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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 Codes: 700 (HKD counter) and 80700 (RMB counter))

UPDATE OF GLOBAL MEDIUM TERM NOTE PROGRAMME

**PROPOSED ISSUE OF NOTES UNDER THE GLOBAL MEDIUM
TERM NOTE PROGRAMME**

AND

EXTRACT OF FINANCIAL INFORMATION

References are made to the announcements of the Company dated 10 April 2014, 24 April 2015, 9 January 2018, 1 April 2019, 25 May 2020 and 13 April 2021 in relation to the establishment, increase of the Programme Limit and update of the Programme.

The Board is pleased to announce that on 15 September 2025, the Company has updated the Programme to include, among other things, the Company's recent corporate and financial information.

The Company also proposes to conduct an international offering of the Proposed Notes to certain professional investors. The Proposed Notes will be issued in series with different issue dates and terms and may be denominated in any currency subject to compliance with all relevant laws, regulations and directives. The completion of the Proposed Notes Issue is dependent on several factors, including but not limited to global market conditions, corporate needs of the Company and investors' interests. None of the Proposed Notes will be offered to the public in Hong Kong, the United States, or any other jurisdictions, nor will the Proposed Notes be placed to any connected person(s) of the Company.

As at the date of this announcement, the Company has an aggregate principal amount of US\$17.75 billion outstanding Notes under the Programme.

In connection with the Programme and the Proposed Notes Issue, the Company will provide certain professional investors with recent corporate and financial information. For the purposes of a transparent and timely dissemination of information to Shareholders and the broader investment community, an extract of the relevant information which relates to the management's discussion and analysis of financial condition and results of the operations of the Group is attached hereto.

The Company has appointed J.P. Morgan, BofA Securities and Morgan Stanley as the arrangers under the Programme.

Bank of China, Agricultural Bank of China, CITIC Securities, HSBC, ICBC (Asia) and J.P. Morgan are the joint global coordinators in respect of the Proposed Notes Issue.

As no binding agreement in relation to the Proposed Notes Issue has been entered into as at the date of this announcement, the Proposed Notes Issue may or may not materialise. The completion of the Proposed Notes Issue is dependent on several factors, including but not limited to global market conditions, corporate needs of the Company and investors' interests. Investors and Shareholders are advised to exercise caution when dealing in the securities of the Company.

Further announcement in respect of the Proposed Notes Issue will be made by the Company as and when appropriate.

UPDATE OF THE PROGRAMME

Introduction

References are made to the announcements of the Company dated 10 April 2014, 24 April 2015, 9 January 2018, 1 April 2019, 25 May 2020 and 13 April 2021 in relation to the establishment, increase of the Programme Limit and update of the Programme.

The Board is pleased to announce that on 15 September 2025, the Company has updated the Programme to include, among other things, the Company's recent corporate and financial information.

The Company has appointed J.P. Morgan, BofA Securities and Morgan Stanley as the arrangers under the Programme by way of a dealer agreement dated 10 April 2014 (as amended and restated by an amended and restated dealer agreement dated 24 April 2015 which was further amended on 1 April 2019, 25 May 2020 and 13 April 2021, and as further amended and restated by the amended and restated dealer agreement dated 15 September 2025).

As at the date of this announcement, the Company has an aggregate principal amount of US\$17.75 billion outstanding Notes under the Programme.

Listing

An application has been made by the Company to the Stock Exchange for the listing of the Programme for a period of 12 months after 15 September 2025 by way of debt issues (to certain professional investors only). In relation to any issue of the Notes, the Company has the option to agree with the relevant dealer(s) to list the Notes on the Stock Exchange or any other recognised stock exchanges.

Proposed use of net proceeds

The Company currently intends to use the net proceeds from each issue of the Notes, including the Proposed Notes, for the Company's general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

PROPOSED NOTES ISSUE

Introduction

The Company proposes to conduct an international offering of the Proposed Notes to certain professional investors. In connection with the Programme and the Proposed Notes Issue, the Company will provide certain professional investors with recent corporate and financial information. For the purposes of a transparent and timely dissemination of information to Shareholders and the broader investment community, an extract of the relevant information which relates to the management's discussion and analysis of financial condition and results of the operations of the Group is attached hereto.

The completion of the Proposed Notes Issue is dependent on several factors, including but not limited to global market conditions, corporate needs of the Company and investors' interests. Bank of China, Agricultural Bank of China, CITIC Securities, HSBC, ICBC (Asia) and J.P. Morgan are the joint global coordinators in respect of the Proposed Notes Issue.

The Proposed Notes have not been, and will not be, registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States. The Proposed Notes will only be offered in offshore transactions to Non-U.S. Persons in compliance with Regulation S. None of the Proposed Notes will be offered to the public in Hong Kong, the United States, or any other jurisdictions, nor will the Proposed Notes be placed to any connected person(s) of the Company.

Listing

The Company intends to seek a listing of the Proposed Notes on the Stock Exchange. Admission of the Proposed Notes to the official list of the Stock Exchange and quotation of the Proposed Notes on the Stock Exchange is not to be taken as an indication of the merits of the Company or the Proposed Notes.

GENERAL

As no binding agreement in relation to the Proposed Notes Issue has been entered into as at the date of this announcement, the Proposed Notes Issue may or may not materialise. The completion of the Proposed Notes Issue is dependent on several factors, including but not limited to global market conditions, corporate needs of the Company and investors' interests. Investors and Shareholders are advised to exercise caution when dealing in the securities of the Company.

Further announcement in respect of the Proposed Notes Issue will be made by the Company as and when appropriate.

DEFINITION

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

Term	Definition
“Agricultural Bank of China”	ABCI Capital Limited and Agricultural Bank of China Limited Hong Kong Branch
“Bank of China”	Bank of China (Hong Kong) Limited and Bank of China Limited, Singapore Branch
“Board”	the board of directors of the Company
“BofA Securities”	Merrill Lynch (Asia Pacific) Limited
“CITIC Securities”	CLSA 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

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region, the People’s Republic of China
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited
“ICBC (Asia)”	Industrial and Commercial Bank of China (Asia) Limited
“J.P. Morgan”	J.P. Morgan Securities (Asia Pacific) Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Morgan Stanley”	Morgan Stanley & Co. International plc
“Non-U.S. Persons”	persons who are not U.S. persons as defined under Regulation S
“Notes”	the medium term notes under the Programme
“Pricing Supplement”	the document which sets out the terms specific to each series of the Notes
“Programme”	the global medium term note programme established by the Company by way of a dealer agreement dated 10 April 2014 (as amended and restated by an amended and restated dealer agreement dated 24 April 2015 which was further amended on 1 April 2019, 25 May 2020 and 13 April 2021, and as further amended and restated by the amended and restated dealer agreement dated 15 September 2025) and as updated and modified from time to time

“Programme Limit”	the maximum aggregate principal amount of the Notes which may be outstanding at any one time
“Proposed Notes”	the Notes proposed to be issued
“Proposed Notes Issue”	the issue of the Proposed Notes
“Regulation S”	Regulation S under the U.S. Securities Act
“Share(s)”	the ordinary share(s) with par value of HK\$0.00002 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S.” or “United States”	the United States of America, its territories and possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	the United States Securities Act of 1933, as amended
“US\$”	United States dollars, the lawful currency of the United States

By Order of the Board
Ma Huateng
Chairman

15 September 2025

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

Executive Director:

Ma Huateng;

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, Ke Yang and Zhang Xiulan.

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

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of our financial condition and results of operations as at and for the years ended 31 December 2022, 2023 and 2024 and as at and for the six months ended 30 June 2024 and 2025, and of the material factors that we believe are likely to affect our financial condition and results of operations. You should read this section in conjunction with our audited consolidated financial statements and unaudited interim condensed consolidated financial information included in this Offering Circular beginning on page F-2. Our consolidated financial statements and unaudited interim condensed consolidated financial information have been prepared in accordance with IFRS Accounting Standards.

In preparing the audited consolidated financial statements as at and for the year ended 31 December 2023, certain items in our consolidated income statement for the year ended 31 December 2023 have been reclassified and the comparative figures for the year ended 31 December 2022 have been restated to conform to the new presentation for the year ended 31 December 2023. For the impact on the changes in presentation of the consolidated income statement, please refer to Note 2.2 to our audited consolidated financial statements as at and for the year ended 31 December 2023 included elsewhere in this Offering Circular.

In addition, the following discussion contains certain forward-looking statements that reflect our plans, estimates and beliefs. Our actual results may differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this Offering Circular, including “Risk Factors”.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that the most significant factors that have affected or are expected to affect our results of operations and financial condition include, among others:

Ability to increase the engagement and monetisation of our vast user base

The growth of our business and revenues depends on the attractiveness and demand for our service and product offerings and our ability to deepen user engagement and further increase the monetisation of our vast user base. We have seen a modest growth in our *Weixin* and *WeChat* user base and maintained large numbers of *QQ* users. As at 30 June 2025, combined MAU of *Weixin* and *WeChat* reached 1,411 million, an increase of 3%, from 1,371 million as at 30 June 2024, and mobile device MAU of *QQ* was 532 million.

We believe the depth of user engagement of our massive online communities is one of our key competitive advantages. We continue to increase user engagement by enhancing user experience and broadening our products and services, creating opportunities for our ecosystem partners. We introduce high-quality digital content, including games, video, music and literature, and seek to integrate these digital content services with our social platforms to enhance the holistic and differentiated social experience for our users. We seek to leverage the size of our user base and integrated nature of our platforms to build up user traffic for our new services and products. In addition, our large and logged-in user base and our leading mobile payment services also makes our platforms more attractive to advertisers and merchant partners.

