 1 January 2022, additional employee benefits had been provided by the Group to certain employees, including (i) commercial health insurance benefits to certain eligible employees who have completed a required period of service; and (ii) one-off retirement cash bonus upon the retirement of qualified employees. The financial impacts relating to these additional benefits for the year ended 31 December 2023 and 2022 were not material.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

15 EMPLOYEE BENEFITS EXPENSES (continued)

(a) Senior management's emoluments

Senior management includes directors, chief executive officer ("CEO"), president and other senior executives. The aggregate compensation paid/payable to senior management for employee services (excluding the compensation paid/payable to (i) the then executive director of the Company during the period from 1 January 2023 to 17 May 2023, and (ii) a director and the CEO of the Company, details of which have been reflected in Note 16(a)), is as follows:

	2023	2022
	RMB'000	RMB'000
Salaries, bonuses, allowances and benefits in kind	**567,622**	435,500
Contributions to pension plans	**720**	772
Share-based compensation expenses	**4,042,105**	4,835,839
	4,610,447	5,272,111

The emoluments of the above senior management fell within the following bands:

	Number of individuals	
	2023	2022
Emolument bands		
HKD8,000,000 ~ HKD50,000,000	**1**	1
HKD50,000,001 ~ HKD200,000,000	**4**	3
HKD200,000,001 ~ HKD400,000,000	**4**	3
HKD400,000,001 ~ HKD800,000,000	**2**	3
HKD800,000,001 ~ HKD1,200,000,000	**1**	–
HKD1,200,000,001 ~ HKD2,000,000,000	**1**	2

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

15 EMPLOYEE BENEFITS EXPENSES (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group did not include any director for the year ended 31 December 2023 (2022: did not include any director). All of these individuals have not received any emolument from the Group as an inducement to join the Group during the years ended 31 December 2023 and 2022. The emoluments paid/payable to the five (2022: five) individuals during the years are as follows:

	2023	2022
	RMB'000	RMB'000
Salaries	**36,100**	35,339
Bonuses	**1,091,373**	1,105,178
Contributions to pension plans	**23,091**	16,336
Share-based compensation expenses	**2,391,324**	3,013,520
Allowances and benefits in kind	**193**	217
	3,542,081	4,170,590

The emoluments of the above five individuals (2022: five) fell within the following bands:

	Number of individuals	
	2023	2022
Emolument bands		
HKD431,500,001 ~ HKD432,000,000	**1**	–
HKD502,500,001 ~ HKD503,000,000	**2**	–
HKD536,500,001 ~ HKD537,000,000	–	2
HKD561,000,001 ~ HKD561,500,000	–	1
HKD1,049,500,001 ~ HKD1,050,000,000	**1**	–
HKD1,421,000,001 ~ HKD1,421,500,000	**1**	–
HKD1,504,000,001 ~ HKD1,504,500,000	–	1
HKD1,530,000,001 ~ HKD1,530,500,000	–	1

16 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and the chief executive's emoluments

The remuneration of every director and the CEO is set out below:

During the year ended 31 December 2023:

Name of director	Fees RMB'000	Salaries RMB'000	Bonuses RMB'000	Contributions to pension plans RMB'000	Share-based compensation expenses RMB'000	Allowances and benefits in kind RMB'000 (Note (i))	Total RMB'000
Ma Huateng (CEO)	1,275	6,791	34,723	76	–	58	42,923
Lau Chi Ping Martin (Note (ii))	472	2,690	9,000	–	40,316	–	52,478
Li Dong Sheng	816	–	–	–	3,119	–	3,935
Ian Charles Stone	1,087	–	–	–	6,239	–	7,326
Yang Siu Shun	1,087	–	–	–	5,545	–	6,632
Ke Yang	816	–	–	–	3,042	–	3,858
Zhang Xiu Lan	816	–	–	–	1,929	–	2,745
Jacobus Petrus (Koos) Bekker	–	–	–	–	–	–	–
Charles St Leger Searle	–	–	–	–	–	–	–
	6,369	9,481	43,723	76	60,190	58	119,897

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

16 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' and the chief executive's emoluments (continued)

During the year ended 31 December 2022:

Name of director	Fees RMB'000	Salaries RMB'000	Bonuses RMB'000	Contributions to pension plans RMB'000	Share-based compensation expenses RMB'000	Allowances and benefits in kind RMB'000 (Note (i))	Total RMB'000
Ma Huateng (CEO)	1,254	7,103	30,194	128	–	15	38,694
Lau Chi Ping Martin	1,254	7,353	20,436	–	158,317	99	187,459
Li Dong Sheng	804	–	–	–	2,981	–	3,785
Ian Charles Stone	1,072	–	–	–	5,963	–	7,035
Yang Siu Shun	1,072	–	–	–	5,278	–	6,350
Ke Yang	804	–	–	–	2,708	–	3,512
Zhang Xiu Lan	298	–	–	–	274	–	572
Jacobus Petrus (Koos) Bekker	–	–	–	–	–	–	–
Charles St Leger Searle	–	–	–	–	–	–	–
	6,558	14,456	50,630	128	175,521	114	247,407

Note:

(i) Allowances and benefits in kind include leave pay, insurance premium and club membership.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

16 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' and the chief executive's emoluments (continued)

Note: (continued)

(ii) The emoluments were received by Mr Lau Chi Ping Martin in his capacity as a director of the Company during the period from 1 January 2023 to 17 May 2023.

(iii) During the year ended 31 December 2023, no options were granted to any executive director of the Company (2022: Nil), and no options previously granted were voluntarily waived by executive directors, except for voluntary waiver of 843,658 options held by a former executive director which did not take place during his term of directorship (2022: 2,530,972 options previously granted were voluntarily waived by an executive director), while 74,542 awarded shares were granted to five independent non-executive directors of the Company (2022: 58,398 awarded shares were granted to five independent non-executive directors of the Company).

(iv) 843,658 options previously granted were voluntarily waived by a former executive director in January 2024.

(v) No director received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office. Except as stated in Note (iii) above, no director waived or has agreed to waive any emoluments during the years ended 31 December 2023 and 2022.

(b) Directors' termination benefits

No director's termination benefit subsisted at the end of the year or at any time during the year.

(c) Consideration provided to third parties for making available directors' services

No consideration provided to or receivable by third parties for making available directors' services subsisted at the end of the year or at any time during the year.

(d) Information about loans, quasi-loans and other dealings in favour of directors, their controlled bodies and connected entities

No loans, quasi-loans and other dealings in favour of directors, their controlled bodies corporate and connected entities subsisted at the end of the year or at any time during the year.

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

17 DIVIDENDS

(a) Final dividends

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

A final dividend in respect of the year ended 31 December 2023 of HKD3.40 per share (2022: HKD2.40 per share) was proposed pursuant to a resolution passed by the Board on 20 March 2024 and subject to the approval of the shareholders at the 2024 annual general meeting of the Company to be held on 14 May 2024 or any adjournment thereof. This proposed dividend is not reflected as dividend payable in the consolidated financial statements.

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

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

Dividends payable for distribution in specie was approximately RMB115.8 billion right before the Share Certificate Dispatch Date, measured at fair value using the market price of the Meituan Shares to be distributed. Fair value changes on the dividends payable amounted to approximately RMB30.0 billion from 1 January 2023 to the Share Certificate Dispatch Date were recognised in equity as a result of the changes in the fair value of the Meituan Shares to be distributed. Upon the dispatch of the share certificates of the Meituan Shares to be distributed, the assets held for distribution (Note 34) and dividends payable for distribution in specie were derecognised and the cumulative fair value losses of assets held for distribution amounted to approximately RMB19.0 billion were transferred from other reserves to retained earnings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

18 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'Million	Computer and other operating equipment RMB'Million	Furniture and office equipment RMB'Million	Motor vehicles RMB'Million	Leasehold improvements RMB'Million	Total RMB'Million
At 1 January 2023						
Cost	20,158	103,343	2,966	155	4,981	131,603
Accumulated depreciation and impairment	(5,651)	(67,413)	(1,822)	(85)	(2,782)	(77,753)
Currency translation differences	26	37	8	(1)	58	128
Net book amount	14,533	35,967	1,152	69	2,257	53,978
Year ended 31 December 2023						
Opening net book amount	14,533	35,967	1,152	69	2,257	53,978
Business combinations	–	13	8	1	9	31
Additions	1,922	16,515	193	37	503	19,170
Disposals	(4)	(100)	(9)	(3)	(17)	(133)
Depreciation	(930)	(17,715)	(376)	(40)	(834)	(19,895)
Impairment provisions	–	(4)	–	–	(32)	(36)
Currency translation differences	36	72	2	–	7	117
Closing net book amount	15,557	34,748	970	64	1,893	53,232
At 31 December 2023						
Cost	22,077	110,811	3,012	175	4,319	140,394
Accumulated depreciation and impairment	(6,582)	(76,172)	(2,052)	(110)	(2,491)	(87,407)
Currency translation differences	62	109	10	(1)	65	245
Net book amount	15,557	34,748	970	64	1,893	53,232

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

18 PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RMB'Million	Computer and other operating equipment RMB'Million	Furniture and office equipment RMB'Million	Motor vehicles RMB'Million	Leasehold improvements RMB'Million	Total RMB'Million
At 1 January 2022						
Cost	17,767	102,278	2,545	137	3,860	126,587
Accumulated depreciation and impairment	(4,597)	(55,909)	(1,487)	(61)	(2,264)	(64,318)
Currency translation differences	(58)	(292)	(3)	(1)	(1)	(355)
Net book amount	13,112	46,077	1,055	75	1,595	61,914
Year ended 31 December 2022						
Opening net book amount	13,112	46,077	1,055	75	1,595	61,914
Business combinations	1	48	11	1	33	94
Additions	2,471	9,186	471	25	1,207	13,360
Disposals	–	(124)	(3)	(3)	(30)	(160)
Depreciation	(1,135)	(19,549)	(393)	(29)	(607)	(21,713)
Currency translation differences	84	329	11	–	59	483
Closing net book amount	14,533	35,967	1,152	69	2,257	53,978
At 31 December 2022						
Cost	20,158	103,343	2,966	155	4,981	131,603
Accumulated depreciation and impairment	(5,651)	(67,413)	(1,822)	(85)	(2,782)	(77,753)
Currency translation differences	26	37	8	(1)	58	128
Net book amount	14,533	35,967	1,152	69	2,257	53,978

During the year ended 31 December 2023, depreciation of RMB16,630 million (2022: RMB18,856 million), RMB405 million (2022: RMB349 million) and RMB2,860 million (2022: RMB2,508 million) were charged to "Cost of revenues", "Selling and marketing expenses" and "General and administrative expenses", respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

19 LAND USE RIGHTS

	2023	2022
	RMB'Million	RMB'Million
Opening net book amount	**18,046**	17,728
Additions	**36**	858
Reduction (Note)	**(201)**	–
Disposals	**(162)**	–
Amortisation	**(532)**	(546)
Impairment provisions	**(10)**	(9)
Currency translation differences	**2**	15
Closing net book amount	**17,179**	18,046

Note:

It represented the return from the government due to actual occupancy area adjustments.

The land use rights mainly represented prepaid operating lease payments in respect of land in the Mainland of China with remaining lease periods of 25 to 47 years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

20 LEASES (EXCLUDING LAND USE RIGHTS)

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

Movement of right-of-use assets (excluding land use rights, disclosed in Note 19) is analysed as follows:

	2023	2022
	RMB'Million	RMB'Million
Opening net book amount	**22,524**	20,468
Business combinations	**47**	171
Additions	**6,535**	8,715
Depreciation	**(6,398)**	(6,722)
Reduction (Note)	**(2,512)**	(543)
Impairment provisions	–	(3)
Currency translation differences	**268**	438
Closing net book amount	**20,464**	22,524

Note:

The reduction of right-of-use assets during the years ended 31 December 2023 and 2022 mainly arose from early termination and modification of lease contracts.

20 LEASES (EXCLUDING LAND USE RIGHTS) (continued)

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

The consolidated income statement included the following amounts relating to leases (excluding the amortisation of land use rights, disclosed in Note 19):

	2023 RMB'Million	2022 RMB'Million
Depreciation charge of right-of-use assets		
Buildings	**2,927**	3,370
Computer and other operating equipment	**3,436**	3,320
Others	**34**	30
	6,397	6,720
Interest expense (included in finance costs)	**1,011**	1,060
Expense relating to short-term leases not included in lease liabilities (included in cost of revenues and expenses)	**1,595**	1,741
Expense relating to variable lease payments not included in lease liabilities (included in cost of revenues and expenses)	**4,687**	5,577

Some leases of computer and other operating equipment contain variable lease payments. Variable payments are used for a variety of reasons, including managing cash outflows and minimising the fixed costs. Variable lease payments that depend on usage of bandwidth are recognised in profit or loss in the period in which the conditions that trigger those payments occur. Variable lease payments relating to computer and other operating equipment leases during the year ended 31 December 2023 were considered to be insignificant.

