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Tencent 腾讯
TENCENT HOLDINGS LIMITED
騰訊 控 股 有 限 公 司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 700)

**ANNOUNCEMENT OF THE RESULTS
FOR THE THREE MONTHS ENDED 31 MARCH 2022**

The Board is pleased to announce the unaudited consolidated results of the Group for the three months ended 31 March 2022. These interim results have been reviewed by the Auditor in accordance with International Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the International Auditing and Assurance Standards Board, and by the Audit Committee.

FINANCIAL PERFORMANCE HIGHLIGHTS

	31 March 2022	Unaudited Three months ended		Quarter- on-quarter change	
		31 March 2021	Year- on-year change		31 December 2021
<i>(RMB in millions, unless specified)</i>					
Revenues	135,471	135,303	0%	144,188	-6%
Gross profit	57,074	62,635	-9%	57,817	-1%
Operating profit	37,217	56,273	-34%	109,723	-66%
Profit for the period	23,733	49,008	-52%	95,705	-75%
Profit attributable to equity holders of the Company	23,413	47,767	-51%	94,958	-75%
EPS (RMB per share)					
– basic	2.455	5.020	-51%	9.957	-75%
– diluted	2.404	4.917	-51%	9.788	-75%
Non-IFRS operating profit	36,538	42,758	-15%	33,151	10%
Non-IFRS profit attributable to equity holders of the Company	25,545	33,118	-23%	24,880	3%
Non-IFRS EPS (RMB per share)					
– basic	2.678	3.481	-23%	2.609	3%
– diluted	2.620	3.415	-23%	2.547	3%

OPERATING INFORMATION

	As at 31 March 2022	As at 31 March 2021	Year- on-year change	As at 31 December 2021	Quarter- on-quarter change
Combined MAU of Weixin and WeChat	1,288.3	1,241.6	3.8%	1,268.2	1.6%
Mobile device MAU of QQ	563.8	606.4	-7.0%	552.1	2.1%
Fee-based VAS registered subscriptions	239.1	225.7	5.9%	236.3	1.2%

BUSINESS REVIEW AND OUTLOOK

During the challenging first quarter of 2022, we implemented cost control initiatives and rationalised certain non-core businesses, which would enable us to achieve a more optimised cost structure going forward. We utilised tools such as Mini Programs, Tencent Meeting, and WeCom to help enterprises and consumers weather the resurgence of COVID-19 in China, and continued investing in strategic growth areas including enterprise software, Video Accounts and international games. Looking forward, we will sharpen our focus and sustain our innovation through challenges and cycles, and continue to create value for our users, partners, and society. Below are some highlights from our key products and business lines during the reporting quarter:

Communication and Social

Within Weixin, Video Accounts continued to gain user traction with significant year-on-year growth in video views and time spent, bolstered by expansion in news, knowledge-based and entertainment content, as well as enhanced recommendation technologies. Mini Programs exceeded 500 million DAU and sustained rapid growth in gross merchandise value with deepened penetration in retail, dining and municipal services.

For QQ, we are enriching features for young users to better create, share and connect with each other. We provide avatar tools for users to create short videos featuring their customised Super QQ Show characters. Through Status update, users can choose to let their contacts see what videos or music they are consuming, so that their friends can access and stream the same content within QQ via Mini Programs.

Digital Content

Our fee-based VAS subscriptions increased 6% year-on-year to 239 million. We extended our market leadership in the long-form video streaming market with 124 million subscribers, leveraging IP adaptations of successful comics and novels. For music, subscription counts increased to 80 million, driven by high quality content as well as increased consumer willingness to subscribe for music services.

Domestic Games

Among our most popular and longer-established games, Honour of Kings, the top-ranked mobile game by DAU in China¹, released fewer commercially successful items during the Chinese New Year holiday period than in prior years, but its adult user base remained engaged. With the release of popular items inspired by the Chinese floral festival, Honour of Kings resumed year-on-year growth in its grossing receipts in March 2022. Peacekeeper Elite, the second-most popular mobile game by DAU in China¹, released its third anniversary update in April 2022, enhancing user engagement. We are also successfully expanding our presence in other key genres of games. Fight of The Golden Spatula, an auto battler genre game we released in August 2021, added new champions and game mechanics, and was the sixth most popular mobile game by DAU in China¹. Return to Empire, a real-time strategy mobile game we launched in March 2022, became China's second most successful game in its genre by grossing receipts in April 2022².

International Games

We believe that the mobile game industry outside China generally underwent a post COVID-19 normalisation downward in terms of user activities and spending in early 2022. PUBG Mobile experienced this pattern with a year-on-year revenue decline in the first quarter of 2022. However, our PC game VALORANT continued its robust performance with a growing user base and higher paying propensity. We also released titles in other key genres which generated favorable critical response. For example, Dune: Spice Wars, a real-time strategy PC game based on the popular sci-fi IP Dune and published by our subsidiary Funcom, entered into Early Access in April 2022. We and Electronic Arts have jointly developed Apex Legends Mobile, a hero shooter battle royale game based on one of the most successful new PC/console IPs in recent years, which was launched in May 2022.

¹ Source: QuestMobile, 1Q22

² Source: data.ai

Online Advertising

For 2022 second quarter-to-date, overall advertising sentiment remained weak as advertisers in categories such as FMCG, eCommerce and travel have reduced their spending significantly. Amid the difficult market environment, we continue to invest in our advertising system and are upgrading our machine learning infrastructure to process data more efficiently. The upgrade should enable us to deliver better targeting and conversion rates for advertisers.

FinTech

Commercial payment activities have been weak since mid March 2022, due to the resurgence of COVID-19 in several cities in China, which negatively affected payment volume growth in categories such as transportation, dining services and apparel.

Cloud and Other Business Services

As we re-focused on healthy growth for Business Services, we scaled back loss-making activities, and concentrated resources on our PaaS solutions in areas such as video cloud and cybersecurity. Taking advantage of our accumulated experience in providing in-house interactive entertainment and video chat services, and our low-latency network infrastructure, we are increasingly migrating our clients from basic CDN services to sophisticated video-on-demand, live streaming and real-time communication solutions. According to Gartner, Tencent ranked first in China by CPaaS revenues³. In cybersecurity, we expanded our client base across network, endpoint and business operation security solutions, fulfilling enterprises' growing needs for protection against cyber-attacks, and for cybersecurity compliance.

³ Source: Gartner's "Market Share: All Software, Markets, Worldwide, 2021"

MANAGEMENT DISCUSSION AND ANALYSIS

First Quarter of 2022 Compared to First Quarter of 2021

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

	Unaudited	
	Three months ended	
	31 March	31 March
	2022	2021
	(RMB in millions)	
Revenues	135,471	135,303
Cost of revenues	(78,397)	(72,668)
Gross profit	57,074	62,635
Interest income	1,737	1,614
Other gains, net	13,133	19,521
Selling and marketing expenses	(8,058)	(8,530)
General and administrative expenses	(26,669)	(18,967)
Operating profit	37,217	56,273
Finance costs, net	(1,935)	(1,367)
Share of (loss)/profit of associates and joint ventures, net	(6,280)	1,348
Profit before income tax	29,002	56,254
Income tax expense	(5,269)	(7,246)
Profit for the period	23,733	49,008
Attributable to:		
Equity holders of the Company	23,413	47,767
Non-controlling interests	320	1,241
	23,733	49,008
Non-IFRS operating profit	36,538	42,758
Non-IFRS profit attributable to equity holders of the Company	25,545	33,118

Revenues. Revenues were RMB135.5 billion for the first quarter of 2022, broadly stable compared to the first quarter of 2021. The following table sets forth our revenues by line of business for the first quarter of 2022 and the first quarter of 2021:

	Unaudited			
	Three months ended			
	31 March 2022		31 March 2021	
	% of total		% of total	
	Amount	revenues	Amount	revenues
	(RMB in millions, unless specified)			
VAS	72,738	54%	72,443	54%
Online Advertising	17,988	13%	21,820	16%
FinTech and Business Services	42,768	32%	39,028	29%
Others	1,977	1%	2,012	1%
Total revenues	<u>135,471</u>	<u>100%</u>	<u>135,303</u>	<u>100%</u>

- Revenues from VAS⁴ were RMB72.7 billion for the first quarter of 2022, broadly stable compared to the first quarter of 2021. Domestic Games revenues decreased by 1% to RMB33.0 billion, as direct and indirect effects of the minor protection measures impacted active user and paying user counts. During the quarter, the incremental revenues generated by recently launched games, such as League of Legends: Wild Rift and Fight of The Golden Spatula, were largely offset by the decrease in revenues from games such as Moonlight Blade Mobile and Call of Duty Mobile. International Games revenues grew by 4% to RMB10.6 billion, or 8% in constant currency terms, reflecting an increase in revenues from games including VALORANT and Clash of Clans, partly offset by a decrease in revenues from PUBG Mobile as user spending normalised post-COVID. Social Networks revenues grew by 1% to RMB29.1 billion, reflecting increased revenue from our Video Accounts live streaming service, largely offset by decreased revenues from music- and games-related live streaming services.