We have also monetised user traffic generated from our various digital content and *Weixin* services. We have accumulated expertise in cross-marketing our services and products across our massive user base. Our major digital content, including games, video, music and literature, help attract users and drive conversion into paying users. Our paid subscriptions of digital content have increased over the years. The numerous *Weixin* services, such as *Mini Programs*, *Video Accounts*, *Mini Shops* and *Weixin Pay*, help merchants digitalise their businesses and complete more online-to-offline transactions. Leveraging AI-powered technology platform, we enhance our capabilities for marketing and business services, generating higher revenues.

Ability to innovate and adopt new technologies such as AI

The technology industry is highly competitive, innovative and ever changing due to the relatively low entry barrier and evolving preferences of users. We have endeavored to embrace generative AI technologies, implement AI technologies to in-house marketing and business services, and provide AI based solutions to external customers.

We not only encourage our employees to innovate, but also allocate considerable resources to the research and development of new technologies and the optimisation of product features as well as enhancement of user experience of products. We will continue to invest in and develop our AI infrastructure and application to our products and services to enhance user acquisition while maintaining our existing market share.

Ability to develop content and applications to maintain our market position

Our ability to develop relevant content and applications will affect our users' engagement and usage of our platforms. We have devoted significant resources to the research and development of content and applications in order to keep our existing platforms relevant and attractive to users. We have established a strong market position and built a brand name widely recognised by consumers and industry participants. For example, *Weixin* has become the leading communication and social network platform, connecting users, enterprises, content and services. We have also maintained our leadership in the games market in China and globally leveraging the success of developing and operating evergreen titles.

As we seek to expand our business lines and diversify our portfolio of services and products, our ability to launch new attractive contents and applications will continue to be the key to our revenue growth. Our ability to compete effectively and maintain our leading brand and market position will continue to affect our results of operations going forward.

BASIS OF PRESENTATION

During the years presented in the consolidated financial statements, we derived our revenue substantially under a series of contractual arrangements between certain of our WFOEs and our consolidated affiliated entities. These contractual arrangements are designed to provide us and the WFOEs with effective control over, and (to the extent permitted by PRC laws) the right to acquire the equity interests in and assets of our consolidated affiliated entities. Based on such contractual arrangements, we have concluded that it is appropriate to consolidate the financial statements of our consolidated affiliated entities, notwithstanding the lack of direct share ownership, because, in substance, the contractual arrangements transfer the economic risks and benefits of these consolidated affiliated entities to us.

DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

Revenues

We generate our revenues primarily from four lines of business:

- VAS;
- Marketing Services;
- FinTech and Business Services; and
- Others.

Our revenues were RMB554,552 million and RMB609,015 million and RMB660,257 million and RMB320,618 million and RMB364,526 million (US\$50,886 million) for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025, respectively. The following table sets forth our revenues by line of business for the years/periods indicated:

	Year ended 31 December						Six months ended 30 June				
	2022		2023		2024		2024		2025		
	(Audited)						(Unaudited)				
	(RMB in millions)	% of total revenues	(RMB in millions)	% of total revenues	(RMB in millions)	% of total revenues	(RMB in millions)	% of total revenues	(RMB in millions)	(US\$ in millions)	% of total revenues
Revenues											
VAS	287,565	52%	298,375	49%	319,168	49%	157,451	49%	183,501	25,616	50%
Marketing Services	82,729	15%	101,482	17%	121,374	18%	56,377	18%	67,615	9,439	19%
FinTech and Business Services.....	177,064	32%	203,763	33%	211,956	32%	102,742	32%	110,443	15,417	30%
Others.....	7,194	1%	5,395	1%	7,759	1%	4,048	1%	2,967	414	1%
Total revenues	554,552	100%	609,015	100%	660,257	100%	320,618	100%	364,526	50,886	100%

VAS

Revenues from VAS are derived principally from the provisions of online games and social networks services. Our VAS is primarily provided on a subscription basis, per-item basis or revenue share basis.

We derive online games revenues primarily from sales of in-game virtual items and social networks revenues primarily from subscriptions, sales of virtual items and online games revenues attributable to social networks business. We have an extensive portfolio of market leading game titles across genres in both domestic and international markets.

We also derive revenues from the massive and engaged user base across our social networks and platforms. Through providing access to services offered in *Mini Games*, such as making in-app purchases, we collect *Mini Games* platform service fees from the operation. In addition, we generate subscription revenues from offering access to premium digital content and other privileges on our digital content services, such as video, music and literature. Revenue generated from in-game virtual item sales also attributed to our social networks.

Revenues from VAS were RMB287,565 million, RMB298,375 million and RMB319,168 million and RMB157,451 million and RMB183,501 million (US\$25,616 million) for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025, respectively.

For a detailed discussion of how revenues from VAS is recognised in our consolidated financial statements, see “— *Critical Accounting Policies, Estimates and Judgments — Revenue Recognition — VAS.*”

Marketing Services

Marketing Services revenues mainly include revenues derived from sales of advertising inventories from our various platforms, such as *Video Accounts, Weixin Moments, Mini Programs, Official Accounts, Weixin Search, Tencent Video, QQ Music*, mobile advertising network and eSports events. Significant traffic on our various properties offer ample advertising opportunities. Through leveraging our advertising technology and transaction ecosystem, we drive relevant and targeted advertising to generate attractive returns for advertisers.

Revenues from Marketing Services were RMB82,729 million, RMB101,482 million and RMB121,374 million and RMB56,377 million and RMB67,615 million (US\$9,439 million) for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025, respectively.

For a detailed discussion of how revenues from Marketing Services is recognised in our consolidated financial statements, see “— *Critical Accounting Policies, Estimates and Judgments — Revenue Recognition — Marketing Services.*”

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 transactions, wealth management and other FinTech services. Cloud service revenues mainly include revenues derived from the provision of cloud services to customers based on the subscription for a period of time or consumption of cloud resources.

Revenues from FinTech and Business Services were RMB177,064 million, RMB203,763 million and RMB211,956 million and RMB102,742 million and RMB110,443 million (US\$15,417 million) for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025, respectively.

For a detailed discussion of how revenues from FinTech and Business Services is recognised in our consolidated financial statements, see “— *Critical Accounting Policies, Estimates and Judgments — Revenue Recognition — FinTech and Business Services*”.

Others

Revenues from our other businesses are primarily derived from investments in, production of and distribution of television programmes for third parties, copyrights licensing, merchandise sales and various other activities. Revenues from others were RMB7,194 million, RMB5,395 million and RMB7,759 million and RMB4,048 million and RMB2,967 million (US\$414 million) for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025, respectively.

Cost of Revenues

Our cost of revenues was RMB315,806 million, RMB315,906 million and RMB311,011 million and RMB150,853 million and RMB159,020 million (US\$22,198 million) for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025, respectively.

Cost of revenues consists of the direct costs for operating and offering our services and products, which consist primarily of transaction costs, content costs, bandwidth and server custody fees, equipment depreciation and other direct costs. Employee benefits expenses that directly relate to the provision of our services and products are also included in cost of revenues. The following table sets forth our cost of revenues by line of business for the years/periods indicated:

	Year ended 31 December						Six months ended 30 June				
	2022		2023		2024		2024		2025		
	(Audited)						(Unaudited)				
	(RMB in millions)	% of segment revenues	(RMB in millions)	% of segment revenues	(RMB in millions)	% of segment revenues	(RMB in millions)	% of segment revenues	(RMB in millions)	(US\$ in millions)	% of segment revenues
Cost of Revenues											
VAS	141,918	49%	136,456	46%	137,511	43%	67,464	43%	73,367	10,242	40%
Marketing Services	47,720	58%	50,138	49%	54,142	45%	25,236	45%	29,336	4,095	43%
FinTech and Business Services	118,690	67%	123,127	60%	112,255	53%	54,878	53%	53,894	7,523	49%
Others.....	7,478	104%	6,185	115%	7,103	92%	3,275	81%	2,423	338	82%
Total cost of revenues.....	315,806		315,906		311,011		150,853		159,020	22,198	

Selling and Marketing Expenses

Selling and marketing expenses primarily consist of costs incurred with our promotional and advertising activities, such as purchasing third-party advertising, holding promotion events and related employee benefits expenses. In recent years, our selling and marketing expenses have increased as we continue to launch and promote new services and seek to enhance our brand recognition.

General and Administrative Expenses

General and administrative expenses primarily consist of research and development expenses, related employee benefits expense, office rental/depreciation of right-of-use assets, travel and entertainment expenses, consulting fees, office maintenance and other general office expenses.

Other Gains/(Losses), Net

Other gains/(losses), net consist primarily of subsidies and tax rebates.

Net gains/(losses) from investments and others

Net gains/(losses) from investments and others consist primarily of net gains/(losses) on disposals and deemed disposals of investee companies, net fair value gains/(losses) on FVPL, other net fair value gains/(losses), impairment (provision)/reversal for investee companies, goodwill and other intangible assets arising from acquisitions, dividend income and donations.

Interest Income

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

Finance Costs

Finance costs include interest and related expenses primarily arising from the borrowings, notes payable and lease liabilities, as well as foreign currency exchange gains or losses.

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 CIT

We were not subject to any taxation in the Cayman Islands and the British Virgin Islands for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025.

(ii) Hong Kong profits tax

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025.

(iii) 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 our entities established in the Mainland of China for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025. The general PRC CIT rate was 25% in 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025.

Certain subsidiaries in the Mainland of China were approved as High and New Technology Enterprise, and accordingly, they were subject to a preferential CIT rate of 15% for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025.

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 fulfilment of certain requirements of the respective local governments.

(iv) CIT in other jurisdictions

Income tax on profit arising from other jurisdictions, including the North America, Europe, Asia and South America, had been calculated on the estimated assessable profit at the respective rates prevailing in the relevant jurisdictions, which were not higher than 39% for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025.