The total cash outflow in financing activities for leases during the year ended 31 December 2023 was approximately RMB7,589 million (2022: RMB6,871 million), including principal elements of lease payments of approximately RMB6,652 million (2022: RMB5,969 million) and related interest paid of approximately RMB937 million (2022: RMB902 million), respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

21 CONSTRUCTION IN PROGRESS

	2023	2022
	RMB'Million	RMB'Million
Opening net book amount	**9,229**	5,923
Additions	**7,129**	5,363
Transfer to property, plant and equipment	**(2,623)**	(2,055)
Business combinations	**5**	1
Disposal	**(175)**	(4)
Currency translation differences	**18**	1
Closing net book amount	**13,583**	9,229

As at 31 December 2023, construction in progress mainly comprised office buildings and data centers under construction located in the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

22 INTANGIBLE ASSETS

	Goodwill RMB'Million	Computer software and technology RMB'Million	Media content RMB'Million	Trademarks RMB'Million	Others RMB'Million	Total RMB'Million
At 1 January 2023						
Cost	142,499	14,179	139,124	13,865	9,948	319,615
Accumulated amortisation and impairment	(23,101)	(10,035)	(108,045)	(5,971)	(7,515)	(154,667)
Currency translation differences	(2,667)	(34)	(69)	(304)	(72)	(3,146)
Net book amount	116,731	4,110	31,010	7,590	2,361	161,802
Year ended 31 December 2023						
Opening net book amount	116,731	4,110	31,010	7,590	2,361	161,802
Business combinations	6,850	185	6,277	727	194	14,233
Additions	–	707	31,298	–	122	32,127
Disposals and others	(2,383)	(41)	(1,347)	(1)	–	(3,772)
Amortisation	–	(1,001)	(30,088)	(989)	(545)	(32,623)
Impairment provisions	(5)	(90)	(3)	–	–	(98)
Currency translation differences	5,027	23	610	337	61	6,058
Closing net book amount	126,220	3,893	37,757	7,664	2,193	177,727
At 31 December 2023						
Cost	146,966	14,935	167,888	14,591	10,253	354,633
Accumulated amortisation and impairment	(23,106)	(11,031)	(130,672)	(6,960)	(8,049)	(179,818)
Currency translation differences	2,360	(11)	541	33	(11)	2,912
Net book amount	126,220	3,893	37,757	7,664	2,193	177,727

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

22 INTANGIBLE ASSETS (continued)

	Goodwill RMB'Million	Computer software and technology RMB'Million	Media content RMB'Million	Trademarks RMB'Million	Others RMB'Million	Total RMB'Million
At 1 January 2022						
Cost	131,347	12,679	125,114	12,977	9,354	291,471
Accumulated amortisation and impairment	(14,275)	(4,355)	(88,359)	(3,256)	(3,799)	(114,044)
Currency translation differences	(4,899)	(83)	(466)	(446)	(157)	(6,051)
Net book amount	112,173	8,241	36,289	9,275	5,398	171,376
Year ended 31 December 2022						
Opening net book amount	112,173	8,241	36,289	9,275	5,398	171,376
Business combinations	11,152	836	3,968	900	563	17,419
Additions	–	688	22,292	–	45	23,025
Disposals	–	(3)	(2,803)	(8)	(8)	(2,822)
Amortisation	–	(1,640)	(28,893)	(1,111)	(1,051)	(32,695)
Impairment provisions	(8,826)	(4,061)	(240)	(1,608)	(2,671)	(17,406)
Currency translation differences	2,232	49	397	142	85	2,905
Closing net book amount	116,731	4,110	31,010	7,590	2,361	161,802
At 31 December 2022						
Cost	142,499	14,179	139,124	13,865	9,948	319,615
Accumulated amortisation and impairment	(23,101)	(10,035)	(108,045)	(5,971)	(7,515)	(154,667)
Currency translation differences	(2,667)	(34)	(69)	(304)	(72)	(3,146)
Net book amount	116,731	4,110	31,010	7,590	2,361	161,802

22 INTANGIBLE ASSETS (continued)

During the year ended 31 December 2023, amortisation of RMB30,217 million (2022: RMB29,511 million) and RMB2,406 million (2022: RMB3,184 million) were charged to "Cost of revenues" and "General and administrative expenses", respectively.

During the year ended 31 December 2023, impairment losses of RMB95 million (2022: RMB17,265 million) on goodwill and other intangible assets arising from acquisitions were charged to the consolidated income statement under "Net gains/(losses) from investments and others", and RMB3 million (2022: RMB141 million) were charged to "Cost of revenues".

Impairment tests for goodwill

Goodwill was allocated to VAS segment with RMB121,437 million (31 December 2022: RMB112,120 million), Online Advertising segment with RMB434 million (31 December 2022: RMB468 million), FinTech and Business Services segment with RMB1,432 million (31 December 2022: RMB1,226 million) and Others segment with RMB2,917 million (31 December 2022: RMB2,917 million).

The Group carries out its impairment testing on goodwill by comparing the recoverable amounts of CGUs or groups of CGUs to their carrying amounts. For the purpose of goodwill impairment review, the recoverable amount of a CGU (or group of CGUs) is the higher of its fair value less costs of disposal and its value in use.

The key assumptions used for the calculation of the recoverable amounts of the CGUs (or groups of CGUs) under impairment testing are as follows:

For goodwill attributable to the Group's online game business within VAS segment, the recoverable amount was determined using fair value less costs of disposal where the fair value was determined as Level 3 according to the principle set out in Note 4.3. Fair value less costs of disposal was primarily determined based on ratios of EV (enterprise value) divided by EBITDA of several comparable public companies (range: 11-19x) (2022: range: 13-21x) multiplied by the EBITDA of the related CGU (or group of CGUs) and liquidity discounted for lack of marketability at a range of 10% to 20% (2022: 10% to 20%). The comparable public companies were chosen based on factors such as industry similarity, company size, profitability and financial risks etc.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

22 INTANGIBLE ASSETS (continued)

Impairment tests for goodwill (continued)

For goodwill attributable to the Group's online music business and online literature business within VAS segment, FinTech and Business Services segment and television series and film production businesses within Others segment, value in use was calculated using discounted cash flows. The valuations were based on five-year financial projections plus a terminal value related to cash flows beyond the projection period extrapolated at an estimated terminal growth rate of generally not more than 5% (2022: not more than 5%). Pre-tax discount rates of not more than 22% (2022: not more than 22%) were applied, which reflected assessment of time value and specific risks relating to the industries that the Group operates in. Management leveraged their experiences in the industries and provided forecast based on past performance and their anticipation of future business and market developments. Key parameters applied in the financial projections for impairment review purpose also included revenue growth rates, on a compound annual basis, of not more than 25% (2022: not more than 25%).

Management had not identified any reasonably possible change in key assumptions that could cause carrying amounts of the above CGUs (or groups of CGUs) to exceed their recoverable amounts.

23 INVESTMENTS IN ASSOCIATES

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

23 INVESTMENTS IN ASSOCIATES (continued)

Movement of investments in associates is analysed as follows:

	2023 RMB'Million	2022 RMB'Million
At beginning of the year	**246,043**	316,574
Additions (Note (a))	**7,696**	12,713
Transfers (Note (b))	**4,408**	(54,438)
Dilution (losses)/gains on deemed disposal	**(1,295)**	2,763
Share of profit/(loss) of associates, net (Note 12)	**5,400**	(16,379)
Share of other comprehensive income of associates	**(743)**	2,417
Share of other changes in net assets of associates	**4,674**	7,009
Dividends	**(5,235)**	(724)
Disposals	**(2,544)**	(3,853)
Impairment provisions, net (Note (c) and Note 9)	**(6,847)**	(25,689)
Currency translation differences	**2,139**	5,650
At end of the year	**253,696**	246,043

Note:

(a) During the year ended 31 December 2023, the Group's additions mainly comprised new investments and additional investments in certain investee companies, which are principally engaged in games development, streaming media and other Internet-related businesses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

23 INVESTMENTS IN ASSOCIATES (continued)

Note: (continued)

(b) During the year ended 31 December 2023, the Group's transfers mainly comprised the following:

(i) investment in an associate of approximately RMB2,304 million transferred from FVPL due to conversion of the redeemable instruments into ordinary shares upon its IPO in January 2023; and this investment with a carrying amount of approximately RMB2,293 million was transferred from investment in an associate to FVOCI due to resignation of the board representative in March 2023;

(ii) except as described above, investment in associates with an aggregate amount of approximately RMB7,968 million transferred from FVPL due to conversion of the redeemable instruments into ordinary shares; and

(iii) investments in associates with an aggregate amount of approximately RMB1,317 million transferred to FVPL due to resignation of board representatives.

(c) Both external and internal sources of information of associates are considered in assessing whether there is any indicator that the investments may be impaired, including but not limited to information about financial position and business performance of the associates, and a significant or prolonged decline in the fair value of an investment below its carrying amount is also objective evidence of impairment. The Group carries out impairment assessments on those investments with impairment indicators, and the respective recoverable amounts of investments are determined with reference to the higher of fair value less costs of disposal and value in use.

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

During the year ended 31 December 2023, an aggregate impairment loss of approximately RMB6,847 million (2022: RMB25,689 million) had been recognised for associates with impairment indicators, and the majority of these associates' recoverable amounts were determined using fair value less costs of disposal where the respective fair values had been determined according to the principle set out in Note 4.3.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

23 INVESTMENTS IN ASSOCIATES (continued)

The associates of the Group have been accounted for by using equity method based on the financial information of the associates prepared under the accounting policies generally consistent with those of the Group.

The Group's share of the results, the revenues, the aggregated assets (including goodwill) and liabilities of its associates, as well as the fair value of its stakes in the associates which are listed entities, are shown in aggregate as follows:

	Assets RMB'Million	Liabilities RMB'Million	Revenues RMB'Million	Profit/(loss) from continuing operation RMB'Million	Other comprehensive income RMB'Million	Total comprehensive income RMB'Million	Fair value of stakes in listed associates as at 31 December RMB'Million
2023							
Listed entities (Note)	**250,491**	**117,715**	**103,724**	**6,184**	**(373)**	**5,811**	**351,594**
Unlisted entities	**329,534**	**208,614**	**66,375**	**(784)**	**(370)**	**(1,154)**	
	580,025	**326,329**	**170,099**	**5,400**	**(743)**	**4,657**	
2022							
Listed entities (Note)	230,845	105,310	126,405	(4,594)	2,990	(1,604)	264,090
Unlisted entities	324,940	204,432	60,229	(11,785)	(573)	(12,358)	
	555,785	309,742	186,634	(16,379)	2,417	(13,962)	

Note:

As at 31 December 2023 and 2022, stakes in the associates which are listed entities consisted of directly and indirectly held listed equity interests.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

23 INVESTMENTS IN ASSOCIATES (continued)

Management had assessed the level of influence that the Group was able to exercise on certain associates with the respective shareholding below 20% and certain associates with shareholding over 50% (voting power is below 50%), with total carrying amounts of RMB148,749 million and RMB18,960 million as at 31 December 2023, respectively (31 December 2022: RMB142,323 million and RMB19,615 million, respectively). Management had determined that it had significant influence thereon through the board of directors representation or other arrangements made, but it had no control or joint control over such investees since the Group had no power to direct or jointly direct relevant activities due to other arrangements made. Consequently, these investments had been classified as associates.

There were no material contingent liabilities relating to the Group's interests in the associates.

24 INVESTMENTS IN JOINT VENTURES

As at 31 December 2023, the Group's investments in joint ventures of RMB7,969 million (31 December 2022: RMB6,672 million) mainly comprised an investee company that is a special purpose vehicle of which the Group has a majority stake for the investment in one of the telecommunication carriers in the PRC and other joint venture initiatives in entertainment-related businesses.

Share of profit amounting to RMB400 million was recognised during the year ended 31 December 2023 (2022: RMB250 million) (Note 12).

During the year ended 31 December 2023, an aggregate impairment reversal of approximately RMB752 million (2022: impairment provision of RMB3 million) for the carrying amounts of the investments in joint ventures, based on the respective assessed recoverable amounts which were determined using fair value less costs of disposal, was recognised due to favourable events or changes in circumstances that indicated the reduction in impairment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

25 FINANCIAL INSTRUMENTS BY CATEGORY

As at 31 December 2023, the financial instruments of the Group are analysed as follows:

	As at 31 December	
	2023	2022
Financial assets	**RMB'Million**	RMB'Million
Financial assets at amortised cost:		
Deposits and other receivables	**46,985**	39,643
Term deposits (Note 31)	**215,284**	133,112
Accounts receivable (Note 32)	**46,606**	45,467
Cash and cash equivalents (Note 33(a))	**172,320**	156,739
Restricted cash (Note 33(b))	**3,818**	2,783
Other financial assets (Note 29)	**1,735**	995
Financial assets at fair value:		
FVPL (Note 26)	**226,048**	234,048
FVOCI (Note 27)	**213,951**	185,247
Assets held for distribution (Note 34)	–	147,965
Other financial assets (Note 29)	**6,741**	7,270
	933,488	953,269
Financial liabilities		
Financial liabilities at amortised cost:		
Borrowings (Note 38)	**197,356**	175,248
Notes payable (Note 39)	**151,262**	159,115
Long-term payables	**9,034**	6,867
Other financial liabilities (Note 41)	**10,354**	6,204
Accounts payable (Note 42)	**100,948**	92,381
Lease liabilities	**22,622**	24,778
Other payables and accruals	**43,335**	32,659
Financial liabilities at fair value:		
Other financial liabilities (Note 41)	**2,985**	3,307
Financial liabilities measured according to IFRIC 17:		
Dividends payable for distribution in specie (Note 17(b))	–	147,965
	537,896	648,524

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

25 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The Group's exposure to various risks associated with the financial instruments is discussed in Note 4. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

FVPL include the following:

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

Movement of FVPL is analysed as follows:

	2023 **RMB'Million**	2022 RMB'Million
At beginning of the year	**234,048**	202,757
Additions and transfers (Note (a))	**40,915**	45,206
Changes in fair value (Note 9)	**(1,954)**	(7,117)
Disposals and others	**(50,303)**	(22,926)
Currency translation differences	**3,342**	16,128
At end of the year	**226,048**	234,048

Note:

(a) During the year ended 31 December 2023, the Group's additions and transfers mainly comprised the following:

(i) new investments and additional investments with an aggregate amount of approximately RMB53,276 million in treasury investments, investee companies which are principally engaged in digital payment, games development and eCommerce, and others; and

(ii) except as described in Note 23(b), transfers mainly comprised certain investments with an aggregate amount of approximately RMB6,442 million designated as FVOCI due to the conversion of preference shares into ordinary shares upon their IPOs.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

27 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

FVOCI include the following:

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

Movement of FVOCI is analysed as follows:

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

Note:

(a) During the year ended 31 December 2023, except as described in Note 23(b)(i) and Note 26(a)(ii), the Group's additions and transfers mainly comprised certain new investments and additional investments with an aggregate amount of approximately RMB8,454 million in investee companies which are principally engaged in eCommerce, FinTech services and other Internet-related businesses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

28 PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	As at 31 December	
	2023	2022
	RMB'Million	RMB'Million
Included in non-current assets:		
Prepayments for media content and game licences	**13,872**	17,260
Loans to investees and investees' shareholders (Note (a))	**3,667**	4,796
Prepayments for capital transactions	**3,201**	6,133
Running royalty fees for online games (Note (b))	**517**	464
Others	**7,182**	8,099
	28,439	36,752
Included in current assets:		
Prepayments and prepaid expenses	**27,824**	24,393
Receivables related to financial services (Note (c))	**18,824**	15,807
Running royalty fees for online games (Note (b))	**16,172**	15,939
Interest receivables	**9,101**	6,504
Loans to investees and investees' shareholders (Note (a))	**3,113**	1,233
Lease and other deposits	**1,715**	1,258
Refundable VAT	**1,596**	1,524
Dividend and other investment-related receivables	**1,033**	832
Others	**9,033**	9,195
	88,411	76,685
	116,850	113,437

Note:

(a) As at 31 December 2023, the balances of loans to investees and investees' shareholders were mainly repayable within a period of one to seven years (included in non-current assets), or within one year (included in current assets), and were interest-bearing at rates of not higher than 18.0% per annum (31 December 2022: not higher than 10.0% per annum). The loan arrangements are in line with the Group's overall business strategy.