⁴ Mobile games VAS revenues (including mobile games revenues attributable to our Social Networks business) decreased by 3% year-on-year to RMB40.3 billion, while PC client games revenues grew by 2% year-on-year to RMB12.1 billion for the first quarter of 2022.

- Revenues from Online Advertising decreased by 18% to RMB18.0 billion for the first quarter of 2022 on a year-on-year basis, reflecting weak demand from advertiser categories including education, Internet services and eCommerce, plus regulatory changes impacting the online advertising industry itself, partly offset by solid demand from the FMCG category, as well as our consolidation of Sogou’s advertising revenue. Social and Others Advertising revenues decreased by 15% to RMB15.7 billion, primarily due to sharply lower advertising revenues from our mobile advertising network, which was particularly affected by the regulatory changes, partly offset by greater advertising revenues from Official Accounts, driven by the popularity of notification feeds ads. Media Advertising revenues decreased by 30% to RMB2.3 billion, reflecting lower advertising revenues from our media platforms including Tencent News and Tencent Video, partly offset by advertising revenue contribution from the Beijing 2022 Winter Olympics.
- Revenues from FinTech and Business Services increased by 10% to RMB42.8 billion for the first quarter of 2022 on a year-on-year basis. FinTech Services year-on-year revenue growth moderated as COVID-19 resurgence in March 2022 impacted commercial payment volume. Business Services revenue recorded a mild year-on-year decrease, as we repositioned our IaaS service from revenue scale-up at all costs to self-sustained growth, and proactively reduced loss-making contracts.

Cost of revenues. Cost of revenues increased by 8% to RMB78.4 billion for the first quarter of 2022 on a year-on-year basis, primarily driven by higher server and bandwidth costs, higher transaction costs to handle greater payment-related transaction volumes, as well as higher content costs, partly offset by decreased channel and distribution costs. As a percentage of revenues, cost of revenues increased to 58% for the first quarter of 2022 from 54% for the first quarter of 2021, reflecting costs growing while revenues were stable or declined in certain businesses, and our continued investments in key strategic areas. The following table sets forth our cost of revenues by line of business for the first quarter of 2022 and the first quarter of 2021:

	Unaudited			
	Three months ended			
	31 March 2022		31 March 2021	
	Amount	% of segment revenues	Amount	% of segment revenues
	(RMB in millions, unless specified)			
VAS	36,055	50%	32,533	45%
Online Advertising	11,394	63%	11,986	55%
FinTech and Business Services	29,269	68%	26,430	68%
Others	1,679	85%	1,719	85%
Total cost of revenues	<u>78,397</u>		<u>72,668</u>	

- Cost of revenues for VAS increased by 11% to RMB36.1 billion for the first quarter of 2022 on a year-on-year basis, primarily driven by increased revenue sharing costs associated with our Video Accounts live streaming service, content costs for games, as well as server and bandwidth costs.
- Cost of revenues for Online Advertising decreased by 5% to RMB11.4 billion for the first quarter of 2022 on a year-on-year basis, reflecting decreased channel and distribution costs, partly offset by increased server and bandwidth costs including those associated with our Video Accounts, as well as content costs associated with the Beijing 2022 Winter Olympics.
- Cost of revenues for FinTech and Business Services increased by 11% to RMB29.3 billion for the first quarter of 2022 on a year-on-year basis, reflecting increased transaction costs due to payment volume growth, as well as increased server and bandwidth costs.

Other gains, net. We recorded net other gains of RMB13.1 billion for the first quarter of 2022, which were primarily non-IFRS adjustment items such as net gains on deemed disposals and disposals of certain investee companies (including a RMB18.5 billion gain arising from our partial divestment of Sea Limited), partly offset by impairment provisions against certain investee companies in verticals such as transportation services and online media.

Selling and marketing expenses. Selling and marketing expenses decreased by 6% to RMB8.1 billion for the first quarter of 2022 on a year-on-year basis, primarily due to reduced marketing spending as part of our expense optimisation measures. As a percentage of revenues, selling and marketing expenses was 6% for the first quarter of 2022, broadly stable compared to the first quarter of 2021.

General and administrative expenses. General and administrative expenses increased by 41% to RMB26.7 billion for the first quarter of 2022 on a year-on-year basis, driven by higher share-based compensation expenses, R&D expenses and staff costs reflecting our headcount increase due to on-going investments in key strategic areas, greater expenses incurred by our overseas subsidiaries, as well as expenses from recently acquired subsidiaries.

Finance costs, net. Net finance costs increased by 42% to RMB1.9 billion for the first quarter of 2022 on a year-on-year basis, reflecting greater interest expenses as a result of increased indebtedness, and lower foreign exchange gains.

Share of loss/profit of associates and joint ventures, net. We recorded share of losses of associates and joint ventures of RMB6.3 billion for the first quarter of 2022, compared to share of profits of RMB1.3 billion for the first quarter of 2021. Non-IFRS share of losses of associates and joint ventures were RMB2.2 billion for the first quarter of 2022, compared to non-IFRS share of profits of RMB0.5 billion for the first quarter of 2021, primarily reflecting revenue declines at certain overseas associates in the games industry due to post-COVID normalisation in user spending, the impact from JD.com ceasing to be an associate, and losses recognised from associates in the transportation services vertical.

Income tax expense. Income tax expense decreased by 27% to RMB5.3 billion for the first quarter of 2022 on a year-on-year basis.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company decreased by 51% to RMB23.4 billion for the first quarter of 2022 on a year-on-year basis. Non-IFRS profit attributable to equity holders of the Company decreased by 23% to RMB25.5 billion for the first quarter of 2022 on a year-on-year basis, as costs and expenses generally increased faster than revenues, and as net associate contributions moved from profits to losses.

First Quarter of 2022 Compared to Fourth Quarter of 2021

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

	Unaudited	
	Three months ended	
	31 March	31 December
	2022	2021
	(RMB in millions)	
Revenues	135,471	144,188
Cost of revenues	(78,397)	(86,371)
Gross profit	57,074	57,817
Interest income	1,737	1,703
Other gains, net	13,133	86,199
Selling and marketing expenses	(8,058)	(11,616)
General and administrative expenses	(26,669)	(24,380)
Operating profit	37,217	109,723
Finance costs, net	(1,935)	(1,863)
Share of losses of associates and joint ventures, net	(6,280)	(8,267)
Profit before income tax	29,002	99,593
Income tax expense	(5,269)	(3,888)
Profit for the period	23,733	95,705
Attributable to:		
Equity holders of the Company	23,413	94,958
Non-controlling interests	320	747
	23,733	95,705
Non-IFRS operating profit	36,538	33,151
Non-IFRS profit attributable to equity holders of the Company	25,545	24,880

Revenues. Revenues decreased by 6% to RMB135.5 billion for the first quarter of 2022 on a quarter-on-quarter basis.

