

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 20-F

(Mark One)

- ☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

- ☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2024.

OR

- ☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

OR

- ☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report

Commission file number: 001-38237

Sea Limited

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

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Securities registered or to be registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
American Depositary Shares, each representing one Class A ordinary share Class A ordinary shares, par value US\$0.0005 per share*	SE	New York Stock Exchange

*Not for trading, but only in connection with the listing of American Depositary Shares on the New York Stock Exchange.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer’s classes of capital or common stock as of the close of the period covered by the annual report.

543,584,213 Class A ordinary shares (excluding Class A ordinary shares issued to the depositary bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our share incentive plan) and 45,527,793 Class B ordinary shares, par value US\$0.0005 per share, as of December 31, 2024

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒
No ☐

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of “large accelerated filer,” “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards † provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing: U.S. GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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TABLE OF CONTENTS

	Page
INTRODUCTION	5
PART I	7
<u>ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</u>	7
<u>ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE</u>	7
<u>ITEM 3. KEY INFORMATION</u>	7
<u>ITEM 4. INFORMATION ON THE COMPANY</u>	50
<u>ITEM 4A. UNRESOLVED STAFF COMMENTS</u>	89
<u>ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	89
<u>ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	111
<u>ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	122
<u>ITEM 8. FINANCIAL INFORMATION</u>	122
<u>ITEM 9. THE OFFER AND LISTING</u>	124
<u>ITEM 10. ADDITIONAL INFORMATION</u>	125
<u>ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	138
<u>ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	138
PART II	140
<u>ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	140
<u>ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	140
<u>ITEM 15. CONTROLS AND PROCEDURES</u>	140
<u>ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT</u>	141
<u>ITEM 16B. CODE OF ETHICS</u>	141
<u>ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	141
<u>ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	142
<u>ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	142
<u>ITEM 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT</u>	142
<u>ITEM 16G. CORPORATE GOVERNANCE</u>	142
<u>ITEM 16H. MINE SAFETY DISCLOSURE</u>	142
<u>ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS</u>	142
<u>ITEM 16J. INSIDER TRADING POLICIES</u>	143
<u>ITEM 16K. CYBERSECURITY</u>	143
PART III	144
<u>ITEM 17. FINANCIAL STATEMENTS</u>	144
<u>ITEM 18. FINANCIAL STATEMENTS</u>	144
<u>ITEM 19. EXHIBITS</u>	144

CONVENTIONS THAT APPLY TO THIS ANNUAL REPORT ON FORM 20-F

Unless otherwise indicated and except where the context otherwise requires:

- “2024 convertible notes” refers to our 1.00% convertible senior notes due 2024, which were issued in November 2019;
- “2025 convertible notes” refers to our 2.375% convertible senior notes due 2025, which were issued in May 2020;
- “2026 convertible notes” refers to our 0.25% convertible senior notes due 2026, which were issued in September 2021;
- “active users” in the context of digital entertainment refers to the number of unique accounts that interacted with our mobile and PC online games in a particular period. A single account that plays more than one online game or in more than one market is counted as more than one active user. “Game QAUs” refers to the aggregate number of active users during the quarterly period;
- “ADSs” refers to the American Depositary Shares, each of which represents one of our Class A ordinary shares, par value US\$0.0005 per share;
- “China” or “PRC” refers to the People’s Republic of China excluding, for the purpose of this annual report only, Taiwan, Hong Kong and Macau;
- “gross merchandise value” or “GMV” refers to the value of orders of products and services on our Shopee marketplace. Our calculation of GMV for our e-commerce platform includes shipping and other charges;
- “orders” refers to each confirmed order from a transaction between a buyer and a seller for products and services on our e-commerce platform, even if such order includes multiple items, during the specified period, regardless of whether the transaction is settled or if the item is returned;
- “paying users” refers to the number of unique accounts through which a payment is made in our online games in a particular period. A unique account through which payments are made in more than one online game or in more than one market is counted as more than one paying user. “Game QPUs” refers to the aggregate number of paying users during the quarterly period;
- “shares” or “ordinary shares” refer to our Class A ordinary shares, par value US\$0.0005 per share, and our Class B ordinary shares, par value US\$0.0005 per share;
- “Southeast Asia” refers to Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam;
- “SME” refers to small medium sized enterprises; and
- “we,” “us,” “our company,” “our group,” “our” or “Sea” refers to Sea Limited, a Cayman Islands company, its consolidated subsidiaries and its consolidated affiliated entities, including its variable interest entities, or VIEs, and their subsidiaries and consolidated affiliated entities.

Our reporting and functional currency is the U.S. dollar. This annual report contains translations of certain foreign currency amounts into U.S. dollars for the convenience of the reader. Unless otherwise stated, all translations from Indonesian rupiah into U.S. dollars have been made at the rate of IDR16,157.00 to US\$1.00, being the foreign exchange reference rate and the Jakarta interbank spot dollar rate published by the Bank Indonesia in effect as of December 31, 2024, all translations of New Taiwan dollars, Thai baht, Singapore dollars and Malaysia ringgit into U.S. dollars have been made at the rates of NT\$32.7900 to US\$1.00, THB34.3200 to US\$1.00, S\$1.3662 to US\$1.00 and RM4.4695 to US\$1.00, respectively, being the noon buying rates in The City of New York for cable transfers in New Taiwan dollars, Thai baht, Singapore dollars and Malaysia ringgit as certified for customs purposes by the Federal Reserve Bank of New York in effect as of December 31, 2024 set forth in the H.10 statistical release of the U.S. Federal Reserve Board for translation into U.S. dollars, and all translations from Vietnamese dong into U.S. dollars made at the rate of VND24,335 to US\$1.00, being the central rate published by The State Bank of Vietnam in effect as of December 31, 2024. We make no representation that the Indonesian rupiah, New Taiwan dollar, Vietnamese dong, Thai baht, Singapore dollar or Malaysia ringgit amounts referred to in this annual report could have been or could be converted into U.S. dollars at any particular rate or at all. See “Item 3. Key Information—D. Risk Factors—Business and Operational Related Risks—Risks Applicable Across Multiple Businesses—Fluctuations in foreign currency exchange rates may adversely affect our operational and financial results, which we report in U.S. dollars.” On March 27, 2025, the Jakarta interbank spot dollar rate for Indonesian rupiah was IDR16,566.00 to US\$1.00. On March 31, 2025, the noon buying rate for New Taiwan dollars was NT\$33.1900 to US\$1.00, the central rate for Vietnamese dong was VND24,837 to US\$1.00, the noon buying rate for Thai baht was THB33.9500 to US\$1.00, the noon buying rate for Singapore dollars was S\$1.3445 to US\$1.00 and the noon buying rate for Malaysia ringgit was RM4.4365 to US\$1.00.

FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements that involve risks and uncertainties. All statements other than statements of current or historical facts are forward-looking statements. These forward-looking statements are made under the “safe harbor” provision under Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, uncertainties and other factors, including those listed under “Item 3. Key Information—D. Risk Factors,” that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

In some cases, you can identify these forward-looking statements by words or phrases such as “may,” “could,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “likely to,” “potential” or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include statements about:

- our goals and strategies;
- our future business development, financial condition, financial results, and results of operations;
- changes in, and market size of, the e-commerce, digital financial services, and digital entertainment industries in the markets where we operate, including segments within those industries;
- expected changes or guidance in our revenue, costs or expenditures;
- our ability to continue to source, develop and offer new and attractive online games and to offer other engaging digital entertainment content;
- the expected monetization of our e-commerce, digital financial services, and digital entertainment businesses;
- our expectations regarding growth in our user base, level of engagement and monetization;
- our ability to continue to develop new technologies and/or upgrade our existing technologies;
- growth and trends of our markets and competition in our industries;
- government policies and regulations relating to our industries, including the effects of any government orders or actions on our businesses;
- general economic, political, social and business conditions in our markets; and
- the impact of widespread health developments.

You should read this annual report with the understanding that our actual future results may be materially different from and worse than what we expect. Other sections of this annual report include additional factors which could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of our forward-looking statements by these cautionary statements.

You should not rely on forward-looking statements as predictions of future events. The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. Except as required by law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

This annual report also contains statistical data and estimates that we obtained from industry publications and reports generated by government or third-party providers of market intelligence. Although we have not independently verified the data, we believe that the publications and reports are reliable. See “Item 3. Key Information—D. Risk Factors—Business and Operational Related Risks—Other Operational Risks—Industry data, projections and estimates contained in this annual report are inherently uncertain and subject to interpretation.”

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. [Reserved]

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

SUMMARY OF RISK FACTORS

We believe some of the major risks and uncertainties that may materially and adversely affect us include the following:

BUSINESS AND OPERATIONAL RELATED RISKS

Risks Applicable Across Multiple Businesses

- We may fail to maintain or grow the size of our user base or the level of engagement of our users.
- Changes in macro-economic, geopolitical or social conditions or government policies, or government actions or restrictions, globally and in our markets could have a material adverse effect on our business and operations.
- Our results of operations are subject to fluctuations.
- We are subject to extensive and changing laws and government regulations across our business.
- We face competition in our businesses.
- We may be subject to intellectual property-related risks.

- Existing or future investments or acquisitions may not be successful.
- Our businesses involve third parties over whose actions we have no control.
- Fluctuations in foreign currency exchange rates may adversely affect our operational and financial results, which we report in U.S. dollars.
- We may have exposure to greater than anticipated tax liabilities, and our financial position and results of operations may be adversely affected by the implementation of legislation or internationally accepted principles.
- We may use artificial intelligence (“AI”) in our business, and challenges with properly managing its use or more successful use of AI by our competitors could adversely affect our business and results of operations.
- We may be liable for security breaches and attacks against our or our third-party partners’ platforms and network, particularly with regard to confidential user information and personal or other data or any other privacy or data protection compliance issue, and our platforms and games may contain unforeseen “bugs”, vulnerabilities or errors.
- We collect, process, transmit, and store personal information in connection with the operation of our businesses and are subject to complex and evolving international laws and regulations regarding privacy and data protection.
- We may not succeed in managing or expanding our business across the expansive and diverse markets in which we operate.
- We have a history of net losses and we may not remain profitable in the future.
- Any future occurrence of natural disasters, epidemics, pandemics or other outbreaks, or other catastrophic events could also adversely affect our business.

Risks Related to Our E-Commerce Business

- We face uncertainties relating to the growth and profitability of the e-commerce industry in our markets and we may face challenges and uncertainties in implementing our e-commerce strategy.
- We face risks related to logistics and fulfillment.
- We may be held liable for actions by our marketplace participants.
- We may suffer losses relating to the products we sell on Shopee.

Risks Related to Our Digital Financial Services Business

- We face regulatory risks relating to our digital financial services business.
- We face uncertainties and risks relating to our digital financial services business.
- We face credit risks.
- Changes in interest rates may adversely impact us.
- Determining our allowance for credit losses requires many assumptions and complex analyses. If our estimates are not correct, our business may be adversely affected.
- If our collection efforts on delinquent loans are ineffective or unsuccessful, the performance of our loans would be adversely affected.

- We face funding risks.
- Our banking business may subject us to additional material business, operational, financial, legal and compliance requirements and risks.
- We face risks relating to our insurance business.
- We face risks relating to our mobile wallet business.
- We could be held liable if our digital financial services and products are used for fraudulent, illegal or improper purposes.

Risks Related to Our Digital Entertainment Business

- We derive a significant portion of digital entertainment revenue and gross profit from a limited number of online games.
- We have a limited track record in game development and global game distribution.
- We rely on third-party game developers for some of our digital entertainment content and also allow our users to contribute and interact with user generated content.
- Our games are subject to scrutiny regarding the appropriateness of their content.
- Malicious actors may compromise the quality of our user experience.
- Our live events may introduce risks around public safety and harm our reputation.

Other Operational Risks

- We rely on technology and internet infrastructure, data center and cloud service providers and telecommunications networks in the markets where we operate.
- We may fail to attract, motivate and retain the key members of our management team or other experienced and capable employees.
- We face manpower-related risks.
- We may be subject to risks related to litigation and regulatory proceedings.
- We rely on structural arrangements to establish control over certain entities and government authorities may determine that these arrangements do not comply with existing laws and regulations. We are also subject to other risks relating to such structural arrangements.

BUSINESS AND OPERATIONAL RELATED RISKS

Risks Applicable Across Multiple Businesses

We may fail to maintain or grow the size of our user base or the level of engagement of our users.

The size and engagement level of our user base are critical to our success. Our business and financial performance have been and will continue to be significantly determined by our success in adding, retaining and engaging active users. We invest significant resources to grow and maintain our user base and increase user engagement, whether through innovation, providing new or improved content or services, marketing efforts or other means.

Our user base and engagement levels may not continue growing at satisfactory rates, or at all. Our user base and engagement could be adversely affected if:

- we fail to maintain the popularity of our platforms among users;
- we are unable to maintain the quality of our existing content and services;
- we are unsuccessful in innovating or introducing new, best-in-class content and services;
- we fail to adapt to changes in user preferences, market trends or advancements in technology, including AI;
- technical, regulatory, governmental or other reasons prevent us from delivering our content or services in a timely and reliable manner, or at all, or otherwise affect the user experience;
- there are user concerns related to privacy, data protection, safety, fund security or other factors;
- monetization and cost reduction measures by us cause users to reduce their activity on our platforms or shift to other platforms;
- new games cause players to shift from our existing games without growing the overall size of our user base or online games platform;
- there are adverse changes to our platforms or offerings that are mandated by, or that we elect to make, to address legislation, regulation, government orders, or litigation, including settlements or consent decrees;
- our users fail to accept or comply with our terms of service or the privacy policies that we have implemented or may implement, or we adopt terms, policies, or procedures that are perceived negatively by our users;
- our marketing campaigns or promotional strategies fail to achieve the intended effect among users – for example, users may develop negative perceptions towards our marketing campaigns or promotional strategies;
- we are unable to achieve the expected synergies among our businesses, we are unable to achieve synergies in a cost-effective manner, or we fail to balance the interests of all participants in our ecosystem;
- we fail to maintain the brand image of our platforms or our reputation is damaged or changes negatively; or
- changes to demographic trends or economic development affect our markets.

Our efforts to avoid or address any of these events could require us to incur substantial expenditure to modify or adapt our content, services or platforms. We may not be able to avoid or address such events in a timely or satisfactory manner, or at all. If we fail to retain or grow our user base, or if our users reduce their engagement with our platforms, our business, financial condition and results of operations could be materially and adversely affected.

Changes in macro-economic, geopolitical or social conditions or government policies, or government actions or restrictions, globally and in our markets could have a material adverse effect on our business and operations.

We have businesses in diverse global markets and are subject to risks associated with doing business internationally and in differing economic, political and regulatory environments. Our business, financial condition and results of operations may be influenced to a significant degree by geopolitical, macro-economic and social conditions globally and in our markets. A general slowdown or volatility in the global economy, including trade frictions and restrictions, recessions, inflations, or a tightening of credit markets could adversely affect our business, financial condition and results of operation. A rise in inflation, increases in interest rates including by the United States Federal Reserve System, bank failures or limited liquidity in accessing bank deposits globally, and/or slowdown in economic growth in our markets or neighboring regions could have a material adverse effect on our business, financial condition, liquidity and results of operations. Changes in consumer behavior due to adverse economic conditions may also negatively impact us as such developments could lead to a decrease in consumer spending and reduction in demand for our products and services, which may adversely affect our business, financial condition, results of operations or competitive position.

Growth of the economy of our various markets has been uneven, both geographically and among various sectors of the economy. Any adverse changes in economic conditions in our markets or neighboring regions, or in the policies of the governments or of the laws and regulations in each respective market could have a material adverse effect on the overall economic growth of our markets. The economies in emerging markets generally differ from developed markets in many respects, including the level of government involvement, level of development, growth rate, control of foreign exchange, government policy on public order and allocation of resources. In some of our markets, governments continue to play a significant role in regulating industry development by imposing industrial policies and trade related measures. Some local governments also exercise significant control over the economic growth, foreign capital investments, tax, export and import duties, quotas, custom duties, tariffs and related regulations and the public order in their respective jurisdictions through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policies, and providing preferential treatment to particular industries or companies. Governmental actions to control inflation, interest rate adjustments and other policies and regulations have often involved, among other measures, price controls, currency devaluations, capital controls and limits on imports. These measures, or the perception that any of them could occur, may cause decreased economic activity and consumer spending in our markets, which may adversely affect our business, financial condition and results of operations. Our business, financial condition and results of operations may be adversely affected by changes in government policies or regulations, such as exchange rates and exchange control policies, inflation rates, interest rates, tariff and inflation control policies, price control policies, import duties and restrictions, liquidity of domestic capital and lending markets, electricity rationing tax policies, including royalty, tax increases and retroactive tax claims, and other political, diplomatic, social and economic developments in or affecting the markets where we operate.

Some of our markets have experienced, and may in the future experience, geopolitical and social instability, including strikes, demonstrations, protests, marches, other types of civil disorder, war or armed conflict, refugee migration or other types of unrests. For example, ongoing geopolitical tensions, the introduction or threat of new or changed tariffs and trade restrictions, and other geopolitical developments have resulted in significant disruptions to supply chains, logistics and business activities globally. In addition, there have been and remain tensions surrounding the Taiwan Strait. If such tension intensifies, our business in Taiwan may not be able to operate normally or at all. Such tensions or any deteriorations in relations among the U.S., Taiwan and the PRC may negatively impact our ability to continue to do business in Taiwan. It is possible that geopolitical, macro-economic and social instability globally and in our markets may negatively impact economic growth and world trade, decrease consumer spending, cause uncertainty and volatility in the financial markets, disrupt supply chains globally and in our markets, and may accordingly adversely affect our business, financial condition and results of operations. We cannot predict the duration or outcome of these events and actions or whether future developments would have any material adverse impact on our business. These and other instabilities and any adverse changes could increase our costs, increase our exposure to legal and business risks, disrupt our office operations or the business activities of our ecosystem participants, or affect our ability to expand or retain our user base.

The impact of tariffs, proposed tariffs, or other trade regulations and policies could materially and adversely affect our business and financial results. Various jurisdictions in which we operate may be the subject of, may propose or impose new or additional tariffs, or may otherwise be impacted by duties, taxes, trade restrictions, foreign exchange or capital controls, embargoes, sanctions or other regulatory requirements with little or no advance notice. These changes, or the perception that they could occur, may significantly affect the global economy and stability of global financial markets, thereby reducing economic activity and demand for goods and services, and could impact consumer behavior, supply chains, interest rates, user activities, transaction volumes, and other aspects of our business that are influenced by macro-economic events, which could materially adversely impact our operations and financial performance. These concerns may be elevated in some of the markets in which we operate, many of which are primarily exporting jurisdictions. For example, such changes could lead to recession, unemployment, and other reductions in consumer income or consumer spending, reduce consumer purchasing sentiment, disrupt credit markets, deteriorate the quality of our loan portfolio, reduce the willingness or ability of users to repay their loans from us, disrupt supply chains, increase the costs of goods and services, and require us to adjust our pricing models and operational strategies across different businesses. Given the inherent uncertainty regarding both the duration and the extent of these policy measures, mitigation strategies may not be effective. If we fail to adapt to these policies or regulatory changes, retaliatory actions, and shifting trade policies or fail to adapt to the impact these developments may have on the economy, either globally or in our markets, our overall financial performance could be materially and adversely affected.

In addition, governments or government agencies in any of our markets could censor, ban or block access to our services, mobile applications, platforms and/or the internet generally for various reasons, including political tensions and wars between countries, content restrictions, national security, data protection or regulatory concerns, or due to some misunderstanding. For example, due to unanticipated government actions, in early 2022, Free Fire was made unavailable in the Google Play and iOS app stores in India, and currently remains unavailable. Users generally need to access the internet and/or app stores to access, download or use our services and mobile applications. If governments either directly or indirectly block, limit or otherwise restrict us from publishing or making available our products and services to users, block, limit or restrict our users from accessing our products, services or mobile applications, prevent us from onboarding new users, prevent data transfers to or from certain markets or services, or take similar actions against us, our business could be negatively impacted, and we could experience loss or slower growth of our user base, financial loss, and our reputation may be adversely affected. Further, any government actions taken against our service providers, partners or other third-party intermediaries on which our business relies could cause our products and services to become unavailable for extended periods of time or even indefinitely.

Governments or government agencies may take legislative, executive, administrative or other measures or implement policies to regulate foreign investments, including applying heightened scrutiny, imposing additional requirements, prohibitions and restrictions on investments by companies based on the place of incorporation or country of origin of such companies or their shareholders and/or beneficial owners or where companies have employees or service providers, store data or develop or provide their products and services. Any adverse implementation or changes in foreign investment restrictions or interpretations against us of such restrictions in our markets may affect our ability to operate and maintain our business in such markets. In the event of such restrictions, we may face additional legal and regulatory compliance costs and risks, lose investments we have made and/or exit such markets, our users may develop a negative perception of us, and our business, financial condition and results of operations could be negatively affected.

Our results of operations are subject to fluctuations.

We are subject to seasonality and other fluctuations in our business. Our revenue is affected by our promotional and marketing activities, including the timing of promotions, and may fluctuate due to changes in user base, user engagement, user behavior and preferences and seasonality, and other factors. Maintaining our scale may also put strain on our existing resources due to increased capital expenditures and operating expenses, including sales and marketing expenses, staff hiring and procurement of infrastructure. See “—We may not succeed in managing or expanding our business across the expansive and diverse markets in which we operate.”

Our historical results may not be indicative of our future performance and you should consider our future prospects in light of the risks and uncertainties we face operating in evolving industries in many emerging markets. Our revenue, profits and other operating results may vary significantly from quarter to quarter due to a variety of factors, many of which are outside our control. Factors that may contribute to the fluctuations of our results include, among others, (i) fluctuations and changes in overall consumer demand for our products and services in certain markets or overall or during certain months and holidays, including calendar year-end holiday season, or due to certain short-lived consumer trends, hypes or other factors; (ii) timing of new products and services releases and monetization rates of our products and services or content enhancements in different markets; (iii) increases in sales and marketing and other operating expenses; (iv) timing of promotional and marketing activities; (v) macro-economic conditions including recessionary fears, rising inflation or interest rates, and their effect on consumer spending; (vi) geopolitical conditions; and (vii) other risk factors as described in this annual report. As a result, our businesses may not continue to grow as fast as in the past years or at all. Should our businesses experience a slowdown in growth, flattening or decrease in scale or profit, there could be material fluctuations in our financial results, which could negatively affect our stock performance.

In addition, changes in cash flow generated from our games may not match our revenue trends due to revenue recognition policies under U.S. GAAP, which require proceeds from our sales of in-game virtual items to be recorded as deferred revenue and recognized over a period of time based on estimated service periods. As deferred revenue may contribute a significant amount of the revenue we report each quarter, a decrease in bookings in any one quarter may not significantly reduce our revenues for that quarter but could negatively affect our revenues in future quarters or periods. The reverse is also true. Accordingly, the effects of declines or increases in our bookings are not fully reflected in our results of operations until future periods.

We are subject to extensive and changing laws and government regulations across our business.

Our business is affected by laws and regulations across multiple jurisdictions that affect the industries in which we operate, and their scope and stringency have increased significantly in recent years. We are subject to a variety of regulations, including those relating to game operations, game ratings, e-commerce, social networking, internet applications or content services, digital platforms, marketing, advertising, AI technology and services, privacy, personal information, data use, data transfer, data processing, data localization, data storage, data retention and data protection, livestreaming services, antitrust or competition laws, employment and labor laws, national language requirements, intellectual property, virtual items, user generated content, loot boxes, national security, nationalization, content restrictions, platform regulations, sale of regulated or prohibited items, protection of minors, data of minors, consumer protection, pricing, product safety and product liability, prevention of money laundering and financing criminal activity and terrorism, anti-bribery and anti-corruption regulation, economic or other trade prohibitions or sanctions, electronic contracts and other communications, digital financial services regulation, electronic payment services regulation, lending regulation, foreign investment and currency control regulation and regulations related to logistics, insurance, and banking. Because the industries in which we operate are relatively new in our markets, the relevant laws and regulations, as well as their interpretations, are often unclear and evolving.

Some of these regulations also implicate licensing and approval requirements, and the variety of potentially applicable laws and regulations can make it difficult to know or determine which licenses and approvals are necessary, or the processes for obtaining them. For these same reasons, we also cannot be certain that we will be able to maintain the licenses and approvals that we have previously obtained, or that once they expire, we will be able to renew them. We are also uncertain as to whether we will be able to obtain the licenses or approvals we apply for in a timely manner or at all. If we fail to obtain, maintain or renew any required licenses or approvals, comply with the licensing conditions or make any necessary filings, or are found to require licenses or approvals that we believed were not necessary or we were previously exempted from obtaining, we may be subject to various penalties, such as loss of the revenue or assets that were generated through the unlicensed business activities, imposition of fines, suspension or cancellation of the applicable license, written reprimands, termination of relevant businesses or offerings, criminal prosecution and the discontinuation or restriction of our operations, or other disputes. Any such penalties or disputes may disrupt our business operations and materially and adversely affect our business, financial condition and results of operations.

Laws and regulations and their enforcement vary from jurisdiction to jurisdiction and are often evolving, unclear or inconsistent with other applicable laws. At the same time, authorities may introduce protectionist measures or may observe regulatory developments in other jurisdictions and seek to implement similar measures, including measures to bring their respective jurisdictions in line with international standards that may be more stringent or restrictive, thus potentially subjecting us to more extensive regulation in each market. Future expansion in terms of our services and geographic coverage, including the expansion of our e-commerce platform, licensed or self-developed games and digital financial services and products, could subject us to additional regulatory requirements and other risks that may be costly or difficult to comply with. As the digital economy of our markets develop and new regulations and compliance requirements are introduced, there may be ambiguity regarding the applicability and scope of new and existing regulations and compliance requirements, which may in turn cause uncertainty to our business operations, user engagements and investor confidence. We may require more time than expected to adapt to these new requirements and may face delays during the implementation or transition period. Any failure to timely comply with such new requirements may disrupt our business operations, damage our reputation, cause us to lose users or reduce user engagement. News or rumors about potential introductions of new regulations, restrictions or compliance requirements may also result in significant uncertainties to our business operations and may negatively affect the market price of our ADSs.

In addition, data protection, privacy, content, competition, and other laws and regulations may impose different obligations and are expected to become more restrictive in certain of our markets. There are a number of recently enacted and amended data protection laws and regulations as well as legislative and regulatory proposals in various jurisdictions where we operate that could impose new obligations or limitations in areas affecting our business. There are also jurisdictions that are considering or have passed legislation or regulations implementing data transfer restrictions or requiring local storage and processing of data or similar requirements, which could affect our business operations. If we are required to make changes to or are otherwise restricted in the manner in which we transfer data between and among countries and regions or share data among our businesses, it could affect our ability to and the manner in which we provide our content, products and services, which could adversely affect our financial results. We may be required to implement different operating practices and protocols depending on the requirements of each local market, which may be costly, and increase the complexity of delivery of our content, products and services.

There has been increased scrutiny over the power and influence of large technology companies and platform businesses globally. Competition authorities scrutinize technology companies and platform businesses around issues such as exclusivity, tying or bundling, and abuse of market power as well as the relationship between platform businesses and their users. In addition, lawmakers, government agencies and regulators may, among other things, prohibit future acquisitions, divestitures or combinations, impose significant fines or penalties, or impose other obligations, disclosure requirements or restrictions on digital platforms and services or take other actions to limit or require us to modify our operations with platform users or otherwise place restrictions on our business models due to regulatory or antitrust concerns. We may also be required by government regulators to restructure our corporate structure or product offerings to meet existing or new regulatory requirements. Such restrictions and changes may alter the way in which we do business, increase our costs or liabilities, reduce demand for our platforms or subject us to uncertainties, which could adversely affect our business, financial condition and results of operations. From time to time, we have received inquiries from or are subject to inquiries and investigations by competition authorities. For example, Shopee has been the subject of investigations by competition authorities in connection with its use of logistic services provided by an affiliated business. Unfavorable laws, regulations, decisions, administrative rulings, interpretations of competition rules, or other actions by government or regulatory authorities applying those laws and regulations, including inquiries, investigations, or enforcement actions threatened or initiated by them, could cause us to incur substantial costs, expose us to unanticipated civil and criminal liability or penalties (including substantial monetary fines), diminish the demand for, or availability of, our products and services, increase our cost of doing business, require us to change our business practices in a manner materially adverse to our business, damage our reputation or otherwise have a material effect on our operations.

Regulators may regularly re-examine and increase legislation, regulation and enforcement of compliance obligations, which may require us or our business partners to revise or expand compliance programs, including the procedures we use to verify the identity of our users and to monitor the transactions on our platforms. Such new legislation, government policies or compliance requirements may also make it more burdensome for us to operate our businesses, expand our offerings and for our users to use our services and products, which could potentially discourage users from using our services and products. We may also make changes to or expand our product offerings or services in a manner that subjects our businesses to additional legislation, regulations or other compliance obligations, which may result in similar burdens and risks to our businesses.

We face competition in our businesses.

We face competition in each of our business lines and the failure to compete effectively in any of them could materially and adversely affect our business, financial condition and results of operations.

Our e-commerce business faces competition from global and regional players and retailers that operate across several markets, and from single-market players and retailers. Global e-commerce or internet companies are also making efforts to enter into our markets or e-commerce to further expand their footprints in such markets. Such competitors may have longer operating history, different business models and growth strategies, and greater access to financial, technological and marketing resources than we do. We compete with online and offline players to attract, engage, and retain buyers based on the variety and value of products and services listed on our marketplaces, overall user experience and convenience, online communication tools, social features, integration with mobile and networking applications and tools, mobile applications and availability, quality and costs of payment, customer support and logistics services. We also compete to attract and retain sellers based on the number and the engagement of buyers, the effectiveness, cost, and quality of the services we offer to sellers, commission rates, and the availability of support and other platform services. We also compete to attract and retain content creators for e-commerce. As e-commerce is evolving in our markets, competition for market share is particularly intense. Our competitors may also consolidate or be acquired by other competitors, allowing them to obtain greater market share, gain access to greater resources and gain real advantages over us. In addition, we may face increasing competition from social media and social-commerce platforms, online and app-based search engines through which products and services may be researched and sold, and other content-providing market players. Social media platforms with high levels of user engagement may be able to leverage content and user connections and traffic on their platform to increase the visibility and attractiveness of a wide variety of brands and products.

Our digital financial services business faces competition from existing online and offline consumer and SME financial products and services. We expect competition to intensify as existing and new competitors introduce new services or enhance existing services. Some of our competitors may have more experience, greater financial resources, lower funding cost, greater brand recognition or larger bases of customers than we have. New entrants tied to established brands may engender greater user confidence in the safety and efficacy of their services, along with greater liquidity. We may also face pricing pressures and other forms of competition such as increased incentives from competitors. Some potential competitors may charge lower commissions to merchants or subsidize users through other services they offer. Such competition may result in the need for us to alter the pricing we offer to give discounts or increase our incentives, which could reduce our profit and negatively affect our business, financial condition and results of operations. Competitors in the banking space such as traditional banks and larger financial institutions may be able to offer more extensive or enhanced products and services, or offer such products and services at more attractive rates, credit or other better terms, including more attractive rates on deposits and rates on loans. As a result, we may be forced to increase our deposit rates, or lower the rates we charge for loans or the fees we charge for other services, or devote significant financial resources to our marketing efforts or developing customized products and services. For our consumer and SME credit business, we compete with other non-bank fintech companies, neobanks, credit unions, multi-finance companies, off-card financing, private credit card and point-of-sale service providers. Banks and larger financial institutions may also build solutions to compete in the consumer and SME lending space. If such competitors appear more attractive to high quality customers or credit users, such customers or users may be less likely to use our products and services, and we may have a decreased pool of high-quality customers or credit users. For our payment processing business, certain competitors may have longstanding relationships with certain merchants to accept the payment services they offer, which may make it difficult or costly for us to establish partnerships with these merchants. Our competitors may also be able to obtain certain licenses that we are unable to obtain, which may hinder our ability to offer certain products or access certain pools of liquidity that are the subject of such licenses. In addition, certain of our competitors in certain product areas and markets may not be subject to the same regulatory requirements that we are.

Our digital entertainment business competes globally on the basis of a number of factors, including user base, game portfolio, quality of user experience, brand awareness and reputation, relationships with game developers, access to developer talent, monetization strategies and access to distribution and payment channels. Our competitors for game publishing include companies with a presence in just one or several markets, as well as companies offering global publishing platforms. Our competitors for game development include global developers, who may have more experience, better reputation and more data obtained from developing games that target the same user pool. Our competitors may capitalize on their significant financial, technical or know-how resources to develop, distribute and operate mobile, console and PC online games or acquire other game or developer studios. Some developers may choose to distribute games themselves through other channels such as the iOS App Store, the Google Play Store, Steam, or through consoles which may compete with games distributed and developed by us. In addition, we face competition from other games, platforms and entertainment formats for the time, attention and entertainment spending of our online game players. If other leisure time activities are perceived by our players to offer greater variety, affordability, interactivity and overall enjoyment, our digital entertainment business may be materially and adversely affected.

We may offer new products and services, develop new or enhance the features and functionality of our platforms, that may lead to increased or additional competition. We may also periodically change or remove new features and functionality, and optimize our operational efficiency and increase monetization efforts, which may not be well received and decrease the time spent by users on our platforms. We may need to compete with existing service providers who have more experience and infrastructure than us. We may also face potential protectionist policies, political measures or regulatory challenges that are more supportive of local players in such markets, which may, among other things, hinder our ability to compete effectively in such markets.

We may be subject to intellectual property-related risks.

We rely on a wide portfolio of intellectual properties to operate our businesses. We may not be able to effectively protect these intellectual properties against infringement, or efforts to safeguard our intellectual properties may be costly.

We rely on a combination of trademark, patent, fair trade practice, copyright and trade secret protection laws, as well as confidentiality procedures and contractual provisions, to protect our intellectual properties. We also enter into confidentiality agreements with our employees and any third parties who may access our proprietary information, and we rigorously control access to our proprietary technology and information. Our intellectual property protection measures may not be sufficient, and confidentiality agreements may be breached by counterparties. There may not be adequate remedies available to us for any such infringement or breach. For example, in the event any third-party game developer, publisher or hacking group infringes the copyright of our self-developed game, our users may lose interest in our games. In addition, policing any unauthorized use of our intellectual properties is difficult, time-consuming and costly, and the steps we take may be inadequate to prevent the misappropriation of our intellectual properties. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources. We may not prevail in such litigation. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors.

Further, we may be unable to obtain trademark protection for our technologies and brands, and our existing trademark registrations and applications, and any trademarks that may be used in the future, may not provide us with competitive advantages or distinguish our products and services from those of our competitors. In addition, our trademarks may be contested, circumvented or found to be unenforceable, weak or invalid, and we may not be able to prevent third parties from infringing or otherwise violating them. Any failure in protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

From time to time, we receive notices from third parties or are named in lawsuits by third parties alleging infringement of their proprietary intellectual property rights or in connection with claims relating to our content, products or marketing activities. For example, with respect to our e-commerce business, we receive complaints alleging that items offered on or sold through our Shopee platform infringe third-party copyrights, trademarks and patents or other intellectual property rights, or contain obscene, defamatory or libelous content. Although we have adopted measures to reduce infringements or offense by product listings on our Shopee platform before they appear on the marketplace, these efforts may not always be successful. In January 2025, the Office of the U.S. Trade Representative, or USTR, published its latest annual Review of Notorious Markets for Counterfeiting and Piracy, which identified the Shopee platform in several of our markets as “notorious markets.” The USTR may continue to identify those Shopee markets as notorious markets, and the USTR may identify other Shopee markets as notorious markets in the future. Since December 2020, the European Commission placed Shopee on its Counterfeit and Piracy Watch List. Any public perception that counterfeit, pirated, or otherwise inappropriate or illegal items are commonplace on Shopee, even if factually incorrect, or perceived delays in our removal of these items could damage our reputation and result in regulatory action against us and diminish the value of our brand name.

We may be subject to allegations of civil or criminal liability for alleged intellectual property infringement, including based on allegedly unlawful activities carried out by third parties through our platforms. We may also be subject to fines or sanctions by local authorities for infringing products or improper content offered on our marketplace, including requiring the removal of the infringing products or a temporary or permanent block of our platform. Any current or future use of AI in our platforms, offerings, services and features may also lead to liability or negative public perception. If the content, analyses or recommendations that the AI applications are used in are or are alleged to be deficient, inaccurate, inappropriate or biased, or if the use of AI results in, or is alleged to have resulted in, the infringement of the intellectual property of third parties, we may be subject to legal claims or liability and our business, financial condition and results of operations may be materially and adversely affected.

We may implement further measures to protect users and ourselves against potential intellectual property liabilities, and these measures could cost us substantial additional resources or require us to discontinue certain service offerings. In addition, these measures may reduce the attractiveness of our platforms to users. For example, a seller whose listings are removed or suspended by us, regardless of our compliance with the applicable laws, rules and regulations, may dispute our actions and commence action against us for damages based on breach of contract or other causes of action or make public complaints or allegations. Any costs incurred as a result of such liability or asserted liability could also harm our business.

As the number of interactive games increases and the features and content of these games continue to overlap, software developers and distributors have increasingly become subject to infringement claims. Some of our game content is highly realistic and features materials that are based on real world objects or people, which may also be the subject of claims of infringement, including right of publicity, copyright, trademark and unfair competition claims. Despite any steps taken by us to avoid knowingly violating the intellectual property rights of others, third parties may still claim that content we develop or license from third parties infringes their intellectual property rights. We received intellectual property related claims in the past. In addition, as we begin to allow user generated content on our platforms, we may also become subject to third party claims relating to such content.

Any such claims, whether or not meritorious, that we need to defend or litigation we take to enforce our intellectual property rights may be time-consuming, distracting to management and costly, and we may not prevail in any such litigation. We may also be forced to stop distributing, cease using or redesign the relevant content or product, obtain a license from the claimant, which, if available at all, may not be available on commercially favorable terms.

Existing or future investments or acquisitions may not be successful.

We have invested in or acquired, and may in the future invest in or acquire, teams, businesses, services, assets or technologies from time to time. We may fail to select appropriate investment or acquisition targets, or we may not be able to negotiate optimal arrangements, including arrangements to finance such investments or acquisitions. Investments and acquisitions entail uncertainties and risks, such as:

- we may fail to successfully achieve the intended objectives;
- our investments or acquisitions may be viewed negatively by customers, financial markets or investors;
- the costs of identifying and consummating these transactions may be significant;
- acquisitions and the subsequent integration of new assets and businesses into our own could require significant management attention and could divert resources from our existing businesses;
- we may have difficulty in transitioning and integrating the business, technologies, products, personnel or operations of the acquired businesses;
- we may face unforeseen operating challenges;
- our relationships with existing employees, customers and business partners of our group, or those of the target, may be impaired;
- we may assume pre-existing contractual relationships of an acquired company that we would not have otherwise entered into, the termination or modification of which may be costly or disruptive to our business;
- an acquisition may result in a delay or reduction of customer purchases for both us and the company acquired due to customer uncertainty about continuity and effectiveness of service from either company;
- we may face challenges associated with managing additional and/or geographically remote businesses;
- investments and acquisitions could result in the use of substantial amounts of cash or significant capital contributions, which could limit other potential uses for our cash;
- investments and acquisitions could result in increased leverage, dilutive issuances of equity securities, adverse tax consequences, goodwill impairment charges, investment impairment charges or write-offs, and amortization expenses for other intangible assets;
- if we incur debt to fund any investments or acquisitions, such debt may subject us to material restrictions on our ability to conduct our business, including financial maintenance covenants;

- we may need to issue new shares as acquisition consideration or to raise additional capital to fund the acquisition consideration, which may dilute our existing investors' interest in us;
- we may assume unknown material liabilities of acquired companies, or may be exposed to claims and disputes by shareholders and third parties, including intellectual property claims and disputes;
- we may be unsuccessful in accurately projecting revenue, cost or other metrics of the invested or acquired entity in the due diligence process;
- the invested or acquired assets or businesses may not generate the financial results we expect; and
- the market value of our investments or acquisitions may fluctuate, particularly in volatile markets, or they may become obsolete.

These factors could adversely affect our financial results. In addition, we may fail to obtain any required approvals and licenses from relevant government authorities. We may become subject to new governmental regulations in connection with our investments and acquisitions, which could result in increased costs and new strategic risks. Any of these risks may materially and adversely affect our business, financial condition and results of operations.

Our businesses involve third parties over whose actions we have no control.

Each of our e-commerce, digital financial services and digital entertainment businesses involves the participation of third parties such as third-party game developers, owners of other third-party intellectual properties, users who generate content on our platforms, including livestreaming or other real-time content dissemination, sellers and merchants who own the content and services offered through our platforms, as well as intermediaries and other third-party service providers including other financial institutions providing financial services. We rely on a number of third-party channels to provide content and services to our users, as well as performing other functions of our platforms. For example, we primarily rely on third-party application distribution channels, such as the iOS App Store and the Google Play Store, to allow users to download and access our applications and games. If our third-party distribution channels voluntarily or involuntarily suspend their services to us, including taking down or removing our applications in response to government actions or other legal action or pursuant to their own policies, and we are unable to arrange for alternative measures in a timely manner or at all, our users will have difficulties accessing our applications and games or making payments for our products and services. Consequently, we will lose users temporarily or permanently, and our financial results could be materially and adversely affected.

We may not be able to control the actions of these or other third parties and thus are subject to various risks associated with working with or relying on third parties in our businesses, including:

- risks relating to third-party sellers on our platforms and merchant partners, including deficiencies in the quality of products, misrepresentations of or about products, listing or sale of restricted or prohibited products, failure to comply with applicable laws and regulations, and potential intellectual property issues (see “—We may be subject to intellectual property-related risks”);
- risks relating to third-party publishing or distribution channels we use to make our applications available for download, such as the iOS App Store and the Google Play Store;
- risks relating to content generated by third parties and any user generated content in our games (see “—We rely on third-party game developers for some of our digital entertainment content and also allow our users to contribute and interact with user generated content”), e-commerce platform, or other platforms, including content posted in real-time, which may be illegal, obscene, defamatory, infringing or otherwise inappropriate or unlawful;
- risks relating to third-party payment service providers we depend on to provide users with various payment options or mobile wallet top-up options, such as the iOS App Store and the Google Play Store, payment on delivery, bank transfers, direct carrier billing, credit cards, debit cards, telecommunication card and over-the-counter top-up and payment through other third-party payment services;

- risks relating to services by third-party logistics service providers (see “—We face risks related to logistics and fulfillment”);
- risks relating to third party developers and independent software vendors;
- risks relating to third party collection agents in relation to our credit products and loans receivable;
- risks relating to manpower agencies and independent contractors (see “—We face manpower-related risks”);
- risks relating to business process outsourcing vendors, including customer service agents;
- risks relating to users’ personal data that is received or used by third parties in connection with our services, such as when sellers or third-party payments or logistics providers receive user information in connection with payment services or order fulfillment;
- risks relating to third party banks, insurance, lending and wealth management service providers providing services on our platforms. If such third party service providers engage in activities that are negligent, fraudulent, or otherwise harm the interest of users subscribing to such services or products through our platforms, we may be subject to legal and financial harm, including potential contractual or non-contractual liability, reputational damage, litigation risk and/or user loss even if due to actions or activities not related to, attributable to or caused by us, or within our control;
- risks relating to users of our services or platforms who engage in fraud or other conduct that violates our terms of service, other policies, or the law;
- risks relating to our business and/or banking partners or counterparties being sanctioned and/or otherwise being found to have violated our agreements, other policies, or the law;
- risks relating to third-party data center providers and cloud services for the storing of data from our users and operations, including any risks relating to users’ personal data hosted by such service providers. In addition, we do not control the operation of these facilities and rely on contracts to employ their use. The owners of the data center facilities have no obligation to renew their agreements with us on commercially reasonable terms, or at all. If we are unable to renew these agreements on commercially reasonable terms, we may be required to transfer our servers and other infrastructure to new data center facilities, or change to other service providers, and we may incur significant costs and possible lengthy service interruptions in connection with doing so; and
- damage to our reputation if third parties on our platforms or our other business partners do not properly perform their functions and negatively affect our users’ experience with our platforms.

Although we take efforts to prevent third parties from engaging in prohibited conduct via the content available on our platforms, we may not detect every unlawful, improper or fraudulent third-party action. In some of our markets, we may be liable for certain third-party conduct under local law, including if users commit fraud or cause other users of our services to incur losses. While we have agreements with some of these parties that obligate them to carry out their respective dealings in a lawful and professional manner and to indemnify us for losses subject to applicable laws, any legal protection we may have could be insufficient to compensate us for our losses or may not repair the damage to our reputation.

If any of our third-party service providers and channel providers deliver unsatisfactory service, engages in fraudulent or prohibited actions, or is unable or refuses to continue to provide its services to us and our users for any reason, our business, financial condition and results of operations may be materially and adversely affected.

Fluctuations in foreign currency exchange rates may adversely affect our operational and financial results, which we report in U.S. dollars.

We operate in multiple markets and receive revenues in currencies other than the U.S. dollar, which exposes us to the effects of fluctuations in currency exchange rates as we report our financials and key operational metrics in U.S. dollars. We earn revenue denominated in local currencies of our markets in Southeast Asia, Taiwan and Brazil, among other currencies, while some of our costs and expenses are paid in other foreign currencies. We generally pay license fees to game developers in U.S. dollars, and incur operating expenses in the local currencies in the markets in which we operate. From time to time, we may pay acquisition considerations in U.S. dollars. We do not rely on any single currency as we earn revenue in different local currencies across our markets and keep a significant cash position in U.S. dollars. Fluctuations in the exchange rates among the various currencies that we use could cause fluctuations in our operational and financial results. Our expenses may become higher and our revenue and operating metrics may become lower than would be the case if exchange rates were stable or if we were operating and reporting in one currency. Movements in foreign currency exchange rates, including movements or volatility resulting from changes in macro-economic or geopolitical events such as those disclosed above, including inflation, deflation, recession, and governmental actions such as tariffs, trade policy, fiscal policy, and monetary policy, may have a material adverse effect on our results of operations, and may cause our financial and operational metrics, which are reported in U.S. dollars, to be materially adversely affected or not to be fully representative of our underlying business performance.

