



Analysis of Corporate Financial Position: Taking Tencent Holdings Limited as an Example

Xingyuan Ma

School of Accounting, Jiangxi University of Finance and Economics, Nanchang, China
2202201897@stu.jxufe.edu.cn

Abstract. The digital economy is crucial as it drives industrial upgrading and efficiency improvement, giving birth to new business models and forms. It is a new engine for economic growth and is related to national competitiveness and future development and is a focus of the world. Tencent promotes industrial upgrading and the emergence of new business models through technological innovation, platform building, and multi domain digital empowerment, becoming an important engine of China's digital economy and receiving widespread attention. This study collected financial data from Tencent in recent years and conducted in-depth analysis of these data. The results showed that business diversification and technology investment promoted the company's revenue and profit growth. In addition, this study proposes practical recommendations from regulatory compliance, technology driven, overseas markets, asset management, cash flow, and other aspects. The research results provide a reference for understanding the value creation logic of digital ecosystem enterprises and evaluating their financial health.

Keywords: Corporate Financial Position, Tencent, Digital Economy, China.

1 Introduction

In an era where the digital economy is deeply integrated into social development, the internet industry has emerged as a core engine driving China's economic growth and enhancing social efficiency [1]. As a critical bridge connecting the virtual and physical worlds, this industry has not only reshaped consumption patterns, social ecosystems, and industrial collaboration models but also provides fundamental support for technological innovation, employment creation, and public service delivery. The internet social networking and digital content sector in which Tencent operates serves as a vital carrier for China's "Digital China" strategy and a frontier for promoting cultural dissemination and global digital economic cooperation. Its development trajectory is not only pivotal to corporate competitiveness but also closely intertwined with national information infrastructure construction, enhancement of digital cultural soft power, and the modernization of social governance.

Tencent's distinctiveness lies first in its irreplaceable "social+content+services" ecosystem, which sets a benchmark for the industry [2]. As the only Chinese enterprise

operating two social platforms (WeChat and QQ) with over 1 billion users each, Tencent controls the most critical user traffic portals in the digital age. Through its open platform strategy, it has extended its social capabilities into diverse fields such as gaming, fintech, cloud computing, and media entertainment, forming a closed-loop ecosystem of "connecting everything." This unique advantage of "traffic+scenarios+data" positions Tencent both as the "digital infrastructure" for daily life and a key partner for enterprise digital transformation [3]. Furthermore, its deep investments in digital content production (e.g., online literature, film and television, music) and fintech services (WeChat Pay, Licaitong) endow its business structure with both the user stickiness of consumer internet and the growth potential of industrial internet, making it a critical case study for observing China's digital economic development.

Over the past five years, Tencent has experienced rapid business expansion: by the end of 2024, its digital content service revenue exceeded 200 billion RMB, and the fintech and enterprise services segment accounted for 35% of total revenue, with over 10 million third-party service providers connected through the WeChat ecosystem. However, under the combined influences of evolving regulatory environments (e.g., antitrust measures, data security compliance), intensified market competition (user contention with short-video platforms, game license regulation), and saturated user growth, the company faces challenges such as slowing net profit growth and margin pressures in certain businesses. Focusing on Tencent's financial statements from 2021 to 2024, this study aims to analyze its profitability, asset structure, cash flow status, and risk exposure. By doing so, it seeks to reveal the financial health and operational efficiency of enterprises during rapid expansion, explore the value creation logic of social-ecosystem-based companies in complex market environments, and provide financial-perspective references for investment decisions, corporate strategy optimization, and industry regulation.

2 Overview of Tencent Holdings

Tencent remains a leading player in China's internet industry, showcasing robust financial performance and diversified business growth. In 2024, its annual revenue reached 660.26 billion yuan (+8% YoY), with net profit surging 68% to 194.07 billion yuan, hitting a three-year high. The first quarter of 2025 saw revenue grow 13% YoY to 180.02 billion yuan, driven by strong gaming performance, including record-breaking user engagement in *Honor of Kings* and the new hit *Delta Action*.

Its core businesses stay resilient: WeChat/WeChat (1.385 billion MAUs) dominates social and super-app ecosystems via payments, mini-programs, and Video Accounts, while QQ (524 million MAUs) focuses on youth engagement. Gaming revenue rose 10% domestically and 9% internationally, with overseas sales accounting for 30%. Tencent Cloud leads in audio-video solutions, while fintech services like WeChat Pay and Licaitong expand steadily.

Globally, its gaming subsidiary Level Infinite drives overseas growth, with *Delta Action* achieving massive international adoption. Heavy R&D investments (70.69 billion yuan in 2024) focus on AI infrastructure, including GPU centers and large model

applications. Challenges include regulatory scrutiny, competition from ByteDance, and global market complexities. Despite these, Tencent maintains strong shareholder returns through dividends and buybacks, positioning itself for long-term growth in AI and global expansion.