- Revenues from VAS increased by 1% to RMB72.7 billion for the first quarter of 2022. Domestic Games revenues increased by 11% to RMB33.0 billion, due to a seasonal upturn in revenues from games including Honour of Kings, CrossFire Mobile and DnF. International Games revenues decreased by 20% to RMB10.6 billion, reflecting a decrease in revenues from games such as PUBG Mobile, and the high-base effect of Supercell’s revenue true-up adjustment recorded in the fourth quarter of 2021. Social Networks revenues were RMB29.1 billion, broadly stable compared to the fourth quarter of 2021, as the increase in revenues from in-game item sales and our Video Accounts live streaming service was largely offset by the decrease in revenues from music- and games-related live streaming services.
- Revenues from Online Advertising decreased by 16% to RMB18.0 billion for the first quarter of 2022, reflecting negative seasonality and weak advertising demand due to regulatory and macroeconomic headwinds. Social and Others Advertising revenues decreased by 15% to RMB15.7 billion, reflecting lower advertising revenues across many of our properties, and in particular our mobile advertising network. Media Advertising revenues decreased by 27% to RMB2.3 billion, reflecting lower advertising revenues from Tencent Video and Tencent News services.
- Revenues from FinTech and Business Services decreased by 11% to RMB42.8 billion for the first quarter of 2022. The FinTech Services revenue decrease reflected a seasonal downturn in social payment volume during the Chinese New Year period, and weak commercial payment volume in March due to domestic COVID-19 resurgence. Business Services revenues dropped sequentially, reflecting seasonally fewer cloud project deployments as well as our recent initiatives to reduce loss-making contracts.

Cost of revenues. Cost of revenues decreased by 9% to RMB78.4 billion for the first quarter of 2022 on a quarter-on-quarter basis, primarily reflecting decreased cloud project deployment costs, content costs, transaction costs of FinTech services, as well as channel and distribution costs. As a percentage of revenues, cost of revenues decreased to 58% for the first quarter of 2022 from 60% for the fourth quarter of 2021.

- Cost of revenues for VAS decreased by 2% to RMB36.1 billion for the first quarter of 2022, primarily reflecting reduced revenue sharing costs associated with live streaming services due to seasonally lower live streaming revenues, and decreased content costs due to fewer eSports events.

- Cost of revenues for Online Advertising decreased by 8% to RMB11.4 billion for the first quarter of 2022, reflecting decreased channel and distribution costs as well as content costs.
- Cost of revenues for FinTech and Business Services decreased by 16% to RMB29.3 billion for the first quarter of 2022, reflecting decreased cloud project deployment costs as well as reduced bank charges for payment services due to lower payment volume.

Selling and marketing expenses. Selling and marketing expenses decreased by 31% to RMB8.1 billion for the first quarter of 2022 on a quarter-on-quarter basis, reflecting lower marketing spending on games and Business Services due to both seasonality and expense optimisation measures.

General and administrative expenses. General and administrative expenses increased by 9% to RMB26.7 billion for the first quarter of 2022 on a quarter-on-quarter basis, reflecting higher share-based compensation expenses and staff costs.

Share of losses of associates and joint ventures, net. We recorded share of losses of associates and joint ventures of RMB6.3 billion for the first quarter of 2022, compared to share of losses of RMB8.3 billion for the fourth quarter of 2021. Non-IFRS share of losses of associates and joint ventures were RMB2.2 billion for the first quarter of 2022, compared to non-IFRS share of losses of RMB0.8 billion for the fourth quarter of 2021, reflecting seasonal revenue declines at certain overseas associates in the games industry, as well as the impact from JD.com ceasing to be an associate.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company decreased by 75% to RMB23.4 billion for the first quarter of 2022 on a quarter-on-quarter basis. Non-IFRS profit attributable to equity holders of the Company increased by 3% to RMB25.5 billion for the first quarter of 2022, reflecting our optimisation measures to reduce marketing spending, partly offset by widened share of losses from associates.

Other Financial Information

	Unaudited		
	Three months ended		
	31 March	31 December	31 March
	2022	2021	2021
	(RMB in millions, unless specified)		
EBITDA (a)	38,283	36,568	49,355
Adjusted EBITDA (a)	46,102	42,267	52,927
Adjusted EBITDA margin (b)	34%	29%	39%
Interest and related expenses	2,103	2,188	1,726
Net (debt)/cash (c)	(11,035)	(20,243)	5,581
Capital expenditures (d)	6,971	11,661	7,734

Note:

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

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

	Unaudited		
	Three months ended		
	31 March	31 December	31 March
	2022	2021	2021
	(RMB in millions, unless specified)		
Operating profit	37,217	109,723	56,273
Adjustments:			
Interest income	(1,737)	(1,703)	(1,614)
Other gains, net	(13,133)	(86,199)	(19,521)
Depreciation of property, plant and equipment and investment properties	5,686	5,466	5,303
Depreciation of right-of-use assets	1,636	1,376	1,055
Amortisation of intangible assets and land use rights	8,614	7,905	7,859
EBITDA	38,283	36,568	49,355
Equity-settled share-based compensation	7,819	5,699	3,572
Adjusted EBITDA	46,102	42,267	52,927

Non-IFRS Financial Measures

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

The Company's management believes that the non-IFRS financial measures provide investors with useful supplementary information to assess the performance of the Group's core operations by excluding certain non-cash items and certain impact of M&A 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 first quarter of 2022 and 2021, the fourth quarter of 2021 to the nearest measures prepared in accordance with IFRS:

Unaudited three months ended 31 March 2022									
Adjustments									
As reported	Share-based compensation	Net (gains)/ losses from investee companies	Amortisation of intangible assets	Impairment provisions/ (reversals)	SSV& CPP	Others	Income tax effects	Non-IFRS	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)		
(RMB in millions, unless specified)									
Operating profit	37,217	8,136	(18,559)	1,388	7,003	1,348	5	–	36,538
Profit for the period	23,733	9,635	(18,552)	3,163	7,832	1,348	5	(868)	26,296
Profit attributable to equity holders	23,413	9,452	(18,542)	2,857	7,827	1,348	5	(815)	25,545
EPS (RMB per share)									
– basic	2.455								2.678
– diluted	2.404								2.620
Operating margin	27%								27%
Net margin	18%								19%

Unaudited three months ended 31 December 2021									
Adjustments									
As reported	Share-based compensation	Net (gains)/ losses from investee companies	Amortisation of intangible assets	Impairment provisions/ (reversals)	SSV& CPP	Others	Income tax effects	Non-IFRS	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)		
(RMB in millions, unless specified)									
Operating profit	109,723	5,664	(100,349)	1,316	15,217	604	976	–	33,151
Profit for the period	95,705	7,880	(98,046)	3,340	15,573	604	1,568	(866)	25,758
Profit attributable to equity holders	94,958	7,776	(97,804)	3,010	15,573	604	1,567	(804)	24,880
EPS (RMB per share)									
– basic	9.957								2.609
– diluted	9.788								2.547
Operating margin	76%								23%
Net margin	66%								18%

Unaudited three months ended 31 March 2021

	Adjustments						Non-IFRS
	As reported	Share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/ (reversals) (d)	Income tax effects (g)	
	(RMB in millions, unless specified)						
Operating profit	56,273	3,704	(18,331)	1,062	50	–	42,758
Profit for the period	49,008	5,036	(22,231)	2,699	178	(187)	34,503
Profit attributable to equity holders	47,767	4,855	(21,829)	2,352	178	(205)	33,118
EPS (RMB per share)							
– basic	5.020						3.481
– diluted	4.917						3.415
Operating margin	42%						32%
Net margin	36%						26%

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) 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 (excluding share-based compensation expenses)
- (f) Mainly including expenses incurred for regulatory fines in the Mainland of China and certain litigation settlements
- (g) Income tax effects of non-IFRS adjustments

Liquidity and Financial Resources

Our cash and debt positions as at 31 March 2022 and 31 December 2021 were as follows:

	Unaudited 31 March 2022	Audited 31 December 2021
	(RMB in millions)	
Cash and cash equivalents	188,826	167,966
Term deposits and others	115,242	113,320
	304,068	281,286
Borrowings	(170,123)	(155,939)
Notes payable	(144,980)	(145,590)
Net debt	<u>(11,035)</u>	<u>(20,243)</u>

As at 31 March 2022, the Group had net debt of RMB11.0 billion, compared to net debt of RMB20.2 billion as at 31 December 2021. The sequential improvement was mainly due to free cash flow generation and on-market divestitures of certain listed securities, partly offset by our strategic investments in other companies.

For the first quarter of 2022, the Group had free cash flow of RMB15.2 billion. This was a result of net cash flow generated from operating activities of RMB33.8 billion, offset by payments for capital expenditures of RMB8.2 billion, payments for media content of RMB8.9 billion, and payments for lease liabilities of RMB1.5 billion.

As at 31 March 2022, the fair value of our shareholdings⁵ in listed investee companies (excluding subsidiaries) was RMB606.0 billion.