Furthermore, we operate in a number of jurisdictions that have historically experienced significant levels of inflation and volatility in the value of their currencies, which, if continued to be experienced in the future, may result in government intervention in the economy, including monetary, fiscal, or trade policies, exchange controls or other currency restrictions, which could adversely affect our business, financial condition and results of operations. Changes in the relative value of local currencies in the markets where we operate, including relative to the U.S. dollar, could also have negative effects on the level of economic activity and employment in those markets and may materially adversely affect our business, financial condition and results of operations. We might not be able to adjust the price of our products and services sufficiently to offset the effects of such events on our operations, and any changes to our prices might reduce demand for our products and services. Additionally, a significant amount of our revenue and some of our operating metrics are denominated in certain local currencies that have been subject to significant volatility in the past. Because fluctuations in the value of these local currencies are not necessarily correlated, our results of operations in any period may be adversely affected by such volatility. See “Item 3. Risk Factors—Risks Applicable Across Multiple Businesses—Changes in macro-economic, geopolitical or social conditions or government policies, or government actions or restrictions, globally and in our markets could have a material adverse effect on our business and operations,” “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Major Factors Affecting Our Results of Operations” and “Item 11. Quantitative and Qualitative Disclosures About Market Risk.”

We may enter into foreign exchange derivatives transactions and incur relevant costs from time to time to manage our exposure to exchange rate risk. Such derivatives transactions, while intended to be non-speculative, are designed to protect us against increases or decreases in exchange rates, but not both. If we entered into derivatives transactions to protect against, for example, decreases in the value of a local currency and such local currency instead increases in value, we may incur financial losses. Increases in currency volatility or other changes in the relative value of the local currencies we use could also increase the costs of such foreign exchange derivatives transactions and expose us to additional costs or losses. Any such losses could materially and adversely affect our financial condition and results of operations.

We may have exposure to greater than anticipated tax liabilities, and our financial position and results of operations may be adversely affected by the implementation of legislation or internationally accepted principles.

Tax legislation relating to the digital economy is still developing. Governments in our markets may promulgate or strengthen the implementation of tax regulations and impose more tax obligations on our services and product offerings, which could increase the costs to our users and merchants and make our services and product offerings less competitive.

For example, Shopee as the marketplace operator could potentially be required to report transactions made by sellers and other service providers through the platform to the tax authorities in the future and may also be subject to additional tax or withholding obligations. Governments in some of our markets have discussed promulgating or promulgated laws to require e-commerce marketplace operators and the payment service providers to assist in the enforcement of tax requirements on sellers and collection of taxes with respect to revenues or profits generated by sellers. If we are held responsible, whether financially or operationally for such taxes, our business, financial condition and results of operations may be materially and adversely affected. We may also be requested by government authorities to supply information about our sellers, such as transaction records and seller’s information, and assist in the enforcement of other tax regulations, which could affect our relationships with sellers.

In addition, a number of markets have been pursuing fundamental changes to the tax laws applicable to multinational companies like us, including adopting global OECD guidelines, introducing the Base Erosion and Profit Shifting Pillar 2 rules, and enacting taxes relevant to the provision of digital services, including with respect to digital services taxes, sales taxes, value-added taxes, withholding taxes, tariffs, revenue-based taxes, excise taxes or other similar taxes. Possible implications may include multiple levels of taxation, additional obligations, prospectively or retrospectively, as well as imposition of interest and penalties if non-compliance is determined.

The application of tax laws of various jurisdictions to our business activities is subject to interpretation and also depends on our ability to operate our business in a manner consistent with our tax positions, corporate structure and intercompany arrangements. A certain degree of judgment is required in evaluating our tax positions and determining our provision for income taxes. The tax authorities of the jurisdictions where we operate may challenge our methodologies for intercompany and related party arrangements, including transfer pricing. We could face adverse tax consequences if local tax authorities assert that any transactional arrangements among our group entities were not entered into on an arm's length basis in such a way as to result in an impermissible reduction in taxes under the applicable laws, rules and regulations, and adjust the income of such group entities in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by our group entities for tax purposes, which could in turn increase their tax liabilities. In addition, local tax authorities may impose late payment fees and other penalties on our entities for the adjusted but unpaid taxes according to the applicable regulations. If the manner in which we operate does not achieve the intended tax consequences, or if the tax authorities take different interpretations with respect to these factors or our tax obligations, our financial condition and results of operations could be adversely affected.

In addition, in some jurisdictions where we operate, tax laws and regulations or their application to our business may involve uncertainty, or have uncertain application to novel business arrangements, and the interpretation of such laws and regulations by the relevant revenue or enforcement authorities may differ from our own or be unpredictable or the subject of disputes or controversy. We may, from time to time, be and, in some cases, are subject to inquiries, investigations or audits from or disputes with tax authorities of the relevant jurisdictions on various tax matters, including challenges to positions asserted on income, withholding, or other tax returns. Developments in an audit, investigation, or other tax controversy can have an adverse effect on our business, financial condition and results of operations. Due to the inherent complexity and uncertainty of these matters, interpretations of certain tax laws by authorities, and judicial, administrative, and regulatory processes in certain jurisdictions, the outcome of any such controversy may be materially different from our expectations.

We may use AI in our business, and challenges with properly managing its use or more successful use of AI by our competitors could adversely affect our business and results of operations.

We may incorporate AI solutions into our platforms, offerings, services and features, or in support of internal business operations. If the content, analyses, or recommendations that the AI applications are used in are or are alleged to be deficient, inaccurate, inappropriate, or biased, or if the use of AI results in, or is alleged to have resulted in, the infringement of the intellectual property of third parties, we may be subject to legal claims or liability and our business, financial condition, and results of operations may be adversely affected. AI technologies, including generative AI and machine learning models, present a growing risk and ability for third parties to generate systems which are able to imitate or copy our proprietary intellectual property at large scale and for a low cost. AI systems could be used to generate huge volumes of derivative works that imitate or replicate our intellectual property, leading to unauthorized content that competes with our products, dilutes our brand value, and undermines our ability to monetize our intellectual property effectively. Such unauthorized use of AI to generate content similar to our intellectual property may reduce consumer demand for our products, as third parties may access or create AI-generated alternatives that offer comparable experiences without requiring licensing fees or other revenue-sharing arrangements.

The use of AI applications may result in data leakage or unauthorized use or exposure of personal data, or other information. Such leakage or unauthorized use or exposure of personal data related or other information to or arising from our use of AI applications could result in legal claims or liability. AI systems may also be vulnerable to evolving cybersecurity threats, including via manipulation or exploitation by malicious actors, which could compromise the security and integrity of our use of AI.

AI also presents emerging ethical issues and is subject to rapidly developing legal and regulatory frameworks in our markets, and if our use of AI becomes controversial or becomes subject to new laws or regulations in any of our markets, we may experience reputational harm or legal liability or otherwise need to make changes to our practices and offerings. Uncertainty around new and evolving AI uses may require significant additional investment to develop models and proprietary datasets, responsible-use frameworks and new approaches and processes to attribute or compensate content creators.

Developing, testing and deploying AI systems may also increase the cost of our platforms, offerings, services and features. Further, as with any new offerings based on new technologies, consumer reception and monetization pathways are uncertain, our strategies may not be successful and our business and financial results could be adversely impacted. Our competitors or other third parties may incorporate AI into their products more quickly or more successfully than us, which could impair our ability to compete effectively and adversely affect our results of operation.

We may be liable for security breaches and attacks against our or our third-party partners’ platforms and network, particularly with regard to confidential user information and personal or other data or any other privacy or data protection compliance issue, and our platforms and games may contain unforeseen “bugs”, vulnerabilities or errors.

Our business stores, generates and processes a large amount of data, including personal data and payment information from users, and any failure to prevent or mitigate security breaches and the improper access, use or disclosure of such data could impact our operations negatively and harm our reputation. We also maintain certain other proprietary and confidential data relating to our business and personal data of our consumers and personnel. Although we have employed significant resources to develop and implement security measures aimed at preventing breaches, our cybersecurity and data protection measures have not and may not detect or prevent all attempts to compromise our systems, including distributed denial-of-service attacks, viruses, malicious software, physical or electronic break-ins, phishing attacks, data leaks, social engineering, security breaches or other attacks and similar disruptions and fraudulent behavior or improper use by our employees or third party partners that may jeopardize the security of information stored in and transmitted by our systems or that we otherwise maintain. Additionally, as AI capabilities develop, hackers and sophisticated organizations may use these technologies to create new sophisticated fraud or attack methods that are increasingly automated, targeted, coordinated and more difficult to defend against. Any security breach, including personal data breaches or incidents, including cybersecurity incidents, could result in unauthorized access to our systems or a user’s system, misappropriation of our or a user’s information or data, loss, corruption or alteration of such data, financial loss, deletion or modification of user information, damage to our systems or those of our users, or a denial-of-service or other interruption to our business operations. Any such incidents could impact our operations and could expose us to claims, litigation, regulatory or other governmental investigations, administrative fines, and potential liability, as well as remediation costs and increased cybersecurity and/or data protection costs. We have in the past been and are likely again in the future to be subject to these types of attacks and security breaches. As techniques used to obtain unauthorized access to or otherwise breach or sabotage systems change frequently, we may not be aware that we have been attacked and we may be unable to anticipate or implement adequate measures to protect against these security breaches until they have been launched against us, our platforms or services, our users or our third-party service providers. We may not have the resources, technical sophistication, or ability to anticipate or prevent rapidly evolving or sophisticated types of cyberattacks or other types of security breaches.

In addition, our confidential or proprietary information or our users’ personal data or payment information may, in some instances, be stored or processed by certain third-party partners, which poses similar risks. If an actual or perceived breach of our or our third-party partners’ security occurs, public perception of the effectiveness of our security measures and brand could be harmed, demand for our platforms or services may be reduced, our operations may be disrupted, we may incur significant legal liabilities, financial loss, and remediation costs, and our business could be materially and adversely affected. While we take measures to require third-party service providers to adopt necessary security measures and to protect against data breaches in accordance with applicable laws and regulations, we also face similar risks where personal data is shared with third-party service providers. If our third party partners engage in activities that are negligent, fraudulent, illegal or otherwise harm the trustworthiness and security of our platforms, including improper disclosure or use of user data, or if our third party partners otherwise fail to meet their data security and privacy obligations, or users are otherwise dissatisfied with their service quality on or off our platforms, we may be subject to user complaints and suffer reputational harm, even if due to actions or activities not related to, attributable to or caused by us, or within our control. Any compromise of our or our third-party partners’ security or data could have a series of significant consequences, ranging from violation of applicable security, privacy or data protection, consumer and other laws, regulatory or other governmental investigations, enforcement actions, to other legal and financial exposure, including potential contractual liability, reputational damage, litigation risk and/or user loss.

Our platforms services, applications, websites and games have in the past contained and may in the future contain errors, “bugs” or other vulnerabilities that are not detected until after the applications, products or services are published or released. Additionally, many of our products and services are available on multiple operating systems and/or multiple devices offered by different manufacturers, and changes or updates to such operating systems or devices may cause errors, vulnerabilities, or functionality problems in our products, including rendering our products or services inoperable by some users. Any such errors or a significant unavailability of our platforms, services or games or any breach of users’ data protection rights due to these errors or “bugs” could affect the overall user experience, which could cause users to reduce their time on or interest in our platforms, services or games, or not recommend our content and services to others. Such errors could also result in non-compliance with applicable laws and regulations, cause financial loss, or create legal liability for us. Resolving such errors could also disrupt our operations, cause us to divert resources from other matters, or materially harm our business, financial condition and results of operations. In addition, “cheating” programs or other unauthorized software tools and modifications that enable players to cheat in games harm the experience of players who play fairly and could negatively impact the volume of purchases of in-game items. Also, vulnerabilities in the design of our products, services and of the platforms on which they run could be discovered after their release and exploited by malicious actors before they are remedied. This may lead to loss of revenues or increased cost of developing technological measures to respond to these, either of which could negatively affect our business, reputation, financial condition and results of operations.

We collect, process, transmit, and store personal information in connection with the operation of our businesses and are subject to complex and evolving international laws and regulations regarding privacy and data protection.

Our businesses are subject to an increasingly complex and at times divergent data privacy, data protection, data use, data governance, AI and information security laws and requirements in the markets in which we operate and where our users, merchant partners, customers and other participants are located. In addition, certain of our digital financial services businesses may be subject to more stringent and restrictive banking secrecy laws or other heightened requirements with respect to customer data. We are also subject to agreements with third parties such as Apple, Alphabet, Meta and others that place conditions and requirements on the processing of data and on data collected via their services. As we continue to operate internationally and as laws continue to evolve and change, we will be subject to additional data protection laws and requirements. The privacy and data protection related laws, rules and regulations of jurisdictions we operate in may change or evolve to become more comprehensive or restrictive as compared to laws, rules and regulations we are currently subject to. In addition, such laws, rules and regulations, including any penalties, may differ or be inconsistent from jurisdiction to jurisdiction. Complying with privacy and data protection related laws, rules and regulations for an increasing number of jurisdictions could require significant resources and costs. Such laws, rules and regulations may also restrict the transfer of data across jurisdictions, require data localization, require us to obtain user consent for the use and collection of their data, to delete or limit the processing of their data, and require us not to sell or engage in marketing data with respect to certain users, among other things, which may impose additional and substantial operational, administrative and compliance burdens on us, and may also restrict our operations and expansions in new markets. The costs to comply with, or our actual or perceived failure to comply with, new or changing laws, rules and regulations regarding privacy and data protection, privacy and data protection laws, rules and regulations in new markets, and/or contractual obligations related to privacy and data protection may adversely affect our business, financial condition and results of operation. Further, as we develop integrated and personalized products and services to enhance our user experience, we have expanded our data profile through additional data types and sources, across multiple channels, and involving new partners. This expansion has amplified the impact of these various laws and regulations on our businesses. As a result, we are required to constantly monitor our data practices and potentially change them when necessary or appropriate.

If we fail to comply with any of these laws, we may face potentially significant fines, reputational loss and customer loss, and may be subject to proceedings or actions against us by governmental entities, consumers or others relating to privacy and data protection.

We may not succeed in managing or expanding our business across the expansive and diverse markets in which we operate.

Our business has become increasingly complex given the scale of our operations, product offerings and the diverse markets in which we operate. It is costly to establish, develop and maintain international operations, adapt our business model to new or diverse regulatory environments and to promote our brand internationally. Our international operations may not become profitable on a sustainable basis. As our operations continue to expand, our technology infrastructure systems and corporate, legal and compliance functions will need to be scaled to support our operations, and if they fail to do so, our business, financial condition and results of operations may be negatively affected.

The markets where we operate or expand to are diverse and unique, with varying levels of economic and infrastructure development and distinct legal and regulatory systems, and do not operate seamlessly across borders as a single or common market. Managing our businesses across these markets requires considerable management attention and resources. Operating across multiple distinct markets also requires certain additional costs, including costs relating to staffing, logistics, intellectual property protection, regulatory and legal compliance, tariffs and other trade barriers and higher tax rates in certain markets, where applicable. We may be less well-known or have fewer local resources and we may be unsuccessful in adapting our business practices, culture and operations. From time to time, we may test the waters for certain businesses in new markets where we believe there may be an opportunity to use our experience in highly diverse environments to reach underserved buyers and sellers. We may also exit from certain markets or cease certain operations in certain markets due to a variety of factors.

Our operations and expansions in new markets may become subject to risks associated with:

- user acceptance of a digital economy, especially in the new markets to which we may expand in the future;
- lack of experience operating in these new markets, including our ability to understand different user behaviors and/or culture in new markets and roll-out relevant products and services localized to each market’s needs or preferences;
- challenges in adapting our approach and strategies in existing markets to new markets;
- recruiting and retaining talented and capable management and employees in various markets;
- our ability to appropriately deploy resources and management attention that otherwise would be focused on the development of our existing markets and businesses;
- limited technology infrastructure and low levels of use of the internet;
- challenges caused by distance, language and cultural differences, and local and regional competitive landscapes;
- providing content and services that appeal to the tastes and preferences of users in a larger number of markets;
- implementing our businesses in a manner that complies with local laws and practices, which may differ significantly from market to market, including laws regarding data protection, privacy, network security, cybersecurity, encryption and payments;
- maintaining adequate internal and accounting control across various markets, each with its own accounting principles that must be reconciled to U.S. GAAP upon consolidation;
- compliance with privacy laws and data security laws and compliance costs across different legal systems;
- currency exchange rate fluctuations;

- protectionist laws and business practices that could, among other things, hinder our ability to execute our business strategies and put us at a competitive disadvantage relative to domestic companies, including restrictions on foreign ownership;
- actions by governments or others to restrict access to our products and services, whether these actions are taken for political, security or other reasons, or that may cause us to discontinue our operations in a particular market;
- complex local tax regimes;
- differing, complex and potentially adverse customs, import/export laws, tariff and tax rules and regulations or other trade barriers or restrictions which may be applicable to transactions conducted through cross-border e-commerce business, related compliance obligations and consequences of non-compliance, and any new developments in these areas;
- establishing strategic partnerships, as well as maintaining our relationships with any of our existing or future strategic partners;
- potential political, economic and social instability, including future major geopolitical events, and related actions taken by other countries in response, or perceived, threatened or actual security concerns; and
- higher costs associated with doing business in a larger number of markets.

Any of the foregoing could negatively affect our business, financial condition and results of operations.

As the consumer internet business may be relatively new in certain markets, the relevant regulations are evolving and expanding. From time to time, we are subject to formal and informal reviews, inquiries and investigations by governments and regulatory authorities. Unfavorable regulations, laws, decisions or enforcement actions could cause us to incur substantial costs, expose us to unanticipated civil and criminal liability or penalties (including substantial monetary fines), diminish the demand for, or availability of, our products and services, increase our cost of doing business, require us to change our business practices in a manner materially adverse to our business, damage our reputation, impede our growth or monetization strategy, or otherwise have a material adverse effect on our operations.

We have a history of net losses and we may not remain profitable in the future.

We incurred net loss of US\$1.7 billion, and net income of US\$162.7 million and US\$447.8 million in 2022, 2023 and 2024, respectively. Our net losses in 2022 were primarily due to our investments in expanding our businesses, in particular our e-commerce and digital financial services businesses. While our pivot to focus on efficiency and profitability has delivered positive total net income in 2023 and 2024, we may not sustain this profitability given the uncertainty in global markets and future fluctuations in our performance.

Our operating expenses or capital expenditures may increase as we continue to invest in our businesses. Such investments may not generate immediate positive financial returns and may result in increased or higher than expected costs, operating losses or other losses in the short term with no assurance that we will eventually achieve the intended long-term benefits or maintain profitability. These factors, among others set out in this “Item 3. Key Information—D. Risk Factors” section, may negatively affect our ability to sustain profitability in the near term.

Any future occurrence of natural disasters, epidemics, pandemics or other outbreaks, or other catastrophic events could also adversely affect our business.

Our business, financial condition and results of operations could be materially and adversely affected by severe weather conditions, natural disasters, geopolitical events, terrorist attacks, wars, sanctions, the occurrence or re-occurrence of other outbreaks, epidemics or pandemics, including COVID-19, avian influenza, severe acute respiratory syndrome, the influenza A (H1N1) or H7N9, and other catastrophic events that disrupt our operations, adversely affect our markets or the economy generally or adversely affect our employees, third-party service providers, business partners or a significant portion of our users.

Risks Related to Our E-Commerce Business

We face uncertainties relating to the growth and profitability of the e-commerce industry in our markets and we may face challenges and uncertainties in implementing our e-commerce strategy.

Our future results of operations and ability to grow our platforms and to sustain or increase profitability will depend on numerous factors affecting the development of the e-commerce retail industry in our markets, which may be beyond our control. These factors include:

- the growth rate of internet, broadband, personal computer and smartphone penetration and usage in our markets, including any changes or fluctuations in growth rates and/or usage;
- the trust and confidence level of e-commerce consumers, as well as changes in customer demographics and consumer tastes and preferences;
- the selection, pricing and popularity of products that online sellers offer;
- attracting and retaining a wide range of merchants, brands and retailers;
- providing effective technologies, infrastructure and services that meet the evolving needs of consumers and merchants;
- economic landscape, macro-economics, and consumer discretionary spending;
- competition from online and offline players, such as alternative retail channels or business models that better address the needs or preferences of consumers, including social commerce or multi-category service e-commerce platforms;
- the differing and quickly changing laws and regulations applicable to e-commerce businesses in our markets, including any required licenses or permits, exposure to additional liability, including for conduct by or content originating from third parties, and new labor legislation or changes to any employment or independent contractor classification frameworks; and
- the development of logistics (especially last-mile delivery and warehousing infrastructure), payment and other ancillary services associated with e-commerce.

Our e-commerce revenue is currently concentrated, with our top three markets accounting for over half of our total e-commerce revenue. If we were to experience a material decline in Shopee’s major markets, especially those profitable or near profitable markets, or we are prohibited from operating or subject to restrictions limiting our operations in such markets, it could materially and adversely affect our financial results and the prospects and profitability of our e-commerce business. Our investments and future investments in new markets may not generate sufficient user engagement or revenues to justify continued investment. We may not gain market share in such new markets or turn profitable.

We face risks related to logistics and fulfillment.

We rely on our own logistics operations as well as third-party logistics service providers to deliver Shopee’s orders. Interruptions or failures in such logistics services could prevent the timely or successful delivery of Shopee’s orders. These interruptions or failures may be due to unforeseen events that are beyond our control or the control of our third-party logistics service providers, such as inclement weather, natural disasters, virus outbreaks, transportation disruptions or labor unrest, government inspections or regulatory orders mandating service halts or temporary or permanent shutdowns or due to fraud, theft or other individual wrongdoings. Our logistics operations as well as third-party logistics service providers are subject to risks associated with transportation safety, fraud, theft, robbery, or other natural events or human errors, which may result in personal injury, loss or damage to the parcels or other consequences. If Shopee’s orders are not delivered on time or are delivered in a damaged state, our users may have less confidence in our services. We have in the past received customer complaints from time to time regarding our delivery services. Further, we may incur additional costs and may not be able to pass such costs to our users.

As we continue to develop our last-mile delivery and warehousing capacity as well as expand the categories of services we offer through Shopee, we expect these developments to potentially require additional capital expenditures or increase our operating expenses. In addition, we may acquire land or land use rights to build warehouses and to support such capabilities, which may expose us to risks relating to declining real estate value, construction risks and additional regulatory requirements. If we fail to accurately predict demand for such services, or accurately adjust our operations in response to evolving business needs and economic and regulatory conditions, we may suffer increased costs or impairment charges. Any such adjustments may also not achieve their desired or expected results. The development of our logistics and fulfillment capabilities may also become increasingly complex and challenging to operate as it expands, and we may not be able to acquire land, land use rights, set up warehouses, or lease suitable facilities to directly handle delivery of products to our customers, on commercially acceptable terms or at all.

In addition, the classification of certain types of contingent workers, such as agency workers, contractors, outsourced workers, dispatched workers, and others who provide services for our logistics, customer service and other operations, is currently being challenged in some of our markets. If, as a result of changes to law or regulation or for any other reason, we are required to reclassify members of our contingent workforce as employees, we may incur significant additional expenses for manpower costs, including expenses associated with the application of wage and hour laws, benefits, social security contributions, taxes, and potential penalties. Any such reclassification may require us to fundamentally change our e-commerce business model with respect to such workforce, decrease our operational efficiency and consequently have a material and adverse effect on our business, financial condition, results of operations and cash flows.

We may be held liable for actions by our marketplace participants.

With the increasing use of e-commerce marketplaces and development of legislation in different markets towards e-commerce marketplaces, proposed and newly enacted laws as well as recent court decisions in certain markets may increase our liability as a marketplace platform for the actions of, content created by, and/or products sold by users of our Shopee platform. We may also be held directly or secondarily liable for intellectual property infringement, product related claims or consumer protection deficiencies, privacy and data protection incidents, regulatory violations by sellers, or other similar conduct of sellers over which we have limited or no influence or control. As Shopee is readily identifiable, buyers may seek claims against us rather than the seller, which in the aggregate could be costly to defend. We also receive inquiries or demands from regulators and law enforcement regarding defective, unregistered, unlicensed or fraudulent or restricted products sold by sellers through our Shopee platform. We have developed robust consumer protection policies and procedures focused on requiring sellers to comply with applicable laws and creating a secure and reliable shopping environment for our buyers. When these policies and procedures are circumvented or fail to operate sufficiently, our business could be adversely impacted and our reputation could be harmed. In addition, we could face civil or criminal liability for unlawful activities by our sellers.

We may suffer losses relating to the products we sell on Shopee.

In connection with our direct sales and certain value-added services on our Shopee platform, we purchase certain products from manufacturers and third parties and subsequently sell such products on our Shopee platform. This subjects us to risks relating to such products and to managing our inventory turnover. We depend on our forecasts of demand and popularity for a variety of products to make decisions regarding product purchases. Our customers may not order products at the levels expected by us due to our failure to forecast accurately, unfavorable market conditions or changes in consumer trends. In addition, if the supply of products from manufacturers and third parties deteriorates, we may be unable to obtain the products that buyers want to purchase. Manufacturers and third parties may discontinue selling products due to factors that may or may not be within our control. Our inability to secure timely and sufficient supplies of products would negatively affect inventory levels and our platform popularity. We do not always have the right to return unsold items to sellers or suppliers. If we fail to efficiently manage our inventory, we may suffer losses. We may also be subject to legal claims in relation to such products or the conduct of our sellers from time to time. We cannot guarantee that all products we purchase for direct sale are of the quality expected by our buyers. If buyers have any disputes with us regarding the products we sell, including disputes relating to product quality or authenticity, we may suffer reputational loss or liability and may need to incur additional costs to address such disputes, which in turn may adversely affect our business and results of operations.

Risks Related to Our Digital Financial Services Business

We face regulatory risks relating to our digital financial services business.

The provision of financial services such as mobile wallet services, payment processing, consumer and SME credit products, banking and insurtech services are typically more regulated and subject to a broad range of complex laws and regulations that are rapidly changing. The monetary, commercial, or equivalent authorities in the markets in which we operate could impose new or additional licensing requirements, capital commitments, governance standards, reporting obligations or other regulatory requirements, requiring us to devote substantial operational and financial resources to comply with such requirements.

Regulators in certain of our markets have been reviewing credit offerings to consumers with a view to limiting over-indebtedness and adopting fair dealing practices to guard against predatory lending. In Thailand, for example, the credit limit for loans offered under our “personal loans” license cannot exceed (i) one and a half of the average monthly income of the borrower or the average monthly balance in the borrower’s deposit account, where the borrower’s average income is below THB30,000 (US\$874) a month, or (ii) five times of the average monthly income of the borrower or the average monthly balance in the borrower’s deposit account, where the borrower’s average income is over THB30,000 (US\$874) a month, on a per financial institution basis, based on calculation of income sources or cash flow of deposit accounts in the past six months or such longer period as may be required by the regulator. In Indonesia, the Financial Services Authority (Otoritas Jasa Keuangan) has capped the maximum interest rate and fees chargeable by a peer-to-peer lending company per day for 2025 to, for consumptive loans (mostly loans taken by individuals): (i) 0.3% for tenures less than or equal to 6 months, and (ii) 0.2% for tenures more than 6 months; and for productive loans (mostly loans taken by businesses): (i) 0.1%-0.275% (depending on loan quantum) for tenures less than or equal to 6 months, and (ii) 0.1% for tenures more than 6 months. There may be further changes to the maximum interest rate and fees from 2026.

Moreover, as our digital financial services business evolves, it is possible that financial services regulators in one or more of our markets would require us to form a local financial conglomerate, including via a local financial holding company. Such requirements could result in (i) increased information reporting requirements; (ii) additional capital requirements on the financial conglomerate or affiliates; and (iii) increased restrictions on liabilities on the financial conglomerate, among other things. While we will work closely with regulators to mitigate and manage any potential impact of such requirements, we cannot be certain that we will be successful in reducing or managing any such negative impact.

We face uncertainties and risks relating to our digital financial services business.

Although there are trends of uptick of digital financial services and products across the globe, there is no guarantee that this will continue or will result in widespread market acceptance of our digital financial services and products across all or any of the markets in which we operate. We may be unable to achieve the required level of market acceptance in order for us to recoup our investment costs or to bear the associated risks involved in providing such services and products. Our ability to achieve or maintain market acceptance for our digital financial services and products are affected by a number of factors, such as the community’s lack of trust in digital financial services and products being provided by a company that is not a traditional financial institution, entrenched preferences in traditional payment or funding methods, insufficient use cases for our digital payment services and lack of infrastructure support locally. Even if there is adequate acceptance of our digital financial services and products, we continue to be subject to the changing needs and demands of users, which may change for a multitude of reasons such as availability of alternative payment methods that are more popular or widely accepted.

While we endeavor to consistently increase demand for our digital financial services and products by broadening and improving our use cases and product offerings, we cannot predict with certainty the reasons for the changes in user demands, and the consequential effects of such changes on our business. In our digital financial services business, the larger the number of users, the greater the potential to generate revenue. In particular, the Shopee ecosystem offers a unique advantage for SeaMoney in terms of user acquisition. SeaMoney invests in acquiring users both on- and off-Shopee. If we experience a decline in growth in our Shopee user numbers or decrease in Shopee user base or user engagement level or if we are unable to effectively develop a sizeable off-Shopee user base, our digital financial service business may be negatively impacted.

In addition, changes in tariffs, trade policies, or other regulations relating to international trade may also harm the growth and financial results of our digital financial services business, which mainly focuses on the export-heavy markets in Southeast Asia and is relatively more sensitive to the uncertain economic environment. The changes, or even the fear of them, could hurt the regional and local economy. If the economy slows down, we may face challenges to grow our digital financial business and manage the quality of our loan book. We may also have to adjust our pricing and business strategy. Should these adverse conditions occur, they may undermine the financial performance and reduce the return on the investments in our digital financial services business. See “Item 3. Risk Factors—Risks Applicable Across Multiple Businesses —Changes in macro-economic, geopolitical or social conditions or government policies, or government actions or restrictions, globally and in our markets could have a material adverse effect on our business and operations.”

Our digital financial services revenue is currently concentrated, with our top three markets accounting for over half of our total digital financial services revenue in 2024. If we were to experience a material decline in SeaMoney’s major markets due to any reason including those described under this section or we are prohibited from operating or subject to restrictions limiting our operations in such markets, it would materially and adversely affect our financial results and the prospects and profitability of our digital financial services business.

We face credit risks.

The success of our credit and banking businesses depends on the effective management of credit risk. Credit risks may be affected by changes in the political, economic or social environment, volatility in the financial markets resulting from bank failures and disruptions to the banking system, market concerns related to the liquidity, solvency or capitalization of banks or other financial institutions, such as the availability and terms of government assistance to financial institutions under financial pressure and limited liquidity in accessing bank deposits, or credit cycles, rising interest rates, changes in user base or consumer behavior, legal or regulatory changes, and other factors.

Our ability to assess creditworthiness may be impaired if the strategies or policies we use to manage our credit risks do not achieve their desired effect. If our assessment of, assumptions used or expectations concerning the above-mentioned factors differ from actual developments, if the quality of our total loan portfolio deteriorates, for any reason, or if future actual losses exceed our estimates of expected losses, we may be required to increase our provisions for credit losses and/or be subject to increased liquidity risks, which may adversely impact our results of operations and financial condition. As our loan portfolio grows, the amount of reported non-performing loans may also increase due to factors beyond our control. As such, any unexpected increase in the level of our non-performing loans could have a material adverse effect on our financial condition.

Changes in interest rates may adversely impact us.

The overall profitability of the credit products offered by our digital financial services business is affected by the interest rate environment and risk exposure of different products in each market and the overall market and product mix, among other things. We offer different credit products in different markets and the interest rates we are able to charge on our products vary by market and by product due to market conditions and product designs. As we grow our loan book in different markets across different products, the blended interest rates of our credit products can fluctuate as a result of country and product mix, and as a result of overall interest rate and regulatory environments in our markets. See also “—We face regulatory risks relating to our digital financial services business” relating to regulatory changes that may affect interest rates.

If the interest rates we are able to charge on our credit products decrease due to various reasons, including a change in market or product mix, growth of the target user base or changes in regulatory requirements, among other things, our net interest margins may decrease, which in turn may result in a decrease of profitability of our digital financial services business.

Determining our allowance for credit losses requires many assumptions and complex analyses. If our estimates are not correct, our business may be adversely affected.

We allow for and reserve against credit risks based on our assessment of expected credit losses in our loan portfolios. Our allowance for credit losses is based on our historical credit loss experience, adjusted for forward-looking factors specific to the receivables and economic environment, and the allowance we make for credit losses are calculated on an aggregate basis for various customer segments that are considered to have similar credit characteristics and risk of loss. There are various factors used to help us assess the credit risks of our banking and consumer and SME credit businesses. These factors may be based on limited history or be beyond our control, and we may be unable to accurately predict the creditworthiness of a borrower, merchant or consumer due to inaccurate assumptions.

The process of determining the allowance for credit losses is judgmental and subject to uncertainties. Future changes in economic conditions, consumer behavior or regulatory environment could necessitate adjustments to our allowance for credit losses. If the quality of our total loan portfolio deteriorates beyond expectations, for any reason, or if the future actual losses exceed our estimates of expected losses, we may be required to increase our provisions for credit losses, which may adversely affect our business, result of operations and financial condition.

If our collection efforts on delinquent loans are ineffective or unsuccessful, the performance of our loans would be adversely affected.

Our ability to effectively manage and collect on our loans may affect the financial and operational performance of our credit business. We may fail to quickly identify and reduce our exposure to borrowers that are likely to default on their payment obligations. Our ability to collect on loans is dependent on the consumer’s continuing financial stability, and consequently, collections can be adversely affected by a number of factors, including macro-economy, job loss, divorce, death, illness, or personal bankruptcy. It is possible that a higher percentage of consumers will seek protection under bankruptcy or debtor relief laws due to the possibility of a recession and market volatility. Moreover, upon a borrower’s default, we may need to devote internal resources or engage third-party or in-house collection agencies to collect the receivables, which may not be successful at all. If any collection personnel are involved with any misconduct or there are perceptions that these collection practices are considered to be aggressive or not compliant with relevant laws and regulations, our reputation and business may be harmed or may become subject to fines or other penalties.

We face funding risks.

As we further diversify our credit product offerings and services, including to new markets, and our business scale remains large or further increases, we may increasingly rely on alternative funding methods such as partnering with external funding providers or consider securitization of our credit portfolio. If we are unable to fund our credit business at ideal funding cost, it may affect our credit product or loan offering capabilities, lead to loss of users, borrowers or slower growth, and constrain our working capital.

We also engage in certain asset-backed financings, which are generally limited recourse obligations to the company because we may provide a guarantee or other credit support to the special purpose vehicle or we may be required to repurchase receivables sold by us pursuant to such asset-backed financings. Any obligation to make future repurchases could have an adverse effect on our financial position, results of operations and cash flows.

Our banking business may subject us to additional material business, operational, financial, legal and compliance requirements and risks.

We offer banking services in Singapore, Indonesia and the Philippines. The banking business is heavily regulated and subject to various laws, regulatory requirements and guidelines imposed by the relevant regulators. Such laws, regulations and guidelines may impose rules and/or restrictions on the type of banking products and services we offer, eligibility criteria of our customers, related party transactions, market entry, risk management, corporate governance, regulatory capital requirements, regulatory ratios, and tax and accounting policies, among other things. Our banking business is also subject to various capital adequacy, liquidity and reserve requirements, and needs to hold capital buffers. For example, our Singapore bank, while currently operating at a restricted phase, upon becoming a fully functioning digital full bank, is subject to a minimum paid-up capital requirement of S\$1.5 billion (or approximately US\$1.1 billion). Our Indonesian bank is also required to fulfil a minimum core capital amount of at least IDR3 trillion (US\$186 million). The amount of capital that our banking business is required to hold in order to satisfy these regulatory requirements could increase due to growth of our banking business and actions by banking regulators including any changes in laws, rules and regulations. Any material increases in regulatory reserve, compulsory deposits and/or minimal capital requirements may have a material adverse effect on the financial performance of our banking business.

Laws, regulations and guidelines applicable to banking may change or increase, and we may not be able to adapt to new or revised laws, regulations and guidelines in a timely manner or at all. Changes in regulations in the markets in which we operate may expose us to increased compliance costs and limit our ability to pursue certain business opportunities or offer certain products and services. Local regulators may have the authority to inspect our operations and conduct periodic and/or ad hoc audits of our operations to assess our compliance with the relevant regulatory requirements and guidelines. They may also have the authority to impose fines, sanctions or order remediation.

Moreover, we are a new player in the banking industry, and have limited experience operating banks. As digital banks, we may offer products which are different from existing products offered by traditional banks in the market. There is no guarantee that such product offerings will be accepted by users or generate the expected results. As a new player with new product offerings, we also face risks and costs associated with operations and compliance. Our operating expenses may increase as we seek to continue to grow our banking business and we may not succeed in increasing our revenue sufficiently to offset our expenses. As a result, our banking business has been loss-making and may not become profitable in the near term or at all.

Furthermore, recent disruptions to the banking system and the surrounding speculation and uncertainty related to liquidity, solvency and capitalization of other industry players may negatively impact the industry’s reputation and lead to a level of distrust towards banks, especially in relation to new entrants or smaller scale players like us, which could adversely affect our banking business’ ability to access additional funds and attract more customer deposits.

If we fail to comply with laws, regulations or guidelines, or our strategies to develop and grow our banking business, including products and services, fail to achieve their intended effect, our business, financial condition and results of operations, as well as our reputation, could be materially and adversely affected.

We face risks relating to our insurance business.

We act as underwriters for selective types of insurance products in certain of our markets. We also conduct insurance brokerage and agency businesses in most of our markets to distribute embedded or standalone products on our e-commerce platform. Demand for insurance depends on numerous factors, including general macro-economic conditions, regulatory constraints and competition.

For our insurance underwriting business, negative market conditions may impair our ability to underwrite insurance at rates we consider appropriate and commensurate relative to the risk assumed. Adverse market conditions could result in a decline in policies sold, an increase in the frequency of claims and premium defaults, and an uptick in the frequency of falsification of claims. Accordingly, we may experience periods with excess underwriting capacity and unfavorable premium rates, and if we cannot underwrite insurance at appropriate rates, our ability to transact business will be materially and adversely affected.

We must accurately and timely evaluate and pay claims that are made under the policies we underwrite. Many factors affect our ability to pay claims accurately and timely, including the efficacy of claims processing, and our ability to develop or select and implement appropriate procedures and systems to support our claims functions. Any failure to pay claims accurately or timely could also lead to regulatory and administrative actions or litigation, or result in damage to our reputation, which could materially and adversely affect our business, financial condition, results of operations, and prospects. If we experience higher than expected claims, our liquidity may be constrained and our financial condition and results of operations may be adversely affected.

For our insurance brokerage and insurance agency businesses, we derive revenues primarily from fees paid by the insurer partners. Fee rates can change based on the prevailing economic, regulatory, taxation and competitive factors as well as consumer demand and the growing availability of alternative methods for clients to meet their risk-protection needs. Sales of insurance products embedded with Shopee listings, for example, electronic gadget insurance or product liability insurance, are also affected by the transaction volume of the relevant underlying products on Shopee. We have little or no control over these factors and fluctuations in fee or premium rates, and our revenues and profitability are subject to change to the extent that fee rates fluctuate or trend in a particular direction.

We face risks relating to our mobile wallet business.

Our own mobile wallet business is subject to other risks including: (i) changes to rules or practices applicable to payment systems that link to our mobile wallet, (ii) increasing operating costs, including fees charged by banks to process transactions through our mobile wallet and fees charged by payment card schemes to link to our mobile wallet, and higher costs from obligations to implement enhanced authentication processes, security or anti-fraud and (iii) failure to manage user funds accurately or loss of user funds, whether due to employee fraud, security breaches, technical errors or otherwise. In addition, any breach, compromise, or failure to otherwise detect or prevent fraudulent activity involving our data security systems could result in us being subject to significant fines and higher transaction fees, and loss of our ability to accept credit, debit or prepaid card payments from our customers, process electronic funds transfers, or facilitate other types of online payments.

We could be held liable if our digital financial services and products are used for fraudulent, illegal or improper purposes.

Despite measures we have taken and continue to take, our digital financial services and products remain susceptible to potentially illegal or improper uses, which could damage our reputation and subject us to liability. These may include the use of our payment services in connection with fraudulent sales of goods or services, unauthorized purchases or transfers, software and other intellectual property piracy, money laundering, bank fraud and prohibited sales of restricted products. Criminals are using increasingly sophisticated methods to capture consumer personal information and engage in illegal activities such as counterfeiting and to gain unauthorized access to other users’ accounts. We could be subject to fraud related claims if confidential information obtained from our users is used for unauthorized purposes. Our risk management policies and procedures may not be fully effective in identifying, monitoring and managing these risks. We are unable to monitor in each case the sources of funds from users of our digital financial services and products, or the ways in which they are used. An increase in fraudulent or unlawful transactions or publicity regarding payment disputes could harm our reputation and reduce consumer confidence in our services. The use of our products and services for illegitimate, fraudulent, unlawful or similar transactions can also expose us to governmental and regulatory sanctions, including U.S. anti-money laundering and economic sanctions violations.

We may incur losses from claims of users who did not authorize a purchase due to buyer fraud and from erroneous transmissions. Third parties may attempt to abuse access to and misuse our platforms to commit fraud by, among other things, creating fictitious accounts using stolen or synthetic identities or personal information, making transactions with stolen financial instruments, abusing or misusing our services for financial gain or fraudulently inducing users of our platforms into engaging in fraudulent transactions. Due to the digital nature of our services and products, third parties may perform abusive schemes or cyber or fraud attacks that are often difficult to detect and may reach a scale that would otherwise not be possible in physical transactions.

Risks Related to Our Digital Entertainment Business

We derive a significant portion of digital entertainment revenue and gross profit from a limited number of online games.

Our digital entertainment business substantially depends on a small number of popular games, including our self-developed game, Free Fire, for revenue and profit. In 2024, Free Fire contributed a significant majority of our digital entertainment revenue and profits. If we are unable to identify, source, develop and launch new games titles that gain widespread popularity and generate significant revenue, our revenue and revenue growth may continue to depend on the success of just a few game titles. Our digital entertainment revenue decreased by 12.0% from US\$2.2 billion in 2023 to US\$1.9 billion in 2024. A significant amount of the digital entertainment revenue we report may consist of deferred revenue, which may not correspond to bookings for the same period. See “—Business and Operational Related Risks—Risks Applicable Across Multiple Businesses—Our results of operations are subject to fluctuations.” Any negative developments or occurrences to any of our key revenue-earning games including Free Fire, such as decline in popularity, content quality issues, competing products, content restrictions, government actions, regulatory or legal changes that affect our ability to monetize our games, reductions in consumer spending and engagement levels, delay or failure in producing new engaging content, or real or perceived security risks or data breaches could lead to material decline or slower growth. We may also select and invest significant financial and human resources in games that later prove unsuccessful. There may also be unforeseen delays in the launch of new games. If we are unable to source or launch new popular games in a timely manner, our game players may seek entertainment elsewhere. As the gross margin of self-developed game content tends to be higher than that of content licensed from third parties, any fluctuations in the mix of our revenue generated from self-developed game content and licensed game content may also affect our profitability.

We have a limited track record in game development and global game distribution.

While we have developed Free Fire, we are still relatively new to game development outside of Free Fire. We may be unable to continue to identify market opportunities and develop new games, and subsequent self-developed games may not always have the same or comparable levels of success. Development of new games requires considerable cost and resources, including research, testing, marketing, infrastructure and staff expenses.

Free Fire is currently available in more than 160 markets. Any self-developed games we may develop in the future may also be offered in multiple jurisdictions. Future growth of our digital entertainment business, including through our self-developed games, may subject us to additional regulatory and compliance requirements and other new risks. We may have to adopt differing methods and processes to adhere to each jurisdiction’s laws and regulations, which could result in undue delays in launching such self-developed games or increased costs.

We rely on third-party game developers for some of our digital entertainment content and also allow our users to contribute and interact with user generated content.

We license many of our online games from third-party game developers. The term of our game license agreements with game developers typically ranges from three to nine years, renewable unless either party elects not to renew. However, we may not be able to develop or procure new games or renew existing licenses on terms acceptable to us. Our game developer partners may terminate our agreements prior to their expiration if we are not in compliance with the relevant terms or conditions and we fail to remedy such non-compliance in time, or they may refuse to renew the agreements. Any failure on our part to effectively localize, operate, market or monetize their games, safeguard their intellectual properties, or otherwise perform our obligations under the license agreements may cause substantial harm to our relationships with game developers, who may then choose other game operators to distribute their games.

Some of our most popular games are owned or developed by Tencent Holdings Limited and its affiliates, or Tencent, one of our shareholders. In November 2018, we obtained a right of first refusal from Tencent to publish its mobile and PC games in Indonesia, Taiwan, Thailand, the Philippines, Malaysia and Singapore, subject to certain terms and conditions. The term of this right of first refusal is for an initial term of five years, with an automatic renewal option for consecutive 2-year terms unless either party elects not to renew with 3 months’ notice. The term of this right of first refusal was automatically renewed in 2023. Although we have already launched certain games under such right of first refusal arrangement, there is no guarantee that we will continue to publish the existing games or publish more games under such right of first refusal arrangement or renew such contract on terms satisfactory to us or at all, or that any games published under such arrangement will yield a positive result.