(v) Withholding tax

According to applicable tax regulations prevailing in the Mainland of China, 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 our entities operate in are also subject to withholding tax at respective applicable tax rates.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

We have identified certain accounting policies that are significant to the preparation of our consolidated financial information. The determination of these accounting policies is fundamental to our financial condition and results of operations, and requires management to make subjective and complex judgments about matters that are inherently uncertain based on information and data that may change in future periods. As a result, determinations regarding these items necessarily involved the use of assumptions and subjective judgments as to future events and are subject to change, and the use of different assumptions or data could produce materially different results. In addition, actual results could differ from estimates and may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting the estimates may differ significantly from management's current judgments. We believe the following represents our critical accounting policies, judgments and estimates.

Revenue recognition

We generate revenues primarily from provision of VAS, Marketing 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.

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 subscriptions, sales of virtual items, and online games revenues attributable to social networks business.

Revenues from VAS are recognised when we satisfy our performance obligations by rendering relevant promised services.

Revenues from sales of in-game permanent virtual items are recognised ratably over the respective estimates of expected users' relationship periods of the applicable games determined by the management as there is an explicit or implicit obligation of us to maintain the virtual items operated on our platforms and allow users to gain access to them, whereas revenues from sales of in-game limited life virtual items and social networks virtual items, are recognised based on the consumption or over the stipulated period of validity of the relevant virtual items ratably.

Revenues from subscriptions are recognised ratably over the subscription period.

Where the contracts include multiple performance obligations, we allocate 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 be recovered from customers.

In respect of our VAS directly delivered to our customers and paid through various third-party platforms, these third-party platforms collect the relevant service fees (the “**Online Service Fees**”) on behalf of us and they are entitled to platform provider fees at a pre-determined percentage (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 us.

We recognise the Online Service Fees as revenue on a gross or net basis depending on whether we are acting as a principal or an agent in these transactions based on the assessment according to the criteria.

We also open our online platforms to third-party game/application developers under certain cooperation agreements, under which we pay to the third-party game/application developers a predetermined percentage of the fees paid by and collected from the users of our online platforms for the virtual items sold. We recognise the related revenue on a gross or net basis depending on whether we are acting as a principal or an agent in the transaction.

We adopt different revenue recognition methods based on our specific responsibilities/obligations in different VAS offerings.

Marketing Services

Marketing Services revenues mainly include revenues derived from sales of advertising inventories from various platforms of the Group.

Revenue is recognised either ratably over the agreed period of display, or when the performance is fulfilled, such as impression, view or click. Where a contract includes multiple performance obligations, we allocate 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 be recovered from customers.

FinTech and Business Services

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

FinTech service revenues mainly include commissions from payment transactions, wealth management services and other FinTech services, where the commissions received by us are generally determined as a percentage of the value of each single transaction or periodic retention amount. Revenue from these commissions is recognised at a point in time when we satisfy our performance obligations by rendering the relevant services.

Cloud services revenues mainly include revenues derived from the provision of cloud services to customers based on the subscription for a period of time or consumption of cloud resources. For cloud service contracts based on subscription for a specified service period, revenue is recognised over the subscribed period when the services are delivered to customers ratably. For cloud service provided on a consumption basis, revenue is recognised based on the customer utilisation of the cloud resources. When a cloud-based service contract 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 be recovered from customers.

Other Revenues

Our 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. We recognise other revenues when the respective services are rendered, or when the control of the products is transferred to customers.

Share-based compensation benefits

We operate a number of share-based compensation plans (including share option schemes and share award schemes), under which we receive services from employees and other qualifying participants as consideration for equity instruments (including share options and awarded shares) of us. The fair value of the employee services and other qualifying participants' services received in exchange for the grant of equity instruments of us 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.

For grant of share options, the total amount to be expensed is determined by reference to the grant-date 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 our 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 our shares at the grant date. We also adopt valuation and actuarial techniques to assess the grant-date fair value of other equity instruments of us 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 our perspective, the grants of our equity instruments to employees of our 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 "Amounts due from subsidiaries" if rechargeable, in our statement of financial position.

At each reporting period end, we revise our estimates of the number of options and awarded shares that are expected to ultimately vest. We recognise the impact of the revision to original estimates, if any, in the consolidated income statement of us, 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 we repurchase 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.

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), we account for the cancellation or settlement as an acceleration of vesting, and therefore recognise 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 us to settle the transaction in cash. For cash-settled share-based payments, a liability is recognised at the current fair value determined at the end of the reporting period to the extent of the portion of the services received until the date of settlement, with any changes in fair value recognised in profit or loss.

Income taxes

We are 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 outcome is decided.

Recoverability of non-financial assets

We test 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 amounts 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 our 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 our 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.

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.

Scope of consolidation

Consolidation is required only if control exists. We control an investee when we have all the following: (i) power over the investee; (ii) exposure, or rights, to variable returns from our involvement with the investee; and (iii) the ability to use our power over the investee to affect the amount of our 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 us. These three factors cannot be considered in isolation by us in our 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.

We are required to reassess whether we control the investee if facts and circumstances indicate a change to one or more of the three factors of control.

RESULTS OF OPERATIONS

Six months ended 30 June 2025 compared to six months ended 30 June 2024

Revenues. Revenues increased by 14% year-on-year to RMB364,526 million (US\$50,886 million) for the six months ended 30 June 2025.

The following table sets forth our revenues by line of business for the six months ended 30 June 2024 and 2025:

	Six months ended 30 June				
	2024		2025		
	(Unaudited)				
		% of total			% of total
	Amount	revenues	Amount	Amount	revenues
	(RMB in		(RMB in	(US\$ in	
	millions)		millions)	millions)	
VAS	157,451	49%	183,501	25,616	50%
Marketing Services	56,377	18%	67,615	9,439	19%
FinTech and Business Services	102,742	32%	110,443	15,417	30%
Others.....	4,048	1%	2,967	414	1%
Total revenues	320,618	100%	364,526	50,886	100%

Revenues from VAS business increased by 17% year-on-year to RMB183,501 million (US\$25,616 million) for the six months ended 30 June 2025. Games revenues grew by 23% to RMB118,654 million (US\$16,563 million) for the six months ended 30 June 2025. The increase was primarily driven by the contribution from evergreen games including *Honour of Kings*, *Peacekeeper Elite*, *VALORANT* and Supercell's games, and newly released *Delta Force* and *DnF Mobile*. Social networks revenues increased by 7% to RMB64,847 million (US\$9,053 million) for the six months ended 30 June 2025. The increase was primarily due to the growth in app-based game virtual item sales, *Video Accounts* live streaming revenue, music subscription revenue and *Mini Games* platform service fees.

Revenues from Marketing Services increased by 20% year-on-year to RMB67,615 million (US\$9,439 million) for the six months ended 30 June 2025. Such growth was primarily due to ongoing AI-driven improvements to our advertising platform and enhancements to the Weixin transaction ecosystem, which resulted in robust advertiser demand across *Video Accounts*, *Mini Programs* and *Weixin Search*. Marketing Services revenues increased across most major industry categories during this period.

Revenues from FinTech and Business Services increased by 7% year-on-year to RMB110,443 million (US\$15,417 million) for the six months ended 30 June 2025. FinTech Services revenue growth was driven by higher revenues from consumer loan services and wealth management services. Increased cloud services revenue, including higher demand for AI-related services, along with increased eCommerce technology service fees, resulted in Business Services revenue growth.

Cost of revenues. Cost of revenues increased by 5% year-on-year to RMB159,020 million (US\$22,198 million) for the six months ended 30 June 2025. The increase was primarily due to higher content costs and channel and distribution costs, as well as bandwidth and server costs.

Gross profit. Gross profit increased by 21% year-on-year to RMB205,506 million (US\$28,688 million) for the six months ended 30 June 2025, which was driven by increased contributions from high-margin revenue streams including Domestic Games, *Mini Games*, *Video Accounts* and *Weixin Search*, as well as enhanced cost efficiency in our payment services and cloud services. Our gross margin was 56% for the six months ended 30 June 2025 as compared to 53% for the six months ended 30 June 2024. The following table sets forth our gross profit and gross margin by line of business for the six months ended 30 June 2024 and 2025:

	Six months ended 30 June				
	2024		2025		
	(Unaudited)				
		Gross			Gross
	Amount	margin	Amount	Amount	margin
	(RMB in		(RMB in	(US\$ in	
	millions)		millions)	millions)	
VAS	89,987	57%	110,134	15,374	60%
Marketing Services	31,141	55%	38,279	5,344	57%
FinTech and Business Services	47,864	47%	56,549	7,894	51%
Others.....	773	19%	544	76	18%
Total revenues	169,765	53%	205,506	28,688	56%

Gross profit for VAS grew by 22% year-on-year to RMB110,134 million (US\$15,374 million), primarily driven by Domestic Games, which benefitted from enhanced contributions from certain internally developed games, including *Delta Force*, and *Mini Games* platform service fees. Gross margin rose to 60%, up from 57% in the same period last year.

Gross profit for Marketing Services was RMB38,279 million (US\$5,344 million), up 23% year-on-year, driven by increased high-margin revenues from *Video Accounts* and *Weixin Search*. Gross margin was 57%, up from 55% in the same period last year.

Gross profit for FinTech and Business Services rose by 18% year-on-year to RMB56,549 million (US\$7,894 million), due to higher revenue contributions from consumer loan services and wealth management services, as well as enhanced cost efficiency in our payment services and cloud services. Gross margin increased to 51%, up from 47% in the same period last year.

Selling and marketing expenses. Selling and marketing expenses increased by 3% year-on-year to RMB17,276 million (US\$2,412 million) for the six months ended 30 June 2025. The increase primarily reflected promotional and advertising efforts to support the growth of our AI-native applications, partly offset by reduced advertising spending on new game launches versus the year ago period. As a percentage of revenues, selling and marketing expenses remained stable at 5% for the six months ended 30 June 2024 and 2025.