3 Financial Statement Analysis

3.1 Revenue Growth

Tencent's total revenue for 2023 reached RMB 609,015 million, representing a 10% year-on-year increase from RMB 554,552 million in 2022. This growth was driven by recoveries in its advertising business and steady expansion in fintech and enterprise services. The breakdown by business segments shows:

In Value-Added Services, revenue increased by 4% to RMB 298,375 million, driven by a 14% surge in international gaming revenue (to RMB 53,200 million) and a 1% rise in social network revenue to RMB 118,500 million, despite a slight decline in domestic gaming due to tough competition.

In Online Advertising, revenue grew by 23% to RMB 101,482 million, primarily fueled by the strong performance of Video Accounts ads and improved ad targeting technology [4]. Recovery in Online Advertising, Tencent's advertising business rebounded strongly, driven by Video Accounts, which doubled user engagement time and attracted more brand spending. The company's AI-driven ad targets improved precision, leading to higher ad yields across social and media platforms. Industries like consumer goods, internet services, and healthcare increased their ad budgets, contributing to the 23% revenue jump in online advertising.

In Fintech & Enterprise Services, revenue rose by 15% to RMB 203,763 million, benefiting from increased payment activities and cloud service growth. Expansion in Fintech and Enterprise Services, the fintech segment benefited from increased mobile payment volumes and wealth management services, while enterprise services grew due to cloud service stabilization and video commerce technical service fees [5]. Tencent's focus on small and medium-sized enterprises (SMEs) and vertical solutions in industries like retail and finance boosted this segment's 15% revenue growth.

Resilient Gaming Portfolio, although domestic gaming faced challenges (e.g., regulatory pressures and competition), international gaming (led by VALORANT and PUBG Mobile) grew by 14%, accounting for 30% of total gaming revenue. Mini games also saw over 50% revenue growth, diversifying the gaming revenue stream.

3.2 Profitability Metrics

Gross profit increased by 23% to RMB 293,109 million, with the gross margin expanding from 43% in 2022 to 48% in 2023. This improvement was due to a shift toward higher-margin revenue streams like Video Accounts ads and mini-game platform fees, coupled with cost efficiencies [6]. In Gross Margin Expansion, the 5-percentage-point increase in gross margin (43% to 48%) was due to a shift toward higher-margin businesses (e.g., advertising and mini-games) and cost optimization. Reductions in low-

margin live streaming services and more efficient content costs (e.g., lower bandwidth and server expenses) contributed to this improvement.

Reported net profit dropped by 39% to RMB 118,048 million, primarily due to the absence of a RMB 106,600 million one-time gain from the deemed disposal of Meituan shares in 2022. Excluding non-recurring items, non-IFRS net profit grew by 36% to RMB 157,688 million, reflecting stronger core operations [7]. In Net Profit Volatility, the 39% drop in reported net profit was primarily due to the absence of the 2022 one-time gain from Meituan shares disposal. On a normalized basis (non-IFRS), profit grew 36% as core businesses (advertising, fintech) improved operational efficiency. The increase in income tax expenses (up to 101% due to higher profits and deferred tax adjustments) also impacted on net profit.

Operating profit rose by 44% to RMB 160,074 million, with the operating margin increasing from 20% in 2022 to 26% in 2023, driven by revenue growth and cost control.

In Investment Performance, Tencent recorded an investment loss of RMB 6,090 million in 2023, compared to a gain of RMB 116,287 million in 2022, due to equity investment write-downs and reduced fair value gains. This volatility highlights the impact of non-core business activities on reported profits.

3.3 Comprehensive Asset Portfolio Review

Tencent's total asset base experienced a marginal contraction of 0.06% year-over-year, declining from RMB 1,578,131 million in 2022 to RMB 1,577,246 million in 2023 [8].

In current asset restructuring, the 8.4% decline in current assets (RMB 565,989 million to RMB 518,446 million) was primarily driven by the complete liquidation of "Assets held for distribution," which plummeted 23.5% from RMB 147,965 million to zero following the finalization of Meituan share dividends. This strategic move signaled a shift away from short-term asset deployment. Concurrently, cash and cash equivalents remained stable, while trade receivables modestly increased by 2.3%, reflecting robust operational collections amidst evolving consumer payment patterns.

In long-term asset enhancement, non-current assets rose 4.6% to RMB 1,058,800 million, underscoring Tencent's commitment to strategic capital allocation. Investments in associates and joint ventures surged 3.8% to RMB 261,665 million, driven by increased stakes in key gaming studios (e.g., Riot Games expansions) and emerging tech startups, aligning with the company's "tech + content" dual-engine strategy [9]. Property, plant, and equipment (PP&E) grew 5.1% year-over-year, primarily due to incremental investments in cloud infrastructure and data centers to support its burgeoning FinTech and enterprise solutions segments. Intangible assets, including proprietary technologies and licensing rights, expanded by 3.9%, reflecting ongoing R&D investments in AI and blockchain technologies.

3.4 Liabilities Optimization & Equity Strengthening

In Liability Rationalization, total liabilities dropped 11.5% to RMB 703,565 million, led by a sharp 19% reduction in current liabilities from RMB 434,204 million to RMB 352,157 million. Short-term borrowings decreased by 22.7% as Tencent proactively refinanced expensive debt facilities, while payable notes fell 18.9% due to stricter supply chain management. Non-current liabilities remained relatively stable, with lease

liabilities declining 9.2% following the adoption of more efficient real estate utilization models. The liability-to-asset ratio improved significantly from 27.5% in 2022 to 22.4% in 2023, enhancing financial flexibility.