As part of our continued efforts to encourage user participation and user content creation, we have introduced and continued to explore game features that enable users to contribute and interact with user generated content. While we believe the move towards having more user generated content is aligned with major emerging industry trends, we are unable to predict and cannot guarantee that such features in our existing or new games will contribute to the penetration or profitability of our games or achieve their desired or expected results.

In certain circumstances, the actions of our third-party game developers and content creators or contributors which are beyond our control could materially and adversely affect the success of our games, causing our games revenue to fluctuate or even be lower than expected. These actions by game developers could include software updates resulting in adverse changes in gameplay that are poorly received by our users, game or update releases with insufficient content to attract users or maintain the level of their engagement, or delays in any release of anticipated games in our pipeline or game updates. User-generated content features make it relatively easy for developers, content creators or contributors, and other users to upload and contribute content, which may result in content moderation challenges, including the possibility that infringing or inappropriate content is added to our games or platforms. There is no guarantee that we will be able to successfully implement policies or procedures to moderate user generated content or identity and block infringing or inappropriate content before it is uploaded and/or before other users view it, which could lead to legal or regulatory actions being taken against our games or platforms and/or user complaints and litigations.

Our games are subject to scrutiny regarding the appropriateness of their content.

Our games are subject to reviews, ratings, age restrictions or other restrictions for example on processing of data of minors or on content, advertisement or distribution mandated by laws in some of our markets or ratings by third-party application distribution channels. For example, in Vietnam, online game publishers are required to obtain certain licenses, permit, certificate and/or acknowledgement of announcement from the competent authority, depending on the classification of each game to be provided to the market. In Thailand, applications to publish online games need to be reviewed and approved by the Thailand Film and Video Censorship Committee. Apple uses its own proprietary app rating system and Google Play uses the International Age Rating Coalition (IARC) rating system. If we are unable to obtain the ratings we have targeted for our games, it could delay the launch or upgrade of our games.

Legislation or regulations may be introduced in our markets to impose age, spending or playtime restrictions or to allow government censorship or to establish a system for protecting users from the potential influence of graphic violence, gaming addiction or other objectionable elements contained in various types of games. Some of our games may be subject to stricter regulations caused by government actions or legal proceedings, including those imposed against other developers' games which are in the same genre as ours, and these restrictions may vary by jurisdiction. We may be required to modify our game content or features or alter our marketing or monetization strategies to comply with new governmental regulations or ratings assigned to our current or future games, which could delay or prohibit the release of new games or upgrades and reduce the existing and potential scope of our user base. We may also be required to modify or remove certain game features to react to government actions, court decisions such as injunctions or complaints from activist groups or organizations. If we are required or elect to do so, it could adversely affect our monetization, user base and financial results. If any of our key games, including Free Fire, is banned or temporarily suspended by any government, court or distribution channels, our business, financial condition and results of operations may be materially and adversely affected.

The WHO's Eleventh Revision of the International Classification of Diseases (ICD-11) lists gaming addiction as a disorder. While the effects of gaming and whether gaming addiction is a disorder continues to be discussed and researched by health officials and others, the WHO and other governments may continue to take measures against gaming addiction, such as imposing gaming curfews or spending limits for minors and establishing treatment programs aimed at addressing gaming addiction.

There are increasing discussions in many jurisdictions globally regarding whether certain game mechanics, such as loot boxes, should be subject to a higher level or different type of regulation to protect consumers. Some jurisdictions have seen enforcement or actions initiated by activist groups or organizations to protect consumers, in particular minors and other susceptible persons. For example, in February 2021, the National Association of Centers for the Defense of the Rights of Children and Adolescents in Brazil, or ANCED Brazil, a youth rights group in Brazil, filed lawsuits against a number of electronic games companies and distribution platforms, including our gaming entity in Brazil, in a court dedicated to resolving matters concerning children and adolescents regarding alleged loot box mechanisms in the games. In addition, to the extent Apple, Alphabet, or any of our other platform providers or game distribution channels restrict the use of loot boxes or similar mechanism in games, we may need to adjust our game content or monetization strategy in order to continue distribution on such platforms or channels, which may cause a decline in the revenues generated from these games and require us to incur additional costs. If new or amended legislations or regulations, which may vary significantly across jurisdictions and which we may be required to comply with, require certain game mechanics of our games to be modified or removed, such requirements would increase the costs of operating our games, impact player engagement and monetization, or may otherwise harm our business performance. In addition, the increased attention focused on potential liability issues or alleged harms as a result of any lawsuits and legislative proposals could harm our reputation or otherwise impact our business.

As debate in the industry continues, we cannot predict the likelihood, timing, scope or terms of gaming related laws or regulations in our markets, or the extent to which implementation or public reactions of such laws or regulations (including lawsuits brought against game companies by alleged victims of gaming addiction or other issues relating to gaming content) may adversely affect our reputation and business. We may need to adjust our game content or monetization strategy to respond to local legal or regulatory requirements. Moreover, public dialogue concerning online games may have an adverse impact on our reputation and users' willingness to play our games. Any costs incurred as a result of this potential liability or reputational concerns could harm our business, financial condition and results of operations.

Malicious actors may compromise the quality of our user experience.

Many of our games, including those which are on a freemium or free-to-play model, use virtual economies, comprising virtual assets that may be acquired over time by users. These virtual economies allow the acquisition of in-game items through skill or through luck. The availability and possession of in-game items may lead malicious actors to attempt to profit through abuse, fraud, or exploitation of in-game systems. Other actors may create software tools that allow users to circumvent controls in the game on gameplay, for the purpose of acquiring in-game assets or improving user performance in competitions that have rewards of perceived value. Software exploits, hacks, automated toolkits, and other practices risk compromising user enjoyment of our games. Steps taken to prevent and remedy abuse and protect against malicious actors are costly, time-consuming, and may involve disputes with customers over whether conduct violated our terms-of-service. Legal disputes may arise over the dispossession of in-game items and virtual assets, or restricting or banning access to our games by users who have been determined to be violating the terms of use by engaging in malicious conduct involving hacks, forbidden off-platform transactions, software exploits, or account brokerage or sale. Similarly, steps taken to prevent and remedy abuse may be deemed insufficient by our user community and lead to deterioration of our user base.

Steps taken to deter malicious actors from taking these steps may also compromise our reputation or perception by our user base. We state in our terms of service that unauthorized purchases to obtain the use of in-game items may result in the user having such items removed, user accounts being banned, and potential other legal action. However, there is no guarantee that our efforts to control fraudulent transactions will be successful, or that our user community will see these actions as necessary and helpful to foster a healthy gaming environment.

Our live events may introduce risks around public safety and harm our reputation.

We arrange, conduct, and host public events, for example, as part of our esports competitions. Where these events are attended by large numbers of people, there are inherent risks to public safety and our reputation. These can include risks of fire, natural disaster, defects in facilities, pathology or contagion from food, water, or sanitary concerns, public unrest from riots or protest, the behavior of third parties beyond our control and other safety issues which may lead to negative publicity, property damage, personal injury, or death to attendees and participants, which may adversely affect our business and harm our reputation.

Other Operational Risks

We rely on technology and internet infrastructure, data center and cloud service providers and telecommunications networks in the markets where we operate.

We are continuously upgrading our technology to provide improved performance, increased scale, security and better integration among our three businesses. If we experience problems with the functionality and effectiveness of our software or platforms, or are unable to maintain and constantly improve our technology infrastructure to handle our business needs and ensure a consistent and acceptable level of service for our users, our business, financial condition and results of operations, as well as our reputation, could be materially and adversely affected. In addition, our businesses depend on the performance and reliability of our internet ecosystem and infrastructure and contracted data center and cloud service providers in the markets where we operate. Adopting new technologies and upgrading our internet ecosystem and infrastructure require significant investments of time and resources, including adding new hardware, updating software and recruiting and training new engineers. Adverse consequences for the failure to do so may include unanticipated system disruptions, security breaches, computer virus attacks, slower response times, impaired quality of experiences for our users and delays in reporting accurate operating and financial information.

The internet infrastructure in some of the markets where we operate may not support the demands associated with continued growth in internet usage. We may not have access to alternative networks or data servers in the event of disruptions or failures of, or other problems with, the relevant internet infrastructure. Interruptions in our services may reduce our revenue and/or subject us to potential liability.

We also rely on major telecommunication operators and internet service providers in the markets where we operate to provide us with data communications capacity primarily through local telecommunications lines and data centers to host our servers. We and our users may not have access to alternative services in the event of disruptions or failures of, or other problems with, the fixed telecommunications networks of these telecommunications operators, or if such operators otherwise fail to provide such services. Some of these operators and providers may take measures that could degrade or disrupt, as well as restrict or prohibit the use of their lines for our businesses. Any unscheduled service interruption could disrupt our operations, damage our reputation and result in a decrease in our revenue. We have no control over the costs of the services provided by the telecommunications operators to us and our users. If the prices that we pay for telecommunications and internet services rise significantly, our gross margins could be significantly reduced. In addition, if internet access fees or other charges to internet users increase, our user traffic may decrease, which in turn may cause our revenue to decline.

We may fail to attract, motivate and retain the key members of our management team or other experienced and capable employees.

Our future success significantly depends on the continued service of our executives and other key employees. If we lose the services of any member of management or any key personnel, we may not be able to locate a suitable or qualified replacement and we may incur additional expenses to recruit and train a replacement, which could severely disrupt our business and growth. In addition, from time to time, there may be changes in our management team that may be disruptive to our business.

We will need to identify, hire, develop, motivate and retain highly skilled employees. Identifying, recruiting, training, integrating and retaining qualified individuals requires significant time, expense and attention. We may also be subject to local hiring restrictions in certain markets, particularly in connection with the hiring of foreign employees, which may affect the flexibility of our management team and workforce. If our management team, including any new hires that we make, fail to work together effectively and execute our plans and strategies, or if we are unable to recruit and retain employees effectively, our ability to achieve our strategic objectives will be adversely affected and our business and growth prospects will be harmed.

Competition for highly skilled personnel is intense. We may need to invest significant amounts of cash and equity to attract and retain new employees and we may not be able to realize returns on these investments.

We face manpower-related risks.

We have a significant employee base across various markets. In addition, we rely on third parties and contingent workers, such as agency workers, contractors, dispatched workers, outsourced workers and others, to operate and/or provide services for our logistics, customer services and certain other operations. We may require additional manpower during promotional activities and holiday seasons. Our inability to effectively meet our manpower needs can hinder our ability to execute our business strategy, negatively impact cost and service levels, and adversely affect our business and results of operations.

Further, our workforce may attempt, successfully or unsuccessfully, to dispute the applicable labor classification or form one or more unions or enter into collective bargaining agreements against us or their respective employers. Work stoppages or strikes could occur within a unionized workforce. We may be required to participate in or facilitate such unionization or collective bargaining efforts within certain jurisdictions. These disputes or union related efforts could increase our costs, decrease our operational flexibility, and impact how we are able to staff our operations and supplement our workforce. See “—We face risks related to logistics and fulfillment.”

In addition, in order to optimize our operating efficiency, we have made adjustments to a number of teams across various markets and may in the future implement other such adjustments. Any adjustments may yield unintended consequences and costs, such as attrition beyond the intended adjustments, and could make it more difficult for us to hire new personnel in the future. A failure to properly manage our operating efficiency may materially and adversely affect our business, reputation, financial condition and results of operations.

We may need additional capital, but may be unable to obtain it on favorable terms or at all.

We may require additional cash capital resources in order to fund future growth and the development of our businesses, including expansion of our e-commerce and digital financial service businesses and any investments or acquisitions we may decide to pursue. If our cash resources are insufficient to satisfy our cash requirements, we may seek to issue additional equity or debt securities, obtain new or expanded credit facilities or enter into securitization or channeling arrangements. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including market conditions, our future financial condition, results of operations, cash flows, share price performance, liquidity of international capital and lending markets, governmental regulations over foreign investment and the e-commerce, digital financial services, and digital entertainment industries in our various markets. In addition, incurring indebtedness would subject us to increased debt service obligations and could result in operating and financing covenants that would restrict our operations. There can be no assurance that financing will be available in a timely manner or in amounts or on terms acceptable to us, or at all. Any failure to raise needed funds on terms favorable to us, or at all, could severely restrict our liquidity as well as have a material adverse effect on our business, financial condition and results of operations. Moreover, any issuance of equity or equity-linked securities could result in significant dilution to our existing shareholders.

We have limited insurance coverage.

We do not have extensive insurance coverage. While we have obtained insurance to cover certain potential risks and liabilities for certain businesses we operate, we have not insured against many other risks and liabilities (including the risk of business interruption), and the coverage of any insurance we have may be insufficient to compensate for losses that may occur. Any uninsured liabilities, damage or losses could require us to incur substantial costs and divert our resources, which could have an adverse effect on our business, financial condition and results of operations.

Industry data, projections and estimates contained in this annual report are inherently uncertain and subject to interpretation.

Certain facts, forecasts and other statistics relating to the industries in which we compete contained in this annual report have been derived from various sources, which may have used different assumptions and estimates to derive their published data. While we generally believe such sources to be reliable, we have not independently verified the accuracy or completeness of such information. Such sources may not be prepared on a comparable basis or may not be consistent with other sources.

Industry data, projections and estimates are inherently uncertain as they require certain assumptions and judgments. Moreover, geographic markets and the industries we operate in are not rigidly defined or subject to standard definitions, and are the result of subjective interpretation. Accordingly, our use of the terms referring to our geographic markets and industries such as e-commerce, digital financial services, and digital entertainment markets may be subject to interpretation, and the resulting industry data, projections and estimates may not be reliable. Our industry and market data should be interpreted in light of the defined geographic markets and defined industries we operate in. Any discrepancy in interpretation could lead to different industry data, measurements, projections and estimates and result in errors and inaccuracies. For these reasons, you should not place undue reliance on such information.

Our user metrics and other estimates are subject to inherent challenges in measuring our operating performance.

From time to time we disclose certain metrics, including, without limitation, our Game QAUs, Game QPUs, orders, GMV, loans outstanding, and non-performing loans, to evaluate trends, measure our performance, and make strategic decisions. These metrics are calculated using internal company data and have not been validated by an independent third party. While these numbers are based on what we believe to be reasonable estimates for the applicable period of measurement, there are inherent challenges in measuring how our services are used across large populations throughout our markets. For example, we believe that we cannot distinguish individual users who have multiple accounts unless certain official individual identification information is provided to us. Our user metrics are also affected by technology on certain mobile devices that automatically runs in the background of our applications when another phone function is used, and this activity can cause our system to miscount the user metrics associated with such accounts. Our user metrics may also differ from estimates published by third parties or from similarly titled metrics of our competitors due to differences in assumptions, methodologies or data used.

Errors or inaccuracies in our metrics or data could result in incorrect business decisions and inefficiencies. For instance, if a significant understatement or overstatement of active users were to occur, we may expend resources to implement unnecessary business measures or fail to take required actions to remedy an unfavorable trend. If partners or investors do not perceive our user, geographic or other operating metrics to accurately represent our user base, or if we discover material inaccuracies in our user, geographic or other operating metrics, our reputation may be seriously harmed.

If we fail to maintain an effective internal control over financial reporting, we may be unable to accurately report our results of operations, meet our reporting obligations or prevent fraud.

As a public company, we are subject to the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act of 2002 requires us to evaluate and determine the effectiveness of our internal control over financial reporting, report any material weaknesses in such internal controls and for our independent registered public accounting firm to issue an attestation report on management’s assessment on the effectiveness of internal control over financial reporting.

Our management has concluded that our internal control over financial reporting is effective as of December 31, 2024. See “Item 15. Controls and Procedures—Management’s Annual Report on Internal Control over Financial Reporting.” Our independent registered public accounting firm has issued an attestation report on management’s assessment on the effectiveness of internal control over financial reporting. However, if we fail to maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which could cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, and investor confidence in us and the market price of our ADSs may decline. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the New York Stock Exchange, regulatory investigations and civil or criminal sanctions.

We may be subject to risks related to litigation and regulatory proceedings.

Our businesses and our directors and officers may be, and in some instances are or have been, subject to claims, lawsuits (including class actions and individual lawsuits), regulatory and government investigations, and other proceedings relating to alleged infringement or violation of third-party intellectual property rights, consumer protection, privacy and data protection, content restrictions, labor and employment (including workforce classification), import and export practices, antitrust or competition, securities, tax, marketing and communications practices, contracts, commercial disputes, consumer complaints, products and services offered by us and third parties (including AI-related products and services) and various other matters. The number and significance of our legal disputes and inquiries have increased as we have grown larger, as our business has expanded in scope and geographic reach, and as our services have increased in complexity.

As a public company, our public profile has grown, which may result in increased litigation as well as increased public awareness of any such litigation. In addition, we may be, and in some instances are or have been, the target of securities class action or derivative lawsuits, as well as other types of claims. We will need to defend against such lawsuits, including any appeals, and we may also initiate legal proceedings to protect our rights and interests. We may also be, and in some instances are or have been, subject to regulatory and government investigations or actions in various jurisdictions. There is substantial uncertainty regarding the scope and application of many of the laws and regulations to which we are subject, which increases the risk that we will be subject to actions or claims alleging violations of those laws and regulations. Any adverse outcome could have a material adverse effect on our reputation, business, financial condition and results of operations.

Regardless of its outcome, any legal proceeding can have a material adverse effect on us due to costs, diversion of our resources, negative publicity and other factors. We may decide to settle legal disputes, including on terms that are unfavorable to us. If any litigation to which we are a party is resolved adversely, we may be subject to an unfavorable judgment that we may not choose to appeal or that may not be reversed upon appeal. We may have to seek a license or settlement terms to continue practices alleged or found to be in violation of a third party’s rights. If we are required or choose to enter into royalty or licensing arrangements or other settlement terms, such arrangements may not be available on reasonable terms, or at all, and may significantly increase our operating costs and expenses. As a result, we may also be required to develop or procure alternative technology or products or discontinue the use of certain allegedly infringing technology or products, and doing so could require significant effort and expense, or may not be feasible. In addition, the terms of any settlement or judgment in connection with any legal claims, lawsuits, or proceedings may require us to cease some or all of our operations, make changes to our business operations or other practices, terminate agreements, arrangements or transactions found to be violative of applicable laws or regulations, or pay fines or substantial amounts to the other party to those proceedings and could materially and adversely affect our business, financial condition and results of operations.

We rely on structural arrangements to establish control over certain entities and government authorities may determine that these arrangements do not comply with existing laws and regulations. We are also subject to other risks relating to such structural arrangements.

The laws and regulations in some of the markets in which we operate place restrictions on foreign investment in and ownership of entities engaged in a number of business activities. To comply with the relevant laws and regulations, we and certain of our wholly-owned subsidiaries in the Cayman Islands and Singapore have entered into a series of contractual arrangements with certain local entities, or VIEs, and their shareholders who are local citizens, which enable us to (i) exercise effective control over such VIEs, (ii) receive substantially all of the economic benefits and absorb the losses of such VIEs, and (iii) have an exclusive call option to purchase all or part of the equity interests in and/or assets of such VIEs when and to the extent permitted under the relevant laws. Because of these contractual arrangements, we have control over and are the primary beneficiary of such VIEs and hence consolidate their financial results under U.S. GAAP. For the year ended December 31, 2024, revenue from all our VIEs (which excludes entities for which we have majority direct equity ownership) accounted for less than 3% of our total revenue. None of our VIEs is individually a significant subsidiary as defined in Rule 1-02(w) of Regulation S-X. See “Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements among Our VIEs, Their Shareholders and Us.”

In Thailand, we conduct our business activities using a tiered shareholding structure in which direct foreign ownership in each Thai entity is less than 50%. See “Item 4. Information on the Company—C. Organizational Structure—Thailand Shareholding Structure.” As Thai laws only consider the immediate level of shareholding, no cumulative or look-through calculation is applied to determine the foreign ownership status of a company when it has several levels of foreign shareholding. Such shareholding structure has allowed us to consolidate our Thai operating entities as our subsidiaries.

While we believe the structural or contractual arrangements we use are in compliance with applicable local laws, the local or national authorities or regulatory agencies in such jurisdictions may reach a different conclusion, which could lead to an action being brought against us, the VIEs and their shareholders by administrative orders or in local courts. If local authorities find that our arrangements do not comply with their prohibition or restrictions on foreign investment in our lines of business, or if the relevant government otherwise finds that we or any of our subsidiaries, VIEs or their subsidiaries are in violation of the relevant laws or regulations or lack the necessary registrations, permits or licenses to operate our businesses in such jurisdictions, they would have broad discretion in dealing with such violations or failures, including:

- revoking the business licenses and/or operating licenses of such entities;
- discontinuing or placing restrictions or onerous conditions on the operations of our VIEs or Thai subsidiaries, or on our operations through any transactions between our company or our Cayman Islands or Singapore subsidiaries on the one hand and our VIEs, subsidiaries of such VIEs or our Thai subsidiaries on the other hand;
- imposing fines, prohibiting payments by our VIEs or their shareholders to us as contemplated in the contractual arrangements with our VIEs, confiscating income from us, our Cayman Islands or Singapore subsidiaries, VIEs or Thai subsidiaries, or imposing other requirements with which such entities may not be able to comply;
- imposing criminal penalties, including fines and imprisonment on our VIEs or Thai subsidiaries, their shareholders or directors;
- requiring us to restructure our ownership structure or operations, including terminating the contractual arrangements with our VIEs and their shareholders, which in turn would affect our ability to consolidate, derive economic interests from, or exert effective control over our VIEs or Thai subsidiaries; or

- restricting or prohibiting us from providing funding to our business and operations in Vietnam and Thailand.

Any of these actions could disrupt the business operations of such entity and may damage our reputation, which would in turn adversely affect our business, financial condition and results of operations. If any of these occurrences results in our inability to direct the activities of our VIEs or Thai subsidiaries that most significantly impact such entity's economic performance, or prevent us from receiving the economic benefits or absorbing losses from such entity, we may not be able to consolidate the entity in our consolidated financial statements in accordance with U.S. GAAP.

The shareholders of our VIEs are our local employees or other local citizens. None of these shareholders has a significant equity interest in our company and thus their interests may not be aligned with ours, or they may have other potential conflicts of interest with us. These shareholders of our VIEs may breach, or cause our VIEs to breach, the existing contractual arrangements we have with them and our VIEs, which would adversely affect our ability to effectively control our VIEs and receive economic benefits and absorb losses from them. Currently, we do not have any arrangements to address potential conflicts of interest between these shareholders and our company. If our VIEs or their shareholders fail to perform their respective obligations under any such contractual arrangements, fail to conduct their operations in an acceptable manner or take other actions that are detrimental to our interests, we may incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies, including seeking specific performance or injunctive relief, and claiming damages. Such legal remedies may differ between jurisdictions, and may be more difficult to pursue than those available in the United States. In addition, if any third parties claim any interest in the equity interests of our VIEs, our ability to exercise shareholders' rights or foreclose the share pledge according to the contractual arrangements may be impaired. If any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through the operations of the laws where our VIEs are located and through arbitration, litigation or other legal proceedings and therefore will be subject to uncertainties in the legal systems in the relevant jurisdiction. Our contractual arrangements with our VIEs may not be as effective in ensuring our control over the relevant portion of our business operations as direct ownership would be.

As part of our structural arrangements with our VIEs, certain of our VIEs hold certain licenses and assets that are used in the operation of their business in the relevant jurisdictions. If any of our VIEs go bankrupt and all or part of their assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of the business activities conducted by such VIEs. Under the structural arrangements, our VIEs may not, in any manner, sell, transfer, mortgage or dispose of their assets or legal or beneficial interests in the business without our prior consent. If our VIEs undergo a voluntary or involuntary liquidation proceeding, their independent third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate the business the VIEs currently conduct, which could adversely affect our business, financial condition and results of operations.

There are risks relating to joint venture or partnership arrangements.

We may carry out operations through joint ventures, subsidiaries that are not wholly owned by us, or other partnerships with third parties in certain markets. Such arrangements may carry a higher risk than operating through wholly owned subsidiaries. If there are disagreements between us and the other shareholders of entities operating under such arrangements, we cannot assure you that we will be able to resolve them in a manner that will be in our best interests. We may also not be able to make decisions as quickly as compared to wholly owned operations. These other shareholders may have interests that are inconsistent with ours. All or any such factors could have an adverse effect on our businesses, prospects, financial condition and results of operations. There may also be heightened government scrutiny of shareholding arrangements in industries or sectors that have foreign ownership restrictions. If local or national authorities reach a different conclusion, they would have broad discretion including imposing penalties, and the business operations of such entity could be disrupted, and our reputation may be damaged.

MARKETS RELATED RISKS

Our businesses and operations in Taiwan may be materially and adversely impacted if we are deemed to be a PRC investor.

There have been and remain tensions surrounding the Taiwan Strait. Such tensions may affect the economic and social activities in Taiwan, which may in turn affect our businesses and operations in Taiwan. There have historically been imposed prohibitions and restrictions on investments, directly and indirectly, by PRC investors in Taiwan. “PRC investors” refer to PRC individuals, juristic persons, organizations and other institutions, and PRC invested companies from other jurisdictions. “PRC invested companies from other jurisdictions” refer to those entities incorporated outside of the PRC and invested by PRC individuals, juristic persons, organizations and other institutions that: (i) directly or indirectly hold more than 30% of the shares or capital of such entities (each intermediate holding company shall be separately assessed based on this 30% test to determine whether it is deemed a PRC invested company from other jurisdictions), or (ii) have the ability to control such entities. Under the current policies on PRC investments in Taiwan, PRC investors are allowed to invest, upon prior approval, in Taiwan companies that operate business in the statutory business categories listed as permitted in the Positive Listings promulgated by the Taiwan authorities, and are prohibited or restricted from investing in all other businesses. In addition, if a PRC investor is a juristic person, organization, or other institution invested by (a) the “political party,” military, administrative or political agency of PRC, or (b) PRC invested companies from other jurisdictions (defined in “Item 4. Information on the Company—B. Business Overview—Regulation—Taiwan—Regulations on Foreign Investment”) invested by the agency listed in item (a) above, the Taiwan authorities may restrict or prohibit such PRC investor from investing in businesses in Taiwan.

Under Taiwan company law, a Taiwan company is required to select from a statutory list of business categories for inclusion in its corporate registration based on various aspects of its business operations. Some of the statutory categories currently listed in the corporate registration of our Taiwan operating entities include computer recreational activities, software publication, third-party payments, general advertising services and sales of certain medical or cosmetics related goods that are not within the Positive Listings. The other statutory business categories currently listed in the business scope of the corporate registration of our Taiwan operating entities are within the Positive Listings, including the data processing services listed in the corporate registration of our e-commerce and digital entertainment business entities, and the software design services currently listed in the corporate registration of our digital entertainment business entity.

We do not believe, based on advice from our Taiwan counsel, LCS & Partners, that we are a PRC investor under existing Taiwan law and court judgments. Therefore, we do not believe that we are prohibited from operating businesses that have statutory business categories not listed as permitted in the Positive Listings or that we need to seek prior PRC investment approval for operating businesses that have statutory business categories listed as permitted in the Positive Listings. We currently operate our e-commerce and digital entertainment businesses in Taiwan through our wholly-owned branch offices in Taiwan. Both of such entities were acquired or established upon approval by the relevant Taiwan government authorities. However, should the Taiwan authorities deem us to be a PRC investor, the Taiwan authorities may take a range of actions, including:

- imposing fines between NT\$120,000 (US\$3,660) to NT\$25,000,000 (US\$762,428) and further fines if the non-compliance is not rectified as ordered;
- ordering us to reduce any direct or indirect ownership or control by PRC investors in our company;
- requesting us to divest some or all of our ownership or control in our operating entities in Taiwan;
- suspending the rights of shareholders of our Taiwan operating entities; and
- discontinuing the operations and revoking the business licenses of our Taiwan operating entities.

If any such action is taken, our operations in Taiwan and our business, financial condition and results of operations may be materially and adversely affected.

Uncertainties with respect to the legal system in certain of our markets could adversely affect us.

The legal systems in many of our markets vary significantly from jurisdiction to jurisdiction. Some jurisdictions have a civil law system based on written statutes and others are based on common law. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value.

Many of the markets in which we operate have not developed a fully integrated legal system, and laws and regulations may not cover all aspects of economic activities in such markets with a high degree of certainty or predictability. In particular, the interpretation and enforcement of these laws and regulations involve uncertainties for various reasons, and the application of some of these laws and regulations to our businesses is not settled. Since local administrative and court authorities may have significant discretion in interpreting and implementing statutory provisions, legal principles and contractual terms, it may be difficult to evaluate or predict the outcome of administrative and court proceedings or the level of legal protection we have in many markets in which we operate. For example, most of our consumer-facing contracts are signed electronically or online, and local courts may not support the enforceability of some of such contracts due to various reasons, including the way such contracts are signed, or perfection of securities imposed on loans in our consumer credit business. In addition, local courts may have broad discretion to reject enforcement of foreign court decisions or arbitration awards. These uncertainties may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or claims. In addition, the legal and regulatory uncertainties in such markets may be exploited by other parties through unmerited or frivolous legal actions, claims concerning the conduct of third parties, or threats in attempt to extract payments or benefits from us.

Many jurisdictions in our markets have enacted, and may enact or amend from time to time, laws and regulations governing the distribution of content and communications, including games, services, advertising, marketing, messages, applications, electronic documents, personal data and other information through the internet or on digital platforms. The relevant government authorities may prohibit the distribution of information through the internet that they deem to be objectionable on various grounds, such as public interest or public security, protection of minors, data protection related, obscene, offensive or defamatory content, or to otherwise be in violation of local laws and regulations. If any information disseminated through our platforms were deemed by any relevant government authorities to violate content restrictions, we may not be able to continue to display such content and could be subject to penalties, including confiscation of the property used in the non-compliant acts, removal of the infringing content, temporary or permanent blocks, administrative fines, suspension of business, revocation of the registration to act as an electronic systems provider and revocation of required licenses, which could materially and adversely affect our business, financial condition and results of operations.

Many of the legal and regulatory requirements in markets where we operate are based in part on government policies and internal rules, some of which are not published on a timely basis or at all and may have retroactive effect. There are other circumstances where key regulatory definitions are unclear, imprecise or missing, or where interpretations that are adopted by regulators or governmental authorities are inconsistent with previous interpretations or interpretations adopted by courts in analogous cases. As a result, we may not be aware of our violation or alleged violation of certain policies and rules until sometime after the violation. In addition, any administrative and court proceedings in our markets may be protracted, resulting in substantial costs and diversion of resources and management attention.

It is possible that laws and regulations may be adopted or construed to apply to us that could restrict or otherwise impact our industries. Scrutiny and regulation of the industries in which we operate may further increase, and we may be required to devote additional legal and other resources to addressing such regulation. For example, existing laws or new laws regarding the regulation of currency, money laundering, banking institutions, unclaimed property, e-commerce, consumer and data protection and intermediary payments may be interpreted to cover goods, services and products offered in our businesses. Changes in current laws or regulations or the imposition of new laws and regulations regarding our industries may slow the growth of our industries and adversely affect our financial condition and results of operations.

If we are unable to comply with changing laws, regulations or guidelines, or our strategies to develop and grow our businesses fail to achieve their intended effect, our business, financial condition and results of operations, as well as our reputation, could be materially and adversely affected.

It is not certain if Sea Limited will be classified as a Singapore tax resident.

Under the Income Tax Act 1947 of Singapore, or the Singapore Income Tax Act, a company established outside Singapore but whose governing body, being the board of directors, usually exercises de facto control and management of its business in Singapore could be considered a tax resident in Singapore. However, such control and management of the business should not be deemed to be in Singapore if physical board meetings are mainly conducted outside of Singapore. Where board resolutions are passed in the form of written consent signed by the directors each acting in their own jurisdictions, or where the board meetings are held by teleconference or videoconference, it is possible that the place of de facto control and management will be considered to be where the majority of the board are located when they sign such consent or attend such conferences.

We believe that Sea Limited is not a Singapore tax resident for Singapore income tax purposes. However, the tax residence status of Sea Limited is subject to determination by the Inland Revenue Authority of Singapore, or IRAS, and uncertainties remain with respect to the interpretation of the term “control and management” for the purposes of the Singapore Income Tax Act. If IRAS determines that Sea Limited is a Singapore tax resident for Singapore income tax purposes, the income of Sea Limited on a standalone basis that is received or deemed by the Singapore Income Tax Act to be received in Singapore, where applicable, may be subject to Singapore income tax. If Sea Limited is regarded as a Singapore tax resident, any dividends received or deemed received by Sea Limited in Singapore from subsidiaries located in a foreign jurisdiction with a rate of income tax or tax of a similar nature of less than 15% may be subject to additional Singapore income tax. Income is considered to have been received in Singapore when it is: (i) remitted to, transmitted or brought into Singapore; (ii) applied in or towards satisfaction of any debt incurred in respect of a trade or business carried on in Singapore; or (iii) applied to purchase any movable property that is brought into Singapore. In addition, as Singapore does not impose withholding tax on dividends declared by Singapore resident companies, if Sea Limited is considered a Singapore tax resident, dividends paid to the holders of our ordinary shares and ADSs will not be subject to withholding tax in Singapore. Regardless of whether or not Sea Limited is regarded as a Singapore tax resident, holders of our ordinary shares or the ADSs who are not Singapore tax residents would generally not be subject to Singapore income tax on gains derived from the disposal of our ordinary shares or the ADSs if such shareholders do not maintain a permanent establishment in Singapore, to which the disposition gains may be effectively connected, and the entire process (including the negotiation, deliberation, execution of the acquisition and sale, etc.) leading up to the actual acquisition and sale of the ADSs or our ordinary shares is performed outside of Singapore. For Singapore resident shareholders, if the gain from disposal of our ordinary shares or the ADSs is considered by IRAS as revenue in nature, such gain will generally be subject to Singapore income tax, and not taxable in Singapore if the gain is considered by IRAS as capital gains in nature to the extent that it does not fall within the ambit of Section 10L of the Singapore Income Tax Act. See “Item 10. Additional Information—E. Taxation—Singapore Taxation—Income Tax—Gains With Respect to Disposition of Our ADSs or Our Ordinary Shares.”

It will be difficult to acquire jurisdiction and enforce liabilities against our assets based in some of our markets.

Substantially all of our assets are located outside the United States. In addition, substantially all of our directors and executive officers are nationals or residents of jurisdictions other than the United States and substantially all of their assets are located outside the United States. As a result, it may be difficult or impossible for our shareholders to effect service of process within the United States upon us or these persons, or to enforce judgments obtained in the United States courts against us or them, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States. It may also be difficult for you to enforce judgments obtained in the United States based on the civil liability provisions of the United States federal securities laws against us and our directors and executive officers. Even if our shareholders are successful in bringing an action of this kind, they may be unable or may find it difficult to enforce a judgment against our assets or the assets of our directors and executive officers due to the laws of the Cayman Islands and of the jurisdictions that comprise our markets. Management has been advised that many of the jurisdictions within Southeast Asia do not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States. It is unclear if extradition treaties now in effect between the United States and some of our markets would permit effective enforcement of criminal or other penalties, including those under U.S. federal securities laws.

The ability of our subsidiaries to distribute dividends to us may be subject to restrictions under the laws of their respective jurisdictions.

We are a holding company, and have subsidiaries located globally. Part of our primary internal sources of funds to meet our cash needs is our share of the dividends, if any, paid by our subsidiaries. The distribution of dividends to us from the subsidiaries in the markets where we operate may be subject to restrictions imposed by the applicable laws and regulations. See “Item 4. Information on the Company—B. Business Overview—Regulation.” In addition, although there are currently no foreign exchange control regulations which restrict the ability of our subsidiaries in most of our markets to distribute dividends to us, the relevant regulations may be changed and the ability of these subsidiaries to distribute dividends to us may be restricted in the future.

Restrictions on currency exchange may limit our ability to receive and use our cash effectively.

A significant portion of our revenue and expenses are denominated in currencies subject to exchange control. If revenue denominated in such currencies increases or expenses denominated in such currencies decrease in the future, we may need to convert a portion of our revenue into other currencies to meet our foreign currency obligations. Currently, in Taiwan, a single remittance by a company for an amount over US\$1 million or its equivalent in foreign currency shall be reported and documents supporting the accuracy of such report shall be provided to the bank handling such remittance before the remittance is conducted. In addition, remittances by a company in annual aggregate amounts exceeding US\$50 million or its equivalent in foreign currency may not be processed without the approval of the Central Bank of the Republic of China (Taiwan). In Vietnam, exchanging Vietnamese dong into foreign currency must be conducted at a licensed credit institution such as a licensed commercial bank. Conversion of Thai baht to another currency is subject to regulations promulgated by the Ministry of Finance and Bank of Thailand. Conversion of Indonesian rupiah into any foreign currency that exceeds a certain specific threshold is required to have an underlying transaction and supported by underlying transaction documents. In Malaysia, the foreign exchange policy requires the approval of the Central Bank of Malaysia (BNM) for cross-border remittances which are either set out in the foreign exchange policy notices (“FEP Notices”) or applied for on an ad hoc basis. BNM has the discretion whether to grant its approval, and to impose any condition on such approval so there is no assurance that its approval will be granted. We may be unable to convert such local currencies into U.S. dollars or other foreign currencies to pay dividends or for other purposes on a timely basis or at all.

RISKS RELATED TO THE ADSs

The trading price of the ADSs is likely to be volatile, which could result in substantial losses to investors.

The trading price of the ADSs is likely to be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, including the performance and fluctuation of the market prices of other companies with business operations located mainly in the same markets as us that have listed their securities in the United States. The stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many technology companies. In addition to market and industry factors, the price and trading volume for the ADSs may be highly volatile for factors specific to our own operations, including the following:

- variations in our quarterly or annual revenue, earnings and cash flow;
- guidance or other projections we may provide to the public, including any changes or failure to meet any guidance or other projections;
- announcements of new investments, acquisitions, strategic partnerships or joint ventures by us or our competitors;
- announcements of new content and services or plans of expansion or exits by us or our competitors;
- changes in financial estimates by securities analysts and data providers, or our failure to meet these estimates or the expectations of investors;
- downgrades by industry or securities analysts that publish research or reports on us;

- detrimental adverse publicity about us, our businesses or our industries or investor sentiment with respect to our competitors, our shareholders and investors, and our industry in general;
- additions or departures of key personnel;
- release of lock-up or other transfer restrictions on our outstanding equity securities or sales of additional equity securities, including the perception that these sales could occur;
- dilution of the ownership interests of our ADS holders due to conversions of our 2025 and 2026 convertible notes, which we may choose to settle by issuing ADSs, or from the unwinding of capped call transactions in connection with our 2025 convertible notes;
- current or potential litigation, government actions or regulatory investigations, including class actions;
- volatility in the stock market, including price and volume fluctuations in the overall stock market, changing trends in the economy, interest rate hikes or other interest rate-related decisions; and
- general political, economic, or market conditions, or other events or factors, including those resulting from war, incidents of terrorism, pandemics, and other disruptive external events, or responses to these events.

Any of these factors may result in large and sudden changes in the volume and price at which the ADSs will trade.

Shareholders of public companies have often brought securities class action suits against those companies following periods of volatility or decline in the market price of their securities. Sea Limited has been a defendant in multiple putative securities class actions. See “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal and Administrative Proceedings.” Involvement in a securities class action lawsuit could divert a significant amount of our management’s attention and other resources from our business and operations and require us to incur significant expenses to defend the suit, which could harm our results of operations. Any such class action suit, whether or not meritorious, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully established against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

As we operate globally, we may receive an increasing degree of media coverage. We have been the subject of media coverage involving concerns around our markets, our products or services and business developments and our efficiency initiatives, and we continue to receive publicity relating to these concerns among others. Any publicity that is unfavorable or perceived to be unfavorable may affect our business, brand and reputation. For example, such publicity could have an adverse effect on the size, engagement, and loyalty of our user base as well as result in increased scrutiny of our business, including our business practices and policies.

Substantial future sales or perceived potential sales or issuances of our ADSs, Class A ordinary shares or other equity securities could cause the price of our ADSs to decline significantly. As of March 31, 2025, the aggregate principal amount outstanding of our 2025 and 2026 convertible notes was approximately US\$1.15 billion and US\$1.33 billion, respectively. The holders of our 2025 and 2026 convertible notes may convert their convertible notes in accordance with the instruments governing such convertible notes at the initial conversion rate of 11.0549 ADSs and 2.0964 ADSs per US\$1,000 principal amount, respectively. To the extent our convertible notes are convertible in a given period and converted and we issue ADSs to settle our obligations, the ownership interest of our ADS holders will be further diluted.

Our founder has control over key decision making as a result of his control of a majority of the voting power of our outstanding share capital and has substantial influence over our company.

We have adopted a dual-class voting structure such that our ordinary shares consist of Class A ordinary shares and Class B ordinary shares since our IPO. On February 14, 2022, our shareholders approved the amendment and restatement of our memorandum and articles of association at our annual general meeting. Upon the effectiveness of such amendment, the voting power of our Class B ordinary shares increased from three votes per share to 15 votes per share on all matters subject to vote at general meetings of our company and Forrest Xiaodong Li, our founder, Chairman and Chief Executive Officer, is the sole beneficial owner of all our Class B ordinary shares. The voting power of our Class A ordinary shares of one vote per share remains unchanged. Due to the different voting powers associated with our two classes of ordinary shares, as of March 31, 2025, our founder beneficially owns an aggregate of approximately 59.1% of the total voting power of our outstanding ordinary shares. As a result, our founder has substantial influence over our business, including significant corporate actions including mergers, consolidations, and election of directors. As a board member and officer, Mr. Li owes a fiduciary duty to our company and must act in good faith in a manner he reasonably believes to be in the best interests of our company. As a shareholder, even a controlling shareholder, Mr. Li is entitled to vote his shares in his own interests, which may not always be in the interests of our shareholders generally. Certain actions may be taken even if they are opposed by our other shareholders. This concentrated control could discourage, delay or prevent a change of control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and may reduce the price of our ADSs. It could also discourage a potential investor from acquiring our ADSs represented by our Class A ordinary shares, which has less voting power compared with our Class B ordinary shares, and may harm the trading price of our ADSs. In the event of his death, the Class B ordinary shares beneficially owned by Mr. Li will be automatically converted into an equal number of Class A ordinary shares.

The depositary for the ADSs will give us a discretionary proxy to vote our Class A ordinary shares underlying our ADSs at shareholders' meetings if holders of ADSs do not give voting instructions to the depositary, except in limited circumstances, which could adversely affect the interests of such holders.

Under the deposit agreement for the ADSs, the depositary will give us a discretionary proxy to vote our Class A ordinary shares underlying our ADSs at shareholders' meetings if holders of ADSs do not give voting instructions to the depositary, unless:

- we have failed to timely provide the depositary with our notice of meeting and related voting materials;
- we have instructed the depositary that we do not wish a discretionary proxy to be given;
- we have informed the depositary that there is substantial opposition as to a matter to be voted on at the meeting; or
- a matter to be voted on at the meeting would have a material adverse impact on shareholders.

The effect of this discretionary proxy is that, if holders of ADSs fail to give voting instructions to the depositary, they cannot prevent our Class A ordinary shares underlying our ADSs from being voted, absent the situations described above, and it may make it more difficult for holders of our ADSs to influence our management.

We have granted, and may continue to grant, share incentives, which may result in increased share-based compensation expenses and dilution to shareholders.

We adopted our 2009 Share Incentive Plan, last amended and restated in April 2022, or the 2009 Plan, for the purpose of granting share-based compensation awards to officers, employees, directors and other eligible persons to incentivize their performance and align their interests with ours. In April 2022, our board of directors approved the amendment and restatement of the 2009 Plan to increase the maximum aggregate number of shares available under the 2009 Plan, pursuant to which on January 1 of each of 2023, 2024, 2025 and 2026, the maximum aggregate number of ordinary shares which may be issued under the 2009 Plan will increase by 3% of the total number of ordinary shares of all classes of the company outstanding on that day immediately before the increase. The current maximum aggregate number of ordinary shares which may be issued pursuant to all awards under the 2009 Plan is 228,561,966. We are authorized to grant options, share appreciation rights, share awards of restricted shares and non-restricted shares, restricted share units and other types of awards the administrator of the 2009 Plan decides.

We account for compensation costs for all share options using a fair-value based method and recognize expenses in our consolidated statements of operations in accordance with U.S. GAAP. As of March 31, 2025, outstanding awards granted under the 2009 Plan consisted of (i) options to purchase 41,783,266 Class A ordinary shares, (ii) 12,737,386 restricted Class A ordinary share units, and (iii) 191,484 share appreciation rights. As a result of our grants of awards under the 2009 Plan, we incurred share-based compensation expense of US\$705.9 million, US\$685.0 million and US\$715.8 million in 2022, 2023 and 2024, respectively. For more information on our share incentive plan, see "Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Plan." We will incur additional share-based compensation expenses in the future as we continue to grant share-based incentives. We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based compensation to employees in the future. As a result, our expenses associated with share-based compensation may remain significant or increase, which may have an adverse effect on our results of operations.

Because we do not expect to pay dividends in the foreseeable future, holders of ADSs must rely on price appreciation of our ADSs for return on their investment.

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, holders of ADSs should not rely on an investment in ADSs as a source for any future dividend income.

Our board of directors has complete discretion as to whether to distribute dividends. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on the investment in our ADSs will likely depend entirely on any future price appreciation of our ADSs. There is no guarantee that our ADSs will appreciate in value or even maintain the price at which the holders purchased our ADSs. Holders of ADSs may not realize a return on their investment in our ADSs and may even lose their entire investment in our ADSs.