General and administrative expenses. General and administrative expenses increased by 25% year-on-year to RMB65,585 million (US\$9,155 million) for the six months ended 30 June 2025. The increase was primarily driven by higher staff costs, including a one-off share-based compensation expense amounting to RMB4.0 billion arising from restructuring of an existing commercial arrangement at an overseas subsidiary in first quarter of 2025, alongside higher R&D expenses to support our AI-related efforts. As a percentage of revenues, general and administrative expenses were 18% for the six months ended 30 June 2025, increased from 16% for the six months ended 30 June 2024.

Other gains/(losses), net. We recorded net other losses of RMB4,975 million (US\$695 million) for the six months ended 30 June 2025.

Operating profit. Operating profit increased by 14% year-on-year to RMB117,670 million (US\$16,426 million) for the six months ended 30 June 2025. Non-IFRS operating profit¹² increased by 18% year-on-year to RMB138,568 million (US\$19,343 million) for the six months ended 30 June 2025.

Net gains/(losses) from investments and others. We recorded net gains from investments and others of RMB4,045 million (US\$565 million) for the six months ended 30 June 2025.

Interest income. Interest income decreased by 3% year-on-year to RMB7,869 million (US\$1,098 million) for the six months ended 30 June 2025. This decrease was primarily due to lower interest yields, which outweighed the growth in interest income generated from increased cash reserves.

Finance costs. Finance costs increased by 31% year-on-year to RMB7,801 million (US\$1,089 million) for the six months ended 30 June 2025. The increase was primarily due to higher interest expenses and increased foreign exchange losses.

Share of profit/(loss) of associates and joint ventures, net. We recorded share of profits of associates and joint ventures of RMB9,054 million (US\$1,264 million) for the six months ended 30 June 2025, compared to share of profits of RMB9,904 million in the same period last year. Non-IFRS share of profits of associates and joint ventures¹² was RMB13,988 million (US\$1,953 million) for the six months ended 30 June 2025, compared to share of profits of RMB15,377 million in the same period last year, primarily due to lower estimated associate income from a large associate.

¹² Certain non-IFRS financial measures (in terms of operating profit, share of profit/(loss) of associates and joint ventures, net, profit attributable to equity holders of the Company) represents the IFRS financial measures after adjusting for share-based compensation, net (gains)/ losses from investee companies, amortisation of intangible assets resulting from acquisitions, impairment provisions/(reversals), donations and expenses incurred for the sustainable social value and common prosperity programmes, non-recurring compliance-related costs and expenses incurred for certain litigation settlements and the related income tax effects.

Profit before income tax. Profit before income tax increased by 13% year-on-year to RMB130,837 million (US\$18,264 million) for the six months ended 30 June 2025.

Income tax expense. Income tax expense increased by 3% year-on-year to RMB25,068 million (US\$3,499 million) for the six months ended 30 June 2025. The increase was mainly driven by growth of domestic corporate income tax expenses, partially offset by lower withholding tax provision in the period.

Profit for the period. As a result of the factors discussed above, profit for the period increased by 16% year-on-year to RMB105,769 million (US\$14,765 million) for the six months ended 30 June 2025. Our profit margin increased from 28% for the six months ended 30 June 2024 to 29% for the six months ended 30 June 2025.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 16% year-on-year to RMB103,449 million (US\$14,441 million) for the six months ended 30 June 2025. Non-IFRS profit attributable to equity holders of the Company¹² increased by 16% year-on-year to RMB124,381 million (US\$17,363 million) for the six months ended 30 June 2025. Excluding non-IFRS share of profits of associates and joint ventures in both the current period and the same period last year as mentioned above, non-IFRS profit attributable to equity holders of the Company would have increased by 20% year-on-year to RMB110.6 billion for the six months ended 30 Jun 2025.

Year ended 31 December 2024 compared to year ended 31 December 2023

Revenues. Revenues increased by 8% year-on-year to RMB660,257 million for the year ended 31 December 2024.

The following table sets forth our revenues by line of business for the years ended 31 December 2023 and 2024:

	Year ended 31 December			
	2023		2024	
	(Audited)			
	Amount	% of total	Amount	% of total
	(RMB in millions)	revenues	(RMB in millions)	revenues
VAS	298,375	49%	319,168	49%
Marketing Services	101,482	17%	121,374	18%
FinTech and Business Services	203,763	33%	211,956	32%
Others.....	5,395	1%	7,759	1%
Total revenues	609,015	100 %	660,257	100 %

Revenues from VAS increased by 7% year-on-year to RMB319,168 million for the year ended 31 December 2024. International Games revenues were RMB58.0 billion, reflecting 9% growth in both reported and constant currency terms, driven by strong performances from *PUBG MOBILE* and Supercell's games. Domestic Games revenues rose by 10% to RMB139.7 billion, driven by revenue growth from *VALORANT*, *Naruto Mobile*, *Fight of the Golden Spatula* and *League of Legends: Wild Rift*, alongside new contributions from *DnF Mobile* and *Delta Force*. Social Networks revenues were RMB121.5 billion, up 2% year-on-year, driven by higher revenues from music and long-form video subscription services, increased app-based game virtual item sales and *Mini Games* platform service fees, partially offset by a decline in music-related and games-related live streaming revenues.

Revenues from Marketing Services increased by 20% year-on-year to RMB121,374 million for the year ended 31 December 2024. This increase was primarily due to robust advertiser demand for *Video Accounts*, *Mini Programs* and *Weixin Search* inventories, and ongoing enhancement of our AI-powered advertising infrastructure. Advertising spending rose across most major categories, with notable growth from games, eCommerce, education and Internet services categories.

Revenues from FinTech and Business Services grew by 4% year-on-year to RMB211,956 million for the year ended 31 December 2024. The increase in FinTech Services revenues primarily reflected growth in wealth management services and commercial payment services. Higher Business Services revenues were driven by growth in *WeCom* revenue and eCommerce technology service fees.

Cost of revenues. Cost of revenues were RMB311,011 million for the year ended 31 December 2024, representing a 2% year-on-year decline, due to lower live streaming revenue sharing costs, long-form video content costs and cloud project deployment costs.

Gross profit. Gross profit rose by 19% year-on-year to RMB349,246 million for the year ended 31 December 2024, primarily driven by robust growth in high-margin revenue streams from Domestic Games, *Video Accounts*, *Weixin Search* and the *Mini Games* platform. Improved profitability in our cloud services and long-form video businesses also contributed to the overall increase in gross profit. Gross margin increased to 53%, compared to 48% in the prior year. The following table sets forth our gross profit and gross margin by line of business for the years ended 31 December 2023 and 2024:

	Year ended 31 December			
	2023		2024	
	(Audited)			
	Amount	Gross margin	Amount	Gross margin
	(RMB in millions)		(RMB in millions)	
VAS	161,919	54%	181,657	57%
Marketing Services	51,344	51%	67,232	55%
FinTech and Business Services	80,636	40%	99,701	47%
Others.....	(790)	(15%)	656	8%
Total gross profit.....	293,109	48%	349,246	53%

Gross profit for VAS increased by 12% year-on-year to RMB181,657 million, driven by growth in high-margin revenues from Domestic Games and *Mini Games* platform service fees, as well as long-form video subscription revenue growth and content cost optimisation. Gross margin improved to 57% from 54% in the previous year.

Gross profit for Marketing Services increased by 31% year-on-year to RMB67,232 million, primarily due to growth in high-margin revenues from *Video Accounts* and *Weixin Search* marketing services. Gross margin increased to 55% from 51% in the previous year.

Gross profit for Fintech and Business Services rose by 24% year-on-year to RMB99,701 million, driven by revenue growth from wealth management services, *WeCom*, and eCommerce technology service fees, as well as enhanced cost efficiency in our cloud services. Gross margin rose to 47% from 40% in the previous year.

Selling and marketing expenses. Selling and marketing expenses grew by 6% year-on-year to RMB36,388 million for the year ended 31 December 2024, reflecting higher promotional and advertising efforts to support new content releases. As a percentage of revenues, selling and marketing expenses remained largely stable at 6%, consistent with the previous year.

General and administrative expenses. General and administrative expenses increased by 9% year-on-year to RMB112,761 million for the year ended 31 December 2024. This increase was primarily driven by higher R&D expenses, including those related to our AI initiatives, alongside higher staff costs. As a percentage of revenues, general and administrative expenses remained broadly stable at 17%, in line with the prior year.

Operating profit. Operating profit increased by 30% year-on-year to RMB208,099 million for the year ended 31 December 2024. Non-IFRS operating profit increased by 24% year-on-year to RMB237,811 million for the year ended 31 December 2024.

Interest income. Interest income increased by 16% year-on-year to RMB16,004 million for the year ended 31 December 2024 due to growth in cash reserves.

Finance costs. Finance costs decreased by 2% year-on-year to RMB11,981 million for the year ended 31 December 2024, primarily due to recognition of foreign exchange gains this year versus losses in the previous year, 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 RMB25,176 million for the year ended 31 December 2024, up from share of profits of RMB5,800 million for the previous year. Non-IFRS share of profits of associates and joint ventures rose to RMB31,635 million, compared to RMB13,041 million for the previous year. The increase in non-IFRS share of profits of associates and joint ventures reflected stronger financial performances across several associates, driven by company-specific factors, including business growth, new content releases and operational efficiency improvements.

Profit before income tax. Profit before income tax increased by 50% year-on-year to RMB241,485 million for the year ended 31 December 2024.

Income tax expense. Income tax expense increased by 4% year-on-year to RMB45,018 million for the year ended 31 December 2024, primarily due to our operating profit growth, partially offset by the high base effect from deferred tax adjustments at an overseas subsidiary in the previous year. Excluding the deferred tax adjustments in the prior year, income tax expense would have increased by 15% year-on-year.

