Tencent reports slower growth as China cracks down on tech sector

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Chinese messaging and gaming giant Tencent saw slowing growth during a "challenging" 2021, according to its annual report released Wednesday, the latest firm to feel the sting of Beijing's crackdown on the domestic tech sector.

China has exerted more authority over the industry since 2020, citing concerns that tech giants in the country have become too big and powerful.

The Shenzhen-based firm saw its total revenues in 2021 increase by 16 percent to 560.1 billion yuan ($88 billion)—a record low for the company operating Tencent QQ and WeChat, two of China's most ubiquitous messaging platforms.

Its fourth-quarter revenues rose by 8 percent to 144 billion yuan ($22.6 billion), the slowest revenue growth since the company went public in 2004.

"2021 was a challenging year, in which we embraced changes and implemented certain measures that reinforced (Tencent's) long-term sustainability, but had the effect of slowing our revenue growth," said CEO Pony Ma, also known as Ma Huateng.

He added that Tencent was adapting to a "healthier" internet environment in China.

Tencent's sluggish growth comes after a year of increasing regulatory control by Beijing.

In November, the government said all new apps and updates of its platforms must be approved by regulators, after finding that nine of the group's apps have committed "violations".

China's oversight of the tech sector also includes measures to dramatically restrict children's video game playing time—which has slowed approvals for new titles in the world's biggest gaming market.

That decision left the company scrambling, saying in Wednesday's report it expected to "fully digest the impact" of child protection policies in the second half of 2022.

One of the world's largest video game developers, Tencent fared better in overseas markets—with fourth-quarter international gaming revenues rising 34 percent.

Domestically, what was once the company's biggest revenue stream grew by only one percent in that same period.

Shares in the Hong Kong-listed company rose by 0.26 percent shortly before the results were announced, and closed at HK$389 ($49.72).

China's ruling Communist Party has relied on success stories like Tencent to push a digital transformation in the country, with the biggest domestic apps seamlessly integrated into the lives of hundreds of millions.

But Beijing turned on the sector in late 2020 as concerns mounted over allegations of monopolistic practices and data abuse—mirroring a growing worry the United States and Europe have about tech firms.

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