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

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2022

		Unaudited	
		Three months ended 31 March	
		2022	2021
	Note	RMB'Million	RMB'Million
Revenues			
Value-added Services		72,738	72,443
Online Advertising		17,988	21,820
FinTech and Business Services		42,768	39,028
Others		1,977	2,012
	2	<u>135,471</u>	135,303
Cost of revenues	4	<u>(78,397)</u>	<u>(72,668)</u>
Gross profit		57,074	62,635
Interest income		1,737	1,614
Other gains, net	3	13,133	19,521
Selling and marketing expenses	4	(8,058)	(8,530)
General and administrative expenses	4	<u>(26,669)</u>	<u>(18,967)</u>
Operating profit		37,217	56,273
Finance costs, net		(1,935)	(1,367)
Share of (loss)/profit of associates and joint ventures, net		<u>(6,280)</u>	1,348
Profit before income tax		29,002	56,254
Income tax expense	5	<u>(5,269)</u>	<u>(7,246)</u>
Profit for the period		<u>23,733</u>	<u>49,008</u>
Attributable to:			
Equity holders of the Company		23,413	47,767
Non-controlling interests		<u>320</u>	<u>1,241</u>
		<u>23,733</u>	<u>49,008</u>
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)			
– basic	6(a)	<u>2.455</u>	<u>5.020</u>
– diluted	6(b)	<u>2.404</u>	<u>4.917</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2022**

	Unaudited	
	Three months ended 31 March	
	2022	2021
	RMB'Million	RMB'Million
Profit for the period	23,733	49,008
Other comprehensive income, net of tax:		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Share of other comprehensive income of associates and joint ventures	(50)	288
Transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	–	(3)
Net losses from changes in fair value of financial assets at fair value through other comprehensive income	(16)	–
Currency translation differences	(4,461)	(5,908)
Other fair value gains	3,217	1,163
<i>Items that will not be subsequently reclassified to profit or loss</i>		
Share of other comprehensive income of associates and joint ventures	187	381
Loss from changes in fair value of assets held for distribution	(17,130)	–
Net (losses)/gains from changes in fair value of financial assets at fair value through other comprehensive income	(58,850)	18,483
Currency translation differences	(142)	207
	<u>(77,245)</u>	<u>14,611</u>
Total comprehensive income for the period	<u>(53,512)</u>	<u>63,619</u>
Attributable to:		
Equity holders of the Company	(52,277)	63,756
Non-controlling interests	(1,235)	(137)
	<u>(53,512)</u>	<u>63,619</u>

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

		Unaudited 31 March 2022	Audited 31 December 2021
	Note	RMB' Million	RMB' Million
ASSETS			
Non-current assets			
Property, plant and equipment		61,560	61,914
Land use rights		18,451	17,728
Right-of-use assets		22,091	20,468
Construction in progress		6,529	5,923
Investment properties		589	517
Intangible assets		178,712	171,376
Investments in associates	8	309,630	316,574
Investments in joint ventures		6,509	6,614
Financial assets at fair value through profit or loss	9	197,161	192,184
Financial assets at fair value through other comprehensive income	10	189,993	250,257
Prepayments, deposits and other assets		37,093	37,177
Other financial assets		4,222	1,261
Deferred income tax assets		27,616	26,068
Term deposits		21,124	19,491
		1,081,280	1,127,552
Current assets			
Inventories		2,712	1,063
Accounts receivable	11	52,774	49,331
Prepayments, deposits and other assets		69,961	65,390
Other financial assets		1,568	1,749
Financial assets at fair value through profit or loss	9	11,742	10,573
Term deposits		82,604	83,813
Restricted cash		2,691	2,476
Cash and cash equivalents		188,826	167,966
Assets held for distribution		–	102,451
		412,878	484,812
Total assets		1,494,158	1,612,364

		Unaudited	Audited
		31 March	31 December
		2022	2021
	Note	RMB' Million	RMB' Million
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		–	–
Share premium		71,817	67,330
Treasury shares		(1,222)	–
Shares held for share award schemes		(4,686)	(4,843)
Other reserves		9,094	73,901
Retained earnings		702,856	669,911
		777,859	806,299
Non-controlling interests		67,418	70,394
Total equity		845,277	876,693
LIABILITIES			
Non-current liabilities			
Borrowings	14	148,467	136,936
Notes payable	15	135,465	145,590
Long-term payables		9,377	9,966
Other financial liabilities		5,783	5,912
Deferred income tax liabilities		12,524	13,142
Lease liabilities		17,981	16,501
Deferred revenue		4,562	4,526
		334,159	332,573
Current liabilities			
Accounts payable	13	112,512	109,470
Other payables and accruals		48,437	60,582
Borrowings	14	21,656	19,003
Notes payable	15	9,515	–
Current income tax liabilities		13,968	12,506
Other tax liabilities		2,456	2,240
Other financial liabilities		3,326	3,554
Lease liabilities		5,927	5,446
Deferred revenue		96,925	87,846
Dividends payable for distribution in specie	7(b)	–	102,451
		314,722	403,098
Total liabilities		648,881	735,671
Total equity and liabilities		1,494,158	1,612,364

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2022

	Unaudited								
	Attributable to equity holders of the Company								
	Share capital RMB'Million	Share premium RMB'Million	Treasury shares RMB'Million	Shares held for share award schemes RMB'Million	Other reserves RMB'Million	Retained earnings RMB'Million	Total RMB'Million	Non- controlling interests RMB'Million	Total equity RMB'Million
Balance at 1 January 2022	-	67,330	-	(4,843)	73,901	669,911	806,299	70,394	876,693
Comprehensive income									
Profit for the period	-	-	-	-	-	23,413	23,413	320	23,733
Other comprehensive income, net of tax:									
– share of other comprehensive income of associates and joint ventures	-	-	-	-	106	-	106	31	137
– loss from changes in fair value of assets held for distribution	-	-	-	-	(17,130)	-	(17,130)	-	(17,130)
– net losses from changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	(57,681)	-	(57,681)	(1,185)	(58,866)
– currency translation differences	-	-	-	-	(4,137)	-	(4,137)	(466)	(4,603)
– other fair value gains, net	-	-	-	-	3,152	-	3,152	65	3,217
Total comprehensive income for the period	-	-	-	-	(75,690)	23,413	(52,277)	(1,235)	(53,512)
Transfer of losses on disposal and deemed disposal of financial instruments to retained earnings	-	-	-	-	8,264	(8,264)	-	-	-
Share of other changes in net assets of associates and joint ventures	-	-	-	-	1,444	-	1,444	-	1,444
Transfer of share of other changes in net assets of associates and joint ventures to profit or loss upon disposal and deemed disposal	-	-	-	-	(282)	-	(282)	-	(282)
Transactions with equity holders									
Capital injection	-	-	-	-	-	-	-	3	3
Employee share option schemes:									
– value of employee services	-	552	-	-	14	-	566	14	580
– proceeds from shares issued	-	167	-	-	-	-	167	-	167
Employee share award schemes:									
– value of employee services	-	6,707	-	-	327	-	7,034	109	7,143
– shares withheld for share award schemes	-	-	-	(983)	-	-	(983)	-	(983)
– vesting of awarded shares	-	(1,140)	-	1,140	-	-	-	-	-
Tax benefit from share-based payments	-	-	-	-	4	-	4	-	4
Profit appropriations to statutory reserves	-	-	-	-	13	(13)	-	-	-
Repurchase and cancellation of shares	-	(1,799)	-	-	-	-	(1,799)	-	(1,799)
Repurchase of shares (not yet cancelled)	-	-	(1,222)	-	-	-	(1,222)	-	(1,222)
Cash dividends	-	-	-	-	-	-	-	(208)	(208)
Dividends distribution in specie (Note 7(b))	-	-	-	-	-	17,809	17,809	-	17,809
Non-controlling interests arising from business combinations	-	-	-	-	-	-	-	228	228
Acquisition of additional equity interests in non wholly-owned subsidiaries	-	-	-	-	(129)	-	(129)	(388)	(517)
Dilution of interests in subsidiaries	-	-	-	-	(124)	-	(124)	50	(74)
Changes in put option liabilities in respect of non-controlling interests	-	-	-	-	(22)	-	(22)	-	(22)
Recognition of put option liabilities arising from business combinations	-	-	-	-	(175)	-	(175)	-	(175)
Transfer of equity interests of subsidiaries to non-controlling interests	-	-	-	-	1,549	-	1,549	(1,549)	-
Total transactions with equity holders at their capacity as equity holders for the period	-	4,487	(1,222)	157	1,457	17,796	22,675	(1,741)	20,934
Balance at 31 March 2022	-	71,817	(1,222)	(4,686)	9,094	702,856	777,859	67,418	845,277