Profit for the year. As a result of the factors discussed above, profit for the year increased by RMB78,419 million, or 66%, from RMB118,048 million for the year ended 31 December 2023 to RMB196,467 million for the year ended 31 December 2024. Our profit margin increased from 19% for the year ended 31 December 2023 to 30% for the year ended 31 December 2024.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 68% year-on-year to RMB194,073 million for the year ended 31 December 2024. Non-IFRS profit attributable to equity holders of the Company increased by 41% to RMB222,703 million for the year ended 31 December 2024.

Year ended 31 December 2023 compared to year ended 31 December 2022

Revenues. Revenues increased by 10% year-on-year to RMB609,015 million for the year ended 31 December 2023.

The following table sets forth our revenues by line of business for the years ended 31 December 2022 and 2023:

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

Revenues from VAS increased by 4% year-on-year to RMB298,375 million 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 newly launched games *Goddess of Victory: NIKKE* and *Triple Match 3D* and a recovery in *PUBG Mobile* in the second half of 2023. Domestic Games revenues increased by 2% to RMB126.7 billion, on contributions from *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 Marketing Services increased by 23% year-on-year to RMB101,482 million 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.

Revenues from FinTech and Business Services rose by 15% year-on-year to RMB203,763 million 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 RMB315,906 million 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 RMB293,109 million for the year ended 31 December 2023. This margin improvement was primarily driven by a shift in revenue mix towards high-quality revenue streams, particularly *Video Accounts*, 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. Gross margin increased to 48% from 43% in the previous year. The following table sets forth our gross profit and gross margin by line of business for the years ended 31 December 2022 and 2023:

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

Gross profit for VAS increased by 11% year-on-year to RMB161,919 million for the year ended 31 December 2023. 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 cost efficiency improvement. Gross margin improved to 54% from 51% in the previous year.

Gross profit for Marketing Services increased by 47% year-on-year to RMB51,344 million for the year ended 31 December 2023. The increase in gross margin was primarily driven by the robust growth in high-quality revenue streams, notably from Video Accounts, along with our cost control measures. Gross margin increased to 51% from 42% in the previous year.

Gross profit for FinTech and Business Services rose by 38% year-on-year to RMB80,636 million for the year ended 31 December 2023. The higher gross margin was due to margin enhancement resulting from our cloud business restructuring, the introduction of high-margin revenues from eCommerce technology service fees, and increased monetisation from other business services, alongside growth of high-margin products within FinTech services. Gross margin rose to 40% from 33% in the previous year.

Selling and marketing expenses. Selling and marketing expenses grew by 17% year-on-year to RMB34,211 million 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 previous year.

General and administrative expenses. General and administrative expenses decreased by 3% year-on-year to RMB103,525 million 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.

Operating profit. Operating profit increased by 44% year-on-year to RMB160,074 million for the year ended 31 December 2023. Non-IFRS operating profit increased by 34% year-on-year to RMB191,886 million for the year ended 31 December 2023.

Net gains/(losses) from investments and others. We recorded net losses from investments and others of RMB6,090 million for the year ended 31 December 2023, versus net gains of RMB116,287 million for the previous year, 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 RMB13,808 million 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 RMB12,268 million for the year ended 31 December 2023. This increase was driven by higher interest expenses, as well as the recognition of foreign exchange losses in 2023, 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 RMB5,800 million for 2023, versus share of losses of RMB16,129 million for the previous year. Non-IFRS share of profits of associates and joint ventures increased to RMB13.0 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.

Profit before income tax. Profit before income tax decreased by 23% year-on-year to RMB161,324 million for the year ended 31 December 2023.

Income tax expense. Income tax expense increased by 101% year-on-year to RMB43,276 million 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 for the year. As a result of the factors discussed above, profit for the year decreased by 37% year-on-year to RMB118,048 million for the year ended 31 December 2023. Our profit margin decreased from 34% for the previous year to 19% for the year ended 31 December 2023.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company decreased by 39% year-on-year to RMB115,216 million 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 RMB157,688 million for the year ended 31 December 2023.

QUARTERLY RESULTS OF OPERATIONS

The following table presents our unaudited quarterly results of operations for the most recent eight quarters. You should read the table in conjunction with the consolidated financial information contained elsewhere in this Offering Circular. Results of operations for any quarter are not necessarily indicative of results for any future quarters or full year.

	Three months ended (Unaudited)							
	30 September 2023	31 December 2023	31 March 2024	30 June 2024	30 September 2024	31 December 2024	31 March 2025	30 June 2025
	(RMB in millions)							
Revenues:								
VAS	75,748	69,079	78,629	78,822	82,695	79,022	92,133	91,368
Marketing Services ⁽¹⁾	25,721	29,794	26,506	29,871	29,993	35,004	31,853	35,762
FinTech and Business Services	52,048	54,379	52,302	50,440	53,089	56,125	54,907	55,536
Others	1,108	1,944	2,064	1,984	1,416	2,295	1,129	1,838
Total revenues	154,625	155,196	159,501	161,117	167,193	172,446	180,022	184,504
Cost of revenues	(78,102)	(77,632)	(75,631)	(75,222)	(78,365)	(81,793)	(79,529)	(79,491)
Gross profit	76,523	77,564	83,870	85,895	88,828	90,653	100,493	105,013
Selling and marketing expenses	(7,912)	(10,971)	(7,536)	(9,156)	(9,411)	(10,285)	(7,866)	(9,410)
General and administrative expenses	(26,289)	(27,175)	(24,809)	(27,491)	(29,058)	(31,403)	(33,664)	(31,921)
Other gains/(losses), net ⁽²⁾	2,026	1,983	1,031	1,484	2,974	2,513	(1,397)	(3,578)
Operating profit⁽²⁾	44,348	41,401	52,556	50,732	53,333	51,478	57,566	60,104
Net gains/(losses) from investments and others ⁽²⁾	618	(6,730)	656	(654)	3,066	1,119	1,407	2,638
Interest income ⁽²⁾	3,509	3,917	4,248	3,850	3,996	3,910	3,748	4,121
Finance costs	(2,784)	(3,543)	(2,826)	(3,112)	(3,531)	(2,512)	(3,860)	(3,941)
Share of profit/(loss) of associates and joint ventures, net	2,098	2,463	2,186	7,718	6,019	9,253	4,581	4,473
Profit before income tax	47,789	37,508	56,820	58,534	62,883	63,248	63,442	67,395
Income tax expense	(11,008)	(9,658)	(14,169)	(10,168)	(8,900)	(11,781)	(13,717)	(11,351)
Profit for the period	36,781	27,850	42,651	48,366	53,983	51,467	49,725	56,044

Note:

- (1) We have renamed this revenue segment from “Online Advertising” to “Marketing Services” since the third quarter of 2024 to better represent the breadth of the marketing solutions and accompanying technology services across the online marketing properties.
- (2) Since the fourth quarter of 2023, we changed the presentation of the consolidated income statement during the three months ended 31 December 2023. Certain items have been reclassified from above to below the operating profit line. Historical comparative figures have been restated accordingly.

We experienced growth in our quarterly revenues for the eight quarters in the period from 30 September 2023 to 30 June 2025.

LIQUIDITY AND CAPITAL RESOURCES

On a consolidated basis, we currently fund our operations primarily with cash flows from operating activities. Our cash requirements relate primarily to:

- our working capital requirements, such as transaction costs, content costs (excluding amortisation of intangible assets), employee benefits expenses, bandwidth and server custody fees (excluding depreciation of right-of-use assets), selling and marketing expenses, as well as research and development expenses; and
- costs associated with the expansion of our business.

We had cash and cash equivalents of RMB156,739 million, RMB172,320 million and RMB132,519 million and RMB182,057 million (US\$25,414 million) as at 31 December 2022, 2023 and 2024 and 30 June 2025, respectively. Our term deposits and others included in current and non-current assets were RMB162,792 million, RMB231,038 million and RMB282,894 million and RMB286,350 million (US\$39,973 million) as at 31 December 2022, 2023 and 2024 and 30 June 2025, respectively.

We bill and collect revenues for our VAS principally through these prepaid channels: mobile payment solutions (mainly Weixin Pay) and online banking. A majority of our revenues from VAS are prepaid, allowing us to minimise our credit risk.

Our accounts receivable were RMB45,467 million, RMB46,606 million and RMB48,203 million and RMB51,315 million (US\$7,163 million) as at 31 December 2022, 2023 and 2024 and 30 June 2025, respectively, which mainly represented amounts due from marketing services customers and agents, FinTech and cloud customers, content production related customers, and third-party platform providers. Some marketing services 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 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.

Our accounts payable were RMB92,381 million, RMB100,948 million and RMB118,712 million and RMB130,501 million (US\$18,217 million) as at 31 December 2022, 2023 and 2024 and 30 June 2025, respectively. We normally settle the amount due to us according to the terms of our contracts.

Cash flows

The following table sets forth our cash flows information for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025:

	Year ended 31 December			Six months ended 30 June		
	2022	2023	2024	2024	2025	
	(RMB in millions)	(Audited) (RMB in millions)	(RMB in millions)	(RMB in millions)	(Unaudited) (RMB in millions)	(US\$ in millions)
Net cash flows generated from operating activities	146,091	221,962	258,521	126,458	151,265	21,116
Net cash flows used in investing activities.....	(104,871)	(125,161)	(122,187)	(45,449)	(72,407)	(10,108)
Net cash flows used in financing activities	(59,953)	(82,573)	(176,494)	(99,781)	(30,111)	(4,203)
Net (decrease)/increase in cash and cash equivalents	(18,733)	14,228	(40,160)	(18,772)	48,747	6,805
Cash and cash equivalents at beginning of the year/period.....	167,966	156,739	172,320	172,320	132,519	18,499
Exchange gains/(losses) on cash and cash equivalents	7,506	1,353	359	(37)	791	110
Cash and cash equivalents at end of the year/period	156,739	172,320	132,519	153,511	182,057	25,414

Cash Flows from Operating Activities

For the six months ended 30 June 2025, we had a net cash inflow from operating activities in the amount of RMB151,265 million (US\$21,116 million). Our net cash inflow from operating activities was after deduction of income tax paid of RMB29,006 million.