(b) Running royalty fees for online games comprised prepaid royalty fees, unamortised running royalty fees and deferred Online Service Fees.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

28 PREPAYMENTS, DEPOSITS AND OTHER ASSETS (continued)

Note: (continued)

(c) Loan receivables related to the Group's financial services are initially measured at fair value. Given the business models in which the loan receivables are held, they were subsequently measured at amortised cost. During the year ended 31 December 2023, the impairment loss on loan receivables related to financial services was immaterial.

As at 31 December 2023, loss allowance subject to the ECL model made against the gross amounts of deposits and other assets amounted to RMB2,761 million (31 December 2022: RMB2,863 million).

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

29 OTHER FINANCIAL ASSETS

	As at 31 December	
	2023	2022
	RMB'Million	RMB'Million
Measured at amortised cost:		
Treasury investments	**1,735**	995
Measured at fair value:		
Interest rate swap (Note)	**3,489**	6,968
Others	**3,252**	302
	6,741	7,270
	8,476	8,265
Included in:		
Non-current assets	**2,527**	6,987
Current assets	**5,949**	1,278
	8,476	8,265

Note:

The Group's outstanding interest rate swap contracts were measured at fair value and used to hedge the exposure arising from certain borrowings and senior notes carried at floating rates. As at 31 December 2023, the aggregate notional principal amounts of these outstanding interest rate swap contracts were USD13,698 million (equivalent to approximately RMB97,019 million) (31 December 2022: USD14,848 million (equivalent to approximately RMB103,410 million)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

30 DEFERRED INCOME TAXES

Deferred income taxes are calculated in full on temporary differences under the liability method using the tax rates which are expected to apply at the time of reversal of the temporary differences.

Deferred income tax assets/liabilities are analysed as follows:

	As at 31 December 2023	As at 1 January 2023 Restated
	RMB'Million	RMB'Million
Gross deferred income tax assets:		
– to be recovered after more than 12 months	**23,102**	24,690
– to be recovered within 12 months	**12,541**	13,556
	35,643	38,246
Set-off of deferred income tax assets pursuant to set-off provisions	**(6,626)**	(8,364)
Net deferred income tax assets	**29,017**	29,882
Gross deferred income tax liabilities:		
– to be recovered after more than 12 months	**(22,919)**	(18,227)
– to be recovered within 12 months	**(1,342)**	(2,299)
	(24,261)	(20,526)
Set-off of deferred income tax liabilities pursuant to set-off provisions	**6,626**	8,364
Net deferred income tax liabilities	**(17,635)**	(12,162)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

30 DEFERRED INCOME TAXES (continued)

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

	Deferred income tax assets RMB'Million	Deferred income tax liabilities RMB'Million	Deferred income tax, net RMB'Million
At 31 December 2022	**34,816**	**(17,096)**	**17,720**
Adjustment on Amendments to IAS 12 (Note 2.2)	**3,430**	**(3,430)**	**–**
At 1 January 2023 (Restated)	**38,246**	**(20,526)**	**17,720**
Business combinations	**47**	**(1,431)**	**(1,384)**
Charged to consolidated income statement (Note 13(a))	**(2,282)**	**(8,274)**	**(10,556)**
Withholding taxes paid	**–**	**6,550**	**6,550**
Charged to consolidated statement of changes in equity	**(368)**	**(850)**	**(1,218)**
Transfer upon disposal and deemed disposal of financial instruments	**(45)**	**512**	**467**
Currency translation differences	**45**	**(242)**	**(197)**
At 31 December 2023	**35,643**	**(24,261)**	**11,382**
At 31 December 2021	30,844	(17,918)	12,926
Adjustment on Amendments to IAS 12 (Note 2.2)	3,070	(3,070)	–
At 1 January 2022 (Restated)	33,914	(20,988)	12,926
Business combinations	50	(1,258)	(1,208)
Credited/(charged) to consolidated income statement (Note 13(a))	3,522	(613)	2,909
Withholding taxes paid	–	3,250	3,250
Credited/(charged) to consolidated statement of changes in equity	459	(1,028)	(569)
Transfer upon disposal and deemed disposal of financial instruments	(140)	372	232
Currency translation differences	441	(261)	180
At 31 December 2022 (Restated)	38,246	(20,526)	17,720

30 DEFERRED INCOME TAXES (continued)

The movements of deferred income tax assets before offsetting are as follows:

	Deferred income tax assets on temporary differences arising from					
	Accelerated amortisation of intangible assets RMB'Million	Tax losses RMB'Million (Note)	Accrued expenses RMB'Million	Lease liabilities RMB'Million	Share-based payments and others RMB'Million	Total RMB'Million
At 31 December 2022	**9,718**	**3,655**	**10,493**	**372**	**10,578**	**34,816**
Adjustment on Amendments to IAS 12 (Note 2.2)	**–**	**–**	**–**	**3,430**	**–**	**3,430**
At 1 January 2023 (Restated)	**9,718**	**3,655**	**10,493**	**3,802**	**10,578**	**38,246**
Business combinations	**–**	**7**	**34**	**6**	**–**	**47**
Credited/(charged) to consolidated income statement	**1,389**	**(168)**	**(595)**	**(473)**	**(2,435)**	**(2,282)**
Charged to consolidated statement of changes in equity	**–**	**–**	**–**	**–**	**(368)**	**(368)**
Transfer upon disposal and deemed disposal of financial instruments	**–**	**–**	**–**	**–**	**(45)**	**(45)**
Currency translation differences	**17**	**4**	**14**	**23**	**(13)**	**45**
At 31 December 2023	**11,124**	**3,498**	**9,946**	**3,358**	**7,717**	**35,643**
At 31 December 2021	8,267	1,707	12,022	228	8,620	30,844
Adjustment on Amendments to IAS 12 (Note 2.2)	–	–	–	3,070	–	3,070
At 1 January 2022 (Restated)	8,267	1,707	12,022	3,298	8,620	33,914
Business combinations	–	22	–	–	28	50
Credited/(charged) to consolidated income statement	1,451	1,958	(1,726)	504	1,335	3,522
Credited to consolidated statement of changes in equity	–	–	–	–	459	459
Transfer upon disposal and deemed disposal of financial instruments	–	–	–	–	(140)	(140)
Currency translation differences	–	(32)	197	–	276	441
At 31 December 2022 (Restated)	9,718	3,655	10,493	3,802	10,578	38,246

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

30 DEFERRED INCOME TAXES (continued)

Note:

The Group only recognises deferred income tax assets for unused cumulative tax losses if it is probable that future taxable profits will be available to utilise those tax losses. Management will continue to assess the recognition of deferred income tax assets in future reporting periods. As at 31 December 2023, the Group did not recognise deferred income tax assets of RMB12,903 million (31 December 2022: RMB7,343 million) in respect of unused cumulative tax losses amounting to RMB68,715 million (31 December 2022: RMB39,683 million). The majority of these unused tax losses were originated from subsidiaries located in the Mainland of China and will expire from 2024 to 2033.

The movements of deferred income tax liabilities before offsetting are as follows:

	Deferred income tax liabilities on temporary differences arising from							
	Intangible assets acquired in business combinations RMB'Million	Withholding tax on the earnings anticipated to be remitted by subsidiaries RMB'Million	Changes in fair value of FVPL and FVOCI RMB'Million	Deemed disposals of investees RMB'Million	Accelerated tax depreciation RMB'Million	Right-of-use assets RMB'Million	Others RMB'Million	Total RMB'Million
At 31 December 2022	(4,684)	(5,041)	(3,425)	(1,256)	(2,405)	(10)	(275)	(17,096)
Adjustment on Amendments to IAS 12 (Note 2.2)	–	–	–	–	–	(3,430)	–	(3,430)
At 1 January 2023 (Restated)	(4,684)	(5,041)	(3,425)	(1,256)	(2,405)	(3,440)	(275)	(20,526)
Business combinations	(1,411)	–	(2)	–	(12)	(5)	(1)	(1,431)
Credited/(charged) to consolidated income statement	1,162	(10,300)	(301)	(120)	794	535	(44)	(8,274)
Withholding tax paid	–	6,550	–	–	–	–	–	6,550
Charged to consolidated statement of changes in equity	–	–	(850)	–	–	–	–	(850)
Transfer upon disposal and deemed disposal of financial instruments	–	–	512	–	–	–	–	512
Currency translation differences	(235)	(4)	(80)	–	7	(29)	99	(242)
At 31 December 2023	(5,168)	(8,795)	(4,146)	(1,376)	(1,616)	(2,939)	(221)	(24,261)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

30 DEFERRED INCOME TAXES (continued)

Deferred income tax liabilities on temporary differences arising from

	Intangible assets acquired in business combinations RMB'Million	Withholding tax on the earnings anticipated to be remitted by subsidiaries RMB'Million	Changes in fair value of FVPL and FVOCI RMB'Million	Deemed disposals of investees RMB'Million	Accelerated tax depreciation RMB'Million	Right-of-use assets RMB'Million	Others RMB'Million	Total RMB'Million
At 31 December 2021	(6,425)	(3,926)	(2,827)	(963)	(3,655)	(2)	(120)	(17,918)
Adjustment on Amendments to IAS 12 (Note 2.2)	–	–	–	–	–	(3,070)	–	(3,070)
At 1 January 2022 (Restated)	(6,425)	(3,926)	(2,827)	(963)	(3,655)	(3,072)	(120)	(20,988)
Business combinations	(1,258)	–	–	–	–	–	–	(1,258)
Credited/(charged) to consolidated income statement	3,080	(4,350)	138	(293)	1,266	(368)	(86)	(613)
Withholding tax paid	–	3,250	–	–	–	–	–	3,250
Charged to consolidated statement of changes in equity	–	–	(1,028)	–	–	–	–	(1,028)
Transfer upon disposal and deemed disposal of financial instruments	–	–	372	–	–	–	–	372
Currency translation differences	(81)	(15)	(80)	–	(16)	–	(69)	(261)
At 31 December 2022 (Restated)	(4,684)	(5,041)	(3,425)	(1,256)	(2,405)	(3,440)	(275)	(20,526)

Note:

As at 31 December 2023, the Group recognised the relevant deferred income tax liabilities of RMB8,795 million (31 December 2022: RMB5,041 million) on earnings anticipated to be remitted by certain subsidiaries in the foreseeable future. No withholding tax had been provided for the earnings of approximately RMB43,162 million (31 December 2022: RMB107,316 million) expected to be retained by the PRC subsidiaries and not to be remitted to a foreign investor in the foreseeable future based on several factors, including management's estimation of overseas funding requirements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

31 TERM DEPOSITS

An analysis of the Group's term deposits by currency is as follows:

	As at 31 December	
	2023	2022
	RMB'Million	RMB'Million
Included in non-current assets:		
RMB term deposits	**28,848**	27,970
Other currencies	**453**	366
	29,301	28,336
Included in current assets:		
RMB term deposits	**119,990**	49,412
USD term deposits	**65,798**	55,248
Other currencies	**195**	116
	185,983	104,776
	215,284	133,112

Term deposits with initial terms of over three months were neither past due nor impaired. As at 31 December 2023 and 2022, the carrying amounts of the term deposits with initial terms of over three months approximated their fair values.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

32 ACCOUNTS RECEIVABLE

	As at 31 December	
	2023	2022
	RMB'Million	RMB'Million
Accounts receivable from contracts with agents/customers	**54,355**	52,003
Loss allowance	**(7,749)**	(6,536)
	46,606	45,467

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

32 ACCOUNTS RECEIVABLE (continued)

The carrying amounts of accounts receivable of the Group's major agents/customers are as follows:

	As at 31 December	
	2023	2022
	RMB'Million	RMB'Million
FinTech and cloud customers	**16,703**	16,421
Online advertising customers and agents	**14,045**	13,787
Third party platform providers	**7,849**	5,658
Content production related customers	**2,609**	3,550
Others	**5,400**	6,051
	46,606	45,467

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

The Group applies the simplified approach prescribed by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. The historical observed default rates are updated and changes in the forward-looking estimates are analysed at year end. For the years ended 31 December 2023 and 2022, information about the impairment of accounts receivable and the Group's exposure to credit risk and foreign exchange risk can be found in Note 4.1.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

33 BANK BALANCES AND CASH

(a) Cash and cash equivalents

	As at 31 December	
	2023	2022
	RMB'Million	RMB'Million
Bank balances and cash	**127,241**	104,767
Term deposits and highly liquid investments with initial terms within three months	**45,079**	51,972
	172,320	156,739

Approximately RMB85,673 million (31 December 2022: RMB96,849 million) within the total balance of the Group's cash and cash equivalents was denominated in RMB.