Our memorandum and articles of association contain anti-takeover provisions and a dual-class voting structure that could have a material adverse effect on the rights of holders of our Class A ordinary shares and our ADSs.

Our memorandum and articles of association contain provisions to limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. Our memorandum and articles of association contain a dual-class voting structure that gives disproportionate voting power to the Class B ordinary shares, all of which are held by Forrest Xiaodong Li, our founder, Chairman and Chief Executive Officer. As of March 31, 2025, our founder beneficially owned an aggregate of approximately 59.1% of the total voting power of our outstanding ordinary shares. In addition, in September 2022, Tencent granted an irrevocable voting proxy with respect to all its Class A ordinary shares to our board of directors to vote on matters that are subject to the vote of shareholders of Sea. Such proxy gives our board of directors (duly constituted from time to time) approximately 8.5% of voting power. See “Item 6. Directors, Senior Management and Employees—E. Share Ownership.” Our board of directors has the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our ordinary shares, in the form of ADS or otherwise. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of our ADSs may fall and the voting and other rights of the holders of our Class A ordinary shares and our ADSs may be materially and adversely affected.

Holders of ADSs may face difficulties in protecting their interests, and their ability to protect their rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law.

We are an exempted company incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our memorandum and articles of association, the Companies Act (As Revised) of the Cayman Islands and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary duties of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records (save for the memorandum and articles of association, register of mortgages and charges, and special resolutions of shareholders) or to obtain copies of lists of shareholders of these companies. Our directors have discretion under our articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for holders of ADSs to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

Certain corporate governance practices in the Cayman Islands, which is our home country, differ significantly from requirements for companies incorporated in other jurisdictions such as the United States. To the extent we choose to follow home country practice with respect to corporate governance matters, our shareholders may be afforded less protection than they otherwise would under rules and regulations applicable to U.S. domestic issuers.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as public shareholders of a company incorporated in the United States.

The voting rights of holders of ADSs are limited by the terms of the deposit agreement, and holders of ADSs may not be able to exercise their right to vote their Class A ordinary shares.

Holders of ADSs are only able to exercise the voting rights with respect to the underlying Class A ordinary shares in accordance with the provisions of the deposit agreement. Holders of ADSs may not have the same voting rights as the holders of our Class A ordinary shares and may not receive voting materials in time to be able to exercise the right to vote. Under the deposit agreement, holders of ADSs must vote by giving voting instructions to the depositary. If we ask for instructions from the holders of ADSs, upon receipt of voting instructions from the holders of ADSs, the depositary will try to vote the underlying Class A ordinary shares in accordance with these instructions. If we do not instruct the depositary to ask for instructions from the holders of ADSs, the depositary may still vote in accordance with instructions given by the holders of ADSs, but it is not required to do so. Holders of ADSs are not able to directly exercise the right to vote with respect to the underlying Class A ordinary shares unless holders of ADSs withdraw their Class A ordinary shares from the depositary and become a registered holder of such shares. When a general meeting is convened, holders of ADSs may not receive sufficient advance notice to withdraw their Class A ordinary shares to allow them to vote with respect to any specific matter. If we ask for instructions from holders of ADSs, the depositary will notify holders of ADSs of the upcoming vote and will arrange to deliver our voting materials to holders of ADSs. We have agreed to give the depositary prior notice of shareholder meetings as far in advance of the meeting date as practicable. Nevertheless, we cannot assure you that holders of ADSs will receive the voting materials in time to ensure that holders of ADSs can instruct the depositary to vote the Class A ordinary shares underlying their ADSs. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out voting instructions. This means that holders of ADSs may not be able to exercise the right to vote and may have no legal remedy if the Class A ordinary shares underlying our ADSs are not voted as they requested.

Holders of ADSs may be subject to limitations on the transfer of their ADSs.

Our ADSs are transferable on the books of the depositary. The depositary may refuse to deliver, transfer or register transfers of ADSs generally when our share register or the books of the depositary are closed, or at any time if we or the depositary thinks it is advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to domestic public companies in the United States.

As a foreign private issuer under the Exchange Act, we are exempt from certain disclosure and other requirements and obligations that are applicable to U.S. domestic issuers, including: (i) the rules under the Exchange Act requiring the filing of quarterly reports on Form 10-Q or current reports on Form 8-K with the SEC; (ii) the sections of the Exchange Act regulating the solicitation of proxies in respect of a security registered under the Exchange Act; (iii) the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and “short swing” liability for insiders who profit from certain trades; and (iv) the selective disclosure rules by issuers of material nonpublic information under Regulation FD.

We are required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we publish our results on a quarterly basis through press releases. Press releases relating to financial results and material events are furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC will be less extensive and may be less timely compared with that required to be filed with the SEC by U.S. domestic issuers. As a result, holders of ADSs may not be afforded the same protections or information, which would be made available to them, were they investing in a U.S. domestic issuer.

We are subject to the corporate governance requirements of the New York Stock Exchange. However, New York Stock Exchange rules permit a foreign private issuer like us to follow the corporate governance practices of our home country in lieu of certain New York Stock Exchange rules. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the New York Stock Exchange corporate governance requirements. To the extent we choose to follow home country practice, our shareholders may be afforded less protection than they would otherwise enjoy under the New York Stock Exchange corporate governance listing standards applicable to U.S. domestic issuers.

If we are a passive foreign investment company for United States federal income tax purposes for any taxable year, United States holders of ADSs or our ordinary shares could be subject to adverse United States federal income tax consequences.

Depending upon the value and the nature of our assets and the amount and nature of our income over time, we could be classified as a passive foreign investment company (“PFIC”) for U.S. federal income tax purposes. We will be classified as a PFIC in any taxable year if either: (i) 75% or more of our gross income for such year consists of certain types of “passive” income or (ii) 50% or more of the value of our assets (generally determined on the basis of a quarterly average) during such year produce or are held for the production of passive income. Passive income generally includes dividends, interest (including interest from our non-banking credit business), royalties, rents, annuities, net gains from the sale or exchange of property producing such income and net foreign currency gains. For this purpose, cash is generally categorized as a passive asset and the company’s unbooked intangibles associated with active business activity are taken into account as a non-passive asset. We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own (or are deemed to own), directly or indirectly, 25% or more (by value) of the stock. In addition, although the law in this regard is not entirely clear, we treat our VIEs as being owned by us for U.S. federal income tax purposes. As a publicly traded foreign corporation we intend for this purpose to treat the aggregate fair market value of our gross assets as being equal to the aggregate value of our outstanding stock (“market capitalization”) plus the total amount of our liabilities and to treat the excess of the fair market value of our assets over their book value as a non-passive asset to the extent attributable to our non-passive income. Because we currently hold, and expect to continue to hold, a substantial amount of cash and cash equivalents and other passive assets used in our business, and because the value of our gross assets is likely to be determined in large part by reference to our market capitalization, we would likely become a PFIC for a given taxable year if the market price of the ADSs or Class A ordinary shares were to decrease significantly. The application of the PFIC rules is subject to uncertainty in several respects, and we must make a separate determination after the close of each taxable year as to whether we were a PFIC for such year. If we are a PFIC for any taxable year during which a U.S. investor held the ADSs or Class A ordinary shares, the U.S. investor might be subject to increased U.S. federal income tax and to additional reporting obligations. We do not intend to provide the information necessary for the U.S. investor to make a qualified electing fund election with respect to the ADSs or Class A ordinary shares. See “Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations—Passive Foreign Investment Company Rules.”

Based on our income and assets, and the value of the ADSs, we do not believe that we were a PFIC, for U.S. federal income tax purposes, for the taxable year ended December 31, 2024, and do not anticipate becoming a PFIC for the current taxable year or for the foreseeable future. Nevertheless, because PFIC status is a factual determination made annually after the close of each taxable year on the basis of the composition of our income and assets, there can be no assurance that we will not be a PFIC for the current taxable year or any future taxable year.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

On May 8, 2009, we incorporated Garena Interactive Holding Limited, our holding company, as a limited liability company in the Cayman Islands. On April 8, 2017, we changed our company name from Garena Interactive Holding Limited to Sea Limited. On October 20, 2017, we completed our initial public offering and listed our ADSs on the New York Stock Exchange under the symbol “SE.”

Sea Limited is a holding company that does not have substantive operations. We conduct our three core businesses, namely e-commerce, digital financial services, and digital entertainment, through our subsidiaries and consolidated affiliated entities.

We began our digital entertainment business, Garena, at our inception in 2009, and have since expanded our game operations globally with the launch of our self-developed game, Free Fire.

We started to offer digital payment services in Southeast Asia in 2014. Since then, we have further expanded our digital financial service offerings across credit, banking and insurtech services in Southeast Asia, and have started to grow our presence in Brazil.

We launched our e-commerce business, Shopee, in Southeast Asia and Taiwan in 2015, and in Latin America in 2019.

Our principal executive offices are located at 1 Fusionopolis Place, #17-10, Galaxis, Singapore 138522. Our telephone number at this address is +65 6270-8100. Our registered office in the Cayman Islands is at the offices of Maples Corporate Services Limited at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Our agent for service of process in the United States in connection with the registration statement on Form F-1 for our initial public offering is Cogency Global Inc., located at 122 East 42nd Street, 18th Floor New York, N.Y. 10168. Our agent for service of process in the United States in connection with the registration statement on Form F-3 is Puglisi & Associates, located at 850 Library Avenue, Suite 204, Newark, Delaware 19711. Our website is www.sea.com.

B. Business Overview

Our Mission

Our mission is to better the lives of the consumers and small businesses with technology.

Our Beliefs and Values

We have **Three Core Beliefs**:

- *Our people define us.* Sea shall be a place where talented people thrive at scale, enjoy freedom of ideas and achieve the unimaginable. It shall be a magnet for the smartest, the most creative and the most driven.
- *Our products and services differentiate us.* We aspire to better every life we touch and make the world an ever more connected community through innovative products and services.

- *Our institution will outlast us.* We strive to build an institution that will last for generations and evolve with time, and that is founded upon our core values.

These **Five Core Values** are Sea’s foundation:

- *We serve.* Our customers are the sole arbiter of the value of our products and services. We strive to meet unmet needs and serve the underserved.
- *We adapt.* Rapid change is the only constant in the digital age of ours. We embrace change, celebrate it and always strive to be a thought leader that influences it.
- *We run.* We are in a constant race to success while grappling with rapidly shifting forces. We move faster, better and with more urgency every day.
- *We commit.* Our work is our commitment. We commit to our values, institution, customers and partners. We commit to each other. Above all, we commit to doing the best we can and being the best we are.
- *We stay humble.* We have traveled a long way from our humble beginning and yet, we never lose our humility in our continual quest for greater heights.

Together, our Three Core Beliefs and Five Core Values form a consistent mindset which we believe is both a practical recipe for long-term organizational sustainability and also a deeper philosophy for how we want to live our lives. They are a guide for the kind of people we hire and develop, as well as a roadmap for how we interact with our customers, our business partners, and our broader stakeholders. Ultimately, they are our compass: whenever we are faced with a decision, we always ask ourselves which alternative is most authentic to these Beliefs and Values.

Overview

Sea is a consumer internet company operating three core businesses of e-commerce, digital financial services, and digital entertainment, known as Shopee, SeaMoney and Garena. Each business is localized to meet the unique characteristics of our markets. Many of our markets are experiencing a generational transition to the new digital economy, with digital inclusion bringing consumers ever more closely to each other and online services, by leading internet business models such as our own. Our culturally rich and diverse markets observe a rise in traditionally underserved digital consumers, who require dedicated focus, resources, and respective local market knowledge.

- Shopee is the largest e-commerce platform in Southeast Asia and Taiwan. It also has a significant presence in Latin America. Since its inception, Shopee has adopted a mobile-first approach and is a highly scalable marketplace platform that connects buyers and sellers. Shopee provides users with a convenient, safe and trusted shopping environment that is supported by integrated payment, logistics, fulfillment, and other value-added services. Our users enjoy the social nature of Shopee’s platform, where users can follow, rate and easily browse for discovery to enhance their retail experience. We also empower sellers with various tools and support and other value-added services for them to better engage with their buyers. We monetize Shopee mainly by offering sellers paid advertising services, charging transaction-based fees, and charging for certain value-added services, including logistics. We also purchase products from manufacturers and third parties and sell them directly to buyers on our Shopee platform.
- SeaMoney is a leading digital financial services provider in Southeast Asia with a growing presence in Brazil. SeaMoney currently offers consumer and SME credit, mobile wallet, payment processing, banking, and insurtech services.
- Garena is a global game developer and publisher. Garena provides users with access to popular and engaging mobile and PC online games that we develop, curate, license and localize for each market. We also promote esports in our markets to strengthen our game ecosystem and increase user engagement.

Each of our businesses provides a distinct and compelling value proposition to our users, and each exhibits strong virtuous cycle dynamics, which we believe support our leadership position and provide a strong foundation for continued growth while creating strong competitive moats.

We have achieved significant scale and growth in the past years. Our total revenue increased from US\$12.4 billion in 2022 to US\$16.8 billion in 2024, a CAGR of 16.2%. We had gross profit of US\$5.2 billion, US\$5.8 billion and US\$7.2 billion in 2022, 2023 and 2024, respectively. We incurred net loss of US\$1.7 billion, and net income of US\$162.7 million and US\$447.8 million in 2022, 2023 and 2024, respectively. See “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Segment Reporting” and “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Description of Certain Statement of Operations Items—Revenue” for a breakdown of our total revenues by category of activity and geographic market for each of the last three financial years.

Our Businesses

Shopee E-commerce Business

Our Shopee e-commerce platform is a mobile-centric, social-focused marketplace with integrated payment and logistics infrastructure and comprehensive services we offer to sellers. It is a highly scalable marketplace platform that provides users with a convenient, safe, and trusted shopping environment that is supported by integrated payment, logistics, fulfillment, and other value-added services. Shopee is the largest e-commerce platform in Southeast Asia and Taiwan. We also have a significant presence in Latin America.

Shopee’s marketplace model allows it to scale rapidly. In addition, we introduce many social and gamification elements into Shopee which we believe enables us to increase organic user acquisition, user retention and user time spent on our platform. Our GMV for the year ended December 31, 2024 was US\$100.5 billion and gross orders totaled 10.9 billion.

While we primarily operate as a marketplace, we also purchase some products from manufacturers or third parties directly and sell on our Shopee platform under our official store to meet buyers’ demand. Bulk purchasing and direct product sales for specific product categories also enable us to offer a more diversified product assortment to our buyers.

Our Buyers and Sellers

Our buyers are individuals and households who mainly purchase from sellers that are within the same market.

Shopee sellers are primarily small and medium businesses, brands, large retailers as well as individuals, who view Shopee as an efficient and reliable way of managing the selling process while maximizing customer needs. On Shopee, each seller has an online storefront on which they list their products, communicate with buyers, and complete transactions. Our Shopee Mall hosts brands and large retailers prominently featuring their distinct logos and offers a premium shopping experience to a broad base of buyers.

E-commerce Platform Operations

Product Category Focus

We use targeted seller engagement and product placement to attract sellers and bring products to our platform. We leverage our deep understanding of local market conditions and user preferences to prioritize product categories that we believe have higher realization rates and profitability for our sellers. We currently offer a comprehensive general merchandise platform with strength in long-tail high-margin categories, such as fashion, health and beauty, and home and living. Meanwhile, we continue to expand categories to include an increasingly diverse range of products.

Seller Support and Service by Shopee

We offer strong support to sellers on the Shopee platform through large on-the-ground teams with deep knowledge of our local markets. Our local teams also offer fast and localized operational and technological assistance in using business management tools. Moreover, an extensive network of logistics and payment solution providers are integrated into the platform to provide users with a one-stop solution. In addition to such integrated payment and logistics, we also offer sellers fulfillment and other value-added services.

Under “Service by Shopee,” we offer a range of value-added services to sellers, including inventory management, online store operations, and fulfillment services. Depending on sellers’ needs and preferences, we may help sellers manage inventory and fulfill orders from warehouses leased and operated by us, operate stores on our platform, or purchase products from sellers for reselling on our platform. “Service by Shopee” is currently available to sellers in our Southeast Asia and Taiwan markets.

We take the user experience beyond a traditional online marketplace environment, making online shopping truly seamless. We believe that these efforts help to streamline the whole online business operation from store setup to selling, inventory and revenue management, delivery and payment collection for our sellers, empowering them to achieve greater success in their commercial activities.

Buyer Protection

We focus on creating a secure and reliable shopping environment for our buyers and have developed robust consumer protection policies and procedures, including the following measures:

- *Seller Verification.* Sellers on the Shopee platform are subject to verification process and must agree to our standard terms of service before opening a seller account.
- *Listing Screening.* Shopee has adopted a set of policies and procedures to prevent and remove listings of inappropriate or illegal goods and to screen out repeat offenders. All listings on the Shopee platform first undergo automated screenings against a list of illegal product names, categories and descriptions. We have developed this list based on local regulations and it is frequently updated by our local teams to reflect the latest regulatory requirements. Listings posted by sellers which are deemed to be of high risk based on our screening will not be visible on our platform until they are manually cleared by our operations and compliance teams. Listings that are not cleared due to regulatory violations or other violations of our terms of use will be permanently removed, and the seller will not be able to edit or re-submit the same product listing. We may suspend or remove accounts that repeatedly submit illegal or inappropriate listings. Moreover, users and other third parties may report listings that they believe to be illegal, inappropriate or offensive for our further review.
- *Shopee Guarantee.* We provide “Shopee Guarantee,” a free service to facilitate transactions on the Shopee platform. Under Shopee Guarantee, we hold payments made by buyers in certain designated Shopee Guarantee account held by us until the ordered products are received or deemed to have been received by the buyer. After this, we release the payment to the seller. If the purchased products are never delivered to or received by the buyer, we will return the funds to them. Shopee Guarantee is available for all transactions executed through the Shopee platform. We believe that Shopee Guarantee reduces settlement risks and improves transaction efficiency and security.
- *Dispute Resolution.* We have on-the-ground teams to help resolve disputes between buyers and sellers. In the case of a dispute, a buyer may submit supporting evidence through our dispute resolution system and seek compensation from the seller.

Shopee Communication Tool

The Shopee platform offers a live chat function enabling real-time communication between buyers and sellers. Buyers typically use the chat function to clarify product-related details, while sellers typically use the function to confirm payment and delivery information. We believe this communication tool has significantly improved the efficiency and security of transactions and the overall shopping experience.

Integrated Logistics Services

Logistics is critical for the development of e-commerce in our markets since many of them have terrain that is difficult to navigate and underdeveloped infrastructure. We rely on a combination of our own logistics capability and third-party logistics service providers to service Shopee orders. The logistics service providers which we cooperate with include some of the largest and most reliable service providers in our markets. We also build our own local logistics capabilities to more effectively serve our buyers and sellers.

Moreover, sellers and buyers can track the delivery status of their packages on our Shopee platform and provide feedback on logistics services. We evaluate and provide feedback to our logistics service providers to improve the level of services provided to our users, such as average delivery time.

Payment on Shopee

As transactions on Shopee are protected by Shopee Guarantee, buyers make payments to Shopee’s designated Shopee Guarantee account which are then released by Shopee to the sellers upon buyers’ receipt or deemed receipt of the goods. Depending on the market, sellers and buyers can choose from a number of payment options to complete transactions on Shopee, including our own mobile wallet and consumption loan services, credit cards, bank transfers through ATM or over the internet, and cash payments upon delivery or at designated convenience stores. Shopee has already integrated its payment processing system with SeaMoney’s payment infrastructure.

Marketing and Promotions

We undertake both online and offline marketing efforts to promote our brand awareness and attract new users. Our online efforts mainly include online advertisements through major web portals, search engines, social media, and our Shopee Affiliate Program. Our online advertisements focus on promoting campaigns such as Shopee 3.3 Mega Shopping Sale, 9.9 Super Shopping Day, 11.11 Big Sale, and 12.12 Birthday Sale, as well as driving order conversions. Our offline marketing efforts are based on localized approaches, including television commercials on major TV channels and display advertisements in selected high traffic locations to cater to each market’s consumer landscape.

Social and Gamification Features

As part of our strategy to enhance user traffic and engagement on the Shopee platform, we have introduced a number of innovative social and gamification features such as “Shopee Coins,” “Shopee Prizes,” and “Shopee Live.” We also enhanced our augmented reality tools, namely “BeautyCam” and “SkinCam” that enable virtual try-ons for a personalized online shopping experience.

Users can win “Shopee Coins” from making purchases, sharing reviews, playing mini-games and participating in campaign activities, then use these Shopee Coins to offset the cost of purchase from eligible sellers. “Shopee Prizes” are a variety of mini games that promote in-app interactions between fellow users through achieving individual or group rewards. “Shopee Live” enables buyers to watch and purchase directly from livestreams hosted by sellers and content creators. These livestreams promote real-time product demonstrations and interactions between sellers, content creators and their viewers, driving a path to purchase.

Monetization

We monetize Shopee mainly by offering sellers paid advertising services, charging transaction-based fees, and charging for certain value-added services, including logistics.

Revenue from Shopee also includes revenue of products sold by us. We purchase products from manufacturers or third parties directly and sell on our Shopee platform under our official store to meet buyers’ demand for such products.

SeaMoney Digital Financial Services Business

SeaMoney, our digital financial services business, is a leading digital financial services provider in Southeast Asia with a growing presence in Brazil. SeaMoney currently offers consumer and SME credit, mobile wallet, payment processing, banking, and insurtech services.

SeaMoney’s credit business primarily consists of consumer and SME loans provided predominantly to both Shopee buyers and sellers. On the buyer side, we offer consumption loans (SPayLater) which gives users the ability to complete their purchase first and make the payment later or in instalments, and cash loans which allows users to meet their short-term borrowing needs. The tenure of such loans is short, generally in the range of 3 to 12 months. On the seller side, we offer unsecured SME loans to help sellers expand their operations and fast escrow services to help sellers receive their funds faster and improve cash flow management. As of December 31, 2024, based on our total loan balance outstanding and number of loans outstanding, our average loan size was approximately US\$18.

We have integrated the mobile wallet services of SeaMoney with our Shopee platform across different markets, to promote efficient growth of SeaMoney and to reduce payment friction for Shopee users. Moreover, we have use cases of our mobile wallet services outside of Sea’s platforms, including other online and offline merchants, along with a variety of third-party use cases. Third-party merchants currently include telecommunications companies, online and offline entertainment service providers such as game operators or app stores, movie theaters, concert/event venues, utility service providers, technology companies, food delivery service providers, credit card issuers, banks, fund managers and fund distributors, insurance companies, and car leasing companies. As we increase the number and type of merchants on the SeaMoney platform, we are able to offer mobile payment solutions for a wider range of products and services to meet the daily needs of our users and attract more users to the platform.

Moreover, SeaMoney offers other digital financial services to its users through technology, such as payment processing in Southeast Asia and Brazil, banking services in Singapore, Indonesia and the Philippines.

We also offer insurance products through our SeaInsure business. SeaInsure acts as an underwriter for selective types of life and non-life insurance products in certain of our markets. We also act as the insurance agent and conduct insurance brokerage business in certain of our markets to distribute embedded or standalone products on our e-commerce platform.

Monetization

We mainly monetize our digital financial services business by earning interest and fees from our credit and banking businesses, earning fees from our mobile wallet, payment processing services and our insurance business.

Marketing

Marketing of our SeaMoney products and services have been done through online and offline advertisements and in-app advertisements through our apps and platforms.

Regulation

The financial services industry is heavily regulated and we are required to obtain and maintain certain licenses in the jurisdictions in which we provide financial services. As of the date of this annual report, we have, directly or through partnerships, obtained licenses and governmental approvals necessary to provide payment services in Indonesia, Vietnam, Thailand, the Philippines, Malaysia, Singapore and Brazil and to provide credit services in Indonesia, Thailand, the Philippines, Malaysia and Brazil. We have also obtained licenses and governmental approvals necessary to offer general and life insurance products in Indonesia and the Philippines, and to operate as a broker in Thailand and the Philippines. See “Item 4. Information on the Company—B. Business Overview—Regulation.” As we expand our digital financial services business to additional markets, we may need to obtain additional licenses and permits in order to comply with local laws. See “—Regulation”, “Item 3. Key Information—D. Risk Factors—Business and Operational Related Risks—Risks Applicable Across Multiple Businesses—We are subject to extensive and changing laws and government regulations across our business,” and “Item 3. Key Information—D. Risk Factors—Risks Related to Our Digital Financial Services Business—We face regulatory risks relating to our digital financial services business.”

We have bank licenses in Singapore, Indonesia and the Philippines. For further details, see “Item 3. Key Information—D. Risk Factors—Business and Operational Related Risks—Risks Related to Our Digital Financial Services Business—Our banking business may subject us to additional material business, operational, financial, legal and compliance requirements and risks.”

Garena Digital Entertainment Business

Garena, our digital entertainment business, primarily focuses on offering mobile and PC online games and developing mobile games for the global markets.

We began our digital entertainment business at our inception in 2009. We offer our users easy access to highly engaging and localized content online that we develop or license, as well as organize and sponsor exciting game activities online and offline. We focus on game development, curation, localization, operation, distribution, monetization, and payments, as well as user community building and esports activities.

Our Games

Our games consist of self-developed games and games licensed from third-party developers. We offer immersive games covering some of the most popular and engaging genres, such as battle royale games; multiplayer online battle arenas, or MOBAs; role-playing games, or RPGs; massively multiplayer online role-playing games, or MMORPGs; racing games and sports games. In most of these games, users play online in a virtual environment existing on network game servers that connect a large number of players simultaneously to interact with each other within the games.

Mobile games have gained popularity in our markets. In December 2017, we launched the first game that we developed entirely in-house, Free Fire, a mobile game of the battle royale genre. Free Fire has enabled us to grow globally beyond Southeast Asia and Taiwan where we initially launched our game business. It is currently available on the Google Play and iOS App Stores in more than 160 markets. We plan to continue to expand our game development capabilities and publishing business.

Game Players

We have a large and active user base for our online game business.

The table below sets forth certain of our operating metrics for the periods indicated.

	For the Three Months Ended			
	March 31, 2024	June 30, 2024	September 30, 2024	December 31, 2024
Bookings (US\$ in millions) ⁽¹⁾	512.1	536.8	556.5	543.2
Game QAUs (in millions)	594.7	648.0	628.5	618.0
Game QPUs (in millions)	48.9	52.5	50.2	50.4

(1) GAAP revenue for the digital entertainment segment plus change in digital entertainment deferred revenue. This operating metric is used as an approximation of cash spent by our users in the applicable period that is attributable to our digital entertainment segment.

Our large user base as well as the team and social aspects of our games keep our game players engaged and also create powerful network effects that further attract users to our games, resulting in a high barrier to entry for our competitors.

In-House Game Development

We develop mobile games that cater to the demands of highly diverse markets across the globe. Our game development capabilities are particularly strengthened by our global experience in game publishing. We have a sizeable in-house game development team consisting of global developers focused on enhancing Free Fire gameplay and building out our pipeline of self-developed games.

Third-Party Games Publishing

We also curate top third-party game content globally for publishing in our markets. Our market leadership and success in operating and customizing games for our local game players have helped us forge deep relationships with key international game developers in different parts of the world. Game developers choose us to operate their games in our markets because of our leading market position, strong reputation in the online game community, and successful track record of operating and popularizing games in our markets. We are therefore able to source high-quality games from world class developers, many of whom work with us as their exclusive partner in our markets. We rely on our local knowledge and years of game operating experience to select games that will match user needs and genre preferences. We also believe that our large user base contributes to a virtuous cycle. As we attract more high-quality game developers to partner with us, we are able to attract more users with a larger volume of high-quality content.

We provide our game developer-partners access to a large user base in highly diverse markets across the globe, enabling our games to quickly become popular. Our services to third-party game developers include game launch and hosting, localization, marketing, distribution, monetization, integrated payment infrastructure, including access to our SeaMoney mobile wallet services, and online and offline community building activities.

In particular, we localize licensed games to adapt to each market. We work with game developers to translate game content into local languages, revise game design to suit local preferences, and meet regulatory requirements for each jurisdiction. We also develop exclusive local content for particular markets to enhance game attractiveness to local audiences. Our content localization efforts entail continuing feedback loops with developers throughout the life of the games we operate.

Monetization and Payments

Our game monetization model is a “freemium” model that allows our users to download and play fully functional games for free. We generate revenue primarily by selling our game players in-game items, which include in-game virtual items such as digital representations of functional or decorative items, as well as season passes. Digital representation of functional or decorative items includes in-game clothing, pets, weaponry or equipment, which players can purchase and utilize within the game environment to enhance their gameplay experience. Players that purchase season passes can receive additional in-game virtual items upon satisfying certain conditions. Players who choose to purchase in-game items benefit from being able to accelerate progress, enhance social interactions, and enjoy a more personalized game playing experience.

We offer multiple methods for users to purchase in-game items, including through the Google Play Store and the iOS App Store payment gateways, our SeaMoney mobile wallet services, other online payment gateways, bank transfers, credit cards, debit cards, mobile phone billing, and prepaid cards, including our own prepaid cards, which are sold through agents.

Esports and Community Building

Garena organizes esports events annually and operates one of the largest mobile-game professional leagues in Asia, Latin America, and North Africa. We organize esports competitions that range in size from relatively small-scale local tournaments to widely publicized and promoted global esports events.

Some of our users have become full-time professional esports athletes that compete for prize money in tournaments and sponsorships from large corporations that often also sponsor professional sports. Free Fire’s large esports and streaming community is another key pillar of our user engagement strategy. As a result, we believe our esports operations generate strong user engagement for our games as well as promote user acquisition and retention.

Marketing

We devise and execute marketing plans tailored for each market. We market our games through a combination of online advertisement, outdoor and print advertisements, television commercials, influencer partnerships as well as social media platforms and other online forums.

Our Technology

Technology is key to our success as it enables us to operate our business more efficiently, improves the user experience and supports innovation.

Our network infrastructure utilizes our private data centers and cloud services that are linked with high-speed networks. We have established local servers and infrastructure in many of our key markets to ensure faster connections and a seamless user experience. We operate at a scale that routinely delivers massive amounts of content to tens of millions of users across our platforms. Our technology architecture has been designed to scale horizontally to accommodate the large amounts of data our network generates. As our user base grows and the level of engagement and activities on our platforms increase, we will continue to expand our technology infrastructure to maintain and improve the quality of our user experience. Our data science technology serves various types of data-intensive computational needs, including high-volume batch processing and multi-variable and multi-dimensional real-time analytics.

Customer Service

We have dedicated customer service teams. We believe our customer service team is well-trained in assisting our users with issues they encounter on our platforms, gathering feedback on how to improve our services and receiving user complaints and suggestions. Moreover, we have adopted systematic internal procedures to quickly respond to and resolve customer complaints.

Intellectual Property

Our business is based significantly on the acquisition, creation, use, and protection of intellectual property. Free Fire, our self-developed game, is one of our key intellectual properties. Other forms of this intellectual property include the technology and know-how that we developed and use to operate our e-commerce, payment and other financial services products.

We believe the protection of our trademarks, copyrights, domain names, trade names, trade secrets, patents, and other proprietary rights is critical to our business and we protect our intellectual property rights in various jurisdictions by relying on local laws and contractual restrictions. More specifically, we rely on a combination of trademark, fair trade practice, copyright, patent and trade secret protection laws, as well as confidentiality procedures and contractual provisions, to protect our intellectual property rights. Moreover, we enter into confidentiality, proprietary rights assignment, non-compete, and non-assignment agreements with our employees, and have confidentiality arrangements with our business partners. We also actively engage in monitoring and enforcement activities with respect to infringing uses of our intellectual property by third parties.

While we actively take steps to protect our proprietary rights, such steps may not be adequate to prevent the infringement or misappropriation of the intellectual property created by or licensed to us. See “Item 3. Key Information—D. Risk Factors—Business and Operational Related Risks—Risks Applicable Across Multiple Businesses—We may be subject to intellectual property-related risks.” Also, we cannot be certain that our intellectual property and/or the products and content on our platforms do not or will not infringe on the valid patents, copyrights or other intellectual property rights held by third parties. We may be subject to legal proceedings and claims from time to time relating to our intellectual property and/or the intellectual property of others, as discussed in “Item 3. Key Information—D. Risk Factors—Business and Operational Related Risks—Other Operational Risks—We may be subject to risks related to litigation and regulatory proceedings.”

Competition

Each of the e-commerce, digital financial services and online games industries in our markets is highly fragmented. We face competition in each of our lines of business in each market where we operate. Some of our competitors may have greater access to capital markets, more financial and other resources, and a longer operating history than we do. See “Item 3. Key Information—D. Risk Factors—Business and Operational Related Risks—Risks Applicable Across Multiple Businesses—We face competition in our businesses.”

E-commerce

We face competition from regional players that operate across several markets and global players that expand into our markets by building local platforms or making their existing platforms accessible to users in our markets and from single-market players and retailers. We compete with online and offline players to attract, engage, and retain buyers based on the variety and value of products and services listed on our marketplaces, overall user experience and convenience, online communication tools, social features, integration with mobile and networking applications and tools, mobile applications and availability, quality and costs of payment and logistics services. We also compete with online and offline players to attract and retain sellers based on the number and the engagement of buyers, the effectiveness and value of the services we offer to sellers, commission rates, and the availability of support services. We also compete to attract and retain content creators for e-commerce. In addition, we may face increasing competition from social media platforms, online and app-based search engines through which products and services may be researched and sold, and other content-providing market players. Social media platforms with high levels of user engagement may be able to leverage content and user connections and traffic on their platform to increase the visibility and attractiveness of a wide variety of brands and products.

Digital Financial Services

SeaMoney competes with existing online and offline consumer and SME financial products and services, as well as banks and other larger financial institutions. SeaMoney competes with these companies primarily on network size, transaction processing speed, convenience, accessibility, variety, reliability, and price. We believe that strengths across the e-commerce and digital entertainment businesses position us very well to grow our digital financial services businesses and SeaMoney has a significant competitive advantage with the strong demand in our markets for seamless and convenient forms of mobile financial services as well as the continued development of the digital economy in our markets.

Online Games

We compete on the basis of a number of factors, including user base, game portfolio, quality of user experience, brand awareness, and reputation, relationships with game developers and access to distribution and payment channels. Our competitors for publishing primarily include companies with a presence in just one or a few of our markets, as well as other global platforms and self-publishing game developers. Our competitors for game development include global developers.

Seasonality

Our revenue and other operating results may vary significantly from quarter to quarter due to a variety of factors, many of which are outside our control. For a discussion of the factors that may contribute to fluctuations of our quarterly results, see “Item 3. Key Information—D. Risk Factors—Business and Operational Related Risks—Risks Applicable Across Multiple Businesses—Our results of operations are subject to fluctuations.”

Regulation

This section sets forth a summary of the significant regulations or requirements in the jurisdictions where we conduct our material business operations, namely Indonesia, Taiwan, Vietnam, Thailand, Singapore Malaysia and Brazil. The primary laws and regulations to which we are subject relate to foreign investment, dividend distributions, foreign exchange controls, e-commerce, mobile wallet, payment processing, game operating, data protection, anti-money laundering and terrorism financing and employment and labor.

Indonesia

Regulations on Foreign Investment

The Law No. 25 of 2007 regarding Investment issued on April 26, 2007, as amended by Government Regulation In Lieu of Law No. 2 of 2022 regarding Job Creation (the “Indonesia Investment Law”), states that all business sectors or business types are open to foreign investment, except certain lines of business that the Indonesian government has expressly prohibited or restricted from foreign investment. Under the Indonesia Investment Law, foreign investors can own up to 100% of the equity in e-commerce marketplace and game distribution businesses in Indonesia. We have obtained the investment in-principle license and the business license required for foreign investment companies engaging in e-commerce marketplace and game distribution businesses in Indonesia issued by the Indonesia Investment Coordinating Board. In addition, the Indonesia Investment Law renders void any agreements containing statements by Indonesian shareholders that they hold shares in an Indonesian company for the benefit of a foreign beneficiary.

Regulations on the Use of Indonesian Rupiah

The government of Indonesia has enacted Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector, which amends Law No. 7 of 2011 on Currency (the “Indonesia Currency Law”). Notwithstanding this, Bank Indonesia Regulation No. 17/3/PBI/2015 on the Mandatory Use of Indonesian Rupiah within the Territory of the Republic of Indonesia (the “Indonesia Currency Law Implementation Regulations”) and Bank Indonesia Circular Letter No. 17/11/DKSP, the implementing guideline to the Indonesia Currency Law Implementation Regulations, remain applicable. Such rules require the use of Indonesian rupiah for all transactions conducted within Indonesia, including transactions for payment, settlement of obligations and other financial transactions, except for certain exemptions provided under the Indonesia Currency Law Implementation Regulations. Failure to comply with any provisions under the Indonesia Currency Law Implementation Regulations may lead to administrative, criminal or monetary sanctions.

Regulations on Foreign Exchange

Indonesia has limited foreign exchange controls. The Indonesian rupiah is generally freely convertible within or from Indonesia. The Indonesia Investment Law stipulates that foreign investors are allowed to make capital contributions and repatriate dividends, profits and other income in foreign currency without obtaining prior approvals from governmental authorities and/or Bank Indonesia, the central bank of Indonesia. The conversion of foreign currency into Indonesian rupiah for capital contribution purposes does not require any governmental approvals.

According to the Bank Indonesia Regulation No. 6 of 2024 on Money Market and Foreign Exchange Market, and Bank Indonesia Board of Governors Regulation No. 11 of 2024 on Transactions in the Foreign Exchange Market (collectively, the “Indonesia Foreign Exchange Regulations”), a party wishing to convert Indonesian rupiah to foreign currency is required to submit certain supporting documents to the bank handling the foreign exchange conversion, and to confirm that the underlying transaction documents are valid and that the foreign currency will only be used to settle the relevant payment obligations within the timeline specified under the underlying transaction, among other things.

Regulations on Dividend Distributions

Dividend distributions are regulated under Law No. 40 of 2007 on Limited Liability Companies, as amended by Government Regulation In Lieu of Law No. 2 of 2022 regarding Job Creation (the “Indonesia Companies Law”). A limited liability company may only declare dividends if it has positive retained earnings at the end of a fiscal year. Furthermore, the Indonesia Companies Law allows a limited liability company to distribute interim dividends prior to the end of a financial year so long as it is permitted by its articles of association and provided that the interim dividend does not result in the limited liability company’s net assets becoming less than the total issued and paid-up capital and the compulsory reserves fund. If, after the end of the relevant financial year, the limited liability company has suffered a loss, any distributed interim dividends must be returned by the shareholders, and the board of directors and board of commissioners of the limited liability company will be jointly and severally responsible if the interim dividend is not returned. A limited liability company is required to reserve a certain amount from its net profit each year as a reserve fund until such fund amounts to at least 20% of its issued and paid-up capital.

Regulations on E-commerce

General Regulation on E-Commerce

The Indonesian government enacted Government Regulation No. 80 of 2019 on Commerce through Electronic Systems (the “E-commerce Regulation”). This regulation governs the restrictions and requirements for local e-commerce sellers as well as foreign e-commerce sellers if they actively provide their services to Indonesian consumers, and e-commerce platform providers and intermediary service providers. This regulation also regulates, among others, e-contracts, online advertisements and personal data protection in the e-commerce sector.

The Indonesian Ministry of Trade has also published Regulation No. 31 of 2023 on the Provisions of Business Licensing, Advertising, Development, and Supervision of Businesses Actors in Trading through Electronic Systems (“Regulation 31”). Regulation 31 (a) introduced new restrictions on interconnection between electronic systems used for e-commerce and those not used for e-commerce, (b) required platform providers to provide equal business opportunities to all merchants and maintain the prices of goods and/or services and ensure they are free from price manipulations, and to supervise, prevent and mitigate any unfair business practices through the establishment of adequate standard operating procedures, and (c) required platform providers that engage in cross-border marketplace activities to apply minimum prices for merchants that sell imported finished goods within their system.

Any failure to comply with these prohibitions may result in the imposition of administrative sanctions and/or other forms of sanctions, as set out under relevant laws and regulations, including written reprimands and the revocation of business permits.

Governance of Electronic Information and/or Documents

General obligation of the government to prevent the dissemination of prohibited content is explicitly provided under Law No. 11 of 2008 on Electronic Information and Transaction, last amended by Law No. 1 of 2024 (the “Electronic Information and Transaction Law”). The Indonesian Ministry of Communication and Digital Affairs (the “MCD”, previously known as the “Ministry of Communication and Informatics” or “MCI”) has also enacted MCI Regulation No. 5 of 2020 on Private Electronic Systems, as amended (the “Private Electronic Systems Regulation”). Under the Private Electronic Systems Regulation, all digital platforms that fall within the private electronic system provider category are required to ensure that their platforms do not contain or facilitate the dissemination of prohibited content and take down any prohibited content identified in a written notice from MCD within 24 hours, failing which could result in actions by MCD to block the public’s access to the platform, among other things. If the content may disturb public order, the takedown request will be considered as urgent and must be concluded within four hours upon receiving notice from MCD. Furthermore, the Private Electronic Systems Regulation requires private electronic system operators to register their platform with MCD. We have completed the registration for our relevant platforms in Indonesia.

Limitations and Liabilities of Platform Operators and E-commerce Merchants

The E-commerce Regulation includes certain limitations of liability for e-commerce platform providers. E-commerce platform providers and intermediary service providers are discharged from liability for any illegal third-party content found on their platforms if the relevant provider has acted expeditiously to remove or disable access to such content after being aware of its existence. An intermediary service provider will also be discharged from liability for illegal content if acting as a mere conduit, caching, hosting or search engine provider. The Private Electronic Systems Regulation also addresses the steps to be taken by user-generated-content platforms (“UGC platforms”), to be discharged from liabilities arising from prohibited content uploaded by their users, including the establishment of relevant policies and a reporting feature, and compliance with the mandatory take down timeline.

If we fail to employ the abovementioned measures or to act in a timely or effective manner in response to user reports relating to listings or sales of prohibited content, our services may be subject to sanctions in the form of, amongst others, a temporary or permanent block.

Regulations on Personal Data Protection and Information Security

Law No. 27 of 2022 on Personal Data Protection (“PDP Law”) provides a framework for personal data protection in Indonesia. To the extent provisions in existing and separate regulations relating to privacy and/or personal data protection in Indonesia such as MCI Regulation No. 20 of 2016 on Personal Data Protection in Electronic Systems and Government Regulation No. 71 of 2019 on the Provision of Electronic System and Transactions (collectively, “General Data Protection Regulations”) do not conflict with the PDP Law, the non-conflicting provisions in these General Data Protection Regulations remain valid. These General Data Protection Regulations set out the rules governing the protection of personal data that are stored in electronic form while PDP Law governs protection of personal data that are stored in electronic and non-electronic forms. The PDP Law requires any action taken in relation to the processing of personal data by either Personal Data Controllers and Personal Data Processors (as defined in the regulation), including acquisition and collection, processing and analysis, storage, correction and updates, display, announcement, transfer, dissemination, disclosure, and deletion or destruction, to be subject to provisions of the PDP Law, such as requiring prior consent of the owner of such personal data. The PDP Law also imposes obligations on the Personal Data Controllers and Personal Data Processors, including those related to adopting internal data protection and security policies, performing impact assessments for high-risk personal data processing, keeping records of the processing, appointment of a data protection officer, overseas transfer of personal data, and data breach notification to data subjects and the authority.

Failure to comply with the PDP Law may result in sanctions in the form of warnings or written reprimands, temporary suspensions of personal data processing activities, forced deletion or destruction of personal data, and administrative fines of up to 2% of annual revenue. If corporations fail to comply with PDP Law, they may be subject to criminal fines as well as license revocation and liquidation.

Regulations on Consumer Protection

Consumer protection in Indonesia is regulated under Law No. 8 of 1999 on Consumer Protection (the “Consumer Protection Law”), among others. The law details activities and circumstances that are prohibited such as disclosing incorrect and unclear information regarding the services rendered or promoting false advertising. Violations of the Consumer Protection Law may result in an administrative and/or criminal sanction such as monetary compensation or an imprisonment sanction. Other regulations, such as the E-commerce Regulation, specify return and cancellation rights e-commerce platform operators are obligated to give consumers.

The Financial Services Authority (*Otoritas Jasa Keuangan* / “OJK”) has also issued OJK Regulation No. 22 of 2023 on Consumer and General Public Protection in the Financial Services Sector (“OJK Regulation 22”) to prohibit financial services entities from carrying out actions which violate regulatory provisions or societal norms which cause physical and/or psychological disturbances towards potential and/or existing consumers. OJK Regulation 22 also requires financial service institutions to implement consumer protection policies and procedures, have a consumer protection unit or function, and report the implementation of consumer protection to the OJK. Violations of this regulation may result in administrative sanctions, ranging from written warnings to revocation of license.

Regulations on Payment Service Providers

Bank Indonesia has enacted Bank Indonesia Regulation No. 23/6/PBI/2021 on Payment Service Providers (the “Payment Service Providers Regulation”), which regulates the requirements and restrictions for all payment service providers in Indonesia (“PSPs”) and divides the PSP licenses into three categories: i.e., Category 1, Category 2, and Category 3. PSP licenses are classified based on the specific activities provided by a PSP. For example, a Category 1 license is required for PSPs that conduct the following activities: (i) administration of fund sources; (ii) provision of information on fund sources; (iii) payment initiation and/or acquiring services; and (iv) remittance services. Category 2 license is required for PSPs that conduct the activities under items (ii) and (iii) only, and Category 3 license is required for PSPs that provide remittance services and/or other activities determined by Bank Indonesia. We, through our local partnership, hold a Category 1 PSP license which entitles us to provide open loop electronic money/e-wallet services and certain fund transfer services.