For the six months ended 30 June 2024, we had a net cash inflow from operating activities in the amount of RMB126,458 million. Our net cash inflow from operating activities was after deduction of income tax paid of RMB30,306 million.

In 2024, we had a net cash inflow from operating activities in the amount of RMB258,521 million. This was primarily a result of cash flows generated from operations before changes in working capital in the amount of RMB282,824 million and changes in working capital in the amount of RMB21,881 million. Our net cash inflow from operating activities was after deduction of income tax paid of RMB46,184 million. The changes in working capital primarily consisted of (i) an increase in deferred revenue of RMB16,533 million, (ii) an increase in accounts payable of RMB10,872 million, (iii) a decrease in prepayments, deposits and other receivables of RMB2,632 million, and (iv) a decrease in inventories of RMB20 million, partially offset by (i) a decrease in other payables and accruals of RMB6,765 million, (ii) an increase in accounts receivable of RMB1,048 million, and (iii) a decrease in other tax liabilities of RMB363 million.

In 2023, we had a net cash inflow from operating activities in the amount of RMB221,962 million. This was primarily a result of cash flows generated from operations before changes in working capital in the amount of RMB237,458 million and changes in working capital in the amount of RMB19,233 million. Our net cash inflow from operating activities was after deduction of income tax paid of RMB34,729 million. The changes in working capital primarily consisted of (i) an increase in accounts payable of RMB8,044 million, (ii) a decrease in prepayments, deposits and other receivables of RMB5,469 million, (iii) an increase in deferred

revenue of RMB3,821 million, (iv) a decrease in inventories of RMB1,882 million, and (v) an increase in other payables and accruals of RMB1,349 million, partially offset by (i) an increase in accounts receivable of RMB1,010 million, and (ii) a decrease in other tax liabilities of RMB322 million.

In 2022, we had a net cash inflow from operating activities in the amount of RMB146,091 million. This was primarily a result of cash flows generated from operations before changes in working capital in the amount of RMB192,232 million and negative changes in working capital in the amount of RMB18,472 million. Our net cash inflow from operating activities was after deduction of income tax paid of RMB27,669 million. The changes in working capital primarily consisted of (i) a decrease in deferred revenue of RMB6,637 million, (ii) a decrease in accounts payable of RMB6,518 million, (iii) an increase in prepayments, deposits and other receivables of RMB5,840 million, (iv) a decrease in other payables and accruals of RMB4,851 million, and (v) an increase in inventories of RMB1,201 million, partially offset by (i) a decrease in accounts receivable of RMB4,336 million and (ii) an increase in other tax liabilities of RMB2,239 million.

Cash Flows from Investing Activities

Net cash used in investing activities for the six months ended 30 June 2025 was RMB72,407 million (US\$10,108 million), primarily reflecting the payments for acquisition of financial assets at fair value through profit or loss in the amount of RMB71,170 million, purchase of property, plant and equipment, construction in progress and investment properties in the amount of RMB45,558 million, payments for acquisition of financial assets at fair value through other comprehensive income in the amount of RMB43,023 million and purchase of or prepayment for intangible assets in the amount of RMB11,899 million, partially offset by proceeds from disposals of financial assets at fair value through profit or loss in the amount of RMB60,699 million, proceeds from disposal of financial assets at fair value through other comprehensive income in the amount of RMB38,139 million and net receipt flow of term deposits with initial terms of over three months in the amount of RMB8,400 million.

Net cash used in investing activities for the six months ended 30 June 2024 was RMB45,449 million, primarily reflecting net placement flow of term deposits with initial terms of over three months in the amount of RMB35,737 million, the payments for acquisition of financial assets at fair value through profit or loss in the amount of RMB17,224 million, purchase of property, plant and equipment, construction in progress and investment properties in the amount of RMB12,552 million, purchase of or prepayment for intangible assets in the amount of RMB11,846 million and payments for acquisition of financial assets at fair value through other comprehensive income in the amount of RMB3,820 million, partially offset by proceeds from disposals of financial assets at fair value through profit or loss in the amount of RMB22,009 million and proceeds from disposal of financial assets at fair value through other comprehensive income in the amount of RMB11,395 million.

Net cash used in investing activities for the year ended 31 December 2024 was RMB122,187 million, primarily reflecting the payments for acquisition of financial assets at fair value through profit or loss in the amount of RMB66,603 million, purchase of property, plant and equipment, construction in progress and investment properties in the amount of RMB62,927 million, net placement flow of term deposits with initial terms of over three months in the amount of RMB52,277 million, purchase of or prepayment for intangible assets in the amount of RMB26,394 million and payments for acquisition of financial assets at fair value through other comprehensive income in the amount of RMB14,022 million, partially offset by proceeds from disposals of financial assets at fair value through profit or loss in the amount of RMB69,562 million, proceeds from disposal of financial assets at fair value through other comprehensive income in the amount of RMB25,490 million and interest received in the amount of RMB14,913 million.

Net cash used in investing activities for the year ended 31 December 2023 was RMB125,161 million, primarily reflecting net placement flow of term deposits with initial terms of over three months in the amount of RMB80,706 million, payments for acquisition of financial assets at fair value through profit or loss in the amount of RMB45,614 million, purchase of or prepayments for intangible assets in the amount of RMB26,042 million, purchase of property, plant and equipment,

construction in progress and investment properties in the amount of RMB21,008 million and payments for acquisition of financial assets at fair value through other comprehensive income in the amount of RMB8,511 million, partially offset by proceeds from disposal of financial assets at fair value through profit or loss in the amount of RMB49,324 million and interest received in the amount of RMB10,349 million.

Net cash used in investing activities for the year ended 31 December 2022 was RMB104,871 million, primarily reflecting the payments for acquisition of financial assets at fair value through profit or loss in the amount of RMB41,181 million, net placement flow of term deposits with initial terms of over three months in the amount of RMB34,847 million, purchase of or prepayments for intangible assets in the amount of RMB27,645 million, purchase of property, plant and equipment, construction in progress and investment properties in the amount of RMB22,679 million, payments for acquisition of financial assets at fair value through other comprehensive income in the amount of RMB12,925 million, payments for business combinations, net of cash acquired in the amount of RMB12,267 million and payments for acquisition of investments in associates in the amount of RMB11,602 million, partially offset by proceeds from disposal of investments in associates in the amount of RMB22,269 million, proceeds from disposal of financial assets at fair value through profit or loss in the amount of RMB20,019 million and interest received in the amount of RMB8,506 million.

Cash Flows from Financing Activities

Net cash used in financing activities for the six months ended 30 June 2025 was RMB30,111 million (US\$4,203 million), primarily reflecting repayments of short-term borrowings of RMB66,262 million, repayments of long-term borrowings of RMB48,414 million, dividends paid to the Company's shareholders of RMB37,535 million, payments for repurchase of shares of RMB34,525 million, interest paid of RMB7,003 million and repayments of notes payable of RMB6,456 million, partially offset by proceeds from long-term borrowings of RMB100,230 million and proceeds from short-term borrowings of RMB76,168 million.

Net cash used in financing activities for the six months ended 30 June 2024 was RMB99,781 million, primarily reflecting payments for repurchase of shares of RMB47,715 million, dividends paid to the Company's shareholders of RMB28,859 million, repayments of short-term borrowings of RMB27,228 million, repayments of notes payable of RMB14,213 million, repayments of long-term borrowings of RMB13,522 million and interest paid of RMB6,070 million, partially offset by proceeds from short-term borrowings of RMB31,192 million and proceeds from long-term borrowings of RMB16,684 million.

Net cash used in financing activities for the year ended 31 December 2024 was RMB176,494 million, primarily reflecting payments for repurchase of shares of RMB102,331 million, repayments of long-term borrowings of RMB74,642 million, repayments of short-term borrowings of RMB40,049 million, dividends paid to the Company's shareholders of RMB28,859 million, repayments of notes payable of RMB14,213 million and interest paid of RMB12,417 million, partially offset by proceeds from short-term borrowings of RMB62,563 million and proceeds from long-term borrowings of RMB52,021 million.

Net cash used in financing activities for the year ended 31 December 2023 was RMB82,573 million, primarily reflecting payments for repurchase of shares of RMB43,767 million, repayments of long-term borrowings of RMB34,116 million, dividends paid to the Company's shareholders of RMB20,983 million, interest paid of RMB11,478 million and repayments of notes payable of RMB10,141 million, partially offset by proceeds from long-term borrowings of RMB33,641 million and proceeds from short-term borrowings of RMB29,809 million.

Net cash used in financing activities for the year ended 31 December 2022 was RMB59,953 million, primarily reflecting payments for repurchase of shares of RMB29,307 million, repayments of short-term borrowings of RMB15,378 million, dividends paid to the Company's shareholders of RMB12,952 million, interest paid of RMB9,342 million and repayments of long-term borrowings of RMB8,451 million, partially offset by proceeds from long-term borrowings of RMB22,535 million and proceeds from short-term borrowings of RMB7,701 million.

Capital Expenditure

Our capital expenditures consist of the amount paid for investments in IT infrastructure (including computer equipment, components, and software), data centres, land use rights, office premises and intellectual properties (excluding media content), which amounted to RMB24.4 billion, RMB22.7 billion and RMB72.1 billion and RMB21.1 billion and RMB45.9 billion (US\$6.4 billion) for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025, respectively.

We believe that our existing cash and cash equivalents, cash flows from operations and term deposits will be sufficient to meet the anticipated cash needs for our operating activities and capital expenditures for at least the next 12 months.