(b) Restricted cash

As at 31 December 2023, restricted deposits held at banks of RMB3,818 million (31 December 2022: RMB2,783 million) were mainly denominated in RMB, the majority of which were reserves provided for certain licensed business under regulatory requirements.

34 ASSETS HELD FOR DISTRIBUTION

As at 31 December 2022, assets held for distribution represented the Meituan Shares to be distributed under the distribution in specie held by the Group as the interim dividend declared on 16 November 2022. Fair value losses amounted to approximately RMB30.0 billion from 1 January 2023 to the Share Certificate Dispatch Date were recorded in other comprehensive income as a result of the changes in the fair value of the Meituan Shares to be distributed.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

35 SHARE CAPITAL, SHARE PREMIUM, TREASURY SHARES AND SHARES HELD FOR SHARE AWARD SCHEMES

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

	Number of issued and fully paid ordinary shares*	Share capital RMB'Million	Share premium RMB'Million	Treasury shares RMB'Million	Shares held for share award schemes RMB'Million	Total RMB'Million
At 1 January 2023	**9,568,738,935**	**–**	**62,418**	**(1,868)**	**(4,226)**	**56,324**
Employee share option schemes:						
– value of employee services	–	–	1,687	–	–	1,687
– proceeds from shares issued, net of withholding individual income tax (Note (a))	8,820,561	–	828	–	–	828
Employee share award schemes:						
– value of employee services	–	–	17,267	–	–	17,267
– shares purchased/withheld for share award schemes (Note (b))	–	–	–	–	(4,378)	(4,378)
– shares allotted for share award schemes (Note (c))	46,249,024	–	–	–	–	–
– shares vested from share award schemes and transferred to the grantees (Note (d))	–	–	(2,071)	–	2,071	–
Repurchase and cancellation of shares (Note (e))	(140,815,700)	–	(42,112)	1,868	–	(40,244)
Repurchase of shares (to be cancelled) (Note (e))	–	–	–	(4,740)	–	(4,740)
Transfer of equity interests of subsidiaries to non-controlling interests	–	–	(28)	–	1,183	1,155
At 31 December 2023	**9,482,992,820**	**–**	**37,989**	**(4,740)**	**(5,350)**	**27,899**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

35 SHARE CAPITAL, SHARE PREMIUM, TREASURY SHARES AND SHARES HELD FOR SHARE AWARD SCHEMES (continued)

	Number of issued and fully paid ordinary shares*	Share capital RMB'Million	Share premium RMB'Million	Treasury shares RMB'Million	Shares held for share award schemes RMB'Million	Total RMB'Million
At 1 January 2022	9,608,378,469	–	67,330	–	(4,843)	62,487
Employee share option schemes:						
– value of employee services	–	–	2,055	–	–	2,055
– shares issued (Note (a))	6,806,825	–	995	–	–	995
Employee share award schemes:						
– value of employee services	–	–	20,632	–	–	20,632
– shares withheld for share award schemes (Note (b))	–	–	–	–	(2,882)	(2,882)
– shares allotted for share award schemes (Note (c))	54,196,641	–	–	–	–	–
– shares vested from share award schemes and transferred to the grantees (Note (d))	–	–	(2,882)	–	2,882	–
Repurchase and cancellation of shares (Note (e))	(100,643,000)	–	(28,010)	–	–	(28,010)
Repurchase of shares (to be cancelled) (Note (e))	–	–	–	(1,868)	–	(1,868)
Transfer of equity interests of subsidiaries to non-controlling interests	–	–	2,298	–	617	2,915
At 31 December 2022	9,568,738,935	–	62,418	(1,868)	(4,226)	56,324

* As at 31 December 2023, the total number of issued ordinary shares of the Company included 91,783,469 shares (31 December 2022: 79,489,557 shares) held for the share award schemes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

35 SHARE CAPITAL, SHARE PREMIUM, TREASURY SHARES AND SHARES HELD FOR SHARE AWARD SCHEMES (continued)

Note:

(a) During the year ended 31 December 2023, 13,148,354 options (2022: 6,806,825 options) with exercise prices ranging from HKD126.57 to HKD343.96 (2022: HKD135.50 to HKD386.60) per share were exercised, while the right to receive 4,327,793 shares (2022: Nil) was surrendered by certain grantees to set off against the exercise consideration and individual income tax payable by the grantees when they exercised their options.

(b) During the year ended 31 December 2023, the Share Scheme Trust purchased and withheld 13,976,126 ordinary shares (2022: withheld 9,341,643 ordinary shares) of the Company for an amount of approximately HKD4,839 million (equivalent to approximately RMB4,378 million) (2022: HKD3,408 million (equivalent to approximately RMB2,882 million)), which had been deducted from the equity.

(c) During the year ended 31 December 2023, the Company allotted 46,249,024 ordinary shares (2022: 54,196,641 ordinary shares) to the Share Scheme Trust for the purpose of granting awarded shares to the participants under the share award schemes.

(d) During the year ended 31 December 2023, the Share Scheme Trust transferred 47,931,238 ordinary shares of the Company (2022: 53,951,167 ordinary shares) to the share awardees upon vesting of the awarded shares (Note 37(b)).

(e) During the year ended 31 December 2023, the Company repurchased 152,205,700 of its own shares from the market, out of which, 17,830,000 had not been cancelled as at 31 December 2023 and had been subsequently cancelled in January 2024 (2022: the Company repurchased 107,083,000 of its own shares from the market, out of which, 6,440,000 had not been cancelled as at 31 December 2022 and had been subsequently cancelled in January 2023). The shares were repurchased at prices ranging from HKD263.80 to HKD393.80 per share, with an average price of HKD324.78 per share.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

36 OTHER RESERVES

	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 2023	(31,890)	(42,530)	18,426	(6,409)	6,011	9,544	5,934	(40,914)
Transfer of losses on disposal and deemed disposal of financial instruments to retained earnings, net of tax	–	17,846	–	–	–	–	–	17,846
Share of other changes in net assets of associates and joint ventures	–	–	4,680	–	–	–	–	4,680
Transfer of share of other changes in net assets of associates and joint ventures to profit or loss upon disposal and deemed disposal	–	–	(118)	–	–	–	–	(118)
Transfer of share of other comprehensive income to retained earnings upon disposal and deemed disposal of associates and joint ventures	–	–	66	–	–	–	–	66
Value of employee services:								
– Employee share option schemes	–	–	–	–	–	73	–	73
– Employee share award schemes	–	–	–	–	–	1,583	–	1,583
Tax benefit from share-based payments	–	–	–	–	–	21	–	21
Acquisition of additional equity interests in non wholly-owned subsidiaries	1,449	–	–	–	–	–	–	1,449
Transfer of equity interests of subsidiaries to non-controlling interests	95	–	–	–	–	–	–	95
Recognition of put option liabilities arising from business combinations (Note (e))	(4,594)	–	–	–	–	–	–	(4,594)
Changes in put option liabilities in respect of non-controlling interests	117	–	–	–	–	–	–	117
Dilution of interests in subsidiaries	(1,349)	–	–	–	–	–	–	(1,349)
Profit appropriations to statutory reserves	–	–	–	–	912	–	–	912
Net gains from changes in fair value of FVOCI	–	9,650	–	–	–	–	–	9,650
Share of other comprehensive income of associates and joint ventures	–	–	(701)	–	–	–	–	(701)
Transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	–	–	(9)	–	–	–	–	(9)
Currency translation differences	–	–	–	11,480	–	–	–	11,480
Other fair value losses, net	–	–	–	–	–	–	(3,515)	(3,515)
Losses from changes in fair value of assets held for distribution	–	(29,991)	–	–	–	–	–	(29,991)
Balance at 31 December 2023	(36,172)	(45,025)	22,344	5,071	6,923	11,221	2,419	(33,219)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

36 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 2022	(32,684)	102,223	14,743	(23,903)	4,929	8,004	589	73,901
Transfer of losses on disposal and deemed disposal of financial instruments to retained earnings, net of tax	–	7,838	–	–	–	–	–	7,838
Share of other changes in net assets of associates and joint ventures	–	–	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)
Transfer of share of other comprehensive income to retained earnings upon disposal and deemed disposal of associates and joint ventures	–	–	7	–	–	–	–	7
Transfer to profit or loss upon disposal of FVOCI	–	11	–	–	–	–	–	11
Value of employee services:								
– Employee share option schemes	–	–	–	–	–	110	–	110
– Employee share award schemes	–	–	–	–	–	1,425	–	1,425
Tax benefit from share-based payments	–	–	–	–	–	5	–	5
Acquisition of additional equity interests in non wholly-owned subsidiaries	992	–	–	–	–	–	–	992
Transfer of equity interests of subsidiaries to non-controlling interests	179	–	–	–	–	–	–	179
Recognition of put option liabilities arising from business combinations	(175)	–	–	–	–	–	–	(175)
Changes in put option liabilities in respect of non-controlling interests	727	–	–	–	–	–	–	727
Dilution of interests in subsidiaries	(929)	–	–	–	–	–	–	(929)
Profit appropriations to statutory reserves	–	–	–	–	1,082	–	–	1,082
Net losses from changes in fair value of FVOCI	–	(146,500)	–	–	–	–	–	(146,500)
Share of other comprehensive income of associates and joint ventures	–	–	2,337	–	–	–	–	2,337
Transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	–	–	(129)	–	–	–	–	(129)
Currency translation differences	–	–	–	17,494	–	–	–	17,494
Other fair value gains, net	–	–	–	–	–	–	5,345	5,345
Net losses from changes in fair value of assets held for distribution	–	(6,102)	–	–	–	–	–	(6,102)
Balance at 31 December 2022	(31,890)	(42,530)	18,426	(6,409)	6,011	9,544	5,934	(40,914)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

36 OTHER RESERVES (continued)

Note:

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

(b) Gains and losses on certain investments, including changes in fair value, are recognised in other comprehensive income. These changes are accumulated within FVOCI reserve in 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 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 37(d)).

(e) During the year ended 31 December 2023, the Group had granted put option to a non-controlling shareholder of a non wholly-owned subsidiary, and the non-controlling shareholder shall have the right to request the Group to purchase remaining equity interests when certain conditions are met. The put price was determined based on the financial performance of the non wholly-owned subsidiary in the future periods, not exceeding a certain amount as stated in the respective agreement. Accordingly, the put option liability of approximately USD644 million (equivalent to approximately RMB4.5 billion) was initially recognised at the present value of the estimated future cash outflows.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

37 SHARE-BASED PAYMENTS

(a) Share option schemes

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

37 SHARE-BASED PAYMENTS (continued)

(a) Share option schemes (continued)

(i) Movements in share options

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

	Post-IPO Option Scheme II		Post-IPO Option Scheme IV		2023 Share Option Scheme		Total
	Average exercise price	Number of options	Average exercise price	Number of options	Average exercise price	Number of options	Number of options
At 1 January 2023 (Note)	**HKD177.28**	**29,261,866**	**HKD354.26**	**90,161,910**	–	–	**119,423,776**
Granted	–	–	**HKD375.60**	**3,659,925**	**HKD334.04**	**13,561,932**	**17,221,857**
Exercised	**HKD165.15**	**(11,941,689)**	**HKD262.55**	**(752,225)**	**HKD250.65**	**(454,440)**	**(13,148,354)**
Lapsed/forfeited	**HKD143.33**	**(1,850)**	**HKD453.51**	**(276,898)**	**HKD376.26**	**(607,455)**	**(886,203)**
Transferred	–	–	**HKD355.55**	**(92,792,712)**	**HKD355.55**	**92,792,712**	–
At 31 December 2023	**HKD185.65**	**17,318,327**	–	–	**HKD353.11**	**105,292,749**	**122,611,076**
Exercisable as at 31 December 2023	**HKD185.65**	**17,208,952**	–	–	**HKD356.48**	**52,857,824**	**70,066,776**

	Post-IPO Option Scheme II		Post-IPO Option Scheme IV		Total
	Average exercise price	Number of options	Average exercise price	Number of options	Number of options
At 1 January 2022	HKD191.64	35,146,117	HKD402.75	81,689,281	116,835,398
Granted	–	–	HKD353.22	12,778,815	12,778,815
Exercised	HKD146.28	(5,862,075)	HKD279.99	(944,750)	(6,806,825)
Lapsed/forfeited/waived	HKD135.50	(22,176)	HKD557.65	(3,361,436)	(3,383,612)
At 31 December 2022	HKD200.77	29,261,866	HKD391.24	90,161,910	119,423,776
Exercisable as at 31 December 2022	HKD200.73	29,152,491	HKD382.60	43,255,764	72,408,255

Note:

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

37 SHARE-BASED PAYMENTS (continued)

(a) Share option schemes (continued)

(i) Movements in share options (continued)

During the year ended 31 December 2023, no options were granted to any director of the Company (2022: Nil).

During the year ended 31 December 2023, 13,148,354 options (2022: 6,806,825 options) were exercised and the right to receive 4,327,793 shares (2022: Nil) was surrendered by certain grantees to set off against the exercise consideration and individual income tax payable by the grantees when they exercised their options. The weighted average price of the shares at the time these options were exercised was HKD338.98 per share (equivalent to approximately RMB301.28 per share) (2022: HKD305.94 per share (equivalent to approximately RMB269.73 per share)).