	Unaudited							
	Attributable to equity holders of the Company							
	Share capital	Share premium	Shares held for share award schemes	Other reserves	Retained earnings	Total	Non- controlling interests	Total equity
	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million	RMB'Million
Balance at 1 January 2021	–	48,793	(4,412)	121,139	538,464	703,984	74,059	778,043
Comprehensive income								
Profit for the period	–	–	–	–	47,767	47,767	1,241	49,008
Other comprehensive income, net of tax:								
– share of other comprehensive income of associates and joint ventures	–	–	–	679	–	679	(10)	669
– transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	–	–	–	(3)	–	(3)	–	(3)
– net gains/(losses) from changes in fair value of financial assets at fair value through other comprehensive income	–	–	–	19,199	–	19,199	(716)	18,483
– currency translation differences	–	–	–	(4,996)	–	(4,996)	(705)	(5,701)
– other fair value gains, net	–	–	–	1,110	–	1,110	53	1,163
Total comprehensive income for the period	–	–	–	15,989	47,767	63,756	(137)	63,619
Transfer of gains on disposal of financial instruments to retained earnings	–	–	–	(4,024)	4,024	–	–	–
Share of other changes in net assets of associates and joint ventures	–	–	–	1,195	–	1,195	1	1,196
Transfer of share of other changes in net assets of associates and joint ventures to profit or loss upon disposal and deemed disposal	–	–	–	(1)	–	(1)	5	4
Transactions with equity holders								
Capital injection	–	–	–	–	–	–	130	130
Employee share option schemes:								
– value of employee services	–	396	–	13	–	409	14	423
– proceeds from shares issued	–	202	–	–	–	202	–	202
Employee share award schemes:								
– value of employee services	–	2,865	–	175	–	3,040	127	3,167
– shares withheld for share award schemes	–	–	(738)	–	–	(738)	–	(738)
– vesting of awarded shares	–	(403)	403	–	–	–	–	–
Tax benefit from share-based payments	–	–	–	104	–	104	–	104
Profit appropriations to statutory reserves	–	–	–	36	(36)	–	–	–
Dividends	–	–	–	–	–	–	(88)	(88)
Distributions from a non wholly-owned subsidiary	–	–	–	–	–	–	(1,401)	(1,401)
Non-controlling interests arising from business combinations	–	–	–	–	–	–	256	256
Acquisition of additional equity interests in non wholly-owned subsidiaries	–	–	–	(181)	–	(181)	(226)	(407)
Dilution of interests in subsidiaries	–	–	–	156	–	156	359	515
Changes in put option liabilities in respect of non-controlling interests	–	–	–	174	–	174	52	226
Recognition of put option liabilities arising from business combinations	–	–	–	(105)	–	(105)	–	(105)
Transfer of equity interests of subsidiaries to non-controlling interests	–	–	–	(10,183)	–	(10,183)	10,183	–
Total transactions with equity holders at their capacity as equity holders for the period	–	3,060	(335)	(9,811)	(36)	(7,122)	9,406	2,284
Balance at 31 March 2021	–	51,853	(4,747)	124,487	590,219	761,812	83,334	845,146

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2022**

	Unaudited	
	Three months ended 31 March	
	2022	2021
	RMB'Million	RMB'Million
Net cash flows generated from operating activities	33,822	51,004
Net cash flows used in investing activities	(20,105)	(55,036)
Net cash flows generated from/(used in) financing activities	7,597	(487)
Net increase/(decrease) in cash and cash equivalents	21,314	(4,519)
Cash and cash equivalents at beginning of the period	167,966	152,798
Exchange (losses)/gains on cash and cash equivalents	(454)	342
Cash and cash equivalents at end of the period	<u>188,826</u>	<u>148,621</u>

Note:

1 General information, basis of preparation and presentation

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

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

The condensed consolidated interim financial information comprises the consolidated statement of financial position as at 31 March 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months then ended, and a summary of significant accounting policies and other explanatory information (the “Interim Financial Information”). The Interim Financial Information is presented in RMB, unless otherwise stated.

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

The Interim Financial Information has been prepared in accordance with IAS 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2021, which have been prepared in accordance with IFRS, as set out in the 2021 annual report of the Company dated 23 March 2022 (the “2021 Financial Statements”).

Except as described below, the accounting policies and method of computation used in the preparation of the Interim Financial Information are generally consistent with those used in the 2021 Financial Statements in all material aspects, which have been prepared in accordance with IFRS under the historical cost convention, as modified by the revaluation of FVPL, FVOCI, dividends payable for distribution in specie, certain other financial assets and liabilities, which are carried at fair values.

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

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

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

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

2 Segment information

The Group has the following reportable segments for the three months ended 31 March 2022 and 2021:

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

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

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

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

	Unaudited Three months ended 31 March 2022				
	VAS RMB'Million	Online Advertising RMB'Million	FinTech and Business Services RMB'Million	Others RMB'Million	Total RMB'Million
Segment revenues	<u>72,738</u>	<u>17,988</u>	<u>42,768</u>	<u>1,977</u>	<u>135,471</u>
Gross profit	<u>36,683</u>	<u>6,594</u>	<u>13,499</u>	<u>298</u>	<u>57,074</u>
Cost of revenues					
Depreciation	1,714	1,558	2,501	27	5,800
Amortisation	<u>4,946</u>	<u>2,359</u>	<u>64</u>	<u>448</u>	<u>7,817</u>
	Unaudited Three months ended 31 March 2021				
	VAS RMB'Million	Online Advertising RMB'Million	FinTech and Business Services RMB'Million	Others RMB'Million	Total RMB'Million
Segment revenues	<u>72,443</u>	<u>21,820</u>	<u>39,028</u>	<u>2,012</u>	<u>135,303</u>
Gross profit	<u>39,910</u>	<u>9,834</u>	<u>12,598</u>	<u>293</u>	<u>62,635</u>
Cost of revenues					
Depreciation	1,414	1,225	2,634	23	5,296
Amortisation	<u>4,685</u>	<u>1,892</u>	<u>13</u>	<u>607</u>	<u>7,197</u>

3 Other gains, net

	Unaudited	
	Three months ended 31 March	
	2022	2021
	RMB'Million	RMB'Million
Net gains on disposals and deemed disposals		
of investee companies (a)	18,892	3,484
Net fair value (losses)/gains on FVPL ((b) and Note 9)	(355)	14,740
Impairment provision for investee companies, goodwill and other intangible assets arising from acquisitions (c)	(7,003)	(50)
Subsidies and tax rebates	2,920	2,530
Net fair value gains on other financial instruments	75	109
Donations (d)	(1,273)	(1,600)
Dividend income	43	150
Others (e)	(166)	158
	13,133	19,521
	13,133	19,521

Note:

- (a) The disposal and deemed disposal gains of approximately RMB18,892 million recognised during the three months ended 31 March 2022 mainly comprised the following:
- gain of approximately RMB18,481 million arising from partial divestment of Sea Limited (NYSE: SE), an existing associate of the Group, details of which are explained in Note 8(b); and
 - aggregate net gains of approximately RMB715 million (three months ended 31 March 2021: RMB1,580 million) on disposals, partial disposals or deemed disposals of various investments of the Group, and net losses of approximately RMB304 million (net gains during three months ended 31 March 2021: RMB1,904 million) on dilution of the Group's equity interests in certain associates due to new equity interests being issued by these associates (Note 8). These investee companies are principally engaged in online video-sharing platform, games developing and Internet-related businesses.
- (b) During the three months ended 31 March 2022, the net fair value losses on FVPL comprised net losses of approximately RMB408 million as a result of decrease in valuations of certain investee companies, and net gains of approximately RMB53 million associated with treasury investments (net gains during three months ended 31 March 2021: RMB14,738 million and RMB2 million, respectively).