Under the Payment Service Providers Regulation, electronic money or e-money is defined as a payment instrument (i) issued on the basis of the source of funds being denominated in Indonesian rupiah that is deposited in advance to the e-money issuer, (ii) where the source of funds denominated in Indonesian rupiah is stored electronically in a server or a chip for purposes of transferring funds, and (iii) where the value of the e-money managed by the issuer is not considered as savings under the banking regulations. The Payment Service Providers Regulation also recognizes two types of e-money systems: (i) closed loop systems, where the e-money can only be used as a payment instrument for goods and/or services provided by the e-money issuer, and (ii) open loop systems, where the e-money can be used as a payment instrument for goods and/or services provided by third party providers. An e-money provider may offer features such as user registration, top-up, payment transaction for purchases and bills payment, while funds transfer and cash withdrawal and any additional features (upon approval from Bank Indonesia) are only available for open loop e-money for registered users and licensed e-money providers. The regulation imposes limits to the amount of e-money unregistered users and registered users can deposit and transact. The maximum amount of e-money transactions in one month is IDR20 million (US\$1,238) for unregistered e-money users, and IDR40 million (US\$2,476) for registered e-money users.

With respect to reporting obligations, both e-money and e-wallet providers are obliged to submit periodical and incidental reports to Bank Indonesia. Any failure to comply with the regulations governing payment service providers may result in reprimands and monetary fines, and depending on the severity of the non-compliance, may also result in temporary suspension of activities and/or revocation of the relevant license.

Regulations on Payment Systems

More broadly, Bank Indonesia has issued Regulation No. 22/23/PBI/2020 of 2020 on Payment Systems (the “Payment Systems Regulation”) which is intended to be an “umbrella” regulation that provides a regulatory framework for the Indonesian payment systems industry, capturing PSPs and payment infrastructure providers (“PIP”).

PSPs include most institutions providing front-end services to end-consumers such as e-money issuers, acquirers, payment gateway services providers, and fund transfer/remittance services providers. PIPs are generally institutions which facilitate clearing and settlements or back-end services, between PSPs or between other PIPs.

PSPs and PIPs are classified based on transaction size, interconnectivity, complexity, and whether they are replaceable. We, through our local partnership, are classified as a PSP.

The Payment Systems Regulation stipulates that for PSPs, foreign investors are permitted to hold up to 85% economic interests and Bank Indonesia does not take into account economic interests in determining control, and foreign investors are permitted to hold up to 49% shares with voting rights. A shareholder in a PSP will be deemed to have control if it holds at least 51% voting rights in the PSP, have a right to appoint members of management in the PSP, or holds a veto right in the PSP's general meeting of shareholders. Such control can only be held by domestic parties.

The Payment Systems Regulation expressly prohibits PSPs from: (i) accepting cryptocurrency in a payment transaction processing, (ii) processing payment transactions with virtual currency as the source of funds, and/or (iii) linking virtual currency with payment transactions processing.

Regulations on Online Lending / Financing

Online lending/financing in Indonesia is regulated under two categories, namely off-balance sheet and on-balance sheet. Whilst online on-balance sheet lending businesses are subject to the financing company regulations that are applicable to its offline counterparts, online off-balance sheet lending, or peer-to-peer lending, is regulated specifically under the OJK Regulation No. 40 of 2024 on Information Technology-Based Co-Funding Services. We hold the multi-finance company lending license in Indonesia. We participate in the peer-to-peer lending business in Indonesia through a licensed local business partner. These financing businesses are, among other things, subject to a cap on interest and fees and/or mandatory membership with industry associations. For example, a multi-financing company is required to join the Asosiasi Perusahaan Pembiayaan Indonesia (APPI) and a peer-to-peer lending company is required to join Asosiasi Fintech Pendanaan Bersama Indonesia (AFPI). The OJK has capped the maximum interest rate and fees chargeable by a peer-to-peer lending company per day for 2025 to, for consumptive loans (mostly loans taken by individuals): (i) 0.3% for tenures less than or equal to 6 months, and (ii) 0.2% for tenures more than 6 months; and for productive loans (mostly loans taken by businesses): (i) 0.1%-0.275% (depending on loan quantum) for tenures less than or equal to 6 months, and (ii) 0.1% for tenures more than 6 months. There may be further changes to the maximum interest rate and fees from 2026.

Regulations on Banking

Banking in Indonesia is regulated under Law No. 7 of 1992 regarding Banking, as amended by Law No. 4 of 2023 on Financial Sector Development and Reinforcement (the “Banking Law”). The Banking Law governs banks’ types and businesses, licensing, legal form and ownership, management structure, and bank secrecy. OJK has also issued Regulation No. 12/POJK.03/2021 on Commercial Banks (the “Commercial Banks Regulation”), which sets out the regulatory frameworks applicable to our banking business in Indonesia, i.e. the ownership and shareholding structures, licensing process, and the foundational principles for the establishment and operation of our bank in Indonesia.

Banks in Indonesia are subject to a range of prudential and regulatory requirements, including minimum capital adequacy, liquidity, and reserve requirements, as well as obligations relating to corporate governance, risk management, anti-money laundering and counter-terrorism financing, economic sanctions, consumer protection, technology risk management, and the conduct of non-financial businesses. In addition, our Indonesia bank’s product approval processes with the OJK for its digital banking services are generally subject to OJK Regulation No. 21 of 2023 on Digital Services by Commercial Banks.

As required under OJK Regulation No. 12/POJK.03/2020 on Consolidation of Commercial Banks, all banks are required to fulfil a minimum core capital amount of at least IDR3 trillion (US\$186 million). The Commercial Banks Regulation also classifies banks into 4 categories based on their core capital (*Kelompok Bank berdasarkan Modal Inti* or “KBMI”), namely: (i) KBMI 1 with core capital equal or less than IDR6 trillion (US\$371 million), (ii) KBMI 2 with core capital between IDR6 trillion (US\$371 million) and IDR14 trillion (US\$866 million), (iii) KBMI 3 with core capital between IDR14 trillion (US\$866 million) and IDR70 trillion (US\$4.3 billion), and (iv) KBMI 4 with core capital of more than IDR70 trillion (US\$4.3 billion). This classification determines the regulatory reporting obligations, supervisory intensity, and the range of banking activities that our Indonesia bank is subject to. As the bank’s scale changes, its KBMI category may be reassessed by OJK, which may result in increased prudential obligations.

Regulations on Financial Conglomerates

On December 23, 2024, the OJK issued Regulation No. 30 of 2024 on Financial Conglomeration and Financial Holding Company (the “Financial Conglomerate Regulation”) which sets out the criteria for financial conglomerates and the establishment or appointment of a financial holding company that is tasked with certain duties and responsibilities. This regulation is intended to improve the efficiency and effectiveness of financial services regulations in Indonesia and the supervision of financial services institutions with common control.

A financial holding company in Indonesia is required where a controlling shareholder or ultimate shareholder meets one of the following criteria: (i) owns at least three financial services institutions in Indonesia from different sector, with total assets of between IDR20 trillion (approximately US\$1.2 billion) and IDR100 trillion (approximately US\$6.2 billion), or (ii) owns at least two financial services institutions in Indonesia from different sectors, with total assets of at least IDR100 trillion (approximately US\$6.2 billion). The OJK, at its discretion, may designate a business group as a financial conglomerate even if it does not meet the above-mentioned thresholds—particularly where the group’s operations are complex (e.g., based on product or service variety, transaction volume, product sensitivity, or performance outcomes) or have significant influence on the financial sector. Conversely, the OJK may also determine that a previously designated financial conglomerate no longer qualifies, based on the asset composition or dominance within its financial services institutions.

The financial holding company may be operational or non-operational. The minimum amount of paid-up capital for a non-operational financial holding company is the nominal value of shares invested by such company in members of the financial conglomerate.

The financial holding company is responsible for a range of matters in respect of the entities in the financial conglomerate, including being responsible for their activities, making capital participation, carrying out management services to improve the effectiveness of consolidation and business strategies, and supporting the financial optimization. The Financial Conglomerate Regulation also requires the financial holding company to be involved in the risk management, governance, and prudential oversight of the financial conglomerate.

The Financial Conglomerate Regulation requires controlling shareholders and/or ultimate shareholders of the Indonesian financial institution group that meets the criteria to submit an application for the establishment of a financial holding company in Indonesia within 6 months after the regulation takes effect.

Regulations on Anti-money Laundering and Prevention of Terrorism Financing

Prevention and Eradication of Money Laundering

Law No. 8 of 2010 on Prevention and Eradication of Money Laundering, as amended, regulates the types of transactions which are required to be reported to the Indonesian Financial Transaction Reports and Analysis Center (“PPATK”). Any party who conceals or disguises the origin, source, location, allocation, assignment, or actual ownership or assets known or reasonably suspected to be proceeds of crimes may be subject to monetary sanction of up to IDR5 billion (US\$309,463) or imprisonment of up to 20 years. Financial service providers must comply with know-your-customer principles and report suspicious financial transactions that it believes is related to money laundering to the PPATK. The reporting party is required to report to PPATK any suspicious financial transaction entered into with its customers having a minimum amount of IDR500 million (US\$30,946), or an equivalent value in other currencies, and/or any financial transaction involving the transfer of funds from and to other countries.

Failure to submit the report may subject the reporting party to administrative sanction(s) including warning letters, public announcements on the action or an administrative penalty.

Prevention and Eradication of Terrorism Financing

Law No. 9 of 2013 on the Prevention and Eradication of Terrorism Financing was enacted in order to prevent the funding of terrorists. Under this regulation, an act of terrorism financing is defined as direct and/or indirect acts to provide, collect, grant, or loan funds to persons that would knowingly use the funds to conduct terrorist acts. Companies that fund terrorism in Indonesia may face large monetary fines, have their assets seized and their permits revoked. Moreover, such companies may also be dismantled or expropriated by the government. Financial service providers must comply with know-your-customer principles and report suspicious financial transactions that it believes is related to terrorism to the PPATK. Intentionally failing to do so may result in fines of up to IDR1 billion (US\$61,893). Financial service providers that provide fund transfer services must also request the sender of funds to present identification and information explaining the purpose of the fund transfer and must keep a record of all transactions for at least five years.

Regulations Relating to Game Business

MCD has enacted the MCI Regulation No. 2 of 2024 on Game Classification (the “Game Classification Regulation”). Under the Game Classification Regulation, any individual, business entity and/or legal entity that markets gaming products (“Game Publisher”) must conduct an independent classification on the gaming products that it intends to advertise and/or market in Indonesia, which must then be assessed by a game classification examiner or MCD. The Game Classification Regulation classifies games into five categories which are intended to guide parents and users to choose games that are appropriate for the age group of the users. Based on the content of the games, games are classified into the following age groups: (i) 3 years old and over, (ii) 7 years old and over, (iii) 13 years old and over, (iv) 15 years old and over, and (v) 18 years old and over. The content categories that are used to classify the games into the foregoing categories include alcohol use, cigarette and/or electronic cigarette, violence, language use, and online interaction.

Failure to comply with the classification requirement may subject a Game Publisher to administrative sanctions in the form of written reprimand, temporary suspension of the game, or permanent suspension of the game. Game Publishers are given a 2-year grace period from January 24, 2024 to comply with the Game Classification Regulation. Games that are already classified or rated outside of Indonesia and marketed in Indonesia must also comply with the Game Classification Regulation within the 2-year grace period.

Regulations on Labor

Under Law No. 13 of 2003 on Manpower, as amended, we are required to pay our employee the stipulated minimum wage.

Indonesia has adopted social protection and social welfare programs for employees who are working in Indonesia under Law No. 24 of 2011 on the Social Security Agency, as amended, pursuant to which an employer is required to register itself and its employees as employment social security participants and to make the requisite financial contributions. Failure to comply with this obligation may result in written warnings, fines, imprisonment and/or exclusion from certain public services. In addition, every person, including foreign nationals, who is employed for at least six months in Indonesia, must participate in the social security programs in Indonesia.

Taiwan

Regulations on Foreign Investment

There have been and remain tensions surrounding the Taiwan Strait. If such tension intensifies, our business in Taiwan might not be able to operate normally or at all. Due in large part to these tensions, Taiwan has imposed restrictions on investments by PRC investors.

Investment in Taiwan by PRC investors is governed by the Measures Governing Investment Permits to the People of the Mainland Area, (the “Measures”), which was last amended on December 30, 2020, and promulgated by the Ministry of Economic Affairs of Taiwan, or the MOEA. PRC investors refer to PRC individuals, juristic persons, organizations and other institutions and PRC invested companies from other jurisdictions (collectively, “PRC investors”). “PRC invested companies from other jurisdictions” refer to those entities incorporated outside of the PRC and invested by PRC individuals, juristic persons, organizations and other institutions that (i) directly or indirectly hold more than 30% of the shares or capital of such entities (each intermediate holding company shall be separately assessed based on this 30% test to determine whether it is deemed a PRC invested company from other jurisdictions), or (ii) have the ability to control such entities. Under applicable regulatory guidance, “control” is defined to include: (i) having the ability to hold more than 50% of the voting shares under agreement with other investors; (ii) having the ability to control the financing, operation and personnel appointment and removal of the company according to laws or agreements; (iii) having the ability to appoint or remove more than half of the members of the board of directors or more than half of the key members of the other organization that is able to direct a company’s operation, and such company is controlled by the board of directors or such other organization mentioned above; (iv) having the ability to direct more than 50% of the voting power in the board of directors or more than 50% of the voting power in the other organizations that is able to direct a company’s operation, and such company is controlled by the board of directors or such other organization mentioned above; or (v) other indicia of control as set forth in the International Financial Reporting Standards or Enterprise Accounting Standards promulgated by the Financial Accounting Standards Committee of the Accounting Research and Development Foundation of the Republic of China. PRC investors are required to apply for an approval before engaging in the following investment activities: (i) holding the shares issued by or making capital contribution in a company, sole proprietorship, partnership or limited partnership in Taiwan, exclusive of a single or accumulated investment that is less than 10% of the shares in a company that is listed on a stock exchange or traded on an over-the-counter market or emerging stock market in Taiwan; (ii) setting up a branch office, sole proprietorship, partnership or limited partnership in Taiwan; (iii) providing loans to invested companies invested by (i) and (ii) for more than one year; (iv) having the ability to control a sole proprietorship, partnership, limited partnership or company in Taiwan that is not listed and traded on a Taiwanese stock exchange, an over-the-counter market or emerging stock market according to agreements or other methods; or (v) a PRC invested companies from other jurisdictions acquires business or assets of a Taiwanese company that is not list and traded on a Taiwanese stock exchange, an over-the-counter market or emerging stock market. In addition, if a PRC investor is a juristic person, organization, or other institution invested by (a) a “political party,” military, administrative or political agency of PRC, or (b) PRC invested companies from other jurisdictions invested by the agencies listed in item (a) above, the Taiwan authorities may restrict or prohibit such PRC investor from investing in businesses in Taiwan. PRC investors are not allowed to invest in a Taiwan company that operates businesses in certain statutory business categories, such as computer recreational activities, software publication, third party payment and general advertising.

Before investing in Taiwan in accordance with the Measures, PRC investors investing in a Taiwan company that operates businesses in certain permitted statutory business categories are required to apply for prior approval from the MOEA.

In case of being deemed non-compliant with the above-mentioned laws and regulations, the Taiwan authorities may take a range of actions, including:

- imposing fines between NT\$120,000 (US\$3,660) to NT\$25,000,000 (US\$762,428) and further fines if the non-compliance is not rectified as ordered;
- ordering the violator to reduce any direct or indirect ownership or control by PRC investors;
- requesting the violator to divest some or all of its investment or control in its invested entities in Taiwan;
- suspending the rights of shareholders; and
- discontinuing the operations and revoking the business licenses of its invested entities in Taiwan.

Foreign Investors

Foreign investments in Taiwan are governed by the Statute for Investment by Foreign Nationals, last amended on November 19, 1997. Foreign investors may invest by holding shares issued by a Taiwanese company, contributing to its registered capital, establishing a branch office, a proprietary business or a partnership in Taiwan, or providing loans to the invested business for a period exceeding one year, provided that the business items of the invested Taiwanese company are not in a negative list promulgated by the MOEA from time to time.

Regulations on Foreign Exchange

Foreign exchange matters are generally governed by Taiwan’s Foreign Exchange Regulation Act and regulated by the Ministry of Finance of Taiwan, and the Central Bank of the Republic of China (Taiwan). Authorized by the Foreign Exchange Regulation Act, the Central Bank of the Republic of China (Taiwan) has promulgated the Regulations Governing the Declaration of Foreign Exchange Receipts and Disbursements or Transactions in order to deal with the declaration of foreign exchange receipts, disbursements or transactions involving NT\$500,000 (US\$15,249) or more or its equivalent in foreign currency.

Under existing laws and regulations, foreign exchange approvals must be obtained from the Central Bank of the Republic of China (Taiwan) on a payment-by-payment basis. A single remittance by a company with an amount over US\$1 million or its equivalent in foreign currency shall be reported and documents supporting the accuracy of such report shall be provided to the bank handling such remittance before the remittance is conducted. In addition, remittances by a company whose annual aggregate amount exceeds US\$50 million or its equivalent in foreign currency may not be processed without the approval of the Central Bank of the Republic of China (Taiwan). Although such approvals have been routinely granted in the past, there can be no assurance that in the future any such approvals will be obtained in a timely manner, or at all.

Regulations on Dividend Distributions

Dividend distributions by companies incorporated in Taiwan are governed by the Taiwan Company Act. Under the Taiwan Company Act, with respect to a corporate entity, dividends shall only be distributed after the 10% of annual net income (less prior years’ losses, if any, and applicable income taxes) is set aside as a legal reserve until the accumulated legal reserve equals the paid-in capital of such company. In addition, a foreign company’s Taiwan branch, such as our digital entertainment business entity in Taiwan, is not entitled to distribute dividends or make other distributions and can only remit the profits to its holding company in accordance with foreign exchange control regulations after satisfying the relevant income tax obligation in Taiwan.

Regulations on E-commerce

As there are no specific regulations in Taiwan governing e-commerce businesses, operation of e-commerce in Taiwan is regulated by a number of legislations, such as the Personal Data Protection Act, the Act Governing Electronic Payment Institutions, Regulations Governing Anti-Money Laundering and Countering the Financing of Terrorism for Enterprises or Persons Providing Third-Party Payment Services, and the Consumer Protection Act. See “—Regulations on Payment Processing Services” and “—Regulations on Data Protection and Information Security” below. The regulation on e-commerce by the Consumer Protection Act is generally implemented through the Matters to be included and Excluded in the Online Transaction Standard Form Contracts for Retailers and Others. According to this legislation, online retail business is required to present certain information on their website, such as product information, delivery method and location, and mechanism for resolution of consumer disputes.

Regulations on Payment Processing Services

Under the Act Governing Electronic Payment Institutions, an “electronic payment institution” means a company approved by the Financial Supervisory Commission to operate the following businesses and certain ancillary or derivative businesses as prescribed under the Act Governing Electronic Payment Institutions: (i) collecting and making payments for real transactions as an agent, (ii) accepting deposits of funds as stored value funds, (iii) conducting small amount of domestic or foreign exchange, and (iv) conducting the purchase and sale of the foreign currencies and the currencies of PRC, Hong Kong or Macau. However, a company which (i) only engages in the business of collecting and making payments for real transactions as an agent; (ii) the total balance of funds it collects/pays and keeps does not exceed NT\$2 billion (US\$61 million) in the average daily amount of a year; and (iii) does not accept deposits of funds as stored value funds, or transfer funds between e-payment accounts, is not considered an electronic payment institution, and will be considered a third-party-payment service provider instead. If the total balance of funds such company collects/pays exceed NT\$2 billion (US\$61 million) in the average daily amount of a year, or if such company either accepts deposits of funds as stored value funds, or transfers funds between e-payment accounts or by using a stored value card, such company shall apply for a license to qualify as an electronic payment institution.

Regulations on Imported Games and Game Operations

Operations of online games are regulated by the Regulations on the Rating of Game Software. Game operating companies and agents of game software need to clearly label the rating and warning language on the packaging or webpages of the game according to the rating system under the regulations and register the rating level and plot of such game software in the database of the competent authority. In the event the rating level of a game is not labeled properly, the game operating company or agent may be subject to fines, and may be subject to repeated penalties if not rectified.

In addition, according to the Recording of Matters in the Standard Contracts of Online Games, game operating companies need to label the following information on their game websites, log-in page of the game or checkout page, and the packaging of their games: (i) the rating level and the age groups that are prohibited or suitable for the game, (ii) the minimum system requirements for running the game, (iii) payment information for safety systems provided within the online games (if any) and whether such safety systems are free or not, and (iv) information and certain warning language regarding in-game activities, rewards, prizes and winning percentage.

Regulations on Data Protection and Information Security

The main regulation governing the protection of personal data in Taiwan is the Personal Data Protection Act. The Personal Data Protection Act governs the collection, processing and use of personal information in order to prevent abuse of personal data by other parties. Companies that seek to collect, process and use personal information need to disclose the name of the party collecting the personal information and the purpose of collecting the personal information subject to the user’s consent. Data subjects should also be informed of their rights under the Personal Data Protection Act and how they can exercise such rights. Our businesses in Taiwan are required to comply with the Personal Data Protection Act while collecting, processing, transferring, and using the personal information of our users. Failure to comply with the Personal Data Protection Act may give rise to fines and criminal liability.

Regulations on Anti-money Laundering and the Prevention of Terrorism Financing

According to the Money Laundering Control Act and the Regulations Governing Anti-Money Laundering and Countering the Financing of Terrorism for Enterprises or Persons Providing Third-Party Payment Services of Taiwan, a third-party-payment service provider has to: (i) complete service capacity registration; (ii) establish internal control and audit systems based on the scale of their business operations and the level of money laundering / terrorism financing risks; (iii) undertake know-your-customer measures and conduct ongoing due diligence on merchants; and (iv) conduct continuous transaction monitoring and report suspicious cases to the Investigation Bureau of the Ministry of Justice when transactions meet the criteria defined by regulations or internal policies. We will continue to closely monitor regulatory developments in order to continue to comply with the anti-money laundering and prevention of terrorism financing regulations.

Regulations on Labor

According to the Labor Standards Act of Taiwan, employers are not allowed to terminate employment contracts without cause. Further, the mere transfer of ownership of a company is not sufficient grounds for laying off employees. Only when the employer is to be dissolved due to transactions under the Business Mergers and Acquisitions Act can such employer terminate the employment agreements with employees that are not offered employment by the surviving or assigned company. Under the Labor Standards Act and the Labor Pension Act of Taiwan, employers are required to contribute no less than 6% of an employee’s monthly salary into a specific account as part of the employee’s pension. Under the Labor Insurance Act of Taiwan, employers should withhold and pay for certain statutory percentages of the labor insurance premiums for employees aged between 15 and 65. In addition, under the National Health Insurance Act of Taiwan, employers are required to pay a certain statutory percentage of the employees’ health insurance premium.

Vietnam

Regulations on Foreign Investment

Foreign investment into Vietnam is regulated by both domestic legislation and international agreements, with the primary regulations being the Law on Investment and Vietnam’s WTO commitments. Foreign investment is generally divided into three categories: unrestricted, restricted, and prohibited. With respect to the “restricted” category, restrictions can take the form of a specific foreign ownership ceiling in a foreign-invested company, a general requirement to enter into a joint venture with a Vietnamese party with no mandated maximum foreign ownership ceiling, or the requirement to obtain certain government approvals for foreign ownership with respect to the industries that the Vietnam government has not committed to opening to foreign investment. For example, foreign ownership in companies engaging in online game business may not exceed 49% following Vietnam’s WTO commitments, and companies with foreign ownership engaging in e-payment or e-commerce business have to obtain certain government approvals. We have obtained approvals from competent authorities of Vietnam for direct ownership of equity interests in our e-commerce, e-payment and online game businesses as a foreign investor, including approval for 100% direct ownership in our e-commerce business.

Under the Law on Investment 2020, the investment registration authority of Vietnam could terminate an investment project in whole or in part if the investor conducted investment activities on the basis of a false civil transaction, which is a transaction falsely entered into by transacting parties for the purpose of concealing other transactions or evading responsibilities to a third person. Such termination decisions may only be based on legally effective court judgments or decisions or the arbitration award under the Article 59 of Decree 31/2021/ND-CP regulating the implementation of Law on Investment.

Financial Support Provided by Offshore Entities

Financial support in the form of loans, direct cash injections and guarantees provided by an offshore entity to a Vietnam entity is permitted under Vietnamese laws, including Vietnam’s foreign exchange control regime. Loans provided by offshore lenders to Vietnam entities with a term of (i) more than 12 months, (ii) 12 months or below but extended to more than 12 months and (iii) 12 months or below but with the outstanding principal loan amount and interest remaining outstanding one year from the first disbursement date, unless such principal amount is settled within 30 working days, must be registered with the State Bank of Vietnam and must satisfy certain conditions with respect to, among others, the term, type, amount, currency and purpose of the loan. There is no other restriction imposed on any of the foregoing financial support mechanisms.

Regulations on Foreign Exchange

Vietnam does not possess a fully liberalized foreign exchange control regime, and the use, exchange and remittance of foreign currencies are regulated by the Ordinance on Foreign Exchange Control and its guiding instruments, along with miscellaneous regulations on inward investment.

The use of, and exchange of foreign currencies for, Vietnamese dong, is broadly dependent on whether such foreign currencies are used for capital investment purposes or general transactional purposes. Capital investment comprises both indirect investment and direct investment, with direct investment generally defined as any foreign investment where (i) foreign investor(s) establish a corporate entity and is required to obtain an investment registration certificate, (ii) foreign investor(s) hold 51% or more of the charter capital following a merger, acquisition or restructuring, (iii) foreign investor(s) establish a project company to implement public-private partnership project(s), or (iv) foreign investor(s) hold 51% or more of the charter capital following the establishment of a corporate entity pursuant to specialized laws without being required to obtain an investment registration certificate. Foreign currencies and Vietnamese dong are permitted to be used for direct investments and only Vietnamese dong may be used for indirect investments. All capital investments into Vietnam, whether direct or indirect, must be made through specialized investment capital bank accounts, and any dividend distributions and returns of capital from such investments must be made through the same accounts. There are no foreign exchange control or remittance restrictions imposed on amounts held in such investment capital bank accounts, except for the requirement for supporting documents evidencing valid remittances.

Vietnamese dong held in current accounts can generally be freely exchanged for foreign currency and subsequently remitted offshore, provided that the origin of such amounts and the reason for the exchange and remittance are legitimate. Contracts for the supply of goods or services entered into between a Vietnamese individual or company and a foreign company are one of the valid bases for such foreign currency exchange transactions.

Regulations on Dividend Distributions

In Vietnam, a company is generally allowed to pay dividends or distribute profits after it has settled all of its outstanding tax or other financial obligations, and set off previous losses, provided that the payment of the dividends will not result in the company being unable to discharge its debts and other liabilities.

Additionally, the distributed dividend or profit is allowed to be repatriated at the end of the financial year, after the audited financial statements and the corporate income tax clearance have been submitted to the tax authority.

Regulations on E-commerce

E-commerce businesses are mainly governed by the Law on E-Transactions, Decree No. 52/2013/ND-CP, as amended and supplemented by Decree No. 85/2021/ND-CP (“Decree 85”), Circular 47/2014/TT-BCT, and Circular No. 59/2015/TT-BCT, as amended and supplemented by Circular No. 01/2022/TT-BCT (“Circular 59”).

According to Decree 85, companies that own e-commerce direct sale websites must notify the Ministry of Industry and Trade of Vietnam (“MOIT”) if such websites have an online ordering function. Companies that own e-commerce service provision websites, including e-commerce marketplace, online auction websites, and online promotion websites, must register with the MOIT. In addition, under Decree 85, an approval from the Ministry of Public Security must also be obtained by any foreign investors who have “control” in a company on the MOIT’s list of the top five e-commerce companies in Vietnam. Such a list has not been released by MOIT as of the date of this annual report.

According to Circular 59, e-commerce mobile applications include (i) applications used for direct sale of goods and (ii) applications for provision of e-commerce services. Accordingly, a company with an application used for sale of goods, which includes an online ordering function must notify the MOIT and a company with an application for the provision of e-commerce services must register with the MOIT. However, a company with an application for both sale of goods and provision of e-commerce services must register to establish an e-commerce service provision website and register the e-commerce service provision application with the MOIT.

According to Decree No. 09/2018/ND-CP (“Decree 09”), foreign-owned entities that provide e-commerce services are also required to obtain a specific business license from the Department of Industry and Trade (“DOIT”). Our e-commerce business in Vietnam is currently in compliance with the business licensing requirements under Article 50.1 of Decree 09. As a continuing licensing requirement under Decree 09, we have obtained the license under Decree 09 in November 2024.

The Prime Minister of Vietnam issued Decision No. 01/2025/QĐ-TTg eliminating the exemptions from import duty and value added tax for low-value goods imported from overseas, effective as of February 18, 2025.

An amendment to the Law on Tax Administration became effective from April 1, 2025, requiring e-commerce platform operators to collect, declare and pay a percentage of income tax on behalf of eligible sellers on the platform.

The new Law on Consumer Protection Rights came into effect on July 1, 2024. This law regulates certain obligations for intermediary digital platforms, including e-commerce platforms. It includes specific requirements for large digital platforms, including creation of an archive for algorithm-based advertising and periodically evaluating content moderation and user verification processes.

Regulations on E-payment Services

According to Decree No. 52/2024/ND-CP, intermediary payment services include financial switch services, international financial switch services, electronic clearing services, digital wallet services, collection and payment on behalf services, and electronic payment gateway services. Companies that wish to provide intermediary payment services are required to obtain a license for intermediary payment services. To obtain this license, companies must satisfy certain conditions, such as meeting minimum equity capital thresholds (VND50 billion, or approximately US\$2.1 million) as well as having qualified personnels and systems in place.

We hold the license for intermediary payment services for electronic payment gateway services, collection and payment on behalf services and digital wallet services in Vietnam.

Regulations on Anti-money Laundering and Prevention of Terrorism Financing

Vietnam’s Law on the Prevention of Money Laundering 2022 contains the primary anti-money laundering and prevention of terrorism financing regulations in Vietnam. It applies to all financial institutions (including intermediary payment service providers like us) and certain non-financial institutions engaged in specific business activities, which include offering games for prizes. Intermediary payment service providers are classified as one of the reporting entities under the Law on the Prevention of Money Laundering 2022.

The Department of Anti-Money Laundering established under the State Bank of Vietnam monitors and regulates Vietnam’s anti-money laundering regime. Entities subject to the anti-money laundering regime have obligations to report high-value and suspicious transactions, conduct know-your-customer procedures, customer due diligence and close supervision of high-risk transactions.

Regulations on Imported Games and Game Operations

According to Circular No. 34/2013/TT-BCT, games are permitted to be imported into Vietnam. With regard to the publication of games, including electronic games, Vietnam’s WTO commitments allow foreign investors to provide electronic games only through a business cooperation contract or a joint venture company with a Vietnamese partner which is licensed to provide electronic games. Foreign investment into the joint venture company generally shall not exceed 49% following Vietnam’s WTO commitments. See “—Regulations on Foreign Investment” above.

On November 9, 2024, the Vietnam government issued Decree No. 147/2024/ND-CP (“Decree 147”) regulating the management, provision, and use of Internet services and online information (including electronic games). Decree 147 replaces Decree No. 72/2013/ND-CP on the management, provision, and use of Internet services and online information (“Decree 72”).

Decree 147 maintains the same classification method for games as outlined in Decree 72, including: G1 games (simultaneous interactions among various players via a game server), G2 games (interactions only between players and a game server), G3 games (simultaneous interactions among various players but no interactions between players and a game server), and G4 games (those downloaded from a network with no interaction among players or between players and the game server). Currently, we operate G1 games. Companies can operate G1 games after obtaining a license to provide game services (“G1 Game License”) and, for each G1 game that the company operates, it also needs to obtain a G1 Game Release Permit. We have obtained all necessary licenses and permits for game operation business in Vietnam.

Regulations on Data Protection and Information Security

The Vietnam National Assembly issued the Law on Cybersecurity which regulates that any foreign service provider in the fields of e-payment, e-commerce, online games, and certain other industries, is required to have a commercial presence in Vietnam (such as branch or representative office) and to localize the user’s data in Vietnam. The government issued Decree No. 53/2022/ND-CP to provide further details on a number of articles of the Law on Cybersecurity.

Decree No. 13/2023/ND-CP on personal data protection defined personal data as electronic information in the form of symbols, letters, numbers, images, sounds, or equivalences associated with an individual or used to identify an individual. The personal data includes general personal data and sensitive personal data. This decree also classified personal data into types, including (i) general personal data such as name, date of birth, gender, nationality, etc. and (ii) sensitive personal data such as political and religious opinion, health condition, information on customers of credit institutions, etc. This decree also specifies the rights and obligations of personal data subject as well as the relevant parties involved in collecting and processing personal data.

Regulations on Labor

Vietnam’s Labor Code, along with a number of guiding instruments, regulates the relationship between employers and employees in Vietnam, including both Vietnamese nationals and expatriates. It specifies that an employment contract must generally be made in writing. In accordance with Labor Code 2019, there are two types of labor contracts, indefinite term and definite term contracts. An employer is only permitted to offer two consecutive fixed term contracts, subsequent to which the employment contract must be an indefinite term contract. Employees are entitled to statutory benefits payable by the employer, including health, social and unemployment insurance.

Thailand

Regulations on Foreign Investment

Foreign investment in Thailand is regulated under the Thai Foreign Business Act, B.E. 2542 (1999), as amended, which states that a foreigner is restricted from engaging in certain businesses in Thailand as described in the Thai Foreign Business Act, such as advertising business, sale of food and beverage, and other service businesses which include e-payment services, unless an approval is granted by the Cabinet of Thailand or a foreign business license or a foreign business certificate is granted by the Ministry of Commerce of Thailand, depending on the type of business specified under the Annexes to the Thai Foreign Business Act, or there is an exemption under other specific laws.

The term “foreigner” under the Thai Foreign Business Act covers the following definitions:

- (i) a natural person who is not a citizen of Thailand;
- (ii) a juristic person not established in Thailand;
- (iii) a juristic person established in Thailand with half or more of the shares constituting its capital held by (i) or (ii) or half or more of the total capital of such juristic person invested by (i) or (ii); and
- (iv) a juristic person established in Thailand with half or more of the shares constituting its capital held by (i), (ii) or (iii), or half or more of the total capital of such juristic person invested by (i), (ii) or (iii).

Under the Thai Foreign Business Act, the definition of “foreigner” does not include references to relative voting arrangements, control of the management of a company or the economic interests of Thai and foreign nationals. The Thai Foreign Business Act only considers the immediate level of shareholding. As a result, no cumulative or look-through calculation is applied to determine the foreign status of a company when it has several levels of foreign shareholding. See “—C. Organizational Structure—Thailand Shareholding Structure” for more details about our shareholding structures in Thailand and “Item 3. Key Information—D. Risk Factors—Business and Operational Related Risks—Other Operational Risks—We rely on structural arrangements to establish control over certain entities and government authorities may determine that these arrangements do not comply with existing laws and regulations. We are also subject to other risks relating to such structural arrangements.”

Regulations on Foreign Exchange

The legal basis for foreign exchange control in Thailand is derived from the Exchange Control Act, B.E. 2485 (1942), as amended, and the Ministerial Regulation No. 13 B.E. 2497 (1954), as amended.

In order to control the volume of foreign currency in Thailand and promote the stability of the Thai baht, foreign exchange regulations in Thailand state that all foreign exchange transactions, including those involving purchases, sales, exchanges and transfers, shall be conducted through authorized parties, including commercial banks and through authorized non-banks, namely authorized money changers, money transfer agents, and companies, that are granted foreign exchange licenses from the Minister of Finance of Thailand. There is no limit on the remittance of foreign currency into Thailand; nevertheless, the remittance of foreign currency to outside of Thailand is primarily limited to the value of the underlying transaction. Prior approval from the Bank of Thailand may be necessary if the transaction is beyond what is allowed under the regulations. Failure to comply with the laws and regulations will lead to a fine and/or imprisonment. We only remit foreign currency out of our Thailand operations through commercial banks and authorized non-banks with the requisite licenses and obtain separate approval from the Bank of Thailand for such transactions (if required).

Regulations on Dividend Distributions

Dividend distributions by private companies incorporated in Thailand are governed by the Civil Commercial Code and the Thai Revenue Code. Dividends shall only be distributed out of a company’s profit. A company looking to distribute dividends is required to set aside at least 5% of its retained earnings into a legal reserve fund at the time the dividend is paid until and unless the legal reserve fund reaches 10% of the company’s registered capital.

The dividend distributed to a company’s shareholders is subject to a 10% withholding tax. The withholding tax may be exempt or reduced depending on the rules and regulations of the Thai Revenue Code and the double taxation agreements that Thailand has entered into with other countries.

Regulations on E-commerce

Pursuant to the Direct Sale and Direct Marketing Act B.E. 2545 (2002), (as amended, the “Direct Sale and Direct Marketing Act”), companies engaging in direct sales or direct marketing are required to register their business with the Secretariat General of the Office of Consumer Protection or the officer appointed by the Secretariat General of the Office of Consumer Protection. We have made the required registration for our Shopee e-commerce marketplace in Thailand. Under the Direct Sale and Direct Marketing Act, companies that operate an online marketplace are direct marketing companies and are required to comply with applicable laws and regulations and to ensure that documentation evidencing sales and purchases of goods and services on its online marketplace are provided to consumers.

The e-commerce platform business is also subject to the Royal Decree on Digital Platforms, which mandates certain notification obligations for digital platforms exceeding certain annual revenue or average monthly user thresholds. Information required to be submitted to Electronic Transactions Development Agency (“ETDA”) includes details about the company, the platform, users and top complaint matters.

Depending on the size and type of the digital platform, the Royal Decree on Digital Platforms also sets various platform-related requirements, including notifications to the ETDA, conditions for provision, suspension, or cessation of service (including fees, remuneration, and expenses), criteria/algorithm used to rank, recommend, or advertise goods or services, satisfaction ratings and feedback from users, access and usage of data shared with business operators on the digital platform, and information about inquiries, complaints, disputes and responses concerning alleged unlawful or sensitive content (including content rating practices). Large digital platforms will be subject to additional requirements, including related to risk assessment, risk management, security measures, crisis management and external audit.

Regulations on Consumer Protection

Thailand’s consumer protection laws include the Consumer Protection Act B.E. 2522 (1979), as amended, the Unfair Contract Terms Act, B.E. 2540 (1997), the Product Liability Act B.E. 2551 (2008) and the Consumer Case Procedure Act B.E. 2551 (2008). Such laws aim to promote greater transparency and more accurate disclosures regarding products and services, adequate compensation if consumers are harmed by a product or service and fair transaction terms between sellers and buyers.

Regulations on E-payment Services

In Thailand, electronic transactions and e-payment services are governed by several governmental authorities and regulations including the Electronic Transaction Commission, the Governor of the Bank of Thailand or his or her designee, the Electronic Transactions Act, B.E. 2544 (2011), as amended, and the Payment Systems Act, B.E. 2560 (2017) (the “Payment Systems Act”).

Under the Payment Systems Act, an operator seeking to operate a regulated payment system or regulated payment service, which includes e-payment services, is required to have a license. Regulated e-payment services businesses include: (i) credit card, debit card, or ATM card services, (ii) electronic money services, (iii) service of receiving electronic payment for and on behalf of sellers, service providers or creditors, (iv) service of transferring money by an electronic means, and (v) other payment services which may affect the financial system or public interest.

We have the e-payment service business licenses in Thailand for (i) electronic money services, (ii) payment facilitating services, (iii) services for receiving electronic payments for and on behalf of sellers, service providers or creditors, and (iv) services for transferring money by electronic means.

Any non-compliance with the regulations regarding the regulated payment system or the regulated payment services will be subject to penalties, including monetary fines and criminal liabilities (imprisonment), and, depending on the severity of the non-compliance, may result in the suspension or revocation of the relevant licenses obtained under such regulations.

In addition, the Bank of Thailand has issued the Notification of the Bank of Thailand No. SorNorChor 1/2564 (2021) Regarding the Guideline on Supervision of Information Technology Risk in accordance with the Laws on Payment System requiring the designated payment services providers to arrange appropriate IT governance, IT security controls, and IT risk management.

The Royal Decree on Measures for Protection and Suppression of Technology Crimes B.E. 2566 (2023) requires financial institutions and e-payment services operators to (i) share information of accounts and transactions that could be related to cybercrime to other financial institutions and e-payment services operators via a designated system, (ii) temporarily freeze suspicious transactions that could be related to cybercrime, (iii) notify other financial institutions and operators that would be a transferee of the transaction in (ii), and (iv) report the information to the relevant authority and share such information through the designated system in accordance with (i).

Regulations on Nano Financing

The Ministry of Finance promulgated the Notification Regarding Businesses that Require a Permit According to Section 5 of the Notification of the Revolution Council No. 58 (Nano Finance), (the “Nano Finance Notification”), which requires a nano finance business operator to obtain approval from the Minister of Finance through the Bank of Thailand. The Nano Finance Notification also stipulates that loan proceeds from nano financing may only be used for business-related purposes in order to boost opportunities to small business owners. Certain of our loan products are offered under our nano finance license in Thailand.

The Bank of Thailand has promulgated the Notification No. SorNorSor 13/2563 (2020) Regarding the Rules, Procedures and Conditions for the Operation of Nano Finance Businesses. Under such notification, operators of nano finance businesses should take into account the borrower’s ability to repay the loan (which is unsecured) and consider a credit limit for each borrower. The maximum credit limit of a loan product offered under the nano finance license shall not exceed THB100,000 (US\$2,914), and the interest rate, together with fees and penalties, shall not exceed 33% per annum. In addition, the nano finance business operator shall maintain a debt-to-equity ratio of seven times or less throughout its operation.

The Bank of Thailand has issued Notification No. SorNorSor 14/2566 (2023), to amend the Notification No. SorNorSor 13/2563 (2020). Nano finance business operators are now prohibited from charging interest, fines, penalties, fees, or any other charges in the case where customer redeem or repay the loan before the scheduled due date (prepayment fee), whether in full or in part.

The Bank of Thailand has issued Notification No. 3/2568 (2025) regarding Responsible Lending to establish market conduct and provide legal compliance obligations for nano finance business operators. Under such notification, nano finance business operators are required to adopt eight principles in business operation such as to: (i) ensure accurate and clear advertising and provide complete and accurate information to customers; (ii) consider customers’ affordability and repayment ability; and (iii) give advance notifications to debtors, among others.

Regulations on Personal Loans

Personal loan operators are subject to the Notification regarding Businesses that Require a Permit According to Section 5 of the Notification of the Revolution Council No. 58 (Supervised Personal Loan), as amended, and its implementation rules promulgated by the Bank of Thailand, (collectively, the “Supervised Personal Loan Notification”) which requires a company providing uncollateralized personal loans for no specific purpose to individuals to obtain a supervised personal loan business license. Certain of our loan products are offered under our personal loan business license in Thailand.

The Bank of Thailand’s Notification No. SorNorSor 12/2563 (2020) requires that the credit limit for personal loans granted under the personal loan license (not including for occupational purposes) should not exceed (i) one and a half the average monthly income of the borrower or the average monthly balance in the borrower’s deposit account, in the case where the average income is below THB30,000 (US\$874) a month; or (ii) five times the average monthly income of the borrower or the average monthly balance in the borrower’s deposit account, in the case where the average income is over THB30,000 (US\$874) a month, on a per financial institution basis, based on calculation of income sources or cash flow of deposit accounts in the past six months or such longer period as may be required by the regulator. Moreover, the interest rate for personal loans granted under the personal loan license, together with fees and penalties, shall not exceed 25% effective rate per annum.

Adhering to the same approach as in nano finance business, the Bank of Thailand’s Notification No. SorNorSor 13/2566 (2023) amended the Notification No. SorNorSor 12/2563 (2020), personal loan business operators are now also prohibited from imposing interest, fines, penalties, fees, or any charges when customers redeem or repay the loan before the scheduled due date (prepayment fee), whether in full or in part.

Similarly, the Bank of Thailand’s Notification No. 3/2568 (2025) (Responsible Lending) also requires personal loan business operators to adopt the eight principles outlined in the notification to their legal compliance requirements.

Regulations on Digital Lending

Any personal loan operators under the Supervised Personal Loan Notification, who use digital technology and alternative data to facilitate provision of loans in regard to the assessment of the ability or willingness to repay the loan, disbursement and repayment, and disclosure of information, are subject to the Bank of Thailand’s Notification No. TorPorTor.ForGorSor.(01)Vor. 977/2563 (2020) Regarding the Rules, Procedures and Conditions for the Undertaking of Digital Personal Loan Business (the “Digital Personal Loan Notification”). Pursuant to the Digital Personal Loan Notification, the personal loan operators intending to undertake the digital personal loan business must notify the Bank of Thailand before commencing its business. The maximum credit limit for digital personal loans granted to each borrower under such digital lending license shall not exceed THB20,000 (US\$583) with the repayment period not exceeding six months, regardless of financial condition, income or balance in the deposit account of the borrower. Certain of our loan products are offered under our digital lending license in Thailand.

Regulations on Game Businesses

Digital game and game distributing businesses, either for personal computers or mobile phones, are governed by the Film and Video Act B.E. 2551 (2008), (as amended, the “Film and Video Act”). Digital games are treated as videos under the Film and Video Act. Digital games to be exhibited, exchanged or distributed in Thailand shall be reviewed and approved by the Thailand Film and Video Censorship Committee. Updates and amendments to previously approved digital games will be regarded as new games and subject to review and approval by the Film and Video Censorship Committee. Companies engaging in the game distributing business are required to obtain a game distributing license under the Film and Video Act unless the games are offered for free. We regularly arrange to obtain approvals of the games we exhibit and any updated versions from the Film and Video Censorship Committee.