(ii) Outstanding share options

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

		Number of share options	
		31 December	31 December
Expiry Date	**Range of exercise price**	**2023**	2022
7 years commencing from	HKD126.57~HKD143.33	–	4,234,341
the date of grant of options	HKD185.65~HKD256.06	**20,358,477**	28,870,121
	HKD276.01~HKD348.04	**61,529,918**	48,748,226
	HKD355.51~HKD387.16	**25,754,058**	22,143,949
	HKD433.25~HKD511.83	**9,092,271**	9,394,340
	HKD526.97~HKD533.39	**5,876,352**	6,032,799
		122,611,076	119,423,776

The outstanding share options as of 31 December 2023 were divided into one to four tranches at their grant dates. The first tranche can be exercised after a specified period ranging from one month to five years from the grant date, and then the remaining tranches will become exercisable in each subsequent year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

37 SHARE-BASED PAYMENTS (continued)

(a) Share option schemes (continued)

(iii) Fair value of options

The directors of the Company had used the Binomial Model to determine the fair value of the options as at the respective grant dates, which was to be expensed over the relevant vesting period. The weighted average fair value of options granted during the year ended 31 December 2023 was HKD126.73 per share (equivalent to approximately RMB115.38 per share) (2022: HKD113.60 per share (equivalent to approximately RMB94.75 per share)).

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

	2023	2022
Weighted average share price at the grant date	**HKD341.90**	HKD342.95
Risk-free rate	**2.82% ~ 3.98%**	2.11% ~ 2.56%
Dividend yield	**0.31%**	0.25%
Expected volatility (Note)	**36% ~ 37%**	34%

Note:

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

37 SHARE-BASED PAYMENTS (continued)

(b) Share award schemes

As disclosed in the circular of the Company dated 24 April 2023, upon the completion of the transfer of the shares held by the trustee for the purpose of satisfying the outstanding share awards under the 2013 Share Award Scheme and the 2019 Share Award Scheme to the trustee administering the 2023 Share Award Scheme, the 2013 Share Award Scheme and the 2019 Share Award Scheme would be terminated. The transfer had been completed during the year ended 31 December 2023. As at 31 December 2023, the 2023 Share Award Scheme was the only effective share award scheme of the Company which was administered by the independent trustee appointed by the Group. The vesting period of the awarded shares is determined by the Board.

Movements in the number of awarded shares for the years ended 31 December 2023 and 2022 are as follows:

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

Note:

As a result of the distribution in specie of Meituan Shares, pursuant to the scheme rules of the 2013 Share Award Scheme and the 2019 Share Award Scheme, adjustments had been made to the number of shares subject to share awards which remained unvested as at 5 January 2023. The number of awarded shares granted during the year ended 31 December 2023 included a total of 6,186,967 additional awarded shares which were awarded pursuant to such adjustments.

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

37 SHARE-BASED PAYMENTS (continued)

(b) Share award schemes (continued)

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

The weighted average fair value of awarded shares granted during the year ended 31 December 2023 was HKD342.27 per share (equivalent to approximately RMB310.79 per share) (2022: HKD326.30 per share (equivalent to approximately RMB277.69 per share)).

The outstanding awarded shares as of 31 December 2023 were divided into one to seven tranches as at their grant dates. The first tranche can be exercised immediately or after a specified period ranging from one month to seven years from the grant date, and the remaining tranches will become exercisable in each subsequent year.

(c) Employee investment schemes

For aligning the interests of key employees with the Group, the Group established several employees' investment plans in the form of limited liability partnerships (the "EISs") among which the five EISs approved/established in 2014, 2015, 2016, 2017 and 2021 are in effect as at 31 December 2023. According to the terms of the EISs, the Board may, at its absolute discretion, invite any qualifying participants of the Group, excluding any director of the Company, to participate in the EISs by subscribing for the partnership interest at cash consideration. The participating employees are entitled to the economic benefits generated by the EISs, if any, after a specified vesting period under the respective EISs, ranging from four to seven years. Wholly-owned subsidiaries of the Company acting as general partner of these EISs administer and in essence, control the EISs. These EISs are therefore consolidated by the Company as structured entities.

The related share-based compensation expenses incurred for the years ended 31 December 2023 and 2022 were insignificant to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

37 SHARE-BASED PAYMENTS (continued)

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

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

(e) Expected Retention Rate of grantees

The Group has to estimate the Expected Retention Rate in order to determine the amount of share-based compensation expenses charged to the consolidated income statement. As at 31 December 2023, the Expected Retention Rate of the Group's wholly-owned subsidiaries was assessed to be not lower than approximately 89% (31 December 2022: not lower than 89%).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

38 BORROWINGS

	As at 31 December	
	2023	2022
	RMB'Million	RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD bank borrowings, unsecured (Note (a))	**109,782**	141,090
Non-current portion of long-term RMB bank borrowings, unsecured (Note (a))	**46,000**	22,514
Non-current portion of long-term JPY bank borrowings, unsecured (Note (a))	**26**	45
Non-current portion of long-term JPY bank borrowings, secured (Note (a))	**2**	3
Non-current portion of long-term EUR bank borrowings, secured (Note (a))	**6**	9
Non-current portion of long-term EUR bank borrowings, unsecured (Note (a))	**3**	7
	155,819	163,668
Included in current liabilities:		
USD bank borrowings, unsecured (Note (b))	**18,415**	–
RMB bank borrowings, unsecured (Note (b))	**7,046**	5,981
RMB bank borrowings, secured (Note (b))	**100**	–
Current portion of long-term USD bank borrowings, unsecured (Note (a))	**15,936**	5,572
Current portion of long-term JPY bank borrowings, unsecured (Note (a))	**16**	19
Current portion of long-term JPY bank borrowings, secured (Note (a))	**1**	1
Current portion of long-term EUR bank borrowings, unsecured (Note (a))	**4**	4
Current portion of long-term EUR bank borrowings, secured (Note (a))	**4**	3
Current portion of long-term RMB bank borrowings, unsecured (Note (a))	**15**	–
	41,537	11,580
	197,356	175,248

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

38 BORROWINGS (continued)

Note:

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

	31 December 2023		31 December 2022	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
RMB bank borrowings	**RMB46,015**	**2.45% ~ 4.60%**	RMB22,514	2.80% ~ 4.80%
USD bank borrowings	**USD17,750**	**SOFR + CAS + 0.80% ~ 0.95%**	USD20,998	LIBOR + 0.80% ~ 0.95%
USD bank borrowings	–	–	USD60	1.41%
JPY bank borrowings	**JPY894**	**0.00% ~ 1.86%**	JPY1,250	0.00% ~ 1.86%
JPY bank borrowings	**JPY21**	**TIBOR + 1.70%**	JPY36	TIBOR + 1.70%
EUR bank borrowings	**EUR2**	**1.00% ~ 2.54%**	EUR3	1.00% ~ 2.54%

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

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

The long-term bank borrowings are repayable as follows:

	As at 31 December	
	2023	2022
	RMB'Million	RMB'Million
Within 1 year	**15,976**	5,599
Between 1 and 2 years	**41,643**	33,178
Between 2 and 5 years	**114,174**	130,487
Over 5 years	**2**	3
	171,795	169,267

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

38 BORROWINGS (continued)

Note: (continued)

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

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

The Group had entered into interest rate swap contracts to hedge its exposure arising from certain long-term bank borrowings carried at floating rates. The Group's outstanding interest rate swap contracts as at 31 December 2023 and 2022 are detailed in Note 29.

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

The Group had complied with all of the financial covenants of its borrowing facilities for the years ended 31 December 2023 and 2022.

39 NOTES PAYABLE

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

39 NOTES PAYABLE (continued)

Note:

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

	31 December 2023		31 December 2022	
	Amount (Million)	**Interest rate (per annum)**	Amount (Million)	Interest rate (per annum)
USD notes payable	**USD750**	**Term SOFR + CAS + 0.910%**	USD1,250	LIBOR + 0.605% ~ 0.910%
USD notes payable	**USD20,700**	**1.375% ~ 4.700%**	USD21,700	1.375% ~ 4.700%

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

The Group had entered into interest rate swap contracts to hedge its exposure arising from its senior notes carried at floating rates. The Group's outstanding interest rate swap contracts as at 31 December 2023 and 2022 are detailed in Note 29.

The notes payable are repayable as follows:

	As at 31 December	
	2023	2022
	RMB'Million	RMB'Million
Within 1 year	**14,161**	10,446
Between 1 and 2 years	**8,486**	13,913
Between 2 and 5 years	**28,275**	18,758
More than 5 years	**100,340**	115,998
	151,262	159,115

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

As at 31 December 2023, the fair value of the notes payable amounted to approximately RMB131,247 million (31 December 2022: RMB134,516 million). The respective fair value was assessed based on the active market prices of these notes at the reporting date or by making reference to similar instruments traded in the observable market.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

40 LONG-TERM PAYABLES

	As at 31 December	
	2023	2022
	RMB'Million	RMB'Million
Payables relating to media content and running royalty fee for online games	**5,398**	3,072
Cash-settled share-based compensation payables (Note 37(d))	**1,227**	1,007
Payables relating to capital transaction	**85**	306
Others	**5,459**	4,682
	12,169	9,067

41 OTHER FINANCIAL LIABILITIES

	As at 31 December	
	2023	2022
	RMB'Million	RMB'Million
Measured at amortised cost:		
Redemption liabilities (Note (a))	**10,354**	6,204
Measured at fair value:		
Contingent consideration	**2,966**	3,236
Others	**19**	71
	2,985	3,307
	13,339	9,511
Included in:		
Non-current liabilities	**8,781**	5,574
Current liabilities	**4,558**	3,937
	13,339	9,511

Note:

(a) It comprised redemption liabilities arising from put option arrangements made with non-controlling shareholders of acquired subsidiaries of approximately RMB10,354 million (31 December 2022: RMB6,204 million).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

42 ACCOUNTS PAYABLE

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

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

43 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2023	2022
	RMB'Million	RMB'Million
Staff costs and welfare accruals	**30,747**	27,664
Selling and marketing expense accruals	**7,096**	4,584
General and administrative expenses accruals	**4,574**	4,157
Purchase of land use rights, buildings and construction related costs	**3,451**	2,620
Interests payable	**1,718**	1,655
Purchase consideration payables for investee companies	**1,022**	1,496
Prepayments received from customers and others	**669**	816
Others (Note)	**27,318**	18,147
	76,595	61,139

Note:

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

44 BUSINESS COMBINATIONS

During the year ended 31 December 2023, the Group completed the acquisition of a game company by acquiring 67% of its equity interest at a cash consideration of approximately USD0.9 billion (equivalent to approximately RMB6.5 billion), which was accounted for as a subsidiary of the Group upon the completion of the transaction.

Goodwill of approximately RMB5.6 billion was recognised as a result of the transaction. It was mainly attributable to the operating synergies and economies of scale expected to be derived from combining the operations. None of the goodwill was expected to be deductible for income tax purpose.

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

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

Note:

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

45 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of net profit to cash generated from operations:

	2023 RMB'Million	2022 RMB'Million
Profit for the year	**118,048**	188,709
Adjustments for:		
Income tax expense	**43,276**	21,516
Net gains on disposals and deemed disposals of investee companies	**(4,283)**	(172,707)
Dividend income	**(546)**	(948)
Depreciation of property, plant and equipment, investment properties and right-of-use assets	**26,305**	28,444
Amortisation of intangible assets and land use rights	**32,703**	32,772
Net gains on disposals of intangible assets, land use rights, property, plant and equipment, construction in progress and right-of-use assets	**(126)**	(108)
Interest income	**(13,808)**	(8,592)
Interest and related expenses	**11,885**	9,985
Equity-settled share-based compensation expenses	**21,073**	24,949
Share of (profit)/loss of associates and joint ventures, net	**(5,800)**	16,129
Impairment provisions for investments in associates, investments in joint ventures and others	**6,095**	27,538
Net fair value losses on FVPL and other financial instruments	**2,119**	7,750
Net impairment of intangible assets, land use rights, right-of-use assets, investment properties and property, plant and equipment	**134**	17,428
Exchange losses/(gains), net	**383**	(633)
Changes in working capital:		
Accounts receivable	**(1,010)**	4,336
Inventories	**1,882**	(1,201)
Prepayments, deposits and other receivables	**5,469**	(5,840)
Accounts payable	**8,044**	(6,518)
Other payables and accruals	**1,349**	(4,851)
Other tax liabilities	**(322)**	2,239
Deferred revenue	**3,821**	(6,637)
Cash generated from operations	**256,691**	173,760

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

45 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Major non-cash transactions

Major non-cash transactions during the year ended 31 December 2023 were the settlement of dividend declared to be distributed in specie of Meituan Shares (Note 17(b) and Note 34).

(c) Net cash/(debt) reconciliation

This section sets out an analysis of net cash/(debt) and the movements in net cash/(debt) for each of the years presented.