- (c) The impairment provision for investee companies, goodwill and other intangible assets arising from acquisitions mainly comprised the following:

	Unaudited	
	Three months ended 31 March	
	2022	2021
	RMB'Million	RMB'Million
Investments in associates (Note 8(c))	(7,000)	–
Investments in joint ventures and others	(3)	–
Goodwill and other intangible assets arising from acquisitions	–	(50)
	(7,003)	(50)

- (d) The donations mainly included RMB1,253 million for SSV & CPP.
- (e) During the three months ended 31 March 2022, expenses incurred for regulatory fines in the Mainland of China and certain litigation settlements were approximately RMB5 million (three months ended 31 March 2021: nil).

4 Expenses by nature

	Unaudited	
	Three months ended 31 March	
	2022	2021
	RMB'Million	RMB'Million
Transaction costs (a)	30,899	31,653
Employee benefits expenses (b)	29,229	20,401
Content costs (excluding amortisation of intangible assets)	15,733	14,819
Amortisation of intangible assets (c)	8,597	7,843
Bandwidth and server custody fees (excluding depreciation of right-of-use assets)	7,476	6,215
Depreciation of property, plant and equipment, investment properties and right-of-use assets	7,322	6,358
Promotion and advertising expenses	5,339	6,481

Note:

- (a) Transaction costs primarily consist of bank handling fees, channel and distribution costs.
- (b) During the three months ended 31 March 2022, the Group had incurred expenses for the purpose of R&D of approximately RMB15,383 million (three months ended 31 March 2021: approximately RMB11,301 million), which mainly comprised employee benefits expenses of approximately RMB13,067 million (three months ended 31 March 2021: approximately RMB9,442 million).

During the three months ended 31 March 2022, employee benefits expenses included the share-based compensation expenses of approximately RMB8,136 million (three months ended 31 March 2021: approximately RMB3,704 million), which contained those incurred for SSV & CPP of approximately RMB16 million (three months ended 31 March 2021: nil).

No significant development expenses had been capitalised for the three months ended 31 March 2022 and 2021.

- (c) Amortisation charges of intangible assets are mainly in respect of media content including video and music content, game licenses, and other content. During the three months ended 31 March 2022, amortisation of media content was approximately RMB7,638 million (three months ended 31 March 2021: approximately RMB7,155 million).

During the three months ended 31 March 2022, amortisation of intangible assets included the amortisation of intangible assets resulting from business combinations of approximately RMB1,388 million (three months ended 31 March 2021: approximately RMB1,062 million).

- (d) During the three months ended 31 March 2022, expenses incurred for SSV & CPP (excluding share-based compensation expenses) were approximately RMB95 million (three months ended 31 March 2021: nil).

5 Income tax expense

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

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

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

(b) Hong Kong profits tax

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

(c) PRC CIT

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

Certain subsidiaries of the Group in the Mainland of China were approved as High and New Technology Enterprise and they were subject to a preferential corporate income tax rate of 15% for the three months ended 31 March 2022 and 2021.

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

(d) Corporate income tax in other jurisdictions

Income tax on profit arising from other jurisdictions, including the United States, Europe, Asia and South America, had been calculated on the estimated assessable profit for the three months ended 31 March 2022 and 2021 at the respective rates prevailing in the relevant jurisdictions, ranging from 12.5% to 35%.

(e) Withholding tax

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

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

The income tax expense of the Group for the three months ended 31 March 2022 and 2021 is analysed as follows:

	Unaudited	
	Three months ended 31 March	
	2022	2021
	RMB'Million	RMB'Million
Current income tax	7,018	8,379
Deferred income tax	(1,749)	(1,133)
	<u>5,269</u>	<u>7,246</u>

6 Earnings per share

(a) Basic

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

	Unaudited	
	Three months ended 31 March	
	2022	2021
Profit attributable to equity holders of the Company (RMB'Million)	<u>23,413</u>	<u>47,767</u>
Weighted average number of ordinary shares in issue (million shares)	<u>9,538</u>	<u>9,514</u>
Basic EPS (RMB per share)	<u>2.455</u>	<u>5.020</u>

(b) Diluted

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

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

	Unaudited	
	Three months ended 31 March	
	2022	2021
Profit attributable to equity holders of the Company (RMB' Million)	23,413	47,767
Dilution effect arising from share-based awards issued by non wholly-owned subsidiaries and associates (RMB' Million)	(121)	(137)
	<u>23,292</u>	<u>47,630</u>
Profit attributable to equity holders of the Company for the calculation of diluted EPS (RMB' Million)	23,292	47,630
Weighted average number of ordinary shares in issue (million shares)	9,538	9,514
Adjustments for share options and awarded shares (million shares)	151	173
	<u>9,689</u>	<u>9,687</u>
Weighted average number of ordinary shares for the calculation of diluted EPS (million shares)	9,689	9,687
Diluted EPS (RMB per share)	2.404	4.917

7 Dividends

(a) Final dividends

A final dividend in respect of the year ended 31 December 2021 of HKD1.60 per share (2020: HKD1.60 per share) was proposed pursuant to a resolution passed by the Board on 23 March 2022 and subject to the approval of the shareholders at the 2022 AGM. This proposed dividend is not reflected as dividend payable in the Interim Financial Information.

(b) Interim dividend by way of distribution in specie

On 23 December 2021, 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 457 million Class A ordinary shares of JD.com to the shareholders. The share certificates of the relevant shares of JD.com in respect of the distribution to qualifying shareholders under the Distribution in Specie were dispatched to qualifying shareholders on 25 March 2022 (the “Share Certificate Dispatch Date”).

Dividends payable for distribution in specie was approximately RMB84.6 billion right before the Share Certificate Dispatch Date, measured at fair value using the market price of the JD.com Shares to be distributed. Fair value changes on the dividends payable amounting to approximately RMB17.1 billion from 1 January 2022 to the Share Certificate Dispatch Date were recognised in equity as a result of the changes in the fair value of the JD.com Shares to be distributed. Upon the dispatch of the share certificates of the JD.com Shares to be distributed, the assets held for distribution and dividends payable for distribution in specie were derecognised and the cumulated fair value losses of assets held for distribution amounting to approximately RMB11.8 billion were transferred from other reserves to retained earnings.

The Board did not declare any interim dividend for the three months ended 31 March 2022 and 2021.

8 Investments in associates

	Unaudited 31 March 2022 RMB' Million	Audited 31 December 2021 RMB' Million
Investments in associates		
– Listed entities (Note)	191,501	200,785
– Unlisted entities	118,129	115,789
	309,630	316,574

Note:

As at 31 March 2022, the fair value of the investments in associates consisting of directly and indirectly held listed equity interests was approximately RMB424,554 million (31 December 2021: RMB634,661 million).

Movement of investments in associates is analysed as follows:

	Unaudited	
	Three months ended 31 March	
	2022	2021
	RMB'Million	RMB'Million
At beginning of period	316,574	297,609
Additions (a)	4,379	17,207
Transfers	2,205	5,536
Dilution (losses)/gains on deemed disposals (Note 3(a))	(304)	1,904
Share of (loss)/profit of associates	(6,246)	1,348
Share of other comprehensive income of associates	141	668
Share of other changes in net assets of associates	1,444	1,196
Dividends	–	(15)
Disposals (b)	(870)	(1,812)
Impairment provision ((c) and Note 3(c))	(7,000)	–
Currency translation differences	(693)	(496)
	<hr/>	<hr/>
At end of period	309,630	323,145
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (a) During the three months ended 31 March 2022, the Group's additions to investments in associates comprised the new associates and additional investments in existing associates with an aggregate amount of approximately RMB4,379 million. These associates are principally engaged in FinTech, comic development, biotech and other Internet-related businesses.
- (b) On 4 January 2022, the Group entered into a transaction to divest an aggregate of 14,492,751 Class A ordinary shares of Sea Limited with a carrying value of approximately RMB825 million, and to convert all its supervoting Class B ordinary shares to Class A ordinary shares (collectively, the "Transaction"). Upon the completion of the Transaction, the Group's equity interest in Sea Limited was reduced from 21.3% to 18.7% with its voting power reduced to less than 10%, and a disposal gain of approximately RMB18,481 million was recognised in "Other gains, net" (Note 3(a)). Since the Group still has a board representative after the completion of the Transaction and has significant influence on Sea Limited, this investment continues to be accounted for as an associate.
- (c) During the three months ended 31 March 2022, an aggregate impairment loss of approximately RMB7,000 million (three months ended 31 March 2021: nil) 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.