INDEBTEDNESS

Our total borrowings amounted to RMB175,248 million, RMB197,356 million and RMB199,406 million and RMB261,597 million (US\$36,518 million) as at 31 December 2022, 2023 and 2024 and 30 June 2025, respectively.

Our total notes payable amounted to RMB159,115 million, RMB151,262 million, RMB139,209 million and RMB132,218 million (US\$18,457 million) as at 31 December 2022, 2023 and 2024 and 30 June 2025, respectively. On 15 July 2015, we completed the issue of the 2035 Notes. The 2035 Notes bear an interest of 4.700% per annum from 15 July 2015, payable semi-annually in arrears on 15 January and 15 July of each year. The 2035 Notes will mature on 15 July 2035. See “*Description of Other Material Indebtedness — 2035 Notes*”. On 19 January 2018, we completed the issue of the 2028 Notes. The 2028 Notes bear an interest of 3.595% per annum from 19 January 2018, payable semi-annually in arrears on 19 January and 19 July of each year. The 2028 Notes will mature on 19 January 2028. See “*Description of Other Material Indebtedness — 2028 Notes*”. On 19 January 2018, we completed the issue of the 2038 Notes. The 2038 Notes bear an interest of 3.925% per annum from 19 January 2018, payable semi-annually in arrears on 19 January and 19 July

of each year. The 2038 Notes will mature on 19 January 2038. See “*Description of Other Material Indebtedness — 2038 Notes*”. On 11 April 2019, we completed the issue of the 2026 Notes. The 2026 Notes bear an interest of 3.575% per annum from 11 April 2019, payable semi-annually in arrears on 11 April and 11 October of each year. The 2026 Notes will mature on 11 April 2026. See “*Description of Other Material Indebtedness — 2026 Notes*”. On 11 April 2019, we completed the issue of the 2029 Notes. The 2029 Notes bear an interest of 3.975% per annum from 11 April 2019, payable semi-annually in arrears on 11 April and 11 October of each year. The 2029 Notes will mature on 11 April 2029. See “*Description of Other Material Indebtedness — 2029 Notes*”. On 11 April 2019, we completed the issue of the 2049 Notes. The 2049 Notes bear an interest of 4.525% per annum from 11 April 2019, payable semi-annually in arrears on 11 April and 11 October of each year. The 2049 Notes will mature on 11 April 2049. See “*Description of Other Material Indebtedness — 2049 Notes*”. On 3 June 2020, we completed the issue of the January 2026 Notes. The January 2026 Notes bear an interest of 1.810% per annum from 3 June 2020, payable semi-annually in arrears on 26 January and 26 July of each year. The January 2026 Notes will mature on 26 January 2026. See “*Description of Other Material Indebtedness — January 2026 Notes*”. On 3 June 2020, we completed the issue of the 2030 Notes. The 2030 Notes bear an interest of 2.390% per annum from 3 June 2020, payable semi-annually in arrears on 3 June and 3 December of each year. The 2030 Notes will mature on 3 June 2030. See “*Description of Other Material Indebtedness — 2030 Notes*”. On 3 June 2020, we completed the issue of the 2050 Notes. The 2050 Notes bear an interest of 3.240% per annum from 3 June 2020, payable semi-annually in arrears on 3 June and 3 December of each year. The 2050 Notes will mature on 3 June 2050. See “*Description of Other Material Indebtedness — 2050 Notes*”. On 3 June 2020, we completed the issue of the 2060 Notes. The 2060 Notes bear an interest of 3.290% per annum from 3 June 2020, payable semi-annually in arrears on 3 June and 3 December of each year. The 2060 Notes will mature on 3 June 2060. See “*Description of Other Material Indebtedness — 2060 Notes*”. On 3 September 2020, TME completed the issue of the TME 2025 Notes. The TME 2025 Notes bear an interest of 1.375% per annum from 3 September 2020, payable semi-annually in arrears on 3 March and 3 September of each year. The TME 2025 Notes have been fully repaid on 3 September 2025. See

“Description of Other Material Indebtedness — TME 2025 Notes”. On 3 September 2020, TME completed the issue of the TME 2030 Notes. The TME 2030 Notes bear an interest of 2.000% per annum from 3 September 2020, payable semi-annually in arrears on 3 March and 3 September of each year. The TME 2030 Notes will mature on 3 September 2030. See *“Description of Other Material Indebtedness — TME 2030 Notes”*. On 22 April 2021, we completed the issue of the 2031 Notes. The 2031 Notes bear an interest of 2.880% per annum from 22 April 2021, payable semi-annually in arrears on 22 April and 22 October of each year. The 2031 Notes will mature on 22 April 2031. See *“Description of Other Material Indebtedness — 2031 Notes”*. On 22 April 2021, we completed the issue of the 2041 Notes. The 2041 Notes bear an interest of 3.680% per annum from 22 April 2021, payable semi-annually in arrears on 22 April and 22 October of each year. The 2041 Notes will mature on 22 April 2041. See *“Description of Other Material Indebtedness — 2041 Notes”*. On 22 April 2021, we completed the issue of the 2051 Notes. The 2051 Notes bear an interest of 3.840% per annum from 22 April 2021, payable semi-annually in arrears on 22 April and 22 October of each year. The 2051 Notes will mature on 22 April 2051. See *“Description of Other Material Indebtedness — 2051 Notes”*. On 22 April 2021, we completed the issue of the 2061 Notes. The 2061 Notes bear an interest of 3.940% per annum from 22 April 2021, payable semi-annually in arrears on 22 April and 22 October of each year. The 2061 Notes will mature on 22 April 2061. See *“Description of Other Material Indebtedness — 2061 Notes”*.

The following table sets forth our debt as at the dates indicated:

	As at 31 December			As at 30 June	
	2022	2023	2024	2025	
	(Audited)			(Unaudited)	
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions)	(US\$ in millions)
Current:					
USD bank borrowings, unsecured ⁽¹⁾	—	18,415	20,487	16,107	2,248
HKD bank borrowings, unsecured ⁽¹⁾	—	—	—	3,465	484
RMB bank borrowings					
– Unsecured ⁽¹⁾	5,981	7,046	28,039	38,905	5,431
– Secured ⁽¹⁾	—	100	—	100	14
Current portion of long-term USD bank borrowings, unsecured ⁽²⁾	5,572	15,936	4,313	—	—
Current portion of long-term RMB bank borrowings, unsecured ⁽²⁾	—	15	28	40	6
Current portion of long-term EUR bank borrowings					
– Unsecured ⁽²⁾	4	4	3	—	—
– Secured ⁽²⁾	3	4	3	2	—
Current portion of long-term JPY bank borrowings					
– Unsecured ⁽²⁾	19	16	12	12	2
– Secured ⁽²⁾	1	1	—	—	—
	<u>11,580</u>	<u>41,537</u>	<u>52,885</u>	<u>58,631</u>	<u>8,185</u>
Non-Current:					
Non-current portion of long-term USD bank borrowings, unsecured ⁽²⁾ ...	141,090	109,782	92,012	49,394	6,895
Non-current portion of long-term RMB bank borrowings, unsecured ⁽²⁾	22,514	46,000	48,655	133,425	18,626
Non-current portion of long-term HKD bank borrowings, unsecured ⁽²⁾	—	—	5,837	11,313	1,579
Non-current portion of long-term JPY bank borrowings					
– Unsecured ⁽²⁾	45	26	14	10	1
– Secured ⁽²⁾	3	2	—	—	—
Non-current portion of long-term EUR bank borrowings					
– Unsecured ⁽²⁾	7	3	—	8,823	1,232
– Secured ⁽²⁾	9	6	3	1	—
	<u>163,668</u>	<u>155,819</u>	<u>146,521</u>	<u>202,966</u>	<u>28,333</u>
Total borrowings	<u>175,248</u>	<u>197,356</u>	<u>199,406</u>	<u>261,597</u>	<u>36,518</u>
Current:					
Notes payable ⁽³⁾	10,446	14,161	8,623	12,880	1,798
Non-current:					
Notes payable ⁽³⁾	148,669	137,101	130,586	119,338	16,659
Total notes payable	<u>159,115</u>	<u>151,262</u>	<u>139,209</u>	<u>132,218</u>	<u>18,457</u>
Total	<u>334,363</u>	<u>348,618</u>	<u>338,615</u>	<u>393,815</u>	<u>54,975</u>

Note:

- (1) The aggregate principal amounts of short-term USD, HKD and RMB bank borrowings as at 30 June 2025 were US\$2,250 million, HKD3,800 million and RMB39,174 million, respectively. Applicable interest rates are at SOFR + 0.30% ~ 0.40% for USD bank borrowings, HIBOR + 0.15% for HKD bank borrowings and 1.03% ~ 4.00% for RMB bank borrowings per annum.
- (2) The aggregate principal amounts of long-term USD, JPY, EUR, HKD and RMB bank borrowings as at 30 June 2025 were US\$6,900 million, JPY438 million, EUR1,050 million, HKD12,402 million and RMB133,465 million, respectively. Applicable interest rates are at SOFR + CAS + 0.80% for USD bank borrowings, 0.11% ~ 1.73% and TIBOR + 1.70% for JPY bank borrowings, EURIBOR + 0.70% ~ 0.75% for EUR bank borrowings, HIBOR + 0.25% ~ 0.60% for HKD bank borrowings, 2.52% ~ 3.90% and 1-Year LPR - 0.65% ~ + 0.15% for RMB bank borrowings per annum.