Net cash/(debt)	As at 31 December	
	2023	2022
	RMB'Million	RMB'Million
Cash and cash equivalents	**172,320**	156,739
Term deposits and others	**231,038**	162,792
Borrowings – repayable within one year	**(41,537)**	(11,580)
Borrowings – repayable after one year	**(155,819)**	(163,668)
Notes payable – repayable within one year	**(14,161)**	(10,446)
Notes payable – repayable after one year	**(137,101)**	(148,669)
Net cash/(debt)	**54,740**	(14,832)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

45 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Net cash/(debt) reconciliation (continued)

	Cash and cash equivalents RMB'Million	Term deposits and others RMB'Million	Borrowings due within 1 year RMB'Million	Borrowings due after 1 year RMB'Million	Notes payable due within 1 year RMB'Million	Notes payable due after 1 year RMB'Million	Total RMB'Million
Net debt as at 1 January 2023	**156,739**	**162,792**	**(11,580)**	**(163,668)**	**(10,446)**	**(148,669)**	**(14,832)**
Cash flows	**14,228**	**65,897**	**(14,234)**	**(5,211)**	**10,141**	**–**	**70,821**
Exchange impacts	**1,353**	**1,506**	**(94)**	**(2,537)**	**(12)**	**(2,205)**	**(1,989)**
Other non-cash movements (Note)	**–**	**843**	**(15,629)**	**15,597**	**(13,844)**	**13,773**	**740**
Net cash as at 31 December 2023	**172,320**	**231,038**	**(41,537)**	**(155,819)**	**(14,161)**	**(137,101)**	**54,740**
Net debt as at 1 January 2022	167,966	113,320	(19,003)	(136,936)	–	(145,590)	(20,243)
Cash flows	(18,733)	44,080	13,430	(19,837)	–	–	18,940
Exchange impacts	7,506	3,326	(273)	(12,492)	(883)	(12,564)	(15,380)
Other non-cash movements (Note)	–	2,066	(5,734)	5,597	(9,563)	9,485	1,851
Net debt as at 31 December 2022	156,739	162,792	(11,580)	(163,668)	(10,446)	(148,669)	(14,832)

Note:

It mainly resulted from the reclassification from non-current to current and assets/liabilities acquired from business combinations.

46 COMMITMENTS

(a) Capital commitments

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

	As at 31 December	
	2023	2022
	RMB'Million	RMB'Million
Contracted:		
Construction/purchase of buildings and purchase of land use rights	**4,480**	4,821
Capital investments in investees	**9,685**	12,623
Purchase of other capital assets	**3,444**	158
	17,609	17,602

(b) Other commitments

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

	As at 31 December	
	2023	2022
	RMB'Million	RMB'Million
Contracted:		
Not later than one year	**11,404**	13,037
Later than one year and not later than five years	**12,801**	14,124
Later than five years	**5,103**	5,427
	29,308	32,588

47 RELATED PARTY TRANSACTIONS

Except as disclosed in Note 15(a) (Senior management's emoluments), Note 15(b) (Five highest paid individuals), Note 16 (Benefits and interests of directors), Note 28 (Loans to investees and investees' shareholders) and Note 37 (Share-based payments) to the consolidated financial statements, other significant transactions carried out between the Group and its related parties during the years are presented as follows. These related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

47 RELATED PARTY TRANSACTIONS (continued)

(a) Significant transactions with related parties

The Group has commercial arrangements with certain associates and joint ventures to provide Online Advertising services, FinTech and Business Services, and other services, the revenue from which, for the year ended 31 December 2023, amounted to RMB7,286 million, RMB42,141 million and RMB2,740 million, respectively (2022: RMB5,819 million, RMB39,200 million and RMB2,577 million, respectively).

The Group has commercial arrangements with certain associates and joint ventures to purchase online game licenses and related services, media content and related services, FinTech and Business Services and others, the costs and expenses of which, for the year ended 31 December 2023, amounted to RMB3,082 million, RMB4,752 million, RMB2,222 million and RMB1,532 million, respectively (2022: RMB1,734 million, RMB4,226 million, RMB3,710 million and RMB1,030 million, respectively).

(b) Year end balances with related parties

As at 31 December 2023, accounts receivable and other receivables from related parties were RMB9,891 million and RMB493 million, respectively (31 December 2022: RMB10,755 million and RMB186 million, respectively).

As at 31 December 2023, accounts payable and other payables to related parties were RMB2,681 million and RMB144 million, respectively (31 December 2022: RMB1,530 million and RMB64 million, respectively).

The Group has certain business co-operation arrangements with certain associates, which are engaged in various Internet businesses including eCommerce, Online-To-Offline platforms, and FinTech services, in respect of the provision of various services such as FinTech services, business services and online advertising to these associates. As at 31 December 2023, contract liabilities arising from these business co-operation arrangements were RMB1,373 million (31 December 2022: RMB1,959 million).

The Group has entered into certain contracts for purchasing services or content with certain associates or joint ventures. As at 31 December 2023, commitments in respect of these agreements amounted to RMB4,433 million.

Other than the transactions and balances disclosed above or elsewhere in the consolidated financial statements, the Group had no other material transactions with related parties during the years ended 31 December 2023 and 2022, and no other material balances with related parties as at 31 December 2023 and 2022.

48 FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Financial position of the Company

	As at 31 December	
	2023	2022
	RMB'Million	RMB'Million
ASSETS		
Non-current assets		
Intangible assets	**43**	42
Investments in subsidiaries	**207,615**	215,342
Investments in associates	**399**	440
Financial assets at fair value through other comprehensive income	**951**	1,944
Contribution to Share Scheme Trust	**–**	15
	209,008	217,783
Current assets		
Amounts due from subsidiaries	**74,986**	45,516
Prepayments, deposits and other receivables	**178**	177
Cash and cash equivalents	**1,654**	754
Assets held for distribution	**–**	147,965
	76,818	194,412
Total assets	**285,826**	412,195

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

48 FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

(a) Financial position of the Company (continued)

	As at December 31	
	2023	2022
	RMB'Million	RMB'Million
EQUITY		
Share capital	–	–
Share premium	**37,989**	62,418
Treasury shares	**(4,740)**	(1,868)
Shares held for share award schemes	**(5,350)**	(4,226)
Other reserves (b)	**(5,279)**	8,617
Retained earnings (b)	**64,252**	17,621
Total equity	**86,872**	82,562
LIABILITIES		
Non-current liabilities		
Notes payable	**131,465**	143,134
Other financial liabilities	**67**	153
	131,532	143,287
Current liabilities		
Amounts due to subsidiaries	**50,111**	25,944
Other payables and accruals	**3,150**	1,991
Notes payable	**14,161**	10,446
Dividends payable for distribution in specie	–	147,965
	67,422	186,346
Total liabilities	**198,954**	329,633
Total equity and liabilities	**285,826**	412,195

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

48 FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

(b) Reserve movement of the Company

	Retained earnings RMB'Million	Other reserves RMB'Million
At 1 January 2023	**17,621**	**8,617**
Profit for the year	**54,011**	–
Cash dividends	**(20,586)**	–
Dividends under distribution in specie	**32,169**	–
Transfer of losses on settlement of assets held for distribution to retained earnings	**(18,963)**	**18,963**
Losses from changes in fair value of assets held for distribution	–	**(29,991)**
Net losses from changes in the fair value of financial assets at fair value through other comprehensive income	–	**(1,020)**
Currency translation differences	–	**(1,848)**
At 31 December 2023	**64,252**	**(5,279)**
At 1 January 2022	506	3,708
Profit for the year	171,971	–
Cash dividends	(12,950)	–
Dividends under distribution in specie	(130,156)	–
Transfer of losses on settlement of assets held for distribution to retained earnings	(11,750)	11,750
Net losses from changes in fair value of assets held for distribution	–	(6,102)
Net gains from changes in the fair value of financial assets at fair value through other comprehensive income	–	55
Currency translation differences	–	(794)
At 31 December 2022	17,621	8,617

49 SUBSEQUENT EVENTS

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

50 SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITIES

The following is a list of material subsidiaries of the Company as at 31 December 2023:

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 Computer	Established in the PRC, limited liability company	RMB65,000,000	100% (Note (a))	Provision of value-added services and Internet advertisement services in the PRC
Tencent Technology	Established in the PRC, wholly foreign owned enterprise	USD2,000,000	100%	Development of softwares and provision of information technology services in the PRC
Shenzhen Shiji Kaixuan Technology Company Limited	Established in the PRC, limited liability company	RMB11,000,000	100% (Note (a))	Provision of Internet advertisement services in the PRC
Tencent Cyber (Tianjin) Company Limited	Established in the PRC, wholly foreign owned enterprise	USD90,000,000	100%	Development of softwares and provision of information technology services in the PRC
Tencent Asset Management Limited	Established in the British Virgin Islands, limited liability company	USD100	100%	Asset management in Hong Kong
Tencent Technology (Beijing) Company Limited	Established in the PRC, wholly foreign owned enterprise	USD1,000,000	100%	Development and sale of softwares and provision of information technology services in the PRC
Nanjing Wang Dian Technology Company Limited	Established in the PRC, limited liability company	RMB10,290,000	100% (Note (a))	Provision of value-added services in the PRC
Beijing BIZCOM Technology Company Limited	Established in the PRC, limited liability company	RMB1,216,500,000	100% (Note (a))	Provision of value-added services in the PRC
Beijing Starsinhand Technology Company Limited	Established in the PRC, limited liability company	RMB10,000,000	100% (Note (a))	Provision of value-added services in the PRC
Tencent Cyber (Shenzhen) Company Limited	Established in the PRC, wholly foreign owned enterprise	USD30,000,000	100%	Development of softwares in the PRC

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

50 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 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	USD1,310	99.72%	Development and operation of online games in the United States
China Literature Limited	Established in the Cayman Islands, limited liability company	USD102,339	57.03%*	Provision of online literature services in the PRC
TME (Note (b))	Established in the Cayman Islands, limited liability company	USD280,753	53.09%*	Provision of online music entertainment services in the PRC
Supercell Oy	Established in Finland, limited liability company	EUR2,500	81.22%	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	RMB50,000,000	100% (Note (a))	Provision of value-added services in the PRC
Guangzhou Tencent Technology Company Limited	Established in the PRC, wholly foreign owned enterprise	RMB70,000,000	100%	Development of softwares and provision of information technology services in the PRC

* on an outstanding basis

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

50 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 rates ranging from 1.375% to 2.000%. As at 31 December 2023, the principal amount and net book balance of its notes payable were USD800 million and USD796 million respectively.

(c) The directors of the Company considered that none of the non wholly-owned subsidiaries has non-controlling interests that are material 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's undertakings included in the Group.

(e) Significant restrictions

As at 31 December 2023, cash and cash equivalents, term deposits and restricted cash of the Group, amounting to RMB231,391 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 37(c), the Company has consolidated the operating entities within the Group without any legal interests and the EISs where 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 37(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 2023, the Company contributed approximately RMB4,378 million (2022: RMB2,882 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
"2019 Share Award Scheme"	the share award scheme adopted by the Company on Adoption Date III, as amended
"2023 Share Award Scheme"	the share award scheme adopted by the Company on Adoption Date IV, as amended from time to time
"2023 Share Option Scheme"	the share option scheme adopted by the Company on 17 May 2023, as amended from time to time
"2024 AGM"	the annual general meeting of the Company to be held on 14 May 2024 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
"Adoption Date IV"	17 May 2023, being the date on which the Company adopted the 2023 Share Award Scheme
"AI"	artificial intelligence
"Articles of Association"	the third amended and restated articles of association of the Company adopted by special resolution passed on 18 May 2022
"Audit Committee"	the audit committee of the Company

Definition

Term	Definition
"Auditor"	PricewaterhouseCoopers, the auditor of the Company
"Awarded Share(s)"	the share(s) of the Company awarded under the Share Award Schemes
"Beijing BIZCOM"	Beijing BIZCOM Technology Company Limited
"Beijing Starsinhand"	Beijing Starsinhand Technology Company Limited
"Board"	the board of directors of the Company
"CAS"	credit adjustment spread, which is a fixed spread adjustment incorporated to bridge the gap between LIBOR and SOFR in order to minimise the economic impact of the transfer from a LIBOR-based debt to a SOFR-based debt
"CG Code"	the corporate governance code as set out in Appendix C1 to the Listing Rules
"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
"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

Definition

Term	Definition
"Eligible Person(s)"	any person(s) eligible to participate in the respective Share Award Schemes
"Employee Participant(s)"	director(s) or employee(s) of any member of the Group (including person(s) who is/are granted options under the Post-IPO Option Scheme II, the Post-IPO Option Scheme IV and the 2023 Share Option Scheme or awards under the Share Award Schemes as an inducement to enter into employment contracts with these companies (as the case may be))
"EPS"	earnings per share
"ESG Reporting Guide"	the environmental, social and governance reporting guide as set out in Appendix C2 to the Listing Rules
"FinTech"	financial technology
"FPO"	Follow-on Public Offering
"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
"Guian New Area Tencent Cyber"	Guian New Area Tencent Cyber Company Limited
"Hainan Network"	Hainan Tencent Network Information Technology Company Limited
"Hangzhou Tencent Information"	Hangzhou Tencent 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

Definition

Term	Definition
"IC"	risk management and internal control department of the Company
"IFRS"	International Financial Reporting Standards as issued by the International Accounting Standards Board
"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
"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 approximately 948 million Class B ordinary shares in the share capital of Meituan with a par value of USD0.00001 each, of which the Group completed the distribution on 24 March 2023
"Minor(s)"	players who are aged under 18

Definition

Term	Definition
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
"NASDAQ"	NASDAQ Global Select Market
"Nomination Committee"	the nomination committee of the Company
"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
"Related Entity"	a holding company (as defined in the Listing Rules), a fellow subsidiary ("subsidiary" as defined in the Listing Rules) or an associated company of the Company
"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

Definition

Term	Definition
"Service Provider(s)"	person(s) who, or entity(ies) which, provide services to the Group on a continuing or recurring basis in their ordinary and usual course of business which are in the interests of the long term growth of the Group, including independent contractor(s), consultant(s), adviser(s), agent(s) and supplier(s), with reference to, among other things, research and development, engineering or technical contribution, the design or development or distribution of products/services provided by the Group, or otherwise will contribute significantly to the growth of the Group's financial or business performance for research and development, product commercialisation, marketing, innovation upgrading, strategic/commercial planning on corporate image and investor relations in investment environment of the Group, as determined by the Board in its sole and absolute discretion
"SFO"	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"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 2013 Share Award Scheme, the 2019 Share Award Scheme and the 2023 Share Award Scheme
"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

Definition

Term	Definition
"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
"SOFR"	Secured Overnight Financing Rate
"SSV & CPP"	Sustainable Social Value and Common Prosperity Programmes
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supercell"	Supercell Oy, a non wholly-owned subsidiary of the Company which is a private company incorporated in Finland
"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
"Tenpay"	Tenpay Payment Technology Co., Ltd., a member of the Group operating in the Mainland of China and engaging in the provision of payment services
"Term SOFR"	the term SOFR reference rate administered by CME Group Benchmark Administration Limited for the relevant period published by CME Group Benchmark Administration Limited
"TIBOR"	Tokyo InterBank Offered Rate

Definition

Term	Definition
"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
"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
"Trust Deed IV"	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 2023 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, Guangzhou Tencent Computer and Hangzhou Tencent Information
"Wuhan Tencent Information"	Wuhan Tencent Information Technology Company Limited

Tencent 腾讯

Website: www.tencent.com

Tencent Group Head Office
Tencent Binhai Towers, No. 33 Haitian 2nd Road
Nanshan District, Shenzhen, the PRC

Zipcode : 518054
Telephone : 86-755-86013388

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

Telephone : 852-21795122

Weixin Official Account for Investor Relations : Tencent_IR

Skatteetaten

Vår dato	Din/Deres dato	Saksbehandler
04.05.2021	18.03.2021	Lars Waaltorp
800 80 000	Din/Deres referanse	Telefon
Skatteetaten.no	AR421070099	90833418
Org.nr	Vår referanse	Postadresse
974761076	2021/5523803	Postboks 9200 Grønland 0134 OSLO

FUNCOM SE
Kirkegata 15
0153 OSLO

Att. Markus Huseby Enge

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk for Funcom SE, org.nr. 925 209 171

Vi viser til deres henvendelse sendt inn 18. mars 2021 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk for Funcom SE.