9 Financial assets at fair value through profit or loss

FVPL include the following:

	Unaudited	Audited
	31 March	31 December
	2022	2021
	RMB'Million	RMB'Million
Included in non-current assets:		
Investments in listed entities	16,665	19,802
Investments in unlisted entities	170,648	163,382
Treasury investments and others	9,848	9,000
	<u>197,161</u>	<u>192,184</u>
Included in current assets:		
Investments in listed entities	3	4
Treasury investments and others	11,739	10,569
	<u>11,742</u>	<u>10,573</u>
	<u>208,903</u>	<u>202,757</u>

Movement of FVPL is analysed as follows:

	Unaudited	
	Three months ended 31 March	
	2022	2021
	RMB'Million	RMB'Million
At beginning of period	202,757	172,537
Additions and transfers (a)	12,151	12,271
Changes in fair value (Note 3)	(355)	14,740
Disposals and others	(4,422)	(6,766)
Currency translation differences	(1,228)	430
	<u>208,903</u>	<u>193,212</u>

Note:

- (a) During the three months ended 31 March 2022, the Group's additions mainly comprised new investments and additional investments with an aggregate amount of approximately RMB12,289 million in listed and unlisted entities. These companies are principally engaged in social media platform, video streaming platform and other Internet-related businesses. There were no material transfers of FVPL during the three months ended 31 March 2022.

10 Financial assets at fair value through other comprehensive income

FVOCI include the following:

	Unaudited 31 March 2022 RMB'Million	Audited 31 December 2021 RMB'Million
Equity investments in listed entities	166,101	227,788
Equity investments in unlisted entities	22,689	22,392
Treasury investments	1,203	77
	189,993	250,257

Movement of FVOCI is analysed as follows:

	Unaudited Three months ended 31 March	
	2022 RMB'Million	2021 RMB'Million
At beginning of period	250,257	213,091
Additions and transfers (a)	3,848	12,966
Changes in fair value	(59,350)	18,169
Disposals	(3,450)	(5,914)
Currency translation differences	(1,312)	1,925
At end of period	189,993	240,237

Note:

- (a) During the three months ended 31 March 2022, the Group's additions and transfers mainly comprised the following:
- (i) additional investment in an entity engaged in social network platform of approximately USD325 million (equivalent to approximately RMB2,072 million);
 - (ii) new investments and additional investments with an aggregate amount of approximately RMB3,120 million in listed and unlisted entities. These companies are principally engaged in FinTech service and other Internet-related businesses; and
 - (iii) an existing investee company engaged in games development with a carrying value of approximately RMB657 million transferred from investment in FVOCI to a subsidiary upon completion of business combination (Note 16).

11 Accounts receivable

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

	Unaudited 31 March 2022 RMB'Million	Audited 31 December 2021 RMB'Million
0 ~ 30 days	18,566	21,639
31 ~ 60 days	15,169	13,255
61 ~ 90 days	10,090	6,105
Over 90 days	8,949	8,332
	52,774	49,331

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

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

12 Share-based payments

(a) Share option schemes

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

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

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

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

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

	Post-IPO Option Scheme II		Post-IPO Option Scheme IV		Total No. of options
	Average exercise price	No. of options	Average exercise price	No. of options	
At 1 January 2022 (Note)	HKD191.64	35,146,117	HKD402.75	81,689,281	116,835,398
Granted	-	-	HKD384.08	7,261,887	7,261,887
Exercised	HKD154.09	(323,224)	HKD298.65	(513,526)	(836,750)
Lapsed/forfeited/waived	HKD135.50	(19,476)	HKD588.10	(969,296)	(988,772)
At 31 March 2022	HKD192.02	34,803,417	HKD399.75	87,468,346	122,271,763
Exercisable as at 31 March 2022	HKD191.97	34,691,342	HKD371.92	33,338,126	68,029,468
At 1 January 2021	HKD205.36	37,435,134	HKD380.50	67,806,750	105,241,884
Granted	-	-	HKD618.00	8,428,843	8,428,843
Exercised	HKD145.22	(280,534)	HKD327.58	(612,672)	(893,206)
Lapsed/forfeited	-	-	HKD369.80	(109,452)	(109,452)
At 31 March 2021	HKD205.82	37,154,600	HKD407.45	75,513,469	112,668,069
Exercisable as at 31 March 2021	HKD205.78	37,032,787	HKD376.47	21,393,771	58,426,558

Note:

As a result of the Distribution in Specie (Note 7(b)), pursuant to the scheme rules of the Post-IPO Option Scheme II and the Post-IPO Option Scheme IV, adjustments had been made to the exercise price of the outstanding share options thereunder as at the Ex-dividend Date, and was reflected in the average exercise price of related outstanding share options listed above.

During the three months ended 31 March 2022, no options were granted to any director of the Company (three months ended 31 March 2021: 3,374,630 options were granted to an executive director of the Company) and 843,657 options previously granted were voluntarily waived in February 2022.

(b) Share award schemes

The Company has adopted the Share Award Schemes as of 31 March 2022, which are administered by an 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 three months ended 31 March 2022 and 2021 are as follows:

	Number of awarded shares	
	Three months ended 31 March	
	2022	2021
At beginning of period	121,314,396	82,594,936
Granted (Note)	20,363,266	29,779,127
Lapsed/forfeited	(1,501,942)	(1,018,874)
Vested and transferred	(15,828,970)	(6,486,775)
At end of period	<u>124,346,750</u>	<u>104,868,414</u>
Vested but not transferred as at the end of period	<u>19,210</u>	<u>20,639</u>

Note:

As a result of the Distribution in Specie (Note 7(b)), pursuant to the scheme rules of the 2013 Share Award Scheme and the 2019 Share Award Scheme, adjustments had been made to the number of shares subject to share awards which remained unvested as at Ex-dividend Date. The number of awarded shares granted during the three months ended 31 March 2022 included a total of 3,606,234 additional awarded shares which were awarded pursuant to such adjustments.

During the three months ended 31 March 2022, 52,000 awarded shares were granted to four independent non-executive directors of the Company (three months ended 31 March 2021: 40,500 awarded shares were granted to four independent non-executive directors of the Company).

13 Accounts payable

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

	Unaudited	Audited
	31 March 2022	31 December 2021
	RMB'Million	RMB'Million
0 ~ 30 days	103,468	102,396
31 ~ 60 days	5,114	2,999
61 ~ 90 days	614	1,329
Over 90 days	3,316	2,746
	<u>112,512</u>	<u>109,470</u>

14 Borrowings

	Unaudited 31 March 2022 RMB'Million	Audited 31 December 2021 RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD bank borrowings, unsecured (a)	135,902	136,874
Non-current portion of long-term EUR bank borrowings, unsecured (a)	10	–
Non-current portion of long-term EUR bank borrowings, secured (a)	10	11
Non-current portion of long-term RMB bank borrowings, unsecured (a)	12,500	–
Non-current portion of long-term JPY bank borrowings, unsecured (a)	42	47
Non-current portion of long-term JPY bank borrowings, secured (a)	3	4
	<u>148,467</u>	<u>136,936</u>
Included in current liabilities:		
RMB bank borrowings, unsecured (b)	17,300	13,340
RMB bank borrowings, secured (b)	200	200
GBP bank borrowings, secured (b)	167	–
USD bank borrowings, secured (b)	35	–
Current portion of long-term USD bank borrowings, unsecured (a)	3,631	4,061
Current portion of long-term RMB bank borrowings, unsecured (a)	300	300
Current portion of long-term EUR bank borrowings, secured (a)	2	2
Current portion of long-term EUR bank borrowings, unsecured (a)	4	1,083
Current portion of long-term JPY bank borrowings, unsecured (a)	16	16
Current portion of long-term JPY bank borrowings, secured (a)	1	1
	<u>21,656</u>	<u>19,003</u>
	<u><u>170,123</u></u>	<u><u>155,939</u></u>

Note:

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

	Unaudited 31 March 2022		Audited 31 December 2021	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
USD bank borrowings	USD21,920	LIBOR + 0.80% ~ 1.27%	USD22,045	LIBOR + 0.80% ~ 1.27%
USD bank borrowings	USD60	1.41%	USD60	1.41%
EUR bank borrowings	EUR4	1.00% ~ 2.54%	EUR152	0.52% ~ 1.00%
RMB bank borrowings	RMB12,800	3.10% ~ 5.70%	RMB300	5.70%
JPY bank borrowings	JPY1,159	0.00% ~ 1.86%	JPY1,234	0.00% ~ 2.50%
JPY bank borrowings	JPY48	TIBOR + 1.70%	-	-

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

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

	Unaudited 31 March 2022		Audited 31 December 2021	
	Amount (Million)	Interest rate (per annum)	Amount (Million)	Interest rate (per annum)
RMB bank borrowings	RMB17,500	2.45% ~ 5.10%	RMB13,540	2.45% ~ 5.10%
GBP bank borrowings	GBP20	SONIA + 1.75%	-	-
USD bank borrowings	USD6	SOFR + 1.75%	-	-

15 Notes payable

	Unaudited 31 March 2022 RMB'Million	Audited 31 December 2021 RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD notes payable	<u>135,465</u>	<u>145,590</u>
Included in current liabilities:		
Current portion of long-term USD notes payable	<u>9,515</u>	<u>-</u>
	<u>144,980</u>	<u>145,590</u>

Note:

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

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

16 Business combination

Privatisation of Sumo Group PLC (“Sumo”)

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

Goodwill of approximately RMB6,777 million 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 is expected to be deductible for income tax purpose.

The Group’s revenue for the three months ended 31 March 2022 would be increased by not more than 5% and results for the three months ended 31 March 2022 would not be materially different should the transaction have occurred on 1 January 2022.

The related transaction costs of the transaction are not material to the Group’s consolidated financial information.

17 Subsequent events

There were no material subsequent events during the period from 1 April 2022 to the approval date of the Interim Financial Information.

OTHER INFORMATION

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

During the three months ended 31 March 2022, the Company repurchased 8,864,400 shares on the Stock Exchange for an aggregate consideration of approximately HKD3,697 million before expenses. The repurchased shares were subsequently cancelled. The repurchase was effected by the Board for the enhancement of shareholder value in the long term. Details of the shares repurchased are as follows:

Month of purchase in the three months ended 31 March 2022	No. of shares purchased	Purchase consideration per share		Aggregate consideration paid HKD
		Highest price paid HKD	Lowest price paid HKD	
January	4,831,400	477.40	421.00	2,196,128,575
March	4,033,000	388.20	352.80	1,500,840,680
Total	<u>8,864,400</u>			<u>3,696,969,255</u>

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

Employee and Remuneration Policies

As at 31 March 2022, the Group had 116,213 employees (31 March 2021: 89,228). 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 three months ended 31 March 2022 was RMB29,229 million (for the three months ended 31 March 2021: RMB20,401 million).

Audit Committee

The Audit Committee, together with the Auditor, has reviewed the Group's unaudited Interim Financial Information for the three months ended 31 March 2022. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

Compliance with the Corporate Governance Code

Save as disclosed in the corporate governance report in the 2021 annual report of the Company, none of the directors of the Company is aware of any information which would reasonably indicate that the Company has not complied with the code provisions as set out in the CG Code during the period from 1 January 2022 to 31 March 2022.

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

APPRECIATION

On behalf of the Board, I would like to thank wholeheartedly our staff and management team for their dedication and professionalism, which have been the cornerstone of the Group's sustainable development. Further, I would like to extend our gratitude to all our shareholders and stakeholders for their continuous support and trust. We will continue to adhere to our strategy of promoting sustainable innovations for social value, alongside nurturing the consumer Internet and embracing the industrial Internet, and contribute more to the common good and value of our society.

By Order of the Board
Ma Huateng
Chairman

Hong Kong, 18 May 2022

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

Executive Directors:

Ma Huateng and Lau Chi Ping Martin;

Non-Executive Directors:

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

Independent Non-Executive Directors:

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

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

DEFINITION

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

Term	Definition
“2013 Share Award Scheme”	the share award scheme adopted by the Company on 13 November 2013, as amended from time to time
“2019 Share Award Scheme”	the share award scheme adopted by the Company on 25 November 2019, as amended from time to time
“2022 AGM”	the annual general meeting of the Company to be held on 18 May 2022 or any adjournment thereof
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the auditor of the Company
“Board”	the board of directors of the Company
“CDN”	Content Delivery Network
“CG Code”	the corporate governance code as set out in Appendix 14 to the Listing Rules
“Company”	Tencent Holdings Limited, a limited liability company organised and existing under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange
“CPaaS”	Communication Platform-as-a-Service
“DAU”	daily active user accounts
“Distribution in Specie”	the distribution of a special interim dividend by the Company in the form of a distribution in specie of the JD.com Shares held by the Group to the shareholders whose names appeared on the register of members of the Company on 25 January 2022 in proportion to their then respective shareholdings in the Company on the basis of 1 Class A ordinary share of JD.com for every 21 shares of the Company held by the shareholders

“DnF”	Dungeon and Fighter
“Domestic Games”	for the purpose of preparing financial and operating information, Domestic Games refers to our games business in the PRC, excluding the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“EPS”	earnings per share
“EUR”	the lawful currency of the European Union
“Ex-dividend Date”	20 January 2022, being the date of commencement of dealing in the shares of the Company on an ex-entitlement basis following the declaration of interim dividend by way of the Distribution in Specie as announced by the Company on 23 December 2021
“FinTech”	financial technology
“FMCG”	fast-moving consumer goods
“Funcom”	Funcom SE, a limited liability company registered in Norway
“FVOCI”	financial assets at fair value through other comprehensive income
“FVPL”	financial assets at fair value through profit or loss
“GBP”	the lawful currency of the United Kingdom of Great Britain and Northern Ireland
“Group”	the Company and its subsidiaries
“HKD”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region, the PRC
“IaaS”	Infrastructure-as-a-Service
“IAS”	International Accounting Standards
“IFRS”	International Financial Reporting Standards

“International Games”	for the purpose of preparing financial and operating information, International Games refers to our games business other than our Domestic Games business
“IP”	intellectual property
“IPO”	initial public offering
“JD.com”	JD.com, Inc., a company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability, whose American depositary shares are listed on NASDAQ (stock symbol: JD, ISIN Code: US47215P1066) and whose Class A ordinary shares are listed on the Stock Exchange (stock code: 9618)
“JD.com Shares”	the approximately 457 million Class A ordinary shares in the share capital of JD.com with a par value of USD0.00002 each, held by the Group conferring a holder of a Class A ordinary share to one vote per share on any resolution tabled at JD.com’s general meeting and which were distributed pursuant to the Distribution in Specie
“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
“PaaS”	Platform-as-a-Service
“PC”	personal computer
“Post-IPO Option Scheme I”	the Post-IPO Share Option Scheme adopted by the Company on 24 March 2004
“Post-IPO Option Scheme II”	the Post-IPO Share Option Scheme adopted by the Company on 16 May 2007

“Post-IPO Option Scheme III”	the Post-IPO Share Option Scheme adopted by the Company on 13 May 2009
“Post-IPO Option Scheme IV”	the Post-IPO Share Option Scheme adopted by the Company on 17 May 2017
“PRC” or “China”	the People’s Republic of China
“PRC CIT”	PRC corporate income tax as defined in the “Corporate Income Tax Law of the People’s Republic of China”
“Pre-IPO Option Scheme”	the Pre-IPO Share Option Scheme adopted by the Company on 27 July 2001
“PUBG”	PlayerUnknown’s Battlegrounds
“R&D”	research and development
“RMB”	the lawful currency of the PRC
“Share Award Schemes”	the share award scheme adopted by the Company on 13 December 2007, the 2013 Share Award Scheme and the 2019 Share Award Scheme, as amended from time to time
“SOFR”	Secured Overnight Financing Rate
“Sogou”	Sogou Inc., a company incorporated in the Cayman Islands with limited liability, which became a wholly-owned subsidiary of the Company following completion of its privatisation in September 2021
“SONIA”	Sterling Overnight Index Average
“SSV & CPP”	Sustainable Social Value and Common Prosperity Programme
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supercell”	Supercell Oy, a private company incorporated in Finland
“TIBOR”	Tokyo InterBank Offered Rate

“United States”	the United States of America
“USD”	the lawful currency of the United States
“VAS”	value-added services