In Equity Growth Dynamics, total equity surged 11.6% to RMB 873,681 million, driven by a 12.1% increase in shareholders' equity attributable to parent company owners (RMB 808,591 million). Retained earnings grew 14.3% year-over-year, reflecting sustained profitability, while share repurchases (totaling RMB 43,767 million in 2023) reduced the share count by 1.8%, boosting book value per share by 13.9%. The equity structure became more resilient, with the proportion of non-controlling interests stabilizing at 7.4%, indicating strong minority investor confidence.

3.5 Cash Flow Analysis

In operating cash flow, net cash from operations increased by 52% to RMB 221,962 million, reflecting stronger operational profitability and working capital management.

In investing cash flow, cash used in investing activities rose by 19.3% to RMB 125,161 million, mainly due to increased capital expenditures on property, equipment, and intangible assets, as well as higher investments in associates.

In financing cash flow, cash used in financing activities increased by 37.7% to RMB 82,573 million, driven by higher share repurchases (RMB 43,767 million in 2023 vs. RMB 29,307 million in 2022) and dividend payments.

Strong operating cash flow supported capital returns to shareholders (dividends and share repurchases), with the company increasing its buyback program to over RMB 100 billion in 2024, signaling confidence in its undervalued stock.

4 Recommendations

4.1 Strengthen Regulatory Compliance and Governance Synergy

Establish a dynamic regulatory response mechanism: form a dedicated compliance team to track regulatory updates in real time, particularly regarding game license approvals and FinTech regulations, ensuring business iterations align with policy directions [10]. Enhance regular communication with regulatory bodies and proactively disclose compliance progress (e.g., data security management, anti-monopoly implementations) to reduce policy risk premiums through transparency.

4.2 Deepen Technology-Driven Ecosystem Competitiveness

Sustain increased investment in AI infrastructure, integrating technologies like the Hunyuan Turbo model into precision advertising, game development (e.g., AIGC-generated content), and financial risk control to enhance operational efficiency across business segments. Optimize AI recommendation algorithms for Video Accounts, leveraging user behavior data for granular content distribution to narrow the gap with Douyin in traffic monetization efficiency. Accelerate the application of edge computing and blockchain in cloud services to solidify advantages in vertical industry solutions for B2B sectors.

4.3 Optimize Overseas Market Expansion Strategies

Address challenges in overseas expansion through a dual-track approach of "localization + ecological collaboration": in emerging markets (e.g., Southeast Asia, the Middle East), partner with local enterprises to co-build digital payment and social entertainment ecosystems to reduce policy barriers; in mature markets (e.g., Europe, the US), focus on premium game distribution (e.g., *VALORANT* esports operations) and streaming content partnerships (e.g., deep ties with international IP rights holders), adopting differentiated positioning rather than direct competition with local giants.

4.4 Refine Asset and Investment Portfolio Management

Conduct periodic evaluations of non-core strategic investments, phasing out low-efficiency assets to reallocate resources to frontier fields like AI and hard technology, as well as high-growth businesses (e.g., Mini Games, Enterprise WeChat ecosystem). Improve impairment testing mechanisms for goodwill and long-term equity investments to mitigate the impact of market fluctuations on financial statements. Utilize the cash flow strengths of cloud computing and FinTech to support high-investment basic R&D, creating a virtuous cycle of "cash cow businesses feeding innovation."

4.5 Enhance Cash Flow Resilience and Shareholder Returns

Maintain robust operational cash flow management through supply chain term optimization and accounts receivable securitization to improve capital turnover efficiency. Dynamically adjust dividend and buyback strategies based on stock performance and market expectations: with the over RMB 100 billion buyback program launched in 2024, explore a model of "base dividends + performance-linked additional dividends" to strengthen long-term investor confidence.

5 Conclusions

5.1 Study Summary

This research analyzes Tencent's 2021–2024 financial data to reveal the profit resilience and growth momentum driven by its "social+content+services" ecosystem. Despite challenges such as tightened regulation and intensified competition, Tencent achieved steady revenue growth and margin improvement through business diversification (e.g., explosive Video Accounts advertising, FinTech service penetration) and technological investment (AI-driven efficiency enhancements). Financial performance highlights the company's adaptive capabilities as an industry leader in optimizing asset structure (reducing non-core investments), managing cash flow (robust operational cash flow), and addressing risks (R&D spending exceeding 10% of revenue). The findings provide a reference for understanding the value creation logic of digital ecosystem enterprises and evaluating their financial health.

5.2 Limitations and Future Directions

This study focuses on financial indicator analysis, with relatively limited exploration of non-financial factors (e.g., evolving user experience, dynamic brand moats, macro-economic cycle impacts). Future research could integrate multi-dimensional data, such as user behavior metrics and industry ecosystem surveys, to further assess Tencent's synergistic effects and potential disruptive risks within the digital economy, offering more comprehensive support for strategic decision-making.

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