Skattekontoret gir på bakgrunn av en konkret helhetsvurdering Funcom SE dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen gjelder så lenge opplysningene som danner grunnlaget for vedtaket ikke endres vesentlig.

Kopi av dette brevet må sendes til Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Den regnskapspliktige må selv dokumentere ved dette brev at tillatelse er gitt.

Bakgrunn
Funcom SE er registrert som et europeisk selskap (Societas Europaea), hvor endelig eier er et utenlandsk selskap som er en del av et internasjonalt konsern. Konsernets arbeidsspråk er engelsk. Funcomgruppen utvikler og selger dataspill, og selskapets kunder, leverandører og de fleste andre brukere er i all hovedsak utenfor Norges grenser. Styrelederen og styremedlemmene i selskapet er utenlandske.

Skattekontorets vurdering
Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen [...] være på norsk. Departementet kan ved [...] enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap mv., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

> "Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i

samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til "informative regnskaper for ulike grupper av regnskapsbrukere". Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter skattekontorets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har skattekontoret lagt særlig vekt på at selskapets endelige eier er et utenlandsk selskap som er en del av et internasjonalt konsern. Videre er det vektlagt at selskapet driver virksomhet i en bransje der alle sentrale aktører behersker og benytter engelsk.

Vennligst oppgi vår referanse ved henvendelse i saken.

Med hilsen

Lars Waaltorp
seniorrådgiver
Brukerdialog, brukerkontakt
Skatteetaten

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.

Skatteetaten

Vår dato	Din/Deres dato	Saksbehandler
17.10.2022	28.09.2022	Lars Waaltorp
800 80 000 Skatteetaten.no	Din/Deres referanse AR508550392	Telefon 90833418
Org.nr 974761076	Vår referanse 2022/5821649	Postadresse Postboks 9200 Grønland 0134 OSLO

FUNCOM SE
Kirkegata 15
0153 OSLO

Att. Alexander Voldsund

Fritak for konsernregnskapsplikt for Funcom SE, org.nr. 925 209 171

Vi viser til deres brev av 28. september 2022 hvor dere søker om fritak fra plikten til å utarbeide konsernregnskap for Funcom SE.

Skattekontoret finner med hjemmel i regnskapsloven § 3-7 fjerde ledd å kunne gi tillatelse til at det gjøres unntak for konsernregnskapsplikten for Funcom SE. Dispensasjonen gjelder så lenge opplysningene som danner grunnlaget for vedtaket ikke endres vesentlig.

Kopi av dette brev må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet mv. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn
Funcom SE er morselskap i et underkonsern, hvor Tencent Holdings Limited er det ultimate morselskapet og er hjemmehørende i Caymanøyene. Konsernregnskap utarbeides av Tencent Holdings Limited på engelsk språk etter IFRS, hvor Funcom SE med datterselskaper er omfattet.

Skattekontorets vurdering
Det forutsettes at Tencent Holdings Limited utarbeider konsernregnskap som omfatter den regnskapspliktige og dennes datterselskaper. Det legges til grunn at dette konsernregnskapet er utarbeidet i samsvar med IFRS og at kravene i regnskapsloven § 3-7 med forskrifter for øvrig følges. Bestemmelsene i regnskapsloven kapittel 8 gjelder tilsvarende for dette konsernregnskapet.

Når det gjelder hvilket språk morselskapet skal utarbeide konsernregnskapet på, vises det til forskrift av 7. september 2006 nr. 1062 til utfylling og gjennomføring mv. av regnskapsloven. Det følger av § 3-7-1 at konsernregnskapet foruten å være på norsk, kan være på svensk, dansk eller engelsk.

Skattekontoret gir etter en konkret helhetsvurdering tillatelse til at det gjøres unntak for konsernregnskapsplikten.

Vennligst oppgi vår referanse ved henvendelse i saken.

Med hilsen

Lars Waaltorp
seniorrådgiver
Brukerdialog, brukerkontakt
Skatteetaten

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.

To the General Meeting of Funcom SE

Independent Auditor's Report

Opinion

We have audited the financial statements of Funcom SE (the Company), which comprise the statement of financial position as at 31 December 2023, the income statement and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements comply with applicable statutory requirements, and the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

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 Financial Statements* section of our report. We are independent of the Company as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

PricewaterhouseCoopers AS, Dronning Eufemias gate 71, Postboks 748 Sentrum, NO-0106 Oslo
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Our objectives are to obtain reasonable assurance about whether the 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. 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to: https://revisorforeningen.no/revisjonsberetninger

Oslo, 18 June 2024
PricewaterhouseCoopers AS

Eivind Nilsen
State Authorised Public Accountant
(This document is signed electronically)

Securely signed with Brevio

Revisjonsberetning

Signers:

Name	***Method***	***Date***
Nilsen, Eivind	BANKID	2024-06-18 16:57

Annual Board of Directors Report - Funcom SE - 2023

The Company's activities and operations
The Company's business is to invest in subsidiaries who develop, promote, operate, and sell video games as well as related activities. The Company is based in Oslo, Norway, and is the parent company of the Funcom Group. The Company does not have any operational activities.

Financial Summary for the Company

Operating income
There was no operating income in Funcom SE for 2023 or 2022.

Operating expenses
Operating expenses for 2023 were USD 53 607 (2022: USD 149 179).

Operating profit/loss
The Company generated an operating loss of USD 53 607 (2022: USD 149 179).

Financial items
Net financial income amounted to USD 4 368 890 (2022: USD 1 347 730).

Operating result
The operating result before tax was USD 4 315 283 (2022: USD 1 198 551). Tax on ordinary result was USD 1 074 642 (2022: USD 336 484). Net profit for the year was USD 3 240 640 (2022: USD 862 068).

Cash flow
The cash flow from operating activities was USD 6 867 683 (2022: USD 1 985 611). Cash flow from investment activities was USD -60 284 798 (2022: USD -29 754 000) and cash flow from financing activities was USD 55 000 000 (2022: USD 24 000 000). Cash and cash equivalents at year end 2023 were USD 2 109 261 (2022: USD 445 888).

Financing and debt
The Company's equity was USD 86 270 244 at the end of 2023 (2022: USD 45 111 048). The Company had total liabilities of USD 78 084 244 at the end of 2023 (2022: USD 55 900 893).

Risk factors
The Company's overall performance is dependent on the revenues from subsidiaries, which come from existing and future games. In particular the much anticipated open-world survival game 'Dune Awakening', which is the focus of current investments in the subsidiaries. Liquidity risk arises due to strong growth of the Group and investments in games. These are funded by operating revenues in subsidiaries and supported by Tencent Group, one of the world's largest companies in terms of market capitalization. Currency risk is managed by the management of the Company and cash balance in relevant currencies are kept as a natural hedge against cost, to reduce significant currency risk. The Company does not use derivative instruments to manage its financial risk.

The Company and members of the board are covered by a liability insurance policy. The liability insurance covers all subsidiaries.

Going concern
The accounts have been prepared on a going concern basis.

The Company's key funding sources are the cash balance, revenues from subsidiaries, future games pipeline, and a strong shareholder funding growth. Based on future cash flow projections estimated by the Funcom Group and the financially strong ultimate owner, Tencent Holdings Limited, one of the largest companies in the world in terms of market cap, there is no reason to believe that the Company will not be a going concern going forward.

Research and development
There have not been any research and development activities in 2023 in the Company.

Working environment and equal opportunities
There are no employees in the Company. There is one woman on the board as of 31 December 2023.

Environmental report
The company's activities do not pollute the environment.

Transparency Act
Information regarding the Company's work with the Transparency Act can be found on Funcom's official webpage.

Events after the balance sheet date
In April 2024 the Company received a new USD 22.5 million drawdown of a loan facility.

Continuation of Financial Support from Parent Company:
In May 2024, Proxima Beta Pte. Limited signed a letter of support confirming its commitment to provide financial support to Funcom SE for the ongoing operations of Funcom SE. This support is aimed at ensuring that the Company can meet its liabilities as they fall due and continue its business operations without significant curtailment for a period of twelve months starting from 31 December 2023. This undertaking reassures stakeholders about the financial stability and backing of the Company by its parent company.

Oslo, 13 June 2024

Eddie Chan
Eddie Tak Ho Chan
Chairman

Ming Liu
Board member

Stephane Decroix
Stephane Jean Pierre Decroix
Board member

Rui Manuel Monteiro Casais
Rui Manuel Monteiro Casais
CEO

Annual Report 2023
Funcom SE

Income statement
Statement of Financial Position
Statement of Cash flows
Notes to the Financial Statements

Org.no.: 925 209 171

Funcom SE Financial Statement

Income Statement

for the year ended 31 December

In US Dollars	Note	2023	2022
Personnel expenses	2	0	0
Other operating expenses	3	53 607	149 179
Total expenses		**53 607**	**149 179**
Operating profit		**-53 607**	**-149 179**
Financial income and expenses			
Interest income from group companies	4	6 820 922	2 530 688
Other interest income	4	79 779	15 101
Other financial income	4	527 186	547 645
Interest expense to group companies	4	2 539 778	1 109 126
Other interest expenses	4	72 521	77 365
Other financial expenses	4	446 698	559 213
Net financial items	4	**4 368 890**	**1 347 730**
Net profit before tax		4 315 283	1 198 551
Income tax expense	5	1 074 642	336 484
Net profit after tax		**3 240 640**	**862 068**
Net profit or loss		**3 240 640**	**862 068**
Attributable to			
Loss brought forward		3 240 640	862 068
Total		**3 240 640**	**862 068**

Statement of Financial Position

as at 31 December

In US Dollars	Note	2023	2022
Assets			
Non-current assets			
Non-current financial assets			
Investments in subsidiaries	6	138 415 524	43 556 443
Loans to subsidiaries	7	23 819 362	56 979 457
Total non-current financial assets		**162 234 886**	**100 535 900**
Total non-current assets		**162 234 886**	**100 535 900**
Current assets			
Prepayments		10 342	30 153
Cash and cash equivalents	8	2 109 261	445 888
Total current assets		**2 119 602**	**476 041**
Total assets		**164 354 488**	**101 011 941**

Statement of Financial Position

as at 31 December

In US Dollars	Note	2023	2022
Equity and liabilities			
Equity			
Paid-in capital			
Share capital	9, 10	19 189 639	19 189 639
Share premium	10	188 886 918	188 886 918
Other paid-in equity	10	18 227 719	15 738 889
Unregistered capital increase	10	35 429 726	0
Total paid-in capital		**261 734 003**	**223 815 447**
Retained earnings			
Accumulated losses	10	-175 463 759	-178 704 400
Total retained earnings		**-175 463 759**	**-178 704 400**
Total equity	10	**86 270 244**	**45 111 048**
Non-current liabilities			
Non-current liabilities to group companies	11	45 146 276	54 146 276
Other non-current liabilities	12	737 694	640 450
Total non-current liabilities		**45 883 970**	**54 786 726**
Current liabilities			
Trade payables		0	21 851
Tax payable	5	0	0
Liabilities to group companies	11	32 200 274	1 090 222
Other current liabilities		0	2 095
Total current liabilities		**32 200 274**	**1 114 167**
Total liabilities		**78 084 244**	**55 900 893**
Total equity and liabilities		**164 354 488**	**101 011 941**

Oslo, 13.06.2024
The board of Funcom SE

Eddie Chan
Eddie Tak Ho Chan
Chairman

Ming Liu
Board member

Stephane Decroix
Stephane Jean Pierre Decroix
Board member

Rui Manuel Monteiro Casais
Rui Manuel Monteiro Casais
CEO

Statement of Cash Flows

for the year ended 31 December

In US Dollars	Note	2023	2022
Cash flows from operating activities			
Profit/loss before tax		4 315 283	1 198 551
Income tax paid	5	0	0
Effect of exchange rate fluctuations		-80 488	11 569
Change in accounts payable		-21 851	5 028
Change in other accrual items		2 654 739	770 463
Net cash flows from operating activities (A)		**6 867 683**	**1 985 611**
Cash flows from investment activities			
Acquisitions of and capital increase in subsidiaries		0	-1 185 000
Net increase in loans to subsidiaries	7	-60 284 798	-28 569 000
Net cash flows from investment activities (B)		**-60 284 798**	**-29 754 000**
Cash flows from financing activities			
Net proceeds from issue of share capital	10	0	0
Proceeds from borrowings	11	55 000 000	24 000 000
Net cash flows from financing activities (C)		**55 000 000**	**24 000 000**
Net change in cash (A+B+C)		1 582 885	-3 768 389
Effect of exchange rate fluctuations on cash		80 488	-11 569
Cash at the start of the period	8	445 888	4 225 937
Cash at the end of the period	8	**2 109 261**	**445 888**

Notes to the Financial Statements

Note 1 Accounting principles

Funcom SE (or the "Company") is a European limited-liability company (Societas Europaea) registered in Norway. The Company's head office is in Kirkegata 15, 0153 Oslo, Norway. The Company is a subsidiary of the Tencent Group, and Tencent Holding Limited is the Ultimate Parent Company of the Group.