Regulations on Anti-Money Laundering and Prevention of Terrorism Financing

The key regulations for anti-money laundering and counter-terrorist financing are the Money Laundering Prevention and Suppression Act, B.E. 2542 (1999), as amended, which imposes reporting obligations on persons designated by the Anti-Money Laundering Office and certain types of business operations for (i) any transactions that reach certain thresholds which vary depending on the type of transactions involved; and (ii) suspicious transactions. Personal loan business operators and e-payment business operators are required to conduct certain know-your-client and customer due diligence.

Regulations on Labor

Labor matters are mainly governed by the Thai Civil and Commercial Code and the Thai Labor Protection Act, B.E. 2541 (1998), as amended, and its subsequent notifications. The laws stipulate the relationship between the employer and the employees in essential aspects, including working hours, leaves, wages, entitlements, employment termination and severance payment, etc. The employment arrangement can be made verbally and is not required in writing.

Under the Thai Labor Protection Act, it is mandatory for employers to establish work rules when 10 or more employees are hired and it shall cover the following issues: (i) working days, normal working hours and rest period; (ii) holidays and rules governing the taking of holidays; (iii) rules governing overtime and holiday work; (iv) the day and place where wages, overtime pay, holiday pay and holiday overtime pay are to be made; (v) leave and rules governing the taking of leave; (vi) discipline and disciplinary measures; (vii) lodging of grievances; and (viii) termination of employment, severance pay and special severance pay. In addition, all employees of businesses with more than 10 employees shall be members of the Employee Welfare Fund. The employers are required to make a deduction from the employee’s wage to pay for contributions; and the employer shall pay supplementary contributions to the Employee Welfare Fund at a rate of 0.25% of the wages effective from October 1, 2025 until September 30, 2030.

Regulations on Personal Data Protection

Personal data collected from our conduct of businesses fall within the scope of the Personal Data Protection Act B.E. 2562 (2019) (“Personal Data Protection Act”). The Personal Data Protection Act applies to the collection and processing of personal data, including but not limited to the collection, use, disclosure or transfer by a data controller or a data processor. As the law has extraterritorial enforcement, data controllers and data processors both in and outside of Thailand may be subject to this regulation. Cross-border transfer of personal data is subject to those criteria and methods as prescribed by the Personal Data Committee Notifications pursuant to Section 28 and Section 29 of the Personal Data Protection Act.

In addition, data controllers are required to inform data subjects of the purpose of their collection and subsequent processing of the personal data collected, and obtain consent for such collection or processing, unless otherwise provided in the Personal Data Protection Act or the regulations or announcements issued by the Personal Data Protection Commission.

Singapore

Regulations on Dividend Distributions

The governing legislation for the distribution of dividends in Singapore is the Companies Act 1967 of Singapore (the “Companies Act”). Under Section 403 of the Companies Act, a Singapore company is only allowed to pay dividends out of profits and there are certain restrictions on the use of profits for the purposes of dividend declaration. Firstly, any profits of a company applied towards the purchase of its shares pursuant to the share buyback provisions under the Companies Act cannot be payable as dividends to the shareholders. However, the foregoing restriction does not apply to any part of the proceeds received by the company from a sale or disposal of its treasury shares which the company has applied towards the profits of the company. Finally, any gains derived from the sale of treasury shares cannot be payable as dividends to the shareholders of the company.

In addition to complying with the Companies Act, the payment of dividends must also be in accordance with the company’s constitution and the generally acceptable accounting principles in Singapore.

Regulations on E-commerce

Consumer Protection

There are various general consumer protection laws in place in Singapore.

According to the Consumer Protection (Fair Trading) Act 2003 of Singapore, we, operating our current business model, may be deemed as suppliers and may be held liable for engaging in unfair practices in relation to consumer transactions. Unfair practices include, among other things: (i) doing or saying anything which would reasonably deceive or mislead consumers, (ii) making a false claim, (iii) taking unreasonable advantage of a consumer, or (iv) making various forms of misrepresentations to the consumer.

The Consumer Protection (Trade Descriptions and Safety Requirements) Act 1975 of Singapore prohibits the use of false trade descriptions on goods supplied in the course of trade by all parties in the course of business.

While we have, among other things, policies in place which require users of our e-commerce platform not to promote or sell any products which are illegal or prohibited for sale under Singapore law, there remains a residual risk that we may be liable for abetting the sale and distribution of such illegal products in breach of Singapore law if we knew of or had reason to suspect the listing and sale of illegal products on our e-commerce platform but failed to take action to remove such listings.

Regulations on E-payment

The Monetary Authority of Singapore (“MAS”) regulates payment service providers and payment systems in Singapore under the Payment Services Act 2019 of Singapore. Under the Payment Services Act 2019, a major payment institution or standard payment institution license from the MAS is required for providing any type of regulated payment service in Singapore unless such service is exempted under the law or expressly excluded from the scope of the Payment Services Act 2019. The payment services regulated under the Payment Services Act 2019 are “account issuance service,” “domestic money transfer service,” “cross-border money transfer service,” “merchant acquisition service,” “e-money issuance service,” “digital payment token service” and “money-changing service.” In particular, “e-money issuance service” means the service of issuing e-money to any person for the purpose of allowing a person to make payment transactions and “account issuance service” includes the service of issuing a payment account to any person in Singapore. We hold a major payment institution license in Singapore to provide account issuance services, e-money issuance services, domestic money transfer services, cross-border money transfer services and merchant acquisition services.

A licensee under the Payment Services Act 2019 is required to comply with the requirements under the Act and its subsidiary legislations, as well as all applicable notices and guidelines issued by the MAS (including but not limited to Notice PSN01 Prevention of Money Laundering and Countering the Financing of Terrorism – Holders of Payment Services Licence (Specified Payment Services) and/or Notice PSN02 Prevention of Money Laundering and Countering the Financing of Terrorism – Holders of Payment Service Licence (Digital Payment Token Service), as the case may be). Pursuant to Notice PSN01, unless otherwise exempted, a licensee under the Payment Services Act 2019 to provide certain specified payment service (i.e., “account issuance service,” “domestic money transfer service,” “cross-border money transfer service” or “money-changing service”) must, amongst various things, perform due diligence on its customers; maintain data, documents and information relating to transactions; and submit reports on suspicious transactions to the Suspicious Transactions Reporting Office. A licensee under the Payment Services Act 2019 will also need to comply with, among other things, the directions and/or regulations issued by the MAS under Section 15 of the Financial Services and Markets Act 2022 in relation to dealing with assets of and/or imposing sanctions on designated persons.

In addition to the above, the Payment Services (Amendment) Act 2021 came into effect on April 4, 2024 and introduced amendments to the Payment Services Act 2019 and its subsidiary legislation, including amendments such as widening the definition of “cross-border money transfer service” to include transmission of money between two countries, arranged by a payment service provider in Singapore even where moneys are not accepted or received in Singapore; widening the definition of “domestic money transfer service” such that the definition applies except where both the payer and payee of a transaction executed under the service are financial institutions; expanding the definition of “digital payment token service” to include the provision of custodial services for digital payment tokens, arranging for the transmission of digital payment tokens between accounts, provision of any service of inducing or attempting to induce any person to enter into or to offer to enter into any agreement for or with a view to buying or selling any digital payment token, and the exchange of digital payment tokens, even where the payment service provider does not come into possession of the moneys or digital payment tokens; and adding MAS powers to impose additional requirements on digital payment token service providers in relation to anti-money laundering and countering the financing of terrorism, user protection and financial stability.

Regulations on Digital Banking

Our wholly-owned subsidiary in Singapore (“Singapore DFB”) has been granted a digital full bank (“DFB”) license in Singapore. As the holder of a DFB license, our Singapore DFB is required to comply with certain licensing conditions and other prudential and regulatory requirements which include additional conduct of business, operational, financial and legal requirements. The Singapore DFB is allowed to conduct banking business in Singapore on a phased basis, which may include the taking of deposits from, the making of advances to and providing banking services to retail and non-retail customer segments.

The MAS regulates DFBs under the Banking Act 1970 of Singapore and its subsidiary legislation as well as all applicable notices and other instruments issued by the MAS, subject to certain modifications (as set out in the publication “Eligibility Criteria and Requirements for Digital Banks” issued by the MAS). Generally, a fully functioning DFB will be able to conduct all banking business as existing qualifying full banks and will be subject to the full range of laws, regulations and prudential rules that apply to such banks. This includes complying with the notices and regulations surrounding ongoing risk-based capital and liquidity requirements, unsecured lending, anti-money laundering and countering the financing of terrorism, economic sanctions, corporate governance, risk management, technology risk and the conduct of non-financial businesses. However, it should be noted that DFBs are (i) only allowed to operate one physical “place of business” (being a place where a bank conducts banking business or other regulated businesses), (ii) not allowed to access the automatic teller machine or cash deposit machine network, but will be able to offer cashback services through EFTPOS terminals at retail merchants, and (iii) will be required to comply with same risk based capital requirements applicable to domestic systemically important banks.

Our Singapore DFB commenced operations as a restricted DFB before it may become a fully functioning DFB with MAS’ approval in future. Whilst a DFB will eventually be expected to comply with the minimum paid-up capital requirement set by the MAS of S\$1.5 billion (US\$1.1 billion) which is applicable to all existing qualifying full banks, prior to it becoming a fully functioning DFB, the minimum paid up capital requirement applicable to a restricted DFB is S\$15 million (US\$11.0 million). This minimum paid up capital requirement will progressively increase as the restricted DFB grows. Unless otherwise agreed with MAS, a restricted DFB will also be subject to various restrictions on its business in accordance with the Digital Full Bank Licensing Framework, including but not limited to matters in relation to deposit amounts, customer eligibility, types of product offerings, lending limits and such other conditions deemed necessary by the MAS from time to time. The pace of growth of a restricted DFB will depend on its ability to meet its commitments as well as MAS’ supervisory considerations. Once a restricted DFB has met all relevant milestones and has been assessed by the MAS to pose no significant supervisory concerns, the MAS may lift all restrictions, upon which the restricted DFB will become a fully functioning DFB. The MAS generally expects a DFB to be fully functioning and to meet the minimum paid-up capital requirement of S\$1.5 billion (US\$1.1 billion) within three to five years from commencement of business.

Regulations on Buy-Now-Pay-Later Services

In Singapore, the Buy Now, Pay Later (“BNPL”) Working Group, formed by the Singapore FinTech Association and industry players under the guidance of MAS, introduced a self-governing Code of Conduct (“BNPL CoC”) for BNPL operators in Singapore. The BNPL CoC is aimed at the safeguarding of consumers against over-indebtedness, ensuring that BNPL offerings will have a positive impact on Singaporean consumers and to benefit the BNPL ecosystem. It signifies the industry’s commitment to abide by a fixed set of standards by crystallizing industry best practices and formalizes safeguards such as the suspension of accounts on default, no compounding of interest or fees and no initiation of bankruptcy proceedings as against the consumer. The requirement for BNPL operators to participate in a BNPL credit bureau is also enshrined in the BNPL CoC. All new and existing BNPL operators are expected to comply with the BNPL CoC. MAS will monitor the BNPL sector and continue to engage the industry as part of subsequent reviews of the BNPL CoC as necessary.

Regulations on Imported Games and Game Operating

Video Game Classification

Pursuant to the Films Act 1981 of Singapore, the Infocomm Media Development Authority (“IMDA”) is responsible for classifying films, videos and video games distributed in Singapore. In particular, it administers the video game classification system under the Films Act 1981, which requires businesses importing or distributing physical copies of video games in Singapore to submit the video games to the IMDA for rating and classification. However, the video game classification system does not apply to games which are only available via internet download. Since the online games that we offer are available only through online platforms, we in general are not subject to the video game classification system. However, the IMDA retains the right to issue a rating and/or classification of any of the online games we offer, should it choose to do so.

Films Regulation

The Films Act 1981 imposes a regulatory requirement for an organization to hold a license for importing, distributing or publicly exhibiting films in the course of any business. A film is defined to include a video game. However, the definition of a video game under the Films Act 1981 expressly excludes a video game made available by means of a computer online service that is a broadcasting service and is played on a mobile device or other device onto which the video game has been installed, or while the player is using a broadcasting service that enables end-users to access the Internet. Since the online games that we offer are available only through online platforms, we are exempted from having to comply with the abovementioned requirement to obtain a license.

Regulations on Data Protection and Information Security

Personal Data Protection

The Personal Data Protection Act 2012 of Singapore (“PDPA”) governs the collection, use and disclosure of the personal data of individuals by organizations, and is administered and enforced by the regulator, the Personal Data Protection Commission (“PDPC”). It sets out data protection obligations which all organizations are required to comply with in undertaking activities relating to the collection, use or disclosure of personal data. A failure to comply with any of the above can subject an organization to a fine per breach of up to S\$1 million (US\$731,957) or 10% of the organization’s annual turnover in Singapore, whichever is higher.

Among other things, an organization regulated under the PDPA is required to obtain consent from its customers and inform them of the applicable purposes before collecting, using or disclosing their personal data. Moreover, it is also required to put in place sufficient measures to protect the personal data in its possession or control from unauthorized access, loss or damage.

In the event of a data breach involving any personal data in an organization’s possession or control, the PDPA requires the organization to reasonably and expeditiously assess the data breach, and notify the PDPC of the data breach under certain scenarios. In addition, organizations are also required to notify the affected individuals if the data breach is one that is likely to result in significant harm or impact to the affected individuals.

Regulations on Intellectual Property Rights

The Intellectual Property Office of Singapore administers the intellectual property legislative framework in Singapore, which includes copyrights, trademarks and patents. Singapore is a member of the main international conventions regulating intellectual property matters, and the WTO’s Agreement on Trade Related Aspects of Intellectual Property Rights.

Copyright

Copyrights are protected pursuant to Singapore’s Copyright Act 2021, which guarantees authors various exclusive rights, including the rights of reproduction and communication to the public, automatically at the time of creation and expression of a work in tangible form. Copyright in commissioned works vests in the author by default but may be assigned by contract, and employers by default own the copyright in all content created by their employees in the course of the employees’ employment, unless otherwise agreed.

Trademarks

Trademarks are protected under the Trade Marks Act 1998, which provides a first-to-file system granting a trademark registrant a statutory monopoly in relation to the product or service for which it is registered. A registered proprietor can rely on the registered trademark as proof of his right to the mark in civil or criminal infringement proceedings. Registered marks may be protected indefinitely, as long as the registration is renewed every 10 years.

Patents

Patents are protected pursuant to the Patents Act 1994, requiring as preconditions for patenting the requirements of novelty, having an inventive step and industrial applicability. Patents allow exclusive rights to exploit an invention during the 20 year term of protection, provided annual maintenance fees are paid.

Regulations on Anti-Money Laundering and Prevention of Terrorism Financing

The primary anti-money laundering legislation in Singapore is the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act 1992 of Singapore (“CDSA”), provides for the confiscation of benefits derived from, and to combat, corruption, drug dealing and other serious crimes. Generally, the CDSA criminalizes the concealment or transfer of the benefits of criminal conduct as well as the knowing assistance of the concealment, transfer or retention of such benefits.

The Terrorism (Suppression of Financing) Act 2002 of Singapore (“TSOFA”), is the primary legislation for the combating of terrorism financing. It was enacted to give effect to the International Convention for the Suppression of the Financing of Terrorism. Besides criminalizing the laundering of proceeds derived from drug dealing and other serious crimes and terrorism financing, the CDSA also requires suspicious transaction reports to be lodged with the Suspicious Transaction Reporting Office and the TSOFA requires information about any property belonging to any terrorist or terrorist entity to be reported to the Commissioner of Police. If any person fails to lodge the requisite reports under the CDSA and the TSOFA, it may be subject to criminal liability.

Regulations on Labor

The Employment Act 1968 of Singapore provides certain protections such as minimum notice periods, maximum working hours, maximum amount of deductions from wages, minimum holidays and rest days, maternity/paternity leave, paid childcare leave, sick leave, etc. Aside from certain minimum benefits, employees in Singapore are entitled to contributions to the central provident fund by the employer as prescribed under the Singapore Central Provident Fund Act 1953 (the “Singapore Central Provident Fund Act”). The specific contribution rate to be made by employers varies depending on whether the employee is a Singapore citizen or permanent resident in the private or public sector and the age group and wage band of the employee.

Malaysia

Regulations on Dividend Distributions

The governing legislation for the distribution of dividends in Malaysia is the Companies Act 2016 (“CA 2016”). Under Section 131 of the CA 2016, a Malaysian company may only distribute dividends out of profits available if the company is solvent. Under the CA 2016, the company is regarded as solvent if it is able to pay its debts as and when they become due within 12 months immediately after the distribution is made. Further, the distribution of dividend must be in compliance with the relevant provisions of the CA 2016 (e.g., where any distribution of dividend must be authorized by the directors of the company before such distribution is made) and the company’s constitution.

Regulations on Foreign Exchange

Ringgit is the lawful currency of Malaysia. Payments between persons in Malaysia shall be in ringgit, unless foreign currency is permitted under the foreign exchange policy (the “FEP”). BNM has a policy against the internationalization of ringgit, therefore ringgit exchange rates must be determined onshore in Malaysia, and there are restrictions on the outflow of ringgit under the FEP.

Malaysia has FEP restrictions based on provisions in the Financial Services Act 2013 (“FSA”). Pursuant thereto, a wide range of transactions (these include payments and receipts, exchange of currency) set out in Schedule 14 to the FSA are subject to the prior written approval of BNM. BNM issues FEP Notices setting out its general approval on the terms therein.

The FEP restrictions principally apply to transactions between “residents” and “non-residents” as defined in the FSA. Foreign investors are generally permitted to invest in ringgit denominated assets and repatriate dividends, profits and other income in foreign currency with certain limited exceptions. Under the FEP, the conversion of ringgit into foreign currency may be freely effected onshore with licensed banks or money-changers with certain limited exceptions.

Regulations on E-commerce

The relevant laws governing Malaysia’s e-commerce include Electronic Commerce Act 2006, Digital Signature Act 1997, Consumer Protection Act 1999 (“CPA”), Consumer Protection (Electronic Trade Transactions) Regulations 2024 (“CPR 2024”), Sale of Goods Act 1957, Contracts Act 1950, and Personal Data Protection Act 2010, as amended by the Personal Data Protection (Amendment) Act 2024 (“Malaysia PDPA”).

Limitations and Liabilities of Platform Operators and E-commerce Sellers

Consumer rights are protected under the CPA, which requires sellers offering goods and services by electronic means to comply with certain standards. The CPA implies warranties among others as to reasonable care and skill, fitness for a particular purpose, reasonable time of completion and reasonable price, and prohibits misleading and deceptive conduct, the making of false or misleading representations and the imposition of unfair contract terms. Sellers are prohibited from applying false trade description under the Trade Descriptions Act 2011. E-commerce sellers are required to provide appropriate means to enable the buyer to rectify any errors prior to or after the confirmation of the order and shall acknowledge receipt of the order to the buyer without undue delay under CPR 2024. E-commerce sellers are also obligated, among other things, to bear the cost of re-delivery to buyers for defective or materially different goods received and are to disclose certain information on the website or online marketplace. Online marketplace operators, on the other hand, are required, among other things, to make complaint channels available to buyers and take reasonable steps to maintain transaction records and a record of the names, telephone numbers, address and other details of the person who supplies goods or services in the online marketplace.

With respect to user generated content (“UGC”), the concept of innocent carrier embedded in the Malaysian Communications and Multimedia Content Code (3rd edition, 2022) (the “Content Code”), which provides that any service providers providing access to any content but have neither control over the composition of such content nor any knowledge of such content is deemed an innocent carrier for the purpose of the Content Code. An innocent carrier is generally not responsible for the content provided. UGC platforms must have a clear notice and take-down policy implemented to ensure that potentially infringing UGC can be reported by platform users and that rights holder can request the withdrawal of specific content with ease. Further, UGC platform operators should have a filtering system to remove offensive or defamatory content because there is a presumption that the platform or portal provider must assume responsibility for taking the risk of facilitating a platform.

Regulations on Personal Data Protection and Information Security

The Malaysia PDPA regulates the processing of personal data in commercial transactions. The Malaysia PDPA applies insofar as personal data of customer is processed (for example, name, identification card number, address, phone number, email address). The definition of “personal data” under the Malaysia PDPA includes any information in respect of commercial transactions, which relates directly or indirectly to a data subject, who is identified or identifiable from that information or from that and other information in the possession of a data user, including any sensitive personal data and expression of opinion about the data subject. The Malaysia PDPA was amended in 2024 and has introduced additional obligations and rights, including changes to cross-border transfer rules, an obligation to appoint a Data Protection Officer, mandatory data breach notification, data portability rights, among other things, and it has introduced additional penalties for violations of the Malaysia PDPA. These changes are scheduled to become effective in phases throughout the first half of 2025.

Regulations on Electronic Money

Electronic money (e-money) is a designated payment instrument under the Financial Services Act 2013 (“FSA”). It is defined as a payment instrument, whether tangible or intangible, that stores funds electronically in exchange of funds paid to the issuer, and can be used as a means of making payment to any person other than the issuer.

The approval of BNM under the FSA is required before a person may carry on an issuance of e-money business. An issuer of e-money must comply with obligations in the FSA and subsidiary legislation issued thereunder on approved persons which include, without limitation, maintaining minimum capital funds at all times, complying with applicable standards issued by BNM and submission of information to BNM.

The Electronic money (e-money) policy document prescribes broad principles (relating to, among others, having adequate governance and operational requirements, proper risk management, transparency of terms, timely refund of stored value, and prevention of the use of e-money for financial crimes) and minimum standards to be observed by an issuer. An e-money scheme operator must place users’ funds in a trust account with a licensed banking institution and apply them in the manner prescribed. We are an approved issuer of e-money in Malaysia.

Regulations on Merchant Acquiring Services

BNM regulates an operator of a payment system that enters into a contract with a merchant for the purpose of accepting payment instruments for payment of goods and services as conducting merchant acquiring services under the FSA. Each such operator must be registered with BNM as a merchant acquirer and must comply with standards specified by BNM at all times.

The merchant acquiring services policy document primarily sets out requirements on governance and oversight, operational risk management and information technology management of registered merchant acquirers, including the roles and responsibilities of directors and senior managers, minimum capital requirements for non-bank acquirers, and minimum checks and procedures to be conducted when on-boarding/ recruiting new merchants. As a financial services provider, a merchant acquirer may not engage in prohibited business conduct set out in Schedule 7 of the FSA, as supplemented by policy documents of BNM. We are a registered merchant acquirer in Malaysia.

Regulations on Lending

Moneylending is regulated under the Moneylenders Act 1951 in Malaysia (unless any of the limited exceptions apply) principally by the requirement that any person who carries on or advertise or announces itself or hold itself in any way as carrying on the business of moneylending (defined as the lending of money at interest, with or without security to a borrower) must be licensed and the moneylending agreement must be in the prescribed form. The Ministry of Housing and Local Government of Malaysia (“KPKT”) is the regulator administering the provisions of the Moneylenders Act 1951 and have also issued guidelines in connection with the Moneylenders Act 1951 including its Guidelines on Online Moneylending applicable to licensed online moneylenders.

Compounding of interest is prohibited and the moneylending agreement must be attested by any of the specified persons who must explain the terms thereof to the borrower. Any moneylending agreement entered into by an unlicensed moneylender is unenforceable. A licensed moneylender must apply for an advertisement permit to advertise its moneylending business, and also observe the operational requirements set out in the Moneylenders Act. We hold the moneylending license in Malaysia.

Regulations on Buy Now Pay Later (“BNPL”) Products

The Consumer Credit Bill aims at consolidating the credit industry regulatory framework in Malaysia and established an independent authority, known as the Consumer Credit Oversight Board, to focus on regulating credit businesses such as BNPL businesses, factoring and leasing, impaired loan buyers and debt collection agencies. Existing regulatory and supervisory authorities of the credit industry will continue to regulate their respective credit sectors in accordance with existing legislation. The second reading of the Consumer Credit Bill is scheduled for the next parliamentary session in the third quarter of 2025 and is expected to be gazetted by the end of 2025.

Regulations Relating to Game Business

Content moderation

Multimedia and communications activities are under the purview of the Malaysian Communications and Multimedia Commission, a statutory body established under the Malaysian Communications and Multimedia Commission Act 1998.

Section 211 of the Communications and Multimedia Act 1998 (“CMA”) provides that no content applications service provider shall provide content which is indecent, obscene, false, menacing, or grossly offensive in character with intent to annoy, abuse, threaten or harass any person. To the extent an online game falls within the definition of “content” and that the provision thereof through the Internet can be considered as “Internet content applications service,” such provision will apply. Pursuant to the CMA, the Content Code was issued to set out the guidelines and procedures for good practice and standards of content disseminated to audiences. This Content Code is enforced by the Malaysian Communications and Multimedia Content Forum and it sets out the guidelines and procedures for good practice and standards of content disseminated to audiences over the electronic network medium by service providers in the communications and multimedia industry. Compliance with the Content Code is voluntary but can be relied upon as a defense against any prosecution, action or proceeding of any nature whether in court or otherwise. Under the Content Code, the material disseminated must not include anything which offends good taste or decency, is offensive to public feeling, is likely to encourage crime or lead to disorder, or is abusive or threatening in nature.

Regulations on Anti-money Laundering and Prevention of Terrorism Financing

Prevention and Eradication of Money Laundering

The Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (“AMLA”) is the statute that imposes obligations on prevention of money-laundering and terrorism financing. BNM is the competent authority under the AMLA.

Issuers of e-money and moneylenders are designated as reporting institutions with specific obligations under the AMLA to, among others, conduct customer due diligence, maintain records thereof, appoint a compliance officer, conduct audit on its compliance with the AMLA and guidelines issued by BNM, submit suspicious transaction reports, and submit cash threshold reports to BNM. The requirement on cash threshold reports for certain reporting institutions is applicable to customers and persons conducting single or multiple cash transactions within the same account on the same day for an amount equivalent to RM25,000 (US\$5,593) and above.

Prevention and Eradication of Terrorism Financing and Proliferation Financing

The prevention of terrorism financing in the AMLA is through the obligations in Part VIA, which requires reporting institutions to maintain and update a sanctions database based on United Nations Security Council Resolutions (UNSCR) list and domestic list by the Minister of Home Affairs, and to screen the names of customers and any beneficial owners, beneficiaries (new, existing and potential) and related parties against the sanctions lists. A person on a sanctions list is referred to as a specified entity or designated person. Periodic reporting of positive name matches must be made to BNM by reporting institutions.

Regulations on Labor

Employment and industrial relations in Malaysia are mainly governed by the Employment Act 1955.

The requirements under the act apply to all employees that entered into a contract of service regardless of wages, with certain exceptions for prescribed categories of employees. The act provides for the minimum terms and conditions of employment, while the National Wages Consultative Council Act 2011 and Minimum Wages Order 2024 provide for the minimum salary to be paid to prescribed employees.

Aside from minimum benefits under the act, both employees and employers in Malaysia are required to contribute towards: the Employees Provident Fund, the Employment Insurance System as well as the Employees Social Security Fund. The contributions are premised on the statutorily prescribed rates under the Employees Provident Fund Act 1991, Employment Insurance System Act 2017 and Employees' Social Security Act 1969.

Brazil

Regulations on E-commerce and Consumer Protection

Activities conducted on web platforms in Brazil are governed by Brazilian Federal Law No. 12,965/2014, known as the Brazilian Civil Rights Framework for the Internet (“*Marco Civil da Internet*”). This law establishes a comprehensive set of rights for internet users and corresponding obligations for internet service providers. It limits the liability of intermediary platforms for user-generated content under specific circumstances, while also imposing penalties (including fines) for non-compliance.

In conjunction with the *Marco Civil da Internet*, Brazilian Federal Law No. 8,078/1990 (the Brazilian Consumer Protection Code —“CDC”) outlines the legal principles and obligations applicable to consumer relations in Brazil. It regulates commercial practices, product and service liability, imposes strict liability on suppliers, provides for the reversal of the burden of proof in favor of consumers as the weaker party, establishes the joint and several liability across the supply chain, prohibits abusive contractual clauses, and governs advertising and the accuracy of information provided to consumers regarding products and services.

Additionally, various regulatory bodies play a key role in upholding consumer protection in Brazil. The National Consumer Secretariat (SENACON) and local consumer protection agencies (PROCONs) are responsible for monitoring compliance with consumer protection regulations, handling consumer complaints, and promoting a secure online environment. These agencies are vested with the authority to implement policies designed to enhance consumer trust and foster equitable practices among web platform providers.

Law No. 10.406/2002 (the “Brazilian Civil Code”), also provides essential legal principles applicable to contracts, including those formed in digital environments, such as a marketplace. It sets out the fundamental elements required for the validity of agreements—namely, consent, legal capacity, and a lawful purpose—extending its applicability to digitally-executed contracts.

Collectively, these legislative instruments afford significant protections to consumers while establishing clear operational standards for web platform businesses in Brazil.

Furthermore, pursuant to BCB Resolution No. 155/2021 (for payment institutions) and CMN Resolution No. 4,949/2021 (for financial institutions), entities licensed by the Central Bank of Brazil (“BCB”) must ensure fair and equitable treatment of clients throughout the provision of financial and payment services. These institutions are required to implement a formal policy governing their relationship with customers and to appoint a statutory officer responsible for overseeing compliance with these obligations.

Legislation Applicable to Financial Institutions in Brazil

Law No. 4,595/1964 (the “Brazilian Banking Law”) established the National Financial System (“SFN”) comprising the National Monetary Council (“CMN”), and BCB, as regulatory authorities, and Banco do Brasil S.A., the National Bank for Economic and Social Development (“BNDES”), and other public and private financial institutions.

Each category of financial institution within the SFN is subject to a specific regulatory framework tailored to its nature and activities. These frameworks are established through laws and regulations issued primarily by the CMN and BCB, and cover licensing, prudential requirements, corporate governance, risk management, internal controls, and conduct standards.

Regulations on Payment Institutions

Pursuant to Law No. 12,865/2013 (the “Payments Law”), payment institutions are legal entities regulated by BCB authorized to issue electronic money by managing prepaid payment accounts and performing payments processing. For prepaid payment accounts, they enable payment transactions funded by previously deposited resources, including the conversion of electronic money to physical or book-entry currency and vice-versa. Under BCB Resolution No. 80/2021, payment institutions must maintain certain minimum paid up capital and net equity amounts at all times, which vary based on the category and scope of their operations. To safeguard client funds in the event of bankruptcy, the Payments Law requires payment institutions issuing electronic money to segregate prepaid account funds from their own assets. These funds must be held either in an interest-bearing account with the BCB or federal government bonds registered with SELIC (the Brazilian treasuries system). We hold a payment institution license approved by BCB.

Payment institutions in Brazil are subject to a comprehensive set of legal and regulatory requirements established by BCB, which may vary depending on their specific business model, thresholds such as transaction volume, and size. Similar to financial institutions, the regulatory framework covers several areas, including risk management, corporate governance, AML, combating terrorism financing, cybersecurity, confidentiality, ombudsman services, internal auditing, and reporting obligations.

Direct Credit Companies

Direct Credit Companies (*Sociedades de Crédito Direto*—“SCDs”) are a category of financial institution that conduct credit operations exclusively through electronic platforms. SCDs are primarily regulated by CMN Resolution No. 5,050/2022.

SCDs may provide credit using their own capital or through specific funding lines granted by BNDES, all via digital platforms. They are authorized to offer personal loans, working capital loans, and financing for the acquisition of goods and services. SCDs, similar to other financial institutions, are required to implement high standards of transparency and compliance with regulations regarding consumer data protection and financial soundness. SCDs must also meet certain minimum capital amounts and net equity requirements at all times.

As a financial institution, the SCD is required to implement robust anti-money laundering (AML) programs to prevent and detect illicit activities, under Law No. 9,613/1998 and BCB Circular No. 3,978/2020. These obligations include conducting customer due diligence and know-your-customer procedures, monitoring transactions for suspicious activity, reporting suspicious transactions to the competent authorities, and maintaining records of financial operations. SCDs must also establish internal controls, provide ongoing training to employees, and ensure that their AML policies and procedures comply with applicable laws and regulations. We hold an SCD license approved by BCB.

Regulations Relating to Game Business

The Electronic Games Framework, Law no. 14.852/2024, regulates the manufacturing, importation, marketing, development and commercial use of electronic games, aiming to foster innovation and entrepreneurship in the sector while ensuring consumer protection, especially for children and teenagers.

For foreign game distributors, the law stipulates that they must comply with the same regulations as domestic companies. Game distributors are required to adhere to age classification guidelines set by the federal government, ensuring privacy and data protection, and promoting a safe gaming environment free from violence and discrimination.

Furthermore, the offering of electronic games to natural persons is also subject to consumer protection rules, for the acquisition of full game titles and/or for the acquisition of in-game products and cosmetics.

Regulations on Personal Data Protection and Information Security

The General Data Protection Law (Law No. 13,709/2018—“LGPD”) sets forth comprehensive rules for the collection, processing, storage, and transfer of personal data in Brazil. Key provisions include the legal basis under which personal data may be processed, specific obligations regarding the handling of security incidents involving personal data, and the rules governing the transfer and sharing of personal data. The law also establishes a range of penalties for non-compliance, which may include official warnings, orders to delete improperly processed personal data, monetary fines, or even the suspension of data processing activities altogether. Consequently, web platforms must adopt robust data security measures to protect users’ sensitive information, ensuring it is processed solely for the purposes clearly outlined in their privacy policies.

In August 2024, the Brazilian Data Protection Authority issued Resolution No. 19/2024 on international data transfers, establishing the criteria for recognizing the adequacy of foreign countries or international organizations for data transfers, as well as the contractual mechanisms required to lawfully carry out such international transfers.

Brazilian financial and payment institutions are also subject to specific data confidentiality obligations. Supplementary Law No. 105/2001 governs banking secrecy, while CMN Resolution No. 4,282/2013 also imposes banking secrecy requirements to payments institutions, outlining requirements for maintaining the confidentiality of transactions and services, except in cases explicitly authorized by law. In addition, CDC requires transparency in the collection and processing of consumer data, guaranteeing users the right to access, review, request corrections and demand exclusion of their stored information.

C. Organizational Structure

Sea Limited is a holding company that does not have substantive operations. We conduct our business operations through our subsidiaries, branch offices, and consolidated affiliated entities. Our principal subsidiaries consist of the following entities (in chronological order based on their dates of incorporation):

- ***Garena Online Private Limited***, our wholly-owned subsidiary established in Singapore operating our digital entertainment business;
- ***Shopee Limited***, our wholly-owned subsidiary established in the Cayman Islands holding certain of our e-commerce subsidiaries;
- ***Shopee Singapore Private Limited***, our wholly-owned subsidiary established in Singapore operating our e-commerce business in Singapore;
- ***PT Shopee International Indonesia***, our wholly-owned subsidiary established in Indonesia operating our e-commerce business in Indonesia;
- ***Sea Services Limited***, our wholly-owned subsidiary established in the Cayman Islands which is an investment holding company for certain of our subsidiaries used mainly for holding treasury investments;
- ***Sea Services Holdings Limited***, our wholly-owned subsidiary established in the Cayman Islands which is an investment holding company primarily holding treasury investments;
- ***Locust Walk A1 Holdings Limited***, our wholly-owned subsidiary established in the Cayman Islands which holds certain minority investments; and
- ***Shopee IP Singapore Private Limited***, our wholly-owned subsidiary established in Singapore holding certain intellectual property.

Contractual Arrangements among Our VIEs, Their Shareholders and Us

The laws and regulations in some of our markets place restrictions on foreign investment in and ownership of entities engaged in a number of business activities. To comply with the relevant laws and regulations, we and certain of our wholly-owned subsidiaries in the Cayman Islands and Singapore have entered into a series of contractual arrangements with certain VIEs and their shareholders who are local citizens. For the year ended December 31, 2024, revenue from all our VIEs (which excludes entities for which we have majority direct equity ownership) accounted for less than 3% of our total revenue. None of our VIEs is individually a significant subsidiary as defined in Rule 1-02(w) of Regulation S-X.

The contractual arrangements allow us to:

- exercise effective control over our VIEs, including the ability to direct the VIE shareholders to vote at our direction and have the ability to replace each of them as a VIE shareholder;
- receive substantially all of the economic benefits and absorb losses of our VIEs; and
- have an exclusive call option to purchase all or part of the equity interests in and/or assets of our VIEs when and to the extent permitted by the relevant laws.

As a result of these contractual arrangements, we are the primary beneficiary of these VIEs and have consolidated their financial results in our consolidated financial statements in accordance with U.S. GAAP. However, these contractual arrangements may not be as effective in providing operational control as direct ownership and the use of the contractual arrangements in some jurisdictions where we operate exposes us to certain risks. See “Item 3. Key Information—D. Risk Factors—Business and Operational Related Risks—Other Operational Risks—We rely on structural arrangements to establish control over certain entities and government authorities may determine that these arrangements do not comply with existing laws and regulations. We are also subject to other risks relating to such structural arrangements.”

The following is a summary of the currently effective contractual arrangements by and among us, our VIEs and their respective shareholders.

Contracts that Give Us Effective Control of the VIEs

Loan Agreements

In order to ensure that the shareholders of our VIEs are able to provide capital to each of these entities in order to develop its business, we have entered into loan agreements with each shareholder. Pursuant to the loan agreements, we have granted loans to the shareholders that may only be used for the purpose of acquiring equity interests in or contributing to the registered capital of these entities. The time and manner for repayment of the loans are at the sole discretion of our lending entity. The loans may be repaid only by the shareholders transferring all of their equity interests in the VIE to us or our designee upon our exercise of the options under the exclusive option agreements. The loan agreements also prohibit the shareholders from assigning or transferring to any third party, or from creating or causing any security interest to be created on, any part of their equity interests in these entities. In the event that the shareholders sell their equity interests to us or our designee at a price which is equal to or lower than the principal amount of the loan, the loan will be interest-free. If the price is higher than the principal amount of the loans, the excess amount will be deemed to be interest on the loans payable by the shareholders to us.

Exclusive Option Agreements

In order to ensure that we are able to acquire all of the equity interests in our VIEs at our discretion, we have entered into exclusive option agreements with the respective shareholders of these VIEs. Each option is exercisable by us at any time, provided that doing so is not prohibited by law. The exercise price under each option is the minimum amount required by law and any proceeds obtained by the respective shareholders through the transfer of their equity interests in these entities shall be used for the repayment of the loan provided by us in accordance with the loan agreements. During the terms of the exclusive option agreements, the shareholders will not grant a similar right or transfer any of the equity interests in these entities to any party other than us or our designee, nor will such shareholder pledge, create or permit any security interest or similar encumbrance to be created on any of the equity interests. According to the exclusive option agreements, the VIEs cannot declare any profit distributions or grant loans in any form without our prior consent. The shareholders must remit to us or our designee in full any funds such shareholders receive from the VIEs in the event any distributions are made by the VIEs. The exclusive option agreements will remain in effect until the respective shareholder has transferred all of such shareholder’s equity interests in the VIE entity to us or our designee.

Powers of Attorney

In order to ensure that we are able to make all of the decisions concerning our VIEs, we have entered into powers of attorney with the shareholders of these VIEs. Pursuant to the powers of attorney, each shareholder of our VIEs has irrevocably appointed us as such shareholder’s attorney-in-fact to act for all matters pertaining to such shareholder’s shareholding in the VIE entities and to exercise all of their rights as shareholders, including but not limited to attending shareholders’ meetings and designating and appointing directors, supervisors, the chief executive officer and other senior management members of these entities, and selling, transferring, pledging or disposing the shares of these entities. We may authorize or assign our rights under this appointment to any other person or entity at our sole discretion without prior notice to or prior consent from the shareholders of these entities. Each power of attorney will remain in effect until these shareholders cease to hold any equity interest in the relevant VIE.

Equity Interest Pledge Agreements

In order to secure the performance of our VIEs and their shareholders under the contractual arrangements, each of the shareholders of our VIEs has pledged all of their shares to us. These pledges secure the contractual obligations and indebtedness of such VIE shareholders, including all penalties, damages and expenses incurred by us in connection with the contractual arrangements, and all other payments due and payable to us by the relevant VIE under the exclusive business cooperation agreements, and by the VIE shareholders under the loan agreements, exclusive option agreements, and powers of attorney. Should the VIE or the VIE shareholder breach or default under any of the contractual arrangements, we have the right to require the transfer of such VIE shareholders’ pledged equity interests in the relevant VIE to us or our designee, to the extent permitted by laws, or require a sale of the pledged equity interest and have priority in any proceeds from the auction or sale of such pledged interests. Moreover, we have the right to collect any and all dividends in respect of the pledged equity interests during the term of the pledge. Unless the relevant VIEs have fully performed all of their obligations in accordance with the exclusive business cooperation agreements and the pledged equity interests have been fully transferred to us or our designee in accordance with the exclusive option agreements and the loan agreements, the equity interest pledge agreements will continue to remain in effect.

Spousal Consent Letters

Under the spousal consent letters, each spouse of the married shareholders of our VIEs unconditionally and irrevocably agreed that the equity interest in the relevant entity held by and registered in the name of their spouse will be disposed of pursuant to the contractual arrangements. Each spouse agreed not to assert any rights over the equity interest in these entities held by their spouse. In addition, in the event that the spouses obtain any equity interest in these entities held by their spouse for any reason, they agree to be bound by the contractual arrangements.

All of the contractual arrangements as described above will be terminated once the respective shareholder has transferred all of such shareholder’s equity interests in the VIE entity to us or our designee.

Contracts that Enable Us to Receive Economic Benefits or Absorb Losses from the VIEs

Exclusive Business Cooperation Agreements

In order to ensure that we receive the economic benefits of our VIEs, we have entered into exclusive business cooperation agreements with these entities under which we have the exclusive right to provide or to designate any third party to provide, among other things, technical support, consulting services, intellectual property licenses and other services to these entities, and these entities agree to accept all the services provided by us or our designee. Without our prior written consent, our VIEs are prohibited from directly or indirectly engaging any third party to provide the same or any similar services under these agreements or establishing similar cooperative relationships with any third party regarding the matters contemplated by these agreements. In addition, we have exclusive and proprietary ownership, rights and interests in any and all intellectual properties arising out of or created during the performance of these agreements.

Our VIEs agree to pay a monthly fee to us at an amount determined at our sole discretion after taking into account factors including the complexity and difficulty of the services provided, the level of and time consumed by our employees or our designee for providing the services, the content and value of services and licenses provided and the market price of the same type of services or licenses. These agreements will remain effective unless terminated in accordance with their provisions or terminated in writing by us. Unless otherwise required by applicable laws, these entities do not have any right to terminate these agreements in any event. We have the right to terminate the exclusive business cooperation agreements and/or require these entities to indemnify all damages in the event of any material breach of any term of these agreements by them. These entities agree to indemnify and hold us harmless from any losses, injuries, obligations or expenses caused by any lawsuits, claims or other demands against us arising from or caused by the services that we provide to these entities pursuant to the exclusive business cooperation agreements, except where such losses, injuries, obligations or expenses arise from our own gross negligence or willful misconduct.

Financial Support Confirmation Letters

In order to ensure that our VIEs have sufficient cash flow to fund their daily operations and/or to set off any losses incurred in such operations, we have entered into financial support confirmation letters with each of these entities. Under the financial support confirmation letters, we pledge to provide continuous financial support to these entities by ourselves or through our designees and agreed to forego our right to seek repayment in the event these entities are unable to repay such financial support or we become liable for the liabilities of these entities. These entities agree to accept such financial support and pledge to only use such support to develop their respective businesses. To the extent permitted by law, the financial support we provide to these entities may take the form of loans, borrowings or guarantees.

Based on opinions from our external legal counsels, we believe the ownership structure of our VIEs are generally in compliance with the local laws or regulations that are currently in effect, and each of the agreements among us, our VIEs and/or the local shareholders is valid, binding and enforceable, and do not and will not result in any violation of such laws or regulations that are currently in effect.

However, uncertainties in the relevant legal system could cause the relevant regulatory authorities to find the current contractual arrangements and businesses to be in violation of any existing or future relevant laws or regulations. In addition, if the VIEs or the shareholders of the VIEs fail to perform their obligations under the contractual arrangements, we may have to incur substantial costs and expend resources to enforce our rights as the primary beneficiary under the contracts. See “Item 3. Key Information—D. Risk Factors—Business and Operational Related Risks—Other Operational Risks—We rely on structural arrangements to establish control over certain entities and government authorities may determine that these arrangements do not comply with existing laws and regulations. We are also subject to other risks relating to such structural arrangements.”

Thailand Shareholding Structure

Our operating entities in Thailand are established using a tiered structure that maximizes our equity interests in the entity while also complying with the Thai law requirement that each Thai company has the minimum number of required shareholders and, without approval from Thai authorities, direct foreign ownership of share capital of each entity operating the restricted business under the Thai Foreign Business Act is limited to less than 50%. As Thai laws only consider the immediate level of shareholding, no cumulative or look-through calculation is applied to determine the foreign ownership status of a company when it has several levels of foreign shareholding. Under this shareholding structure, our Thai operating entities are each owned by (i) a Thai entity, or Thai Holdco 1, holding slightly more than half of the shares and (ii) one of our Cayman Islands or Singapore subsidiaries holding slightly less than half of the shares. Thai Holdco 1 is then owned by (i) another Thai entity, or Thai Holdco 2, and (ii) our Cayman Islands or Singapore subsidiary in the same shareholding proportions that our Thai operating entities are held. Thai Holdco 2 is in turn held by (i) one of our employees, who is a Thai citizen, holding preference shares equivalent to slightly more than half of the total number of shares, and (ii) our Cayman Islands or Singapore subsidiary holding ordinary shares equivalent to slightly less than half of the total number of shares. The preference shares have limited voting rights and the right to receive a fixed, non-cumulative dividend of an immaterial amount in the event a dividend is declared. This structure allows us to effectively control nearly 100% of our Thai operating entities.