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 long-term bank borrowings are repayable as follows:

	As at 31 December			As at 30 June	
	2022	2023	2024	2025	
	(Audited)			(Unaudited)	
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions)	(US\$ in millions)
Within 1 year	5,599	15,976	4,359	54	8
Between 1 and 2 years.....	33,178	41,643	45,784	1,925	269
Between 2 and 5 years.....	130,487	114,174	95,759	196,089	27,373
Over 5 years	3	2	4,978	4,952	691
Total	169,267	171,795	150,880	203,020	28,341

- (3) On 15 July 2015, we completed the issue of the 2035 Notes in an aggregate principal amount of US\$100 million that will mature on 15 July 2035. The 2035 Notes bear an interest of 4.700% per annum from 15 July 2015, payable semi-annually in arrears on 15 January and 15 July of each year. The 2035 Notes were issued at a price of 99.359% of the aggregate principal amount. On 19 January 2018, we completed the issue of the 2028 Notes in an aggregate amount of US\$2,500 million that will mature on 19 January 2028. The 2028 Notes bear an interest of 3.595% per annum from 19 January 2018, payable semi-annually in arrears on 19 January and 19 July of each year. The 2028 Notes were issued at a price of 99.975% of the aggregate principal amount. On 19 January 2018, we completed the issue of the 2038 Notes in an aggregate amount of US\$1,000 million that will mature on 19 January 2038. The 2038 Notes bear an interest of 3.925% per annum from 19 January 2018, payable semi-annually in arrears on 19 January and 19 July of each year. The 2038 Notes were issued at a price of 99.959% of

the aggregate principal amount. On 11 April 2019, we completed the issue of the 2026 Notes in an aggregate amount of US\$500 million that will mature on 11 April 2026. The 2026 Notes bear an interest of 3.575% per annum from 11 April 2019, payable semi-annually in arrears on 11 April and 11 October of each year. The 2026 Notes were issued at a price of 99.994% of the aggregate principal amount. On 11 April 2019, we completed the issue of the 2029 Notes in an aggregate amount of US\$3,000 million that will mature on 11 April 2029. The 2029 Notes bear an interest of 3.975% per annum from 11 April 2019, payable semi-annually in arrears on 11 April and 11 October of each year. The 2029 Notes were issued at a price of 99.967% of the aggregate principal amount. On 11 April 2019, we completed the issue of the 2049 Notes in an aggregate amount of US\$500 million that will mature on 11 April 2049. The 2049 Notes bear an interest of 4.525% per annum from 11 April 2019, payable semi-annually in arrears on 11 April and 11 October of each year. The 2049 Notes were issued at a price of 99.967% of the aggregate principal amount. On 3 June 2020, we completed the issue of the January 2026 Notes in an aggregate amount of US\$1,000 million that will mature on 26 January 2026. The January 2026 Notes bear an interest of 1.810% per annum from 3 June 2020, payable semi-annually in arrears on 26 January and 26 July of each year. The January 2026 Notes were issued at a price of 99.988% of the aggregate principal amount. On 3 June 2020, we completed the issue of the 2030 Notes in an aggregate amount of US\$2,250 million that will mature on 3 June 2030. The 2030 Notes bear an interest of 2.390% per annum from 3 June 2020, payable semi-annually in arrears on 3 June and 3 December of each year. The 2030 Notes were issued at a price of 99.973% of the aggregate principal amount. On 3 June 2020, we completed the issue of the 2050 Notes in an aggregate amount of US\$2,000 million that will mature on 3 June 2050. The 2050 Notes bear an interest of 3.240% per annum from 3 June 2020, payable semi-annually in arrears on 3 June and 3 December of each year. The 2050 Notes were issued at a price of 99.943% of the aggregate principal amount. On 3 June 2020, we completed the issue of the 2060 Notes in an aggregate amount of US\$750 million that will mature on 3 June 2060. The 2060 Notes bear an interest of 3.290% per annum from 3 June 2020, payable semi-annually in arrears on 3 June and 3 December of each year. The 2060 Notes were issued at a price of 99.934% of the aggregate principal amount. On 3 September 2020, TME completed the issue of the TME 2025 Notes in an aggregate amount of US\$300 million that have been fully repaid on 3 September 2025. The TME 2025 Notes bear an interest of 1.375% per annum from 3 September 2020, payable semi-annually in arrears on 3 March and 3 September of each year. The TME 2025 Notes were issued at a price of 99.928% of the aggregate principal amount. On 3 September 2020, TME completed the issue of the TME 2030 Notes in an aggregate amount of US\$500 million that will mature on 3 September 2030. The TME 2030 Notes bear an interest of 2.000% per annum from 3 September 2020, payable semi-annually in arrears on 3 March and 3 September of each year. The TME 2030 Notes were issued at a price of 99.595% of the aggregate principal amount. On 22 April 2021, we completed the issue of the 2031 Notes in an aggregate principal amount of US\$500 million that will mature on 22 April 2031. The 2031 Notes bear an interest of 2.880% per annum from 22 April 2021 payable semi-annually in arrears on 22 April and 22 October of each year. The 2031 Notes were issued at a price of 99.991% of the aggregate principal amount. On 22 April 2021, we completed the issue of the 2041 Notes in an aggregate principal amount

of US\$900 million that will mature on 22 April 2041. The 2041 Notes bear an interest of 3.680% per annum from 22 April 2021, payable semi-annually in arrears on 22 April and 22 October of each year. The 2041 Notes were issued at a price of 99.972% of the aggregate principal amount. On 22 April 2021, we completed the issue of the 2051 Notes in an aggregate principal amount of US\$1,750 million that will mature on 22 April 2051. The 2051 Notes bear an interest of 3.840% per annum from 22 April 2021, payable semi-annually in arrears on 22 April and 22 October of each year. The 2051 Notes were issued at a price of 99.965% of the aggregate principal amount. On 22 April 2021, we completed the issue of the 2061 Notes in an aggregate principal amount of US\$1,000 million that will mature on 22 April 2061. The 2061 Notes bear an interest of 3.940% per annum from 22 April 2021, payable semi-annually in arrears on 22 April and 22 October of each year. The 2061 Notes were issued at a price of 99.960% of the aggregate principal amount.

CONTRACTUAL OBLIGATIONS

Capital Commitments

The following table sets forth our capital commitments as at the dates indicated:

	As at 31 December			As at 30 June	
	2022	2023	2024	2025	
	(Audited)			(Unaudited)	
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions)	(US\$ in millions)
Contracted:					
Construction/purchase of buildings and purchase of land use rights	4,821	4,480	2,937	2,563	358
Capital investment in investees.....	12,623	9,685	9,298	8,820	1,231
Purchase of other capital assets	158	3,444	2,470	3,069	428
Total	17,602	17,609	14,705	14,452	2,017

Other Commitments

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

	As at 31 December			As at 30 June	
	2022	2023	2024	2025	
	(Audited)			(Unaudited)	
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions)	(US\$ in millions)
Contracted:					
Not later than one year	13,037	11,404	11,799	15,459	2,158
Later than one year and not later than five years	14,124	12,801	13,612	13,022	1,818
Later than five years	5,427	5,103	5,659	5,447	760
Total	32,588	29,308	31,070	33,928	4,736

Off-balance sheet commitments and arrangements

TME has proposed to acquire one of our existing investee companies accounted for as FVPL, which is one of the leading online audio platforms in China. Upon closing of the transaction, this investee company will become a wholly-owned subsidiary of us. Our aggregate consideration for the acquisition will consist of a combination of cash consideration and certain ordinary shares to be issued by TME. The closing of the transaction is subject to relevant regulatory approvals and certain other closing conditions.

Except for the commitments set forth above, we had no other material off-balance sheet transactions or arrangements as at 30 June 2025.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT FINANCIAL RISK

Foreign Exchange Risk

We operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to HKD, USD and 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 our subsidiaries. The functional currency of us and the majority of our overseas subsidiaries is USD whereas the functional currency of the subsidiaries which operate in the Mainland of China is RMB.

We manage our foreign exchange risk by performing regular reviews of our net foreign exchange exposures.

Price Risk

We are exposed to equity price risk mainly arising from investments held by us that are classified either as FVPL or FVOCI. To manage our price risk arising from the investments, we diversify our investment portfolio. The investments are made either for strategic purposes, or for the purpose of achieving investment yield and balancing our liquidity level simultaneously. Each investment is managed by management on a case by case basis.

Interest Rate Risk

Our income and operating cash flows are substantially independent of changes in market interest rates and we have 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.

Our exposure to changes in interest rates is also attributable to its borrowings and notes payable, representing a substantial portion of our debts. Borrowings and notes payable carried at floating rates expose us to cash flow interest-rate risk whereas those carried at fixed rates expose us to fair value interest-rate risk.

We regularly monitor our interest rate risk to identify if there are any undue exposures to significant interest rate movements and manages our cash flow interest rate risk by using interest rate swaps, whenever considered necessary.

We entered into certain interest rate swap contracts to hedge our exposure arising from borrowings carried at floating rates. Under these interest rate swap contracts, we 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 from floating rates to fixed rates and were qualified for hedge accounting.

Swaps currently in place covered certain floating-rate borrowings principal outstanding as at 30 June 2025.

Credit Risk

We are exposed to credit risk in relation to our cash, deposits and restricted cash placed with banks and other 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 our 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 marketing services 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, we have 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 our counterparties. The credit periods granted to these customers are usually not more than 90 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors. We have 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, we assess 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.

We consider 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.

We consider 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, we compare 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, we only make transactions with state-owned banks and other financial institutions in the PRC and reputable international banks and other financial institutions outside of the PRC, which are of high credit quality. The ECL is close to zero.

(ii) Credit risk of accounts receivable

We apply the simplified approach to provide for ECL prescribed by IFRS 9, which requires the recognition 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.

The expected loss rates are based on the payment profiles of revenue over 12 months before 30 June 2025 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. We have 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 after 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 we have exhausted all practical recovery efforts and have 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 us, and a failure to make contractual payments for a period of greater than three 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.

(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. We measure 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.

As at 30 June 2025, 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. During the six months ended 30 June 2025, the impairment loss resulting from loan receivables related to financial services was immaterial.

Liquidity Risk

We aim 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, we maintain flexibility in funding by maintaining adequate balances of such.