The financial statements are presented in accordance with the Norwegian Accounting Act and Norwegian general accepted accounting principles (NGAAP). The financial Statements are presented in USD which also is the functional currency for the Company.

Going concern
The accounts have been prepared on a going concern basis.

Rounding
All amounts are in US dollars, unless stated otherwise. There may be some minor rounding differences, or the total may deviate from the total of the individual amounts. This is due to the rounding to whole individual amounts.

Classification
An asset or liability is classified as current when it is part of a normal operating cycle, held primarily for trading purposes, falls due within 12 months or when it consists of cash or cash equivalents on the statement of financial position date. Other items are classified as non-current.

Investments in subsidiaries
Investments in subsidiaries are recognized according to the cost method and are yearly tested for impairment indicators.

Loans
All loans are recognized at cost price. That means that they are recognized at the current rate of value of amounts received. Costs relating to raising new loans are expensed over the term of the loan.

Trade debtors
Trade debtors are recognized in the balance sheet after provision for bad debts. The bad debts provision is made on basis of an individual assessment of each debtor and an additional provision is made for other debtors to cover expected losses. Significant financial problems at the Customers, the likelihood that the customer will become bankrupt or experience financial restructuring and postponements and insufficient payments, are considered indicators that the debtors should be written down.

Foreign currency
Monetary foreign currency items are valued at the exchange rate on the balance sheet date. Transactions concerning foreign currency are valued at the exchange rate on the date of the transaction.

Receivables
Receivables from customers and other receivables are entered at par value after deducting a provision for expected losses. The provision for losses is made on the basis of an individual assessment of the respective receivables.

Group contributions
Group contributions represent an increase in the parent's investment in the subsidiary and may impact the carrying value of the subsidiary's shares. Group contributions from a parent company to its subsidiary will be recognized as an increase in the parent's investment in the subsidiary. If the subsidiary has negative equity at the time of receiving the group contribution, the parent company will assess the need for impairment of the investment. The impairment assessment will consider factors such as the recoverable amount of the subsidiary's assets, the ability of the subsidiary to generate future cash flows, and any potential risks or uncertainties associated with the subsidiary's operations.

Tax
The tax charge in the profit and loss account consists of tax payable for the period and the change in deferred tax. Deferred tax is calculated at the tax rate at 22% on the basis of tax-reducing and tax-increasing temporary differences that exist between accounting and tax values, and the tax loss carried forward at the end of the accounting year. Tax-increasing and tax-reducing temporary differences that reverse or may reverse in the same period are set off and entered net.

Cash Flow
The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits, and cash on hand.

Note 2 Personnel expenses

There were no employees in Funcom SE in 2023 or 2022. Funcom SE has not remunerated board members with board remuneration in 2023 or 2022. No loans have been granted to the board members or other executives.

Note 3 Other operating expenses

Other operating expenses	**2023**	**2022**
Audit fees	22 194	27 731
Legal services	6 171	55 601
Consulting fees	7 205	8 054
Other	18 037	57 794
Sum other operating expenses	**53 607**	**149 179**

Auditor's remunerations	**2023**	**2022**
Statutory audit	17 508	27 731
Other audit services	4 686	0
Tax advisory services	0	0
Other non-audit services	0	0
Total	**22 194**	**27 731**

Note 4 Other financial/interest income and expenses

	2023	**2022**
Income from currency differences (agio)	527 186	547 645
Interest income from group companies	6 820 922	2 530 688
Other interest income	79 779	15 101
Financial income	**7 427 887**	**3 093 434**

	2023	**2022**
Expenses from currency differences (disagio)	-446 698	-559 213
Interest expense to group companies	-2 539 778	-1 109 126
Other interest expense	-72 521	-77 365
Financial expenses	**-3 058 997**	**-1 745 704**
Net financial items	**4 368 890**	**1 347 730**

Other interest expense is related to the interest on deferred considerations from the acquisition of Sunhammer AB.

Intercompany expenses	**2023**	**2022**
Proxima Beta Europe Interest	2 539 778	1 109 126
Sum Interest expense to group companies	**2 539 778**	**1 109 126**

Intercompany Income	**2023**	**2022**
Funcom Oslo AS	6 506 282	2 407 505
Sunhammer AB	63 664	31 924
Zona Paradoxal Lda	109 123	48 728
Funcom Games Bucharest S.R.L.	141 853	42 531
Sum Interest income from group companies	**6 820 922**	**2 530 688**

Note 5 Tax

This year's tax expense	2023	2022
Entered tax on ordinary profit/loss:		
Payable tax on this year's result	1 074 642	336 484
Changes in deferred tax assets	0	0
Tax expense on ordinary profit/loss	**1 074 642**	**336 484**

Taxable income:		
Ordinary result before tax	4 315 283	1 198 551
Permanent differences	117 082	82 083
Changes in temporary differences	0	0
Allocation of loss to be brought forward	0	-86 876
Currency exchange difference (1)	452 373	335 712
Basis for payable taxes in the income statement	**4 884 738**	**1 529 471**
Calculated tax based on 22%	1 074 642	336 484
Total tax expense for the year	**1 074 642**	**336 484**

(1) The currency exchange difference occurs as a result of the annual accounts and tax papers being filed in different currencies.

Payable tax in the balance:		
Payable tax on this year's result	1 074 642	336 484
Payable tax on provided Group contribution	-1 074 642	-336 484
Total payable tax in the balance	**0**	**0**

Note 6 Investments in subsidiaries

Investments in subsidiaries directly owned by Funcom SE:

Subsidiaries	Location	Ownership interest 2023	2022
Funcom Inc.	Durham, United States	100%	100%
Nephilim LLC	Durham, United States	100%	100%
Funcom Oslo AS	Oslo, Norway	100%	100%
Funcom Games Beijing Ltd	Beijing, China	100%	100%
Zona Paradoxal, Lda	Lisboa, Portugal	100%	100%
Funcom Games Bucharest S.R.L.	Bucharest, Romania	100%	100%
Sunhammer AB	Stockholm, Sweden	85%	85%

	Net profit		Equity		Book value	
Subsidiaries	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Funcom Inc.	-1 330 228	-1 145 167	2 582 559	3 735 121	1 551 263	1 377 740
Nephilim LLC	–	–	-59 084	-59 084	1 000	1 000
Funcom Oslo AS	-27 187 654	-17 089 646	80 751 287	14 044 703	130 536 478	36 476 205
Funcom Games Beijing Ltd	-6 747	15 504	168 495	180 470	400 000	400 000
Zona Paradoxal, Lda	26 380	49 283	463 695	312 364	1 454 987	1 346 570
Funcom Games Bucharest S.R.L.	-285 650	-48 010	-368 994	-225 347	243 252	93 419
Sunhammer AB	-155 528	-1 132 392	664 676	421 902	4 228 543	3 861 509
Balance at 31.12	**-28 939 427**	**-19 350 429**	**84 202 633**	**18 410 129**	**138 415 524**	**43 556 443**

Funcom SE has provided a group contribution to a subsidiary, it represents an increase in the capital invested in the subsidiary. From an accounting perspective, group contributions are treated as capital injections equivalent to a formal increase in share capital. The payable intercompany group contribution will be netted against loans to the subsidiary.

Note 7 Loans to subsidiaries

	2023	**2022**
Funcom Oslo AS	18 536 129	53 607 704
Funcom Inc	57 109	57 109
Funcom Games Bucharest S.R.L	2 655 050	1 220 474
Zona Paradoxal	1 603 239	1 226 879
Sunhammer AB	967 835	867 292
Sum loans to subsidiaries as at 31.12	**23 819 362**	**56 979 457**

Note 8 Cash and cash equivalents

	2023	2022
Non-restricted cash at bank and in hand	2 109 261	445 888
Restricted cash	0	0
Sum cash and cash equivalents as at 31.12	**2 109 261**	**445 888**

Note 9 Share capital

Number of shares	2023	2022
Outstanding shares as at 1 January	81 346 154	81 346 154
Issues against payment in cash	0	0
Outstanding shares as at 31 December	**81 346 154**	**81 346 154**
Nominal value as at December 31 (EUR)	16 269 231	16 269 231

The registered share capital of Funcom SE is EUR 16 269 230.80 divided into 81 346 154 ordinary shares, each with a nominal value of EUR 0.20. The share capital is translated into US dollars using historic rates. All issued shares are fully paid, and Funcom does not hold any of Funcom SE's own shares.

On the 20th November 2023 Funcom SE held an extraordinary general meeting to increase the share capital. The share capital was increased from EUR 16 269 230.80 by EUR 813 461.54 to EUR 17 082 692.34 by increasing all of the company's 81 346 154 shares' nominal value from EUR 0.20 per share to EUR 0.21 per share. The capital increase was registered in Foretaksregisteret on 16th January 2024. It is therefore presented as Unregistered capital increase in the Statement of Financial Position as at 31st December 2023.

All the shares in Funcom SE are owned by Proxima Beta Europe B.V. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the Company shareholders' meetings.

The Company has been granted the right not to prepare consolidated financial statements. The Company is a subsidiary of the Tencent Group, and Tencent Holding Limited is the Ultimate Parent Company of the Group. The Funcom SE consolidated financial statements are not included based on Accounting Act § 3-7. The consolidated financial statements prepared by the ultimate mother company, Tencent Holdings Limited, are available on their website Tencent.com.

Note 10 Shareholders' equity

	Share capital	Share premium	Other paid-in equity	Accumulated losses	Total equity
As at 31.12.2022	19 189 639	188 886 918	15 738 889	-178 704 400	45 111 048
Result of the year				3 240 640	3 240 640
Share-based payment expense (RSU)			2 488 830		2 488 830
Loan to equity conversion			35 429 726		35 429 726
As at 31.12.2023	**19 189 639**	**188 886 918**	**53 657 445**	**-175 463 759**	**86 270 244**

Note 11 Liabilities to group companies

	Interest rate	Maturity date	2023	2022
Loan facility 1 (USD)	2.00%	31.12.2024	30 000 000	30 000 000
Loan facility 2 (USD)	3.50%	17.03.2025	0	24 000 000
Loan facility 3 (USD)	6.00%	21.05.2026	45 000 000	0
Balance as at 31.12			**75 000 000**	**54 000 000**

In March 2023 the Company received a USD 10 million drawdown of loan facility 2, and in November 2023 the loan facility 2 was converted to equity. In May 2023 the Company signed a new loan facility (3) with a credit up to USD 90 million. In May 2023 the Company received a USD 20 million drawdown of loan facility 3, and in October 2023 the Company increased this by USD 25 million, to a total of USD 45 million.

	2023	2022
Funcom Games Beijing Ltd	146 276	146 276
Proxima Beta Europe B.V.	45 000 000	54 000 000
Sum Long-term liabilities to group companies	**45 146 276**	**54 146 276**

	2023	2022
Proxima Beta Europe B.V.	32 200 274	1 090 222
Sum Short-term liabilities to group companies	**32 200 274**	**1 090 222**

Short-term liabilities to group companies consists of a loan facility that falls due within 12 months and accrued interest.

Note 12 Other long-term liabilities

	2023	2022
Deferred consideration	737 694	640 450
Sum other long-term liabilities	**737 694**	**640 450**

The deferred consideration represents the Company's obligation to transfer additional consideration to the former owners of Sunhammer AB as part of the exchange for control of the subsidiary if specified future conditions are met.

Note 13 Transactions with related parties

Remuneration to members of the Board is disclosed in note 2, transactions with group companies are disclosed in note 4, and balance with group companies are disclosed in note 6, 7, and 11.

Funcom SE CEO, Rui Casais, is compensated in Funcom Oslo AS. His compensation for year 2023 and 2022 is disclosed below.

In thousands of US dollars	Salary	Bonus	SBC	Pension	Other	Total
Rui Casais 2023	256	94	144	5	1	499
Rui Casais 2022	281	103	133	5	1	523

SBC (Share Based Compensation) consists of a Restricted Stock Unit (RSU) program for stocks in Tencent Holdings Limited.

The CEO has a mutual notice period of three months. If the employment is terminated by the Company there is a severance pay equal to nine months base salary in addition to salary in the notice period. The CEO has no entitlement to severance pay if he resigns from his position or is terminated due to material breach of employment contract. The CEO is eligible for a bonus. The bonus is subject to the board approval and varies based on company and personal performance. The share based option program and bonus are contingent on continued employment.

Note 14 Events after the reporting date

In April 2024 the Company received a new USD 22.5 million drawdown of loan facility #3.

Continuation of Financial Support from Parent Company:
In May 2024, Proxima Beta Pte. Limited signed a letter of support confirming its commitment to provide financial support to Funcom SE for the ongoing operations of Funcom SE. This support is aimed at ensuring that the Company can meet its liabilities as they fall due and continue its business operations without significant curtailment for a period of twelve months starting from 31 December 2023. This undertaking reassures stakeholders about the financial stability and backing of the Company by its parent company.