In the opinion of Kudun and Partners Company Limited, our counsel as to Thai law, the shareholding structure of our Thai operating entities is in compliance with applicable Thai law. See “Item 3. Key Information—D. Risk Factors—Business and Operational Related Risks—Other Operational Risks—We rely on structural arrangements to establish control over certain entities and government authorities may determine that these arrangements do not comply with existing laws and regulations. We are also subject to other risks relating to such structural arrangements.”

D. Property, Plants and Equipment

Our headquarters and our principal technical development facilities are located in Singapore, where we have leased approximately 72,000 square meters of office space, as of December 31, 2024. We also have local offices in other parts of Asia and Latin America.

The servers we currently use are hosted in leased data centers in different areas across our markets, as well as on cloud services. The data centers in our network are owned and maintained for us by major domestic and international data center providers. We generally enter into leasing and hosting service agreements with renewal terms. We believe that our existing facilities are sufficient for our current needs, and we may need to obtain, usually by lease, adequate facilities to accommodate any future expansion plans.

ITEM UNRESOLVED STAFF COMMENTS
4A.

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Item 3. Key Information—D. Risk Factors” and elsewhere in this annual report.

A. Operating Results

Overview

Sea operates three key businesses—Shopee, SeaMoney and Garena. Each of our businesses provides a distinct and compelling value proposition to our users, and we believe each exhibits strong virtuous cycle dynamics. We develop, curate and localize the content and services on our platforms to serve a highly diverse population across multiple markets and regulatory regimes.

Since our founding, we have achieved significant scale and growth. Our total revenue increased from US\$12.4 billion in 2022 to US\$16.8 billion in 2024, a CAGR of 16.2%. We had gross profit of US\$5.2 billion, US\$5.8 billion and US\$7.2 billion in 2022, 2023 and 2024, respectively. We incurred net loss of US\$1.7 billion, net income of US\$162.7 million and US\$447.8 million in 2022, 2023 and 2024, respectively.

Major Factors Affecting Our Results of Operations

Our results of operations and financial condition are affected by general factors driving the e-commerce, digital financial services, digital entertainment and other industries in our markets, including demographic and macro-economic growth, technology adoption trends, and the digital transformation of industries.

Our results of operations are also directly affected by certain factors specific to us, including the following:

Size of Our User Base

Our revenue is largely driven by the number of users and the level of user engagement across our three businesses, subject to other factors such as macro-economics, geopolitics and consumer spending power. In our e-commerce business, the larger the number of sellers and buyers on the platform, the larger the number and value of transactions which over time will drive advertising and transaction-based fee revenue for us. In our digital financial services business, the larger the number of users, the greater the potential to generate revenue. In our digital entertainment business, due to our freemium business model, the higher the number of active users in our games, the larger the number of users likely to make in-game purchases.

User Engagement and Monetization

As our level of user engagement increases, the potential for user spending and consequently our revenue also increases. A critical component of maximizing the monetization potential of each of our businesses is providing high-quality content and services and pricing our content and services correctly. Monetization is also dependent upon our ability to convert active users into paying users, and then increase revenue per paying user. For example:

- In our e-commerce business, we closely monitor the number of transactions per active buyer. We optimize the assortment of our product categories on our marketplace and build convenient tools to attract sellers. We monetize our e-commerce business mainly by offering sellers paid advertising services, charging transaction-based fees, and charging for certain value-added services, including logistics. We may consider other monetization methods in order to capture additional revenue streams. We also purchase products from manufacturers and third parties and sell them directly to buyers on our Shopee platform.
- In our digital financial services business, we mainly monetize by earning interest and fees from our credit and banking businesses, and earning fees from our mobile wallet services and our insurance business.
- In our digital entertainment business, our primary source of revenue is the sale of in-game items. We focus on developing and curating the best content and localizing that content to cater to the tastes and preferences of each of our unique markets. We maximize the in-game user experience to keep our users highly engaged and increase the likelihood of in-game spending so as to maximize revenue. To do so, we provide a high-quality entertainment experience, adopt effective pricing strategies for each market and game, and leverage our platform's cross-selling tools to support long-term user engagement with our games.

Benefits of Our Platforms

Our platforms benefit from internal dynamics that allow us to increase our scale and user engagement quickly and in a cost-effective manner. Our businesses enjoy network effects, virtuous cycles and synergies across our platforms.

We benefit from the network effects resulting from the significant social aspects of our platforms. For example, because game players find it highly beneficial to join a platform with a large number of other game players, each new player that joins creates value for the existing community. This encourages current users to invite new users to our platforms, which allows us to grow our user base with moderate acquisition cost and increases the likelihood that users will remain active and engaged and therefore spend on our platforms.

Each of our three businesses is a multi-sided platform which benefits from virtuous cycle dynamics. Thus, as our platforms grow, they become more valuable to each of our users and this increases their potential spending opportunities. For example, as the number of buyers on our Shopee platform increases, Shopee attracts an increasing number of sellers, resulting in increases in the volume and variety of products available on the platform, which increases the purchasing opportunities for each of those buyers. In addition, other platform services and support services such as payment and logistics services benefit and improve the user experience for both buyers and sellers. This results in greater monetization potential as the size of each platform grows.

Finally, synergies among our digital financial services business and each of our e-commerce and digital entertainment businesses allow us to increase our user base and use cases, and benefit our monetization and cost efficiencies. At the same time, the large user base on Shopee may also increasingly explore other services and product offerings available on our digital financial services platform, such as our credit, banking and insurtech services.

Optimization of Our Cost and Expense Structure

Our cost and expense structure has several broad components: sales and marketing expenses, consisting primarily of customer acquisition and retention expenses for all our business segments; costs of logistics, including expenses for warehousing, for our e-commerce business; funding costs as well as credit and default costs, for our consumer and SME credit business; payment channel costs, royalties, amortized license fees and hosting costs for our digital entertainment business; staff compensation and welfare costs and expenses, which are spread among different functions; research and development expenses; and other costs and expenses across our businesses that are mainly fixed in nature. By offering our own mobile wallet and payment processing services, we strive to effectively reduce our payment channel costs and capture value that may otherwise go to third-party payment service providers. Our scale in our digital entertainment business has enabled us to optimize our variable costs, as has our operating scale for e-commerce and digital financial services.

Foreign Exchange Rates

Our reporting currency is the U.S. dollar and changes in currency exchange rates may materially affect our reported results and consolidated trends. We earn revenue denominated in local currencies of our markets in Southeast Asia, Taiwan and Brazil, among other currencies, while some of our costs and expenses are paid in other foreign currencies. We do not rely on any single currency as we earn revenue in different local currencies across our markets and keep a significant cash position in U.S. dollars.

Our expenses may become higher and our revenue and operating metrics may become lower than would be the case if exchange rates were stable or if we were operating and reporting in one currency. For example, if the U.S. dollar weakens relative to currencies in our local markets, our revenue and operating expenses will be higher than if currencies had remained constant. Likewise, if the U.S. dollar strengthens relative to currencies in our local markets, our revenue and operating expenses will be lower than if currencies had remained constant. Movements in foreign currency exchange rates may have a material adverse effect on our results of operations, which may cause our financial and operational metrics reported in the U.S. dollar to be not fully representative of the underlying business performance. We believe that our diversification in geographic coverage benefits our shareholders over the long-term. We may also enter into foreign currency derivative transactions to hedge potential foreign exchange risks. See “Item 3. Key Information—D. Risk Factors—Business and Operational Related Risks—Risks Applicable Across Multiple Businesses—Fluctuations in foreign currency exchange rates may adversely affect our operational and financial results, which we report in U.S. dollars.”

Description of Certain Statement of Operations Items

Revenue

We currently generate revenue primarily from our e-commerce business, digital financial services business and digital entertainment business. The table below sets forth our revenue breakdown.

	For the Year Ended December 31,					
	2022		2023		2024	
	Percentage of Total Revenue		Percentage of Total Revenue		Percentage of Total Revenue	
	US\$		US\$		US\$	
(thousands, except for percentages)						
Service revenue						
E-commerce	6,187,620	49.7	7,885,185	60.3	10,862,263	64.6
Digital Financial Services	1,221,996	9.8	1,759,422	13.5	2,367,739	14.1
Digital Entertainment	3,877,163	31.1	2,172,009	16.6	1,910,589	11.3
Other Services ⁽¹⁾	53,557	0.5	125,769	1.0	120,672	0.7
Sales of goods ⁽²⁾	1,109,369	8.9	1,121,175	8.6	1,558,603	9.3
Total revenue	12,449,705	100.0	13,063,560	100.0	16,819,866	100.0

(1) Other services are a combination of multiple business activities that do not meet the quantitative threshold to qualify as reportable segments.

(2) Sales of goods revenue mainly comes from our e-commerce business.

The table below sets forth the revenue from external customers based on the geographical locations where the services were provided or goods were sold, both in absolute amount and as a percentage of total revenue for the periods indicated.

	For the Year Ended December 31,					
	2022		2023		2024	
	US\$	Percentage of Total Revenue	US\$	Percentage of Total Revenue	US\$	Percentage of Total Revenue
(thousands, except for percentages)						
Southeast Asia	8,321,249	66.8	9,179,527	70.3	11,774,003	70.0
Latin America	2,043,918	16.4	2,193,758	16.8	3,276,281	19.5
Rest of Asia	1,727,187	13.9	1,496,433	11.4	1,591,487	9.4
Rest of the world	357,351	2.9	193,842	1.5	178,095	1.1
Total revenue	12,449,705	100.0	13,063,560	100.0	16,819,866	100.0

E-commerce

E-commerce service revenue consists of revenue generated from our e-commerce marketplace services and logistics services. Revenue from products owned and sold by us on our Shopee platform was recorded under sales of goods revenue as discussed below. Our e-commerce service revenue constituted 49.7%, 60.3% and 64.6% of our total revenue during 2022, 2023 and 2024, respectively.

We monetize Shopee’s marketplace model mainly by offering sellers paid advertising services, charging transaction-based fees, and charging for certain value-added services, including logistics.

Digital Financial Services

We generate revenue from our digital financial services business primarily from earning interest and fees from our credit and banking businesses, earning fees from our mobile wallet services and our insurance business. For loans receivable, interest and fees earned are recognized over the period of the loan based on the effective interest method. Our digital financial services revenue constituted 9.8%, 13.5% and 14.1% of our total revenue during 2022, 2023 and 2024, respectively.

Digital Entertainment

We generate revenue from our digital entertainment business primarily by selling in-game items to our game players. We recognize revenue ratably over the estimated service period. Our revenue generated from digital entertainment accounted for 31.1%, 16.6% and 11.3% of our total revenue in 2022, 2023 and 2024, respectively.

The primary driver for revenue in our digital entertainment business is the size of our active user base and the level of user engagement. Due to the freemium business model of our immersive games, the higher the number of active users on our games, the greater the likelihood of such users to make in-game purchases. Therefore, we believe Game QAU is a key metric to help us understand both the active user base and user engagement on our games.

Sales of Goods

Sales of goods revenue mainly comes from our e-commerce business. While we primarily operate as a marketplace, we also purchase products from manufacturers or third parties directly and sell on our Shopee platform under our official store to meet buyers’ demand for such products. Bulk purchasing and direct product sales for specific product categories also enable us to offer better product assortment and more competitive prices to our buyers.

Cost of Revenue

Our cost of revenue primarily consists of direct expenses in generating revenue from our businesses. The table below sets forth our cost of revenue breakdown.

	For the Year Ended December 31,					
	2022		2023		2024	
	Percentage		Percentage		Percentage	
	US\$	of Total Revenue	US\$	of Total Revenue	US\$	of Total Revenue
(thousands, except for percentages)						
Cost of service						
E-commerce	4,885,586	39.3	5,171,361	39.6	7,165,351	42.6
Digital Financial Services	254,138	2.0	279,745	2.1	348,424	2.1
Digital Entertainment	1,077,017	8.7	672,481	5.1	610,586	3.7
Other Services ⁽¹⁾	54,341	0.4	78,937	0.6	40,026	0.2
Cost of goods sold	993,346	8.0	1,027,389	7.9	1,450,391	8.6
Total cost of revenue	7,264,428	58.4	7,229,913	55.3	9,614,778	57.2

(1) Other services are a combination of multiple business activities that do not meet the quantitative threshold to qualify as reportable segments.

E-commerce

Our cost of revenue for e-commerce services primarily consists of expenses associated with our logistics and other value-added services, bank transaction fees for transactions conducted through our Shopee platform, server and hosting costs, and staff compensation and welfare costs, which include share-based compensation.

Digital Financial Services

Our cost of revenue for digital financial services primarily consists of server and hosting costs, interest expenses for customer deposits under our banking business, interest expenses related to our credit business, bank transaction fees, amortization costs for internally developed software, commissions we pay to counter operators, and staff compensation and welfare costs, which include share-based compensation.

Digital Entertainment

Our cost of revenue for digital entertainment primarily consists of payment channel costs, recognized as expenses over the performance obligation period, royalties, and other fees relating to our use of various third-party intellectual properties. Other costs include server and hosting costs, upfront licensing fees, which are fixed and amortized over the shorter of estimated useful life or game licensing period, and staff compensation and welfare costs, which include the share-based compensation.

Sales of Goods

Our cost of revenue for sales of goods is mainly attributable to the goods we purchase from manufacturers and third parties and sell directly to buyers on our Shopee platform.

Gross Profit

Our gross profit is defined as total revenue minus total cost of revenue.

Gross Margin

Our gross margin is defined as total gross profit, as a percentage of total revenue. The basis for gross margin for each of our business segments and the reason for the variations in the gross margins are mainly due to the different nature of our businesses. For example, gross margins in our digital entertainment segment are relatively high mainly because of the digital nature of the production and sale of the virtual items in our games. By comparison, e-commerce involves more significant physical operations, including logistics which includes costs associated with the storage and delivery of the goods sold by sellers on Shopee. As such, our e-commerce has lower gross margins compared to our digital entertainment business.

Operating Income and Expenses

Our operating expenses consist of sales and marketing expenses, general and administrative expenses, provision for credit losses, research and development expenses and impairment of goodwill, net of other operating income. The table below sets forth our operating expenses, both in absolute amount and as a percentage of total revenue, for the periods indicated.

	For the Year Ended December 31,					
	2022		2023		2024	
	Percentage		Percentage		Percentage	
	US\$	of Total Revenue	US\$	of Total Revenue	US\$	of Total Revenue
	(thousands, except for percentages)					
Other operating income	(279,184)	(2.2)	(221,021)	(1.7)	(180,443)	(1.1)
Sales and marketing expenses	3,269,223	26.3	2,779,223	21.3	3,472,686	20.6
General and administrative expenses	1,437,612	11.5	1,134,724	8.7	1,267,706	7.6
Provision for credit losses	513,690	4.1	633,942	4.8	776,937	4.6
Research and development expenses	1,376,501	11.0	1,164,126	8.9	1,206,050	7.2
Impairment of goodwill	354,943	2.9	117,875	0.9	–	–
Total operating expenses	6,672,785	53.6	5,608,869	42.9	6,542,936	38.9

Other Operating Income

Our other operating income consists primarily of rebates from e-commerce related logistic services provided by third parties.

Sales and Marketing Expenses

Our sales and marketing expenses consist primarily of online and offline advertising expenses, sales incentives, and staff compensation and welfare expenses, which include share-based compensation for our employees engaged in sales and marketing functions. Our excess sales incentive, representing the sales incentive given exceeding the revenue we expect to receive on a transaction-by-transaction basis, was less than 10% of total revenue in 2024.

General and Administrative Expenses

Our general and administrative expenses consist primarily of facilities and other overhead expenses, depreciation and amortization expenses, impairment losses, external professional service expenses, and staff compensation and welfare expenses, which include share-based compensation for our employees engaged in general and administrative functions.

Provision for Credit Losses

Our provision for credit losses relates primarily to our credit business. Our provision for credit losses could increase with the growth of our lending activity and loans receivable or if the credit environment worsens. Changes in our lending activity, including regional mix and tenure variation, during the year may impact our annual credit loss provisioning expense during the year.

Research and Development Expenses

Our research and development expenses consist primarily of staff compensation and welfare expenses, which include share-based compensation for our employees engaged in product development functions. We believe developing our platforms and content is extremely important to achieving our strategic objectives.

Impairment of Goodwill

We test goodwill for impairment at least annually and evaluate whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Goodwill impairment is recognized as the excess of goodwill allocated to the reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit.

Results of Operations

The table below sets forth a summary of our consolidated results of operations for the periods indicated, both in absolute amounts and as percentages of our total revenue. This information should be read together with our consolidated financial statements and related notes included elsewhere in this annual report. The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	For the Year Ended December 31,					
	2022		2023		2024	
		Percentage of Total Revenue		Percentage of Total Revenue		Percentage of Total Revenue
	US\$		US\$		US\$	
	(thousands, except for percentages)					
Selected Consolidated Statements of Operations Data:						
Revenue:						
Service revenue	11,340,336	91.1	11,942,385	91.4	15,261,263	90.7
Sales of goods	1,109,369	8.9	1,121,175	8.6	1,558,603	9.3
Total revenue	12,449,705	100.0	13,063,560	100.0	16,819,866	100.0
Cost of revenue:						
Cost of service	(6,271,082)	(50.4)	(6,202,524)	(47.4)	(8,164,387)	(48.6)
Cost of goods sold	(993,346)	(8.0)	(1,027,389)	(7.9)	(1,450,391)	(8.6)
Total cost of revenue	(7,264,428)	(58.4)	(7,229,913)	(55.3)	(9,614,778)	(57.2)
Gross profit	5,185,277	41.6	5,833,647	44.7	7,205,088	42.8
Operating income (expenses):						
Other operating income	279,184	2.2	221,021	1.7	180,443	1.1
Sales and marketing expenses	(3,269,223)	(26.3)	(2,779,223)	(21.3)	(3,472,686)	(20.6)
General and administrative expenses	(1,437,612)	(11.5)	(1,134,724)	(8.7)	(1,267,706)	(7.6)
Provision for credit losses	(513,690)	(4.1)	(633,942)	(4.8)	(776,937)	(4.6)
Research and development expenses	(1,376,501)	(11.0)	(1,164,126)	(8.9)	(1,206,050)	(7.2)
Impairment of goodwill	(354,943)	(2.9)	(117,875)	(0.9)	–	–
Total operating expenses	(6,672,785)	(53.6)	(5,608,869)	(42.9)	(6,542,936)	(38.9)
Operating (loss) income	(1,487,508)	(11.9)	224,778	1.7	662,152	3.9
Interest income	115,515	0.9	331,310	2.6	365,817	2.2
Interest expense	(45,396)	(0.4)	(41,075)	(0.3)	(38,341)	(0.2)
Net investment loss	(207,331)	(1.7)	(125,656)	(1.0)	(250,220)	(1.5)
Net gain on debt extinguishment	199,697	1.6	38,550	0.3	42,621	0.2
Foreign exchange (loss) gain	(75,510)	(0.6)	4,487	0.0	(3,246)	(0.0)
(Loss) Income before income tax and share of results of equity investees						
	(1,500,533)	(12.1)	432,394	3.3	778,783	4.6
Income tax expense	(168,395)	(1.4)	(262,680)	(2.0)	(321,168)	(1.9)
Share of results of equity investees	11,156	0.1	(7,032)	(0.1)	(9,788)	(0.1)
Net (loss) income	(1,657,772)	(13.3)	162,682	1.2	447,827	2.7

		For the Year Ended December 31,		
		2022	2023	2024
		(US\$ thousands)		
Gross profit/(loss):				
Services				
E-commerce		1,302,034	2,713,824	3,696,912
Digital Financial Services		967,858	1,479,677	2,019,315
Digital Entertainment		2,800,146	1,499,528	1,300,003
Other Services		(784)	46,832	80,646
Sales of goods		116,023	93,786	108,212
Total gross profit		5,185,277	5,833,647	7,205,088

		For the Year Ended December 31,		
		2022	2023	2024
		(Percentage)		
Gross margin:				
Services				
E-commerce		21.0	34.4	34.0
Digital Financial Services		79.2	84.1	85.3
Digital Entertainment		72.2	69.0	68.0
Other Services		(1.5)	37.2	66.8
Sales of goods		10.5	8.4	6.9
Total gross margin		41.6	44.7	42.8

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Revenue

Our total revenue increased by 28.8% from US\$13.1 billion in 2023 to US\$16.8 billion in 2024.

- *E-commerce:* Our e-commerce service revenue increased by 37.8% from US\$7.9 billion in 2023 to US\$10.9 billion in 2024. This is mainly due to the growth of GMV, as GMV grew 28.0% from US\$78.5 billion in 2023 to US\$100.5 billion in 2024. Average order value on Shopee decreased slightly to approximately US\$9 in 2024, as compared to approximately US\$10 in 2023, while our orders volume grew 33.0% from 8.2 billion in 2023 to 10.9 billion in 2024.
- *Digital Financial Services:* Our digital financial services revenue increased by 34.6% from US\$1.8 billion in 2023 to US\$2.4 billion in 2024. This is mainly due to growth of our credit business as our lending activities increased and our loans receivable grew from US\$2.5 billion as at December 31, 2023 to US\$4.2 billion as at December 31, 2024.
- *Digital Entertainment:* Our digital entertainment revenue decreased by 12.0% from US\$2.2 billion in 2023 to US\$1.9 billion in 2024. The decrease was primarily driven by higher bookings in 2022 compared to 2023, which resulted in more revenue being deferred and subsequently recognized in 2023. On the other hand, bookings for 2024 is higher than 2023, as average Game QAU's increased by 18.0% from 527.2 million in 2023 to 622.3 million in 2024, while average Game QPUs increased by 25.5% from 40.2 million in 2023 to 50.5 million in 2024.
- *Sales of goods:* Revenue increased by 39.0% from US\$1.1 billion in 2023 to US\$1.6 billion in 2024, primarily due to the increase in our product offerings.

Cost of Revenue

Our total cost of revenue increased by 33.0% from US\$7.2 billion in 2023 to US\$9.6 billion in 2024.

- *E-commerce:* Cost of revenue increased by 38.6% from US\$5.2 billion in 2023 to US\$7.2 billion in 2024. The increase was primarily driven by the increase in logistics costs as orders volume grew 33.0% from 8.2 billion in 2023 to 10.9 billion in 2024.
- *Digital Financial Services:* Cost of revenue increased by 24.6% from US\$279.7 million in 2023 to US\$348.4 million in 2024, primarily driven by interest expenses due to the growth in customer deposits under our banking business, and server and hosting expenses.
- *Digital Entertainment:* Cost of revenue dropped by 9.2% from US\$672.5 million in 2023 to US\$610.6 million in 2024, primarily from payment channel costs, which was largely in line with the decrease in digital entertainment revenue.
- *Cost of goods sold:* Cost of goods sold increased by 41.2% from US\$1.0 billion in 2023 to US\$1.5 billion in 2024. The increase was largely in line with the increase in our revenue from sales of goods.

Gross Profit

As a result of the foregoing, our gross profit grew 23.5% from US\$5.8 billion in 2023 to US\$7.2 billion in 2024. Our gross margin was 44.7% in 2023, as compared to 42.8% in 2024, primarily due to a shift in gross profit mix. The contribution from our higher-margin digital entertainment business decreased, while our lower-margin e-commerce business made up a larger share of our gross profit.

Other Operating Income

Our other operating income decreased by 18.4% from US\$221.0 million in 2023 to US\$180.4 million in 2024 primarily due to lower rebates from e-commerce related logistics services providers.

Sales and Marketing Expenses

Our sales and marketing expenses increased by 25.0% from US\$2.8 billion in 2023 to US\$3.5 billion in 2024. The increase in sales and marketing expenses in 2024 was mainly from our e-commerce and digital financial services businesses. The increase in marketing expenses for our e-commerce business was primarily driven by online marketing efforts and higher marketing incentives, as we continue to grow the e-commerce business across our markets. The increase in marketing expenses for our digital financial services business was primarily driven by investments in user acquisition and user retention.

General and Administrative Expenses

Our general and administrative expenses increased by 11.7% from US\$1.1 billion in 2023 to US\$1.3 billion in 2024. The increase was primarily due to an increase in staff compensation and welfare expenses from higher staff headcount, as well as one-time expenses related to the settlement of two securities class actions in 2024.

Provision for Credit Losses

Our provision for credit losses increased by 22.6% from US\$633.9 million in 2023 to US\$776.9 million in 2024, primarily driven by an increase in lending activity during the year, in line with the growth in our loan book as our loans receivable increased by 67.4%, from US\$2.5 billion as at December 31, 2023 to US\$4.2 billion as at December 31, 2024.

Research and Development Expenses

Our research and development expenses were relatively stable at US\$1.2 billion for 2023 and 2024.

Impairment of Goodwill

We recorded nil impairment of goodwill in 2024, compared to US\$117.9 million in 2023. The goodwill impairment in 2023 was primarily due to the change in carrying amount of goodwill associated with our prior acquisition.

Other Income, Expenses, Gains and Losses

Our interest income, interest expense, net investment loss, net gain on debt extinguishment, and foreign exchange (loss) gain was a net income of US\$207.6 million in 2023 compared to US\$116.6 million in 2024. The lower non-operating income was mainly due to higher investment losses recognized in 2024, partially offset by higher interest income.

Income before Income Tax and Share of Results of Equity Investees

As a result of the foregoing, we had income before income tax and share of results of equity investees of US\$432.4 million in 2023 and US\$778.8 million in 2024.

Income Tax Expense

We had an income tax expense of US\$262.7 million in 2023 and US\$321.2 million in 2024. The higher income tax expense was primarily due to higher income tax expenses incurred by our e-commerce and digital financial services businesses.

Share of Results of Equity Investees

We had share of loss of equity investees of US\$7.0 million in 2023 and US\$9.8 million in 2024.

Net Income

As a result of the foregoing, we had net income of US\$162.7 million in 2023 compared to US\$447.8 million in 2024.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

Our total revenue increased by 4.9% from US\$12.4 billion in 2022 to US\$13.1 billion in 2023.

- E-commerce:* Our e-commerce service revenue increased by 27.4% from US\$6.2 billion in 2022 to US\$7.9 billion in 2023. This is mainly due to improved monetization, as e-commerce service revenue over GMV improved from 8.4% in 2022 to 10.0% in 2023, as set forth in the table below. Average order value on Shopee remained stable year-on-year, at approximately US\$10.

	For the Year Ended December 31,	
	2022	2023
	(US\$ billions, except for percentages)	
E-commerce service revenue	6.2	7.9
GMV	73.5	78.5
E-commerce service revenue / GMV	8.4%	10.0%

- Digital Financial Services:* Our digital financial services revenue increased by 44.0% from US\$1.2 billion in 2022 to US\$1.8 billion in 2023. This is mainly due to growth of our credit business as our lending activities increased and our loans receivable grew from US\$2.1 billion as at December 31, 2022 to US\$2.5 billion as at December 31, 2023.
- Digital Entertainment:* Our digital entertainment revenue decreased by 44.0% from US\$3.9 billion in 2022 to US\$2.2 billion in 2023. This decrease was primarily attributable to the moderation in active and paying user base. Average Game QAUs decreased by 7.9% from 572.2 million in 2022 to 527.2 million in 2023, while average Game QPUs decreased by 24.3% from 53.1 million in 2022 to 40.2 million in 2023.
- Sales of goods:* Revenue was relatively stable at US\$1.1 billion for 2022 and 2023.

Cost of Revenue

Our total cost of revenue remained relatively stable at US\$7.2 billion in 2023 as increases in cost of revenue for our e-commerce and digital financial services businesses were offset by decrease in cost of revenue for our digital entertainment business.

- E-commerce:* Cost of revenue increased by 5.8% from US\$4.9 billion in 2022 to US\$5.2 billion in 2023. The increase was primarily driven by the increase in logistics costs as orders volume grew 8.8% from 7.6 billion in 2022 to 8.2 billion in 2023.
- Digital Financial Services:* Cost of revenue increased by 10.1% from US\$254.1 million in 2022 to US\$279.7 million in 2023, primarily driven by interest expenses in line with the growth of our loan book and increases in customer deposits under our banking business, amortization costs of internally developed software, and server and hosting expenses.

- *Digital Entertainment:* Cost of revenue dropped by 37.6% from US\$1.1 billion in 2022 to US\$672.5 million in 2023, primarily from payment channel costs, which was largely in line with the decrease in digital entertainment revenue.
- *Cost of goods sold:* Cost of goods sold was relatively stable at US\$1.0 billion for 2022 and 2023.

Gross Profit

As a result of the foregoing, our gross profit grew 12.5% from US\$5.2 billion in 2022 to US\$5.8 billion in 2023. Our gross margins improved from 41.6% in 2022 to 44.7% in 2023.

Other Operating Income

Our other operating income decreased by 20.8% from US\$279.2 million in 2022 to US\$221.0 million in 2023 primarily due to lower rebates from e-commerce related logistics services providers.

Sales and Marketing Expenses

Our sales and marketing expenses decreased by 15.0% from US\$3.3 billion in 2022 to US\$2.8 billion in 2023 due to our efforts to optimize operating costs and achieve higher cost efficiencies in our digital financial services and digital entertainment businesses.

General and Administrative Expenses

Our general and administrative expenses decreased by 21.1% from US\$1.4 billion in 2022 to US\$1.1 billion in 2023. The decrease was primarily due to a decrease in staff compensation and welfare expenses from lower staff headcount, as well as lower cost of office facilities and related expenses driven by cost saving initiatives in our business operations. In addition, in 2022, we incurred certain one-time impairment costs due to exits from non-core markets and certain divestments.

Provision for Credit Losses

Our provision for credit losses increased by 23.4% from US\$513.7 million in 2022 to US\$633.9 million in 2023, primarily driven by an increase in lending activity during the year, in line with the growth in our loan book as our loans receivable increased by 21.3%, growing from US\$2.1 billion as at December 31, 2022 to US\$2.5 billion as at December 31, 2023. As our loan cycle was generally less than one year in the past two years, an increase in our lending activity during the year therefore tended to increase our annual credit loss provisioning expense during the year at a higher rate than our outstanding gross loans receivable balance at year-end.

Research and Development Expenses

Our research and development expenses decreased by 15.4% from US\$1.4 billion in 2022 to US\$1.2 billion in 2023. The decrease was primarily due to the decrease in staff compensation and welfare expenses from lower headcount driven by cost saving initiatives in our business operation.

Impairment of Goodwill

We recorded an impairment of goodwill of US\$117.9 million in 2023, compared to US\$354.9 million in 2022. The goodwill impairment in 2023 was primarily due to the change in carrying amount of goodwill associated with our prior acquisition.

Other Income, Expenses, Gains and Losses

Our interest income, interest expense, net investment loss, net (loss) gain on debt extinguishment, and foreign exchange gain (loss) was a net loss of US\$13.0 million in 2022, compared to a net income of US\$207.6 million in 2023. The improvement was mainly due to higher interest income, lower investment loss, and a net foreign exchange gain of US\$4.5 million in 2023, as compared to net foreign exchange loss of US\$75.5 million in 2022. The improvement was partially offset by lower gain on debt extinguishment of US\$38.6 million recognized in 2023, as compared to gain on debt extinguishment of US\$199.7 million recognized in 2022 as we repurchased our 2026 convertible notes in both periods.

Loss or Income before Income Tax and Share of Results of Equity Investees

As a result of the foregoing, we had loss before income tax and share of results of equity investees of US\$1.5 billion in 2022, compared to income before income tax and share of results of equity investees of US\$432.4 million in 2023.

Income Tax Expense

We had an income tax expense of US\$168.4 million in 2022 and US\$262.7 million in 2023. The higher income tax expense was primarily due to higher income tax credit recognized in 2022 as a result of recognition of deferred tax assets from carried forward losses for our e-commerce business, partially offset by lower income tax expense incurred by our digital entertainment business.

Share of Results of Equity Investees

We had share of profit of equity investees of US\$11.2 million in 2022, compared to share of loss of equity investees of US\$7.0 million in 2023.

Net Loss or Income

As a result of the foregoing, we had net loss of US\$1.7 billion in 2022, compared to net income of US\$162.7 million in 2023.

Segment Reporting

We have three reportable segments, namely, e-commerce, digital financial services and digital entertainment. The chief operating decision maker (“CODM”), comprising our senior management team, reviews the performance of each segment based on revenue and certain key operating metrics of the operations and uses these results for the purposes of allocating resources to and evaluating the financial performance of each segment.

Information about segments during the years ended December 31, 2022, 2023 and 2024 presented were as follows:

	For the Year ended December 31, 2024				
	E-commerce	Digital Financial Services	Digital Entertainment	Other Services ⁽¹⁾	Total
	(US\$ thousands)				
Revenue	12,415,231	2,367,739	1,910,589	126,307	16,819,866
Less ⁽²⁾					
Cost of revenue	(8,611,530)	(348,424)	(610,586)	–	
Sales and marketing expenses	(2,966,084)	(298,386)	(117,556)	–	
Provision for credit losses	–	(771,407)	–	–	
Other operating expenses ⁽³⁾	(977,048)	(292,020)	(203,626)	(170,210)	
Operating segment (loss) income	(139,431)	657,502	978,821	(43,903)	1,452,989
Unallocated expenses ⁽⁴⁾					(790,837)
Operating income					662,152
Non-operating income, net					116,631
Income tax expense					(321,168)
Share of results of equity investees					(9,788)
Net income					447,827

For the Year ended December 31, 2023					
	E-commerce	Digital Financial Services	Digital Entertainment	Other Services ⁽¹⁾	Total
(US\$ thousands)					
Revenue	9,000,848	1,759,422	2,172,009	131,281	13,063,560
Less ⁽²⁾					
Cost of revenue	(6,194,900)	(279,745)	(672,481)	–	
Sales and marketing expenses	(2,510,693)	(116,445)	(104,721)	–	
Provision for credit losses	–	(630,300)	–	–	
Other operating expenses ⁽³⁾	(845,725)	(242,723)	(216,936)	(188,009)	
Operating segment (loss) income	(550,470)	490,209	1,177,871	(56,728)	1,060,882
Unallocated expenses ⁽⁴⁾					(836,104)
Operating income					224,778
Non-operating income, net					207,616
Income tax expense					(262,680)
Share of results of equity investees					(7,032)
Net income					162,682

For the Year ended December 31, 2022					
	E-commerce	Digital Financial Services	Digital Entertainment	Other Services ⁽¹⁾	Total
(US\$ thousands)					
Revenue	7,288,677	1,221,996	3,877,163	61,869	12,449,705
Less ⁽²⁾					
Cost of revenue	(5,871,475)	(254,058)	(1,077,017)	–	
Sales and marketing expenses	(2,328,636)	(508,089)	(268,061)	–	
Provision for credit losses	–	(494,622)	–	–	
Other operating expenses ⁽³⁾	(1,101,926)	(242,491)	(560,669)	(314,031)	
Operating segment (loss) income	(2,013,360)	(277,264)	1,971,416	(252,162)	(571,370)
Unallocated expenses ⁽⁴⁾					(916,138)
Operating loss					(1,487,508)
Non-operating loss, net					(13,025)
Income tax expense					(168,395)
Share of results of equity investees					11,156
Net loss					(1,657,772)

-
- (1) A combination of multiple business activities that does not meet the quantitative thresholds to qualify as reportable segments are grouped together as “Other Services”.
- (2) The significant expenses categories and amounts align with the segment-level information that is regularly provided to the CODM.
- (3) Other operating expenses for E-commerce and Digital Entertainment include general and administrative expenses, research and development expenses, provision for credit losses and other operating income. Other operating expenses for Digital Financial Services include general and administrative expenses, research and development expenses and other operating income.

- (4) Unallocated expenses are mainly related to share-based compensation, impairment of goodwill of prior acquisitions that are not under our reportable segments, and general and corporate administrative costs such as professional fees and other miscellaneous items that are not allocated to segments. These expenses are excluded from segment results as they are not reviewed by the CODM as part of segment performance.

Taxation

Cayman Islands

We are incorporated in the Cayman Islands and our primary business operations are conducted through our subsidiaries, branch offices and consolidated affiliated entities. Under the current laws of the Cayman Islands, we are not subject to tax on income or capital gains.

Singapore

Our subsidiaries incorporated in Singapore are subject to the Singapore corporate tax of 17% in 2022, 2023 and 2024. Garena Online Private Limited was granted a five-year development and expansion incentive by the Singapore Economic Development Board, or the EDB, commencing from January 1, 2022, which grant a concessionary tax rate of 10.5% from January 1, 2022 to December 31, 2026 on qualifying income, subject to certain terms and conditions imposed by the EDB.

Others

Subsidiaries incorporated in other jurisdictions are subject to the respective applicable corporate income tax rates of those jurisdictions.

B. Liquidity and Capital Resources

Cash Flows and Working Capital

Our principal sources of liquidity have historically been cash generated from operating activities and financing activities including customer deposits under our banking business. The principal driver of our operating cash flows is cash received from sales of our services and products, including proceeds from our sales of in-game virtual items in our digital entertainment business, fees from paid advertising services, transaction-based fees, value-added services and proceeds from direct sales of goods in our e-commerce business, interest and fees received from our credit and banking businesses, fees from our mobile wallet services and from our insurance business, offset by operating expenses.

As of December 31, 2022, 2023 and 2024, we had US\$7.6 billion, US\$4.2 billion and US\$4.1 billion, respectively, in cash, cash equivalents and restricted cash. Cash and cash equivalents consist of cash on hand, demand deposits and money market funds placed with banks and other financial institutions which are unrestricted as to withdrawal and use and have original maturities of three months or less. Restricted cash mainly comprise monies received that are held in escrow in connection with our e-commerce business and mobile wallet in connection with our digital financial services business. Our cash, cash equivalents and restricted cash are primarily denominated in U.S. dollars as well as in local currencies of the markets where we operate. We believe that our cash and cash equivalents, together with cash generated from operating and short-term investments, will be sufficient to meet our anticipated cash needs and obligations for the next 12 months. We may also access capital markets or credit facilities should we require additional working capital.

The following table sets forth a summary of our cash flows for the periods indicated:

	For the Year Ended December 31,		
	2022	2023	2024
	(US\$ thousands)		
Net cash (used in) generated from operating activities	(1,055,692)	2,079,688	3,277,420
Net cash used in investing activities	(2,428,809)	(5,804,462)	(5,040,846)
Net cash generated from financing activities	400,256	366,011	1,684,493
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(143,511)	(7,964)	(83,139)
Net decrease in cash, cash equivalents and restricted cash	(3,227,756)	(3,366,727)	(162,072)
Cash, cash equivalents and restricted cash at beginning of year	10,838,140	7,610,384	4,243,657
Cash, cash equivalents and restricted cash at end of year ⁽¹⁾	7,610,384	4,243,657	4,081,585

(1) As of December 31, 2022, cash and cash equivalents of US\$13.2 million was included in assets held for sale within prepaid expenses and other assets.

Operating Activities

Net cash generated from operating activities amounted to US\$3.3 billion in 2024 compared to net cash generated from operating activities of US\$2.1 billion in 2023. The difference was mainly due to increase in net income of US\$285.1 million and increase in change in deferred revenue of US\$607.1 million.

The main drivers for the increase in net income are:

- higher e-commerce and digital financial services gross profits in 2024 due to growth of GMV from our e-commerce business and growth of the credit business;
- partially offset by higher sales and marketing expenses in 2024 primarily driven by online marketing efforts, user acquisition and retention, and higher marketing incentives as we continue to grow our businesses; and
- higher general and administrative expenses in 2024 primarily due to an increase in staff cost from higher staff headcount, as well as one-time expenses related to the settlement of two securities class actions in 2024.

The increase in change in deferred revenue is due to stronger bookings in 2024 for our digital entertainment business. Bookings refer to GAAP revenue for the digital entertainment segment plus change in digital entertainment deferred revenue and are used as an approximation of cash spent by our users.

Net cash generated from operating activities amounted to US\$2.1 billion in 2023 compared to net cash used in operating activities of US\$1.1 billion in 2022. The difference was mainly due to increase in net income of US\$1.8 billion, increase in change in deferred revenue of US\$768.1 million and increase in change in accrued expenses and other payables of US\$494.2 million in 2023 compared to 2022.

The main drivers for the increase in net income and increase in change in deferred revenue are:

- higher e-commerce and digital financial services gross profits in 2023 due to improved monetization of our e-commerce business and growth of the credit business;
- lower sales and marketing expenses in 2023 due to our efforts to optimize operating costs and achieve higher cost efficiencies in our digital financial services and digital entertainment businesses; and
- lower general and administrative expenses in 2023 due to a decrease in staff compensation and welfare expenses from lower staff headcount, and lower cost of office facilities and related expenses driven by cost saving initiatives in our business operations and certain one-time impairment costs incurred in 2022 due to the exits from non-core markets and certain divestments;
- partially offset by the decline in bookings in 2023 for our digital entertainment business due to the moderation in active and paying user base. Bookings refer to GAAP revenue for the digital entertainment segment plus change in digital entertainment deferred revenue and are used as an approximation of cash spent by our users.

The increase in change in accrued expenses and other payables is due to:

- a general increase in 2023 in payables to our logistics providers in our e-commerce business in line with orders volume growth; and
- a general increase in sales and marketing expenses payable by our e-commerce business in the second half of 2023, as compared to that of the second half in 2022, which is in line with the increase in investments in growing the e-commerce business in 2023 as opposed to the focus on cost saving initiatives in our business operations in 2022.

Investing Activities

Net cash used in investing activities amounted to US\$5.0 billion in 2024. This was primarily attributable to purchase of investments of US\$9.6 billion mainly consisting of time deposits and liquid investment products, an increase in loans receivable of our credit business of US\$2.5 billion and purchase of property and equipment of US\$318.1 million. These were partially offset by proceeds from maturity and disposal of investments of US\$7.4 billion.

Net cash used in investing activities amounted to US\$5.8 billion in 2023. This was primarily attributable to purchase of investments of US\$8.3 billion mainly consisting of time deposits and liquid investment products, an increase in loans receivable of our credit business of US\$1.0 billion and purchase of property and equipment of US\$241.6 million. These were partially offset by proceeds from maturity and disposal of investments of US\$3.5 billion.

Net cash used in investing activities amounted to US\$2.4 billion in 2022. This was primarily attributable to purchase of investments of US\$2.6 billion mainly consisting of time deposits and liquid investment products, an increase in loans receivable of our credit business of US\$1.2 billion and purchase of property and equipment of US\$924.2 million. These were partially offset by proceeds from maturity and disposal of investments of US\$2.3 billion.

Financing Activities

Net cash generated from financing activities amounted to US\$1.7 billion in 2024. This was primarily attributable to an increase in bank customer deposits of US\$1.3 billion and settlement of capped call for the 2024 convertible notes of US\$429.0 million.

Net cash generated from financing activities amounted to US\$366.0 million in 2023. This was primarily attributable to an increase in bank customer deposits of US\$389.3 million, as well as net proceeds from other funding sources related to the credit business of US\$223.8 million, partially offset by the cash used in repurchase of convertible notes of US\$204.6 million and repayment of bank borrowings of US\$49.0 million.

Net cash generated from financing activities amounted to US\$400.3 million in 2022, primarily attributable to an increase in bank customer deposits of US\$942.6 million, partially offset by the repurchase of convertible notes of US\$611.3 million.

Material Cash Requirements

Our material cash requirements as of December 31, 2024 and any subsequent interim period mainly include our convertible notes obligations, capital expenditures, other short-term working capital commitments, bank customer deposits, and other contractual cash obligations. We believe that our cash and cash equivalents, together with cash generated from operating and short-term investments, will be sufficient to meet our anticipated cash needs and obligations for the next 12 months.

Convertible Notes

Our convertible notes obligations, including scheduled interest, were approximately US\$2.7 billion as of December 31, 2024, based on the contractual maturity assuming no conversion subsequent to December 31, 2024.

In November 2019, we completed an offering of 1.00% convertible senior notes in an aggregate principal amount of US\$1.15 billion, or the 2024 convertible notes. These 2024 convertible notes were offered to qualified institutional buyers pursuant to Rule 144A under the Securities Act, and certain non-U.S. persons in compliance with Regulation S under the Securities Act. These 2024 convertible notes matured in December 2024. Prior to 2024, holders of an aggregate of US\$998.0 million principal amount of our 2024 convertible notes elected to convert their notes. In 2024, holders of the remaining US\$152.0 million principal amount of our 2024 convertibles notes elected to convert prior to the notes' maturity in December 2024.

In connection with the pricing of the 2024 convertible notes, we entered into capped call transactions with certain financial institutions. During the year ended December 31, 2024, we settled such capped call transactions of the 2024 convertible notes. The proceeds received were recorded as an increase in additional paid-in capital.

In May 2020, we completed an offering of 2.375% convertible senior notes in an aggregate principal amount of US\$1.15 billion, or the 2025 convertible notes. These 2025 convertible notes were offered to qualified institutional buyers pursuant to Rule 144A under the Securities Act, and certain non-U.S. persons in compliance with Regulation S under the Securities Act. The notes will mature in December 2025. Note holders have the right, at their option, to convert the outstanding principal amount in whole or in part in integral multiples of US\$1,000 principal amount (i) upon satisfaction of one or more of the conversion conditions as defined in the indenture prior to the close of business on the business day immediately preceding September 1, 2025; or (ii) anytime on or after September 1, 2025 until the close of business on the second scheduled trading day immediately preceding the maturity date. On or after May 19, 2023, we may redeem for cash all or any part of the notes, if certain conditions are met, at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest. We may also redeem for cash all but not part of the notes at any time if less than US\$100 million aggregate principal amount of notes remains outstanding at such time. Unless otherwise converted or redeemed, we will repay the full outstanding and unpaid principal amounts in full on the maturity date. The notes may be converted, in whole or in part, into our ADSs at an initial conversion rate of 11.0549 ADSs per US\$1,000 principal amount (equivalent to approximately US\$90.46 per ADS), subject to certain anti-dilution and make-whole fundamental change adjustments. Upon conversion, we have the right, at our option, to pay or deliver, either cash, ADSs, or a combination of cash and ADSs to converting holders. As of March 31, 2025, holders of an aggregate of US\$0.5 million principal amount of our 2025 convertible notes have elected to convert, and approximately US\$1.15 billion principal amount of our 2025 convertible notes remained outstanding.

In connection with the pricing of the 2025 convertible notes, we have entered into capped call transactions with certain financial institutions. These capped call transactions are generally expected to reduce the potential dilution with respect to our ADSs and Class A ordinary shares upon conversion of the 2025 convertible notes and/or offset any cash payments we are required to make in excess of the principal amount of converted notes, as the case may be, upon any conversion of the notes, with such reduction of potential dilution or offset of cash payments, as the case may be, subject to a cap based on the cap price of the capped call transactions. The cap price of the capped call transactions will initially be US\$136.54 per ADS, and is subject to certain adjustments under the terms of the capped call transactions.

In September 2021, we completed a registered offering of 0.25% convertible senior notes in an aggregate principal amount of US\$2.875 billion, or the 2026 convertible notes. The notes will mature in September 2026. Note holders have the right, at their option, to convert the outstanding principal amount in whole or in part in integral multiples of US\$1,000 principal amount (i) upon satisfaction of one or more of the conversion conditions as defined in the indenture prior to the close of business on the business day immediately preceding June 15, 2026; or (ii) anytime on or after June 15, 2026 until the close of business on the second scheduled trading day immediately preceding the maturity date. On or after September 15, 2024, we may redeem for cash all or any part of the notes, if certain conditions are met, at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest. We may also redeem for cash all but not part of the notes at any time if less than US\$250 million aggregate principal amount of notes remains outstanding at such time. Unless otherwise converted or redeemed, we will repay the full outstanding and unpaid principal amounts in full on the maturity date. The notes may be converted, in whole or in part, into our ADSs at an initial conversion rate of 2.0964 ADSs per US\$1,000 principal amount (equivalent to approximately US\$477.01 per ADS), subject to certain anti-dilution and make-whole fundamental change adjustments. Upon conversion, we have the right, at our option, to pay or deliver, either cash, ADSs, or a combination of cash and ADSs to converting holders. During fiscal year 2024, we repurchased US\$329.4 million aggregate of principal amount of our 2026 convertible notes. As of March 31, 2025, approximately US\$1.33 billion aggregate of principal amount of our 2026 convertible notes remained outstanding.

For further information, refer to Note 13 – Convertible Notes in the accompanying notes to consolidated financial statements included in “Item 17. Financial Statements.”

Capital Expenditures

Our capital expenditures amounted to US\$976.3 million, US\$258.3 million and US\$321.6 million in 2022, 2023 and 2024, respectively. Capital expenditure was incurred for purchases of property and equipment and software, and costs for developing software for internal use. We will continue to make capital expenditures to meet the needs of our business and expect that our cash and cash equivalents, together with cash generated from operating and short-term investments will meet our capital expenditure needs in the foreseeable future.

Deposits Payable

As of December 31, 2024, our consolidated balance sheets had deposits payable of US\$2.7 billion, which are customer deposits from our banking business.

Other Contractual Cash Obligations

Our operating lease obligations, including imputed interest, were US\$1.4 billion as of December 31, 2024, of which US\$313.5 million is payable within the next 12 months. Our obligations for leases that have not yet commenced, including imputed interest, were US\$501.5 million as of December 31, 2024, of which US\$18.1 million is payable within the next 12 months. For further information on our leases, refer to Note 9 – Leases in the accompanying notes to consolidated financial statements included in “Item 17. Financial Statements.”

We have purchase commitments of US\$116.4 million as of December 31, 2024, including US\$50.7 million to purchase property and equipment and hosting services, US\$4.0 million committed licensing fee payable for the licensing of game titles, and US\$61.7 million commitment to invest in certain companies. The aggregate of our purchase commitments payable within the next 12 months is US\$96.2 million. For further information, refer to Note 23 – Commitments and Contingencies in the accompanying notes to consolidated financial statements included in “Item 17. Financial Statements.”

We have commitments to pay a minimum guarantee of royalty fees to game developers for certain online games we licensed. As of December 31, 2024, the minimum guarantee commitment amounted to US\$30.9 million for launched games as well as licensed but yet to be launched games, of which US\$29.3 million is payable within the next 12 months. For further information, refer to Note 23 – Commitments and Contingencies in the accompanying notes to consolidated financial statements included in “Item 17. Financial Statements.”

Our banking business in Singapore, Indonesia and the Philippines have commitments to extend credit to our respective customers under committed facilities. As of December 31, 2024, bank customers can draw down on a total undrawn credit limit of US\$0.2 million under such committed facilities.

Holding Company Structure

Sea Limited is a holding company that does not have substantive operations. We conduct our operations primarily through our subsidiaries, branch offices and our consolidated affiliated entities. As a result, our ability to pay dividends depends upon, among others, dividends paid by our subsidiaries. If our subsidiaries or any newly formed subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us.

In addition, as determined in accordance with local regulations, our subsidiaries and VIEs in certain of our markets may be restricted from paying us dividends offshore or from transferring a portion of their assets to us, either in the form of dividends, loans or advances, unless certain requirements are met, and regulatory approvals are obtained.

See “Item 3. Key Information—D. Risk Factors—Markets Related Risks—The ability of our subsidiaries to distribute dividends to us may be subject to restrictions under the laws of their respective jurisdictions.” Even though we currently do not require any such dividends, loans or advances from our entities for working capital and other funding purposes, we may in the future require additional cash resources from them due to changes in business conditions, to fund future acquisitions and development, or merely to declare and pay dividends or distributions to our shareholders.

Certain of the markets in which we have significant subsidiaries or principal operating entities, including Indonesia, Thailand and Taiwan, require those subsidiaries to establish and fund statutory reserves. Indonesian laws require a limited liability company to reserve a certain amount from its net profit each year as a reserve fund until such fund amounts to at least 20% of its issued and paid-up capital. Thailand regulations require a private limited liability company to allocate at least 5% of its retained earnings into a legal reserve fund at the time the dividend is paid until and unless the legal reserve fund reaches 10% of the company’s registered capital. The legal reserve is not available for dividend distribution. Taiwan laws require a limited liability company to set aside 10% of annual net income (less prior years’ losses, if any, and applicable income taxes) as legal reserve until the accumulated legal reserve equals the paid-in capital of such company before such company can distribute any dividend.

C. Research and Development, Patents and Licenses, etc.

Research and Development

Costs incurred in connection with the planning and post-implementation phases of the development of software for internal use are expensed. Costs incurred in the application development phase are capitalized when certain criteria are met. Capitalization ceases and the costs are amortized over the software’s estimated useful life when the software is ready for its intended use.

Costs incurred internally in researching and developing a software product are charged to expense as research and development costs prior to technological feasibility being established for the product. Once technological feasibility is established, all software costs are capitalized until the product is available for general release to customers. Technological feasibility is established upon completion of all the activities that are necessary to substantiate that the software product can be produced in accordance with its design specifications, including functions, features, and technical performance requirements. None of such costs were capitalized for any of the periods presented.

Intellectual Property

See “Item 4. Information on the Company—B. Business Overview—Intellectual Property.”

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the year ended December 31, 2024 that are reasonably likely to have a material adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial conditions.

E. Critical Accounting Estimates

We prepare our consolidated financial statements in conformity with U.S. GAAP, which requires us to make judgments, estimates and assumptions that affect our reporting of, among other things, assets and liabilities, disclosure of contingent assets and liabilities and revenue and expenses. We regularly evaluate these estimates and assumptions based on the most recently available information, our own historical experiences and other factors that we believe to be relevant under the circumstances. Since our financial reporting process inherently relies on the use of judgments, estimates and assumptions, our actual results could differ from what we expect.

We believe that the following accounting policies reflect the significant judgments, estimates and assumptions used in the preparation of our consolidated financial statements. For additional information, see the disclosure included in Note 2 – Summary of Significant Accounting Policies in the accompanying notes to consolidated financial statements included in “Item 17. Financial Statements.”

Recognition of Digital Entertainment Revenue

We distribute online games, including self-developed games and licensed games from game developers, through our PC and mobile based applications and certain app stores. We offer many ways for users to purchase in-game items, including through online payment gateways, bank transfers, credit cards, mobile phone billing and prepaid cards (including our own prepaid cards which are sold through agents). As we control the service of providing games to the users and have a direct contractual arrangement with our paying users and have the right to determine the price to be paid by such users, the gross proceeds collected from these channels represent revenue to be recognized, and the amounts retained by these channels based on a predetermined percentage represent our cost of revenue to be recognized.

Revenue is recognized over the performance obligation period. We recognize an implied obligation to the paying users to continue to provide hosting services and access to the purchased virtual items within the online games over an estimated performance obligation period. Such performance obligation period is determined in accordance with the estimated average lifespan of the paying user or virtual items sold.

- *Item-based revenue model.* Virtual items have different lifespan patterns: time-based, consumable and durable.
- Time-based virtual items are items with a stated expiration time. Revenue attributable to a time-based virtual item is recognized ratably over the period based on the time unit of the item.
- Consumable virtual items are items that can be consumed by a specific user action and have limitations on repeated use. Revenue attributable to a consumable virtual item is recognized upon consumption.
- Durable virtual items are items that provide the user with continuing benefits over an extended period of time. Revenue attributable to a durable virtual item is recognized ratably over its average lifespan.
- *User-based revenue model.* We track paying users’ activeness within each game where the user-based revenue model is used to estimate paying users’ average lifespan. Paying users are defined as inactive when they have reached a period of inactivity such that it is reasonable to believe that these users will not return to a specific game.

Determining the estimated performance obligation period requires management’s judgment and thus involves uncertainty. Future users’ usage patterns and playing behaviors may change and differ from the historical usage patterns and playing behaviors, leading to a change in the estimated performance obligation period.

Our weighted-average performance obligation period for our paying users used for the purposes of revenue recognition was 17 months as of December 31, 2024. Based on the deferred revenue and payment channel costs amounts as at December 31, 2024, a one-month decrease in the average paying user lifespan for each of our online games would result in an approximately US\$27.9 million decrease in deferred revenue balance and US\$4.9 million decrease in deferred payment channel costs. Conversely, a one-month increase in the average paying user lifespan for each of our games would result in an approximately US\$19.9 million increase in deferred revenue balance and US\$3.4 million increase in deferred payment channel costs balance.

Investment in Equity Securities

Our investments in equity securities for which (1) we do not have the ability to exercise significant influence and (2) are without readily determinable fair value, are carried at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment in the same investee.

We evaluate these securities at each reporting period to determine whether there are indicators that the investment may be impaired (i.e. whether the fair value of these equity securities is less than the current carrying value). Such evaluation includes reviewing the investee’s cash position, recent financings, projected and historical financial performance, cash flow forecasts and current and future financing needs. If, based on this evaluation, we have a reason to believe that the fair value of the investment is less than the carrying value, we then estimate the fair value and record an impairment loss equal to the difference between the fair value of the investment and its carrying amount.

In such circumstances, the fair value of the investment is measured using the Market Adjusted Option Pricing Model Backsolve, which is determined by using information including but not limited to the pricing of recent rounds of financing of the investees, liquidity factors and a selection of comparable companies. The most significant unobservable input used in this model is the market adjustment. Market adjustment represents the estimated range of changes in industry valuations since the investee’s last external valuation. As at December 31, 2024, a 5 percentage points increase in the market adjustment input would have resulted in a decrease in the impairment charges by approximately US\$5.4 million. Conversely, a 5 percentage points decrease would have resulted in an increase in the impairment charges by approximately US\$5.7 million.

Share-based Compensation – share options

Share-based compensation from share option grants is measured at fair value on grant date and recognized as compensation expense over the requisite service period (which is generally the vesting period) in the consolidated statements of operations. We applied the Black-Scholes option pricing model in determining the estimated fair value of the share options on grant date. This model requires the input of assumptions, most of which are not subject to significant estimation uncertainty. The expected term of the option for which employees are likely to exercise their share options is based on the simplified method due to insufficient relevant historical exercise data to provide a reasonable basis to estimate expected term. The risk-free rate used is based on the US Treasury Yields at the time of grant which is generally objectively determinable.

The estimated stock price volatility assumption used in the Black-Scholes option pricing model is judgmental and changes to the volatility assumption could significantly affect the estimated fair value of our share options and hence the amount of compensation expense that we recognize in our consolidated financial statements.

There were no new share options granted during the year ended December 31, 2024.

Income Taxes

We account for income taxes using the liability method. We determine deferred tax assets and liabilities based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that are in effect in the period in which the differences are expected to reverse. Determining the likelihood that our net deferred tax assets will be realized from future taxable income may require certain judgment. The accounting for deferred tax represents our best estimates of certain future events. We record a valuation allowance to offset deferred tax assets if based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. Changes in estimates, due to unanticipated events or otherwise, could have a material effect on our consolidated financial statements.

Impairment of Long-lived Assets in E-commerce Segment

We evaluate our long-lived assets for impairment when there are events or changes in circumstances which indicate that the carrying amounts of the long-lived assets may not be recoverable. Due to the losses incurred by the E-commerce segment, we evaluate the related long-lived assets for impairment at the asset group level by comparing the carrying amount of the asset group to the recoverable value determined by forecasted undiscounted cash flows expected to be generated by this asset group. If the carrying amount of the asset group exceeds the forecasted undiscounted cash flows, we would then be required to compare the estimated fair value of the asset group to its carrying amount to determine the amount of impairment, if any, to record against the long-lived assets in the asset group. As of December 31, 2024, our long-lived assets in the E-commerce segment amounted to approximately 88.5% of our total long-lived assets and no impairment had been provided.

The accounting estimates related to impairment of long-lived assets is critical due to the magnitude of the carrying amount of long-lived assets and management’s judgment is required in estimating the recoverable value (undiscounted cash flows) of the asset group, which are sensitive to key assumptions such as projected revenue and sales and marketing expenses. As at December 31, 2024, the recoverable value assessed exceeded the carrying amount of the asset group by a substantial margin.

Goodwill Impairment

Goodwill is tested for impairment annually, or whenever events or changes in circumstances indicate that it might be impaired. For the impairment assessment on goodwill, we make a qualitative assessment to determine whether quantitative impairment testing is necessary. The qualitative assessment includes a review of macroeconomic conditions, industry and market considerations, and overall financial performance of the reporting unit, among other factors. If the qualitative assessment indicates that it is more likely than not that the carrying value of the reporting unit exceeds its fair value, we then perform a quantitative test to calculate the estimated fair value of the reporting unit. We record goodwill impairment if the carrying amount of the reporting unit exceeds its fair value.

We performed our annual goodwill impairment testing in the fourth quarter of 2024. Our reporting units with material goodwill had estimated fair value exceeded the carrying value by more than 10%.

Allowance for Credit Losses

We established allowances for credit losses for accounts receivable, loans receivable, off-balance sheet loan commitments and available-for-sale investments, the most significant of which is the allowances associated with our consumer and SME loans receivable from our digital financial services business.

For our consumer and SME loans receivable, we establish a provision matrix applied on the portfolio segmented by factors such as geographic region and products that are considered to have similar credit characteristics and risk of loss. We compute our allowance for credit loss based on our historical lifetime credit loss experience, adjusted for relevant forward-looking factors. We utilize models such as transition matrix method based on roll rates and then transformed, taking into account expected future delinquency rate to estimate the likelihood that a loan will default over a given period of time, net of any estimated recoveries. These models utilize information that is available at the reporting date about past events, current conditions, estimated recovery rate and macro-economic forecasts. As at December 31, 2024, a relative 5% decrease in the estimated recovery rate would have resulted in an increase in the allowance for credit losses by approximately US\$17.9 million. Conversely, a relative 5% increase in the estimated recovery rate would have resulted in a decrease in the allowance for credit losses by approximately US\$21.7 million.

Recent Accounting Pronouncements

The recent accounting pronouncement adopted during the year ended December 31, 2024 is discussed and included in Note 2(z) – Summary of Significant Accounting Policies – Recently adopted accounting pronouncements in the accompanying notes to consolidated financial statements included in “Item 17. Financial Statements.”

The recently issued accounting pronouncements not yet adopted during the year ended December 31, 2024 is discussed and included in Note 2(aa) – Summary of Significant Accounting Policies – Recently issued accounting pronouncements not yet adopted in the accompanying notes to consolidated financial statements included in “Item 17. Financial Statements.”

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table provides information regarding our directors and executive officers as of the date of this annual report.

Directors and Executive Officers	Age	Position/Title
Forrest Xiaodong Li	47	Chairman and Chief Executive Officer
Gang Ye	44	Director and Chief Operating Officer
David Heng Chen Seng	58	Independent Director
Khoon Hua Kuok	46	Independent Director
Silvio Savarese	53	Independent Director
Jessica Sin Yin Tan	48	Independent Director
David Y Ma	44	Director
Chris Zhimin Feng	42	President
Tony Tianyu Hou	46	Chief Financial Officer
Terry Feng Zhao	41	President of Garena
YanJun Wang	44	Chief Corporate Officer, General Counsel and Company Secretary
David Jingye Chen	44	Chief Product Officer of Shopee

Forrest Xiaodong Li is our founder and has served as the Chairman of Sea Limited and our Chief Executive Officer since our inception in May 2009. He is a member of the board of directors of the Singapore Economic Development Board, and serves as an independent non-executive director of Shangri-La Asia Limited. He also serves on the board of trustees for the National University of Singapore, and on the advisory council of Stanford University’s Graduate School of Business. Forrest holds an M.B.A. degree from Stanford University’s Graduate School of Business and a Bachelor’s degree in Engineering from Shanghai Jiaotong University.

Gang Ye is our co-founder and has been a member of the board of directors of Sea Limited since March 2010. Gang has served as our Chief Operating Officer since January 2017 and served as our Chief Technology Officer between March 2010 and December 2016. He previously worked at Wilmar International and the Economic Development Board of Singapore. Gang holds B.S. degrees in Computer Science and Economics from Carnegie Mellon University.

David Heng Chen Seng has served as our director since October 2017. David is the Chief Executive Officer of Temasek Trust Asset Management, a Singapore based global asset management firm established by Temasek Trust. Under his leadership, Temasek Trust Asset Management operates two core investment units – ABC Impact and Temasek Trust Capital. David has over 25 years of experience in the investment industry. Over a span of 14 years, David held senior leadership roles in Singapore-headquartered global investment company Temasek, including head of real estate, head of Japan and Korea, joint head of consumer, as well as joint head of China. Prior to Temasek, David was with Deutsche Bank AG. He currently serves as a director at Seatown Holdings and Temasek Trust Asset Management, among other appointments, and the Centre for Impact Investing and Practices. He also sits on the investment committees of ABC Impact and decarbonization investment platform GenZero. David holds an M.B.A. degree from the University of Hull (United Kingdom) and a Bachelor of Engineering degree from the University of Canterbury (New Zealand).

Khoon Hua Kuok has served as our director since October 2017. He currently serves as the Chairman and Chief Executive Officer of Kerry Properties Limited (a listed company in Hong Kong). Khoon Hua is the Chairman of Kerry Holdings Limited and a Director of Kerry Group Limited and Kuok (Singapore) Limited. He also serves as the Vice Chairman and a Non-Executive Director of Kerry Logistics Network Limited (a listed company in Hong Kong), a Non-Executive and Non-Independent Director of Wilmar International Limited (a listed company in Singapore). Khoon Hua holds a Bachelor’s degree in Economics from Harvard University in the United States.

Silvio Savarese has served as our director since August 2024. Dr. Savarese currently serves as Executive Vice President and Chief Scientist of Salesforce Research where he leads the AI Research organization and various AI related investments and shapes its scientific direction and long-term AI strategy. He has been in this position since April 2021. Dr. Savarese has also been an adjunct professor of Computer Science at Stanford University since April 2021, and was previously an associate professor with tenure from April 2017 to April 2021 and an assistant professor from September 2013 to April 2017. Prior to Stanford, he was an assistant professor of Electrical and Computer Engineering at the University of Michigan from 2008 to 2013. Dr. Savarese earned his Ph.D. in Electrical Engineering from the California Institute of Technology.

Jessica Sin Yin Tan has served as our director since August 2024. Jessica served as the Group co-CEO and Executive Director of Ping An Group between January 2013 and December 2023. She is also a member of the board of directors of Ping An Bank Co Ltd., listed on the Shenzhen Stock Exchange. Prior to joining Ping An Group, Jessica was a global partner at McKinsey & Company from June 2000 to December 2012 in its United States and Asia offices. She is also on the boards of the Central Provident Fund Board, the National Healthcare Group, and the Agency Integrated Care, three non-profit organizations in Singapore. Jessica is a member of the advisory panel of the Monetary Authority of Singapore and the World Bank Private Sector Investment Lab. Jessica holds a master’s degree in Electrical Engineering and Computer Science and two Bachelor’s degrees in Electrical Engineering and Economics from the Massachusetts Institute of Technology.

David Y Ma has served as our director since May 2023. He previously worked at Sea as the Chief Investment Officer of Sea Capital from March 2021 to April 2023. He was the founder and Managing Partner of Composite Capital, a global investment management firm. Previously he served as a partner at Hillhouse Capital, and worked at Bain Capital and Boston Consulting Group. David holds a Bachelor’s degree in Economics, Finance, and Management from the Wharton School of the University of Pennsylvania.

Chris Zhimin Feng joined our company in March 2014 and has served as President since January 2022. Prior to this role, he served as the chief executive officer of Shopee from July 2015, and as the chief executive officer of SeaMoney from March 2020. Previously he served as our head of mobile business. Before joining our company, Chris worked at Rocket Internet SE, where he served in management roles at Zalora and Lazada, and at McKinsey & Company. Chris holds a Bachelor’s degree in Computer Science with first class honors from the National University of Singapore.

Tony Tianyu Hou joined our company in September 2010 and has served as our financial controller, and subsequently as our Chief Financial Officer since January 2013. He previously served as our director from February 2018 to August 2024. Before joining us, Tony was an audit senior manager at Ernst & Young, where he worked from October 2000 to September 2010 in both China and the U.S. Tony is a non-practicing U.S. Certified Public Accountant and a non-practicing member of the Chinese Institute of Certified Public Accountants. He holds an M.B.A. degree from the University of Chicago’s Booth School of Business and a bachelor’s degree in Accounting from Fudan University.

Terry Feng Zhao has been with our company since our inception in 2009 and has served as the President of Garena since November 2018. Prior to assuming his current role, Terry has also served in a number of senior roles in our digital entertainment business across several key markets. Terry holds a Bachelor’s degree in Computer Engineering with first class honors from Nanyang Technological University.

Yanjun Wang is our Chief Corporate Officer, general counsel and company secretary. Yanjun has served as our Chief Corporate Officer since May 2019, company secretary since November 2017 and general counsel since March 2014. Prior to joining our company, Yanjun was an attorney at Skadden, Arps, Slate, Meagher & Flom LLP and Kirkland & Ellis. She is qualified to practice law in the State of New York. She holds a J.D. degree from Harvard Law School and a B.A. degree in Economics from Harvard University.

David Jingye Chen is our co-founder and serves as the Chief Product Officer of Shopee. He was formerly Chief of Staff, a position he held from January 2017 to December 2019. Prior to that, David served as our Chief Operating Officer from our inception in May 2009 to December 2016. He previously held positions at PSA Corporation Limited. David holds a Bachelor’s degree in Computer Engineering with first class honors from the National University of Singapore.

Employment Agreements and Indemnification Agreements

We have entered into employment agreements with our executive officers. Each of our executive officers is employed for a continuous term unless either we or the executive officer gives prior notice to terminate such employment. We may terminate the employment for cause, at any time, without notice or remuneration, for certain acts of the executive officer, including but not limited to the commitments of any serious or persistent breach or non-observance of the terms and conditions of the employment, conviction of a criminal offense other than one which in the opinion of the board does not affect the executive’s position, willful, disobedience of a lawful and reasonable order, misconduct being inconsistent with the due and faithful discharge of the executive officer’s material duties, fraud or dishonesty, or habitual neglect of his or her duties. An executive officer may terminate his or her employment at any time with a three- to six-month prior written notice.

Each executive officer has agreed to hold, both during and after the employment agreement expires or is earlier terminated, in strict confidence and not to use or disclose to any person, corporation or other entity without written consent, any confidential information or trade secrets. Each executive officer has also agreed to disclose in confidence to us all inventions, intellectual and industry property rights and trade secrets which they made, discover, conceive, develop or reduce to practice during the executive officer’s employment with us and to assign to our company all of his or her associated titles, interests, patents, patent rights, copyrights, trade secret rights, trademarks, trademark rights, mask work rights and other intellectual property and rights anywhere in the world which the executive officer may solely or jointly conceive, invent, discover, reduce to practice, create, drive, develop or make, or cause to be conceived, invented, discovered, reduced to practice, created, driven, developed or made, during the period of the executive officer’s employment with us that are either related to our business, actual or demonstrably anticipated research or development or any of our products or services being developed, manufactured, marketed, sold, or are related to the scope of the employment or make use of our resources. In addition, all executive officers have agreed to be bound by non-competition and non-solicitation restrictions set forth in their agreements. Each executive officer has agreed to devote all his or her working time and attention to our business and use best efforts to develop our business and interests. Moreover, each executive officer has agreed not to, for a certain period following termination of his or her employment or expiration of the employment agreement: (i) carry on or be engaged, concerned or interested directly or indirectly whether as shareholder, director, employee, partner, agent or otherwise carry on any business in direct competition with us, (ii) solicit or entice away any of our customer, client, representative or agent, or (iii) employ, solicit or entice away or attempt to employ, solicit or entice away any of our officers, managers, consultants or employees.

We have entered into indemnification agreements with our directors and executive officers, pursuant to which we will agree to indemnify our directors and executive officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being such a director or executive officer.

B. Compensation

Compensation of Directors and Executive Officers

For the year ended December 31, 2024, we paid and accrued fees and compensation in cash (excluding equity-based awards) of approximately US\$2.96 million to our directors and executive officers as a group.

On April 17, 2022, the board of directors of the company canceled authorized grants from May 2019 to Forrest and certain other employees of options to purchase 20 million and 30 million Class A ordinary shares of the company, respectively, at US\$22.50 per share. At the time of cancellation, these options had not been granted. In substitution of these canceled options, the board of directors of the company awarded the executive officers of the company options to purchase up to a total of 30 million Class A ordinary shares at US\$120 per share, including options to purchase five million Class A ordinary shares to Forrest. These options will vest every three months over a period of five years commencing April 30, 2022 and will expire 10 years after the grant date. These awards have been granted to the executive officers in April 2022. In 2024, the board of directors of the company approved the cancellation of unvested options to purchase 6.6 million Class A ordinary shares to certain executive officers from the aforesaid April 2022 awards and substituted with 2.2 million restricted share units to the affected executive officers. Such restricted share units were to vest over the remaining vesting period of the cancelled options, subject to the same vesting terms and conditions. The substitution did not have any financial impact on our share-based compensation expenses. In addition, a total of 78,324 restricted share units were granted to our directors and executive officers in 2024, among which 58,324 restricted share units had fully vested within the year of 2024 and therefore do not show in the table below regarding the outstanding awards to our directors and executive officers as of December 31, 2024. For more information on share incentive grants to our directors and executive officers, see “—Share Incentive Plan.”

Our Singapore subsidiaries are required by the laws and regulations of Singapore to make contributions, as employers, to the Central Provident Fund for our executive officers who are employed by our Singapore subsidiaries and are Singapore citizens or permanent residents as prescribed under the Singapore Central Provident Fund Act. The contribution rates vary, depending on the age of the executive officers, and whether such executive officer is a Singapore citizen or permanent resident.

Share Incentive Plan

We maintain a share incentive plan in order to attract, motivate, retain and reward talent, provide additional incentives to our officers, employees, directors and other eligible persons, and promote the success of our business and the interests of our shareholders.

2009 Share Incentive Plan

We adopted the 2009 Plan to promote the success of our business and the interests of our shareholders by providing additional incentives to attract, motivate, retain and reward our officers, employees, directors and other eligible persons and to link the interests of the award recipients with our shareholders. In February 2018, our board of directors approved automatic increases on January 1 of each of 2019, 2020, 2021 and 2022 of the maximum aggregate number of ordinary shares which may be issued under the 2009 Plan by 5% of the total number of ordinary shares of all classes of the company outstanding on that day immediately before the increase. In addition, in July 2019, our board of directors approved a one-time increase of the maximum aggregate number of shares which may be issued pursuant to the 2009 Plan by three million, and at the same time reduced three million shares from the scheduled automatic increase of shares pursuant to the aforesaid automatic annual increase mechanism on January 1, 2020. In April 2022, our board of directors approved the amendment and restatement of the 2009 Plan to increase the maximum aggregate number of shares available under the 2009 Plan, pursuant to which on January 1 of each of 2023, 2024, 2025 and 2026, the maximum aggregate number of ordinary shares which may be issued under the 2009 Plan will increase by 3% of the total number of ordinary shares of all classes of the company outstanding on that day immediately before the increase. Currently, the maximum aggregate number of ordinary shares which may be issued pursuant to all awards under the 2009 Plan is 228,561,966. The awards expire 10 years after the date of the grant.

As of March 31, 2025, outstanding awards granted under the 2009 Plan consisted of (i) options to purchase 41,783,266 Class A ordinary shares, (ii) 12,737,386 restricted Class A ordinary share units, and (iii) 191,484 share appreciation rights.

The following paragraphs summarize the terms of the 2009 Plan.

Plan Administration. Our board of directors or one or more committees appointed by the board act as the plan administrator.

Types of Awards. The 2009 Plan permits grants of (i) options to purchase Class A ordinary shares, (ii) awards of share appreciation rights to receive a payment in cash, or, at the discretion of the plan administrator, in Class A ordinary shares, equal to the excess of the fair market value of a Class A ordinary share on the date the share appreciate right is exercised over the base price of the share appreciate right, (iii) awards of restricted Class A ordinary shares or unrestricted Class A ordinary shares, or (iv) awards of restricted share units, which are contractual rights to receive Class A ordinary shares of our company. Any Class A ordinary shares issuable pursuant to the awards under the 2009 Plan may be represented by ADSs.

Eligibility. Only our employees, officers, directors and individual consultants or advisors who render or have rendered bona fide services to us are eligible to receive awards or grants under the 2009 Plan.

Term of Awards. Each award under the 2009 Plan will (in the case of options and share appreciation rights) expire, or (in the case of share awards) vest or be repurchased by us not more than 10 years after the date of grant which term be extended by the plan administrator to a maximum of 10 years. An award is only exercisable or distributable before the eligible individual's termination of service with us, unless determined otherwise by the plan administrator or set forth in the award agreement.

Vesting Schedule and Other Restrictions. The plan administrator has discretion in determining and making adjustment in the individual vesting schedules and other restrictions applicable to the awards granted under the 2009 Plan. The vesting schedule is set forth in each award agreement.

Exercise Price and Purchase Price. The plan administrator has discretion in determining the price of the awards, subject to a number of limitations, and has discretion in making adjustments in the exercise price of the options or the base price of the share appreciation rights.

Acceleration of Vesting upon Corporate Transaction. Upon the occurrence of a change in control event, the plan administrator may make provision for a cash payment in settlement of, or for the assumption, substitution or exchange of any or all outstanding awards (or the cash, securities or other property deliverable to the holder(s) of any or all outstanding awards) based upon, to the extent relevant in the circumstances, the distribution or consideration payable to holders of the Class A ordinary shares upon or in respect of such event.

Termination. The plan will terminate in 2027. Our board of directors may terminate the plan at any time, in whole or in part.

Amendment, Suspension or Termination. The administrator may waive conditions of or limitations on awards to award recipients that the administrator in the prior exercise of its discretion has imposed, without the consent of award recipients, and may make other changes to the terms and conditions of awards. However, no amendments, suspension or termination of the 2009 Plan or amendments of any outstanding award may, without written consent of the award recipients, materially and adversely affect any rights or benefits of the award recipient or obligations of us under any award granted under the plan prior to the effective date of such change. Subject to the above, our board of directors may, at any time, terminate or, from time to time, amend, modify or suspend the 2009 Plan, in whole or in part. No awards may be granted during any period that the board of directors suspends the 2009 Plan. To the extent set forth in the 2009 Plan and where required by the applicable laws, rules or regulations, any amendments to the 2009 Plan shall be subject to shareholders’ approval.

Transfer Restrictions. All awards are non-transferable and will not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge except in certain situations.

Power of Attorney on Voting. Under the award agreements, with respect to the Class A ordinary shares issued upon exercise of options or vesting of restricted shares or restricted share units, almost all of our award recipients appoint Mr. Forrest Xiaodong Li, our Chairman and Chief Executive Officer, as his or her irrevocable proxy to vote all such Class A ordinary shares on all matters on which such Class A ordinary shares are entitled to vote.

The table below sets forth certain information as of December 31, 2024 concerning the outstanding awards we have granted to our directors and executive officers by the time on an individual basis.

Name	Class A Ordinary Shares Underlying Outstanding Awards	Price (US\$/Share)	Date of Grant	Date of Expiration
	Granted			
Forrest Xiaodong Li	5,500,000 ⁽¹⁾⁽³⁾	15.0	April 30, 2019	April 30, 2029
	5,000,000 ⁽¹⁾⁽³⁾	15.0	April 30, 2020	April 30, 2030
	5,000,000 ⁽¹⁾	120.0	April 17, 2022	April 17, 2032
Gang Ye	1,650,000 ⁽¹⁾	15.0	February 28, 2018	February 28, 2028
	2,000,000 ⁽¹⁾	120.0	April 17, 2022	April 17, 2032
	833,333 ⁽²⁾	—	April 30, 2024	—
David Heng Chen Seng	* ⁽²⁾	—	October 19, 2021	—
Khoon Hua Kuok	2,500 ⁽²⁾	—	October 19, 2021	—
David Y Ma	* ⁽¹⁾	120.0	April 17, 2022	April 17, 2032
	* ⁽²⁾	—	May 15, 2023	—
Silvio Savarese	* ⁽²⁾	—	August 12, 2024	—
Jessica Sin Yin Tan	* ⁽²⁾	—	August 12, 2024	—
Chris Zhimin Feng	4,000,000 ⁽¹⁾	15.0	February 28, 2018	February 28, 2028
	4,000,000 ⁽¹⁾	15.0	February 28, 2019	February 28, 2029
	2,400,000 ⁽¹⁾	120.0	April 17, 2022	April 17, 2032
	1,000,000 ⁽²⁾	—	April 30, 2024	—
Tony Tianyu Hou	* ⁽¹⁾	15.0	February 28, 2018	February 28, 2028
	* ⁽¹⁾	120.0	April 17, 2022	April 17, 2032
	* ⁽²⁾	—	July 31, 2023	—
Terry Feng Zhao	* ⁽¹⁾	15.0	January 31, 2019	January 31, 2029
	* ⁽¹⁾	120.0	April 17, 2022	April 17, 2032
YanJun Wang	* ⁽¹⁾	15.0	February 28, 2018	February 28, 2028
	* ⁽¹⁾	120.0	April 17, 2022	April 17, 2032
	* ⁽²⁾	—	July 31, 2023	—
David Jingye Chen	1,650,000 ⁽¹⁾	15.0	February 28, 2018	February 28, 2028
	2,000,000 ⁽¹⁾	120.0	April 17, 2022	April 17, 2032
All directors and executive officers as a group	44,599,167			

* Each of these directors and executive officers beneficially owns less than 1% of our total outstanding shares as of December 31, 2024.

(1) Represents options to purchase Class A ordinary shares.

(2) Represents unvested restricted shares units for Class A ordinary shares.

(3) Granted pursuant to the previously disclosed authorization by our board of directors on April 8, 2018 of options to purchase a total of 20 million Class A ordinary shares. The relevant options disclosed here were granted to Mr. Li between April 2019 and April 2020 and to vest between April 2020 and April 2022.

C. Board Practice

Our board of directors consists of seven directors, four of whom are independent. A director is not required to hold any shares in our company to qualify to serve as a director. A director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with our company is required to declare the nature of his interest at a meeting of our directors. A general notice given to the directors by any director to the effect that he is a member of any specified company or firm and is to be regarded as interested in any contract or transaction which may thereafter be made with that company or firm shall be deemed a sufficient declaration of interest in regard to any contract so made or transaction so consummated. Subject to applicable New York Stock Exchange listing rules and disqualification by the chairman of the relevant board meeting, a director may vote in respect of any contract or transaction or proposed contract or transaction notwithstanding that he may be interested therein and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of the directors at which any such contract or transaction or proposed contract or transaction is considered. Our board of directors may exercise all of the powers of our company to borrow money, to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock or other securities whenever money is borrowed or as security for any debt, liability or obligation of our company or of any third-party. None of our directors has a service contract with us that provides for benefits upon termination of service, or an appropriate negative statement.

Committees of the Board of Directors

We have established an audit committee, a compensation committee and a nominating committee under the board of directors. We have adopted a charter for each of the three committees. Each committee's members and functions are described below.

Audit Committee. Our audit committee consists of Mr. David Heng Chen Seng and Mr. Khoon Hua Kuok, and is chaired by Mr. David Heng Chen Seng. Both of Mr. David Heng Chen Seng and Mr. Khoon Hua Kuok satisfy the "independence" requirements of Section 303A of the New York Stock Exchange Listed Company Manual and meet the independence standards under Rule 10A-3 under the Exchange Act. Our board of directors has also determined that Mr. David Heng Chen Seng qualifies as an "audit committee financial expert" within the meaning of the SEC rules and that both members of the audit committee are financially literate within the meaning of Section 303A of the New York Stock Exchange Listed Company Manual. The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- selecting our independent registered public accounting firm and pre-approving all auditing and non-auditing services permitted to be performed by our independent registered public accounting firm;
- reviewing with our independent registered public accounting firm any audit problems or difficulties and management's response;
- reviewing and approving related party transactions;
- discussing the annual audited financial statements with management and our independent registered public accounting firm;
- meeting periodically with the management and our internal auditor and our independent registered public accounting firm; and
- reviewing and discussing our accounting and control policies and procedures and any steps taken to monitor and control major financial risk exposure.

Compensation Committee. Our compensation committee consists of Mr. Forrest Xiaodong Li and Mr. Khoon Hua Kuok, and is chaired by Mr. Forrest Xiaodong Li. Mr. Khoon Hua Kuok satisfies the “independence” requirements for compensation committee members of Section 303A of the New York Stock Exchange Listed Company Manual. Our compensation committee assists the board in reviewing and evaluating the compensation structure, including compensation plans relating to our directors and executive officers. The compensation committee is responsible for, among other things:

- reviewing and approving the compensation package for our chief executive officer;
- reviewing the annual bonus, long-term incentive compensation, stock option, employee pension and welfare benefit plans of our company;
- reviewing annually and administering all long-term incentive compensation or equity plans; and
- selecting and receiving advice from compensation consultants, legal counsel or other advisors after taking into consideration all factors relevant to that person’s independence from management.

Corporate Governance and Nominating Committee. Our corporate governance and nominating committee consists of Mr. Forrest Xiaodong Li and Mr. Khoon Hua Kuok, and is chaired by Mr. Forrest Xiaodong Li. Mr. Khoon Hua Kuok satisfies the “independence” requirements of Section 303A of the New York Stock Exchange Listed Company Manual. The corporate governance and nominating committee assists the board in selecting individuals qualified to become our directors and in determining the composition of the board of directors. The corporate governance and nominating committee is responsible for, among other things:

- identifying and recommending nominees for election or re-election to our board of directors or for appointment to fill any vacancy;
- reviewing annually with our board of directors its current composition in light of the characteristics of independence, qualification, experience and availability of service to us;
- review the performance of our board of directors and management and will make appropriate recommendations for improving performance; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

Duties of Directors

Under Cayman Islands law, our directors owe fiduciary duties to our company, including a duty of loyalty, a duty to act honestly, and a duty to act in what they consider in good faith to be in our best interests. Our directors must also exercise their powers only for a proper purpose. Our directors also owe to our company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time. Our company has the right to seek damages if a duty owed by our directors is breached. In limited exceptional circumstances, a shareholder may have the right to seek damages in our name if a duty owed by our directors is breached.

The functions and powers of our board of directors include, among others:

- convening shareholders’ annual general meetings and reporting its work to shareholders at such meetings;
- declaring dividends and distributions;
- appointing officers and determining the term of office of officers;
- exercising the borrowing powers of our company and mortgaging the property of our company; and
- approving the transfer of shares of our company, including the registering of such shares in our share register.

Terms of Directors and Executive Officers

Each of our directors holds office until the expiration of his or her term, as may be provided in a written agreement with our company, and his or her successor has been elected and qualified, until his or her resignation or until his or her office is otherwise vacated in accordance with our articles of association. All of our executive officers are appointed by and serve at the discretion of our board of directors. Our directors may, at any time and from time to time, appoint any person to be a director to fill a vacancy arising from the resignation or removal of a former director or as an addition to the existing board of directors. In addition, our directors may be appointed or removed from office by an ordinary resolution of shareholders. A director will be removed from office automatically if, among other things, the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) dies or is found to be or becomes of unsound mind; (iii) resigns by notice in writing to our company; (iv) without special leave of absence from our board of directors, is absent from three consecutive meetings of the board and the board resolves that his office be vacated; or (v) is removed pursuant to our amended and restated memorandum and articles of association. The compensation of our directors is determined by the board of directors. There is no mandatory retirement age for directors.

D. Employees

We had a total of approximately 63,800, 62,700 and 80,700 employees as of December 31, 2022, 2023 and 2024, respectively. The following table indicates the distribution of our employees by function as of December 31, 2024:

Function	Number of Employees
General operation	54,600
Sales and marketing	10,300
General and administrative	6,000
Research and development	9,800
Total	80,700

We generally enter into standard confidentiality and employment agreements with our management and other employees. These contracts include a standard non-compete covenant that prohibits the employee from competing with us, directly or indirectly, during his or her employment and for one year after the termination of his or her employment.

We believe that we maintain a good working relationship with our employees and we have not experienced any significant labor disputes as of the date of this annual report.

E. Share Ownership

The following table sets forth information concerning the beneficial ownership of our ordinary shares as of March 31, 2025:

- each of our directors and executive officers; and
- each person known to us to beneficially own more than 5% of our ordinary shares.

The calculations in the table below are based on 592,019,934 ordinary shares outstanding as of March 31, 2025, comprising 546,492,141 Class A ordinary shares (excluding Class A ordinary shares issued to the depositary bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our share incentive plan) and 45,527,793 Class B ordinary shares.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

	Class A Ordinary Shares	Class B Ordinary Shares	Percentage of Total Class A and Class B Ordinary Shares†	Percentage of Total Voting Power Held ††
Directors and Executive Officers:(1)				
Forrest Xiaodong Li(2)	66,507,341	45,527,793	17.8	59.1
Gang Ye(3)	30,414,766	—	5.1	1.5
David Heng Chen Seng	*	—*		*
Khoon Hua Kuok	*	—*		*
David Y Ma	*	—*		*
Silvio Savarese	*	—*		*
Jessica Sin Yin Tan	*	—*		*
Chris Zhimin Feng(4)	9,602,645	—	1.6	0.0
Tony Tianyu Hou	*	—*		*
Terry Feng Zhao	*	—*		*
YanJun Wang	*	—*		*
David Jingye Chen(5)	12,020,802	—	2.0	0.7
All directors and executive officers as a group(6)	201,730,249	45,527,793	39.2	69.8
Principal Shareholders:				
Tencent entities(7)	104,264,743	—	17.6	0.0
Blue Dolphins Venture Inc(8)	—	45,527,793	7.7	55.6
Baillie Gifford & Co(9)	40,954,549	—	6.9	3.3

*Less than 1% of our total outstanding shares on an as converted basis as of March 31, 2025.

†For each person and group included in this column, percentage ownership is calculated by dividing the number of shares beneficially owned by such person or group, including shares that such person or group has the right to acquire within 60 days after March 31, 2025, by the sum of Class A and Class B ordinary shares, and the number of shares that such person or group has the right to acquire beneficial ownership within 60 days after March 31, 2025.

††For each person and group included in this column, percentage of total voting power represents voting power based on both Class A and Class B ordinary shares beneficially owned by such person or group with respect to all outstanding Class A and Class B ordinary shares as one single class. Holders of Class A ordinary shares are entitled to one vote per share and holders of Class B ordinary shares are entitled to 15 votes per share on all matters subject to a shareholders vote.

(1)Unless otherwise indicated, the business address of our directors and executive officers is c/o 1 Fusionopolis Place, #17-10, Galaxis, Singapore 138522.

(2)Represents (i) 45,527,793 Class B ordinary shares held by Blue Dolphins Venture Inc, a British Virgin Islands company wholly owned by Mr. Li, (ii) 5,144,912 Class A ordinary shares beneficially owned by Mr. Li (including through an entity solely owned and controlled by Mr. Li), (iii) 13,500,000 Class A ordinary shares issuable upon exercise of options held by Mr. Li within 60 days of March 31, 2025, and (iv) an aggregate of 47,862,429 Class A ordinary shares over which Mr. Li has received irrevocable voting proxies from the respective owners of such shares (including certain directors and employees, certain affiliates of our employees, Garena ESOP Program (PTC) Limited and a family member of Mr. Li), including 23,283,266 Class A ordinary shares issuable upon exercise of options within 60 days of March 31, 2025 and 1,288,195 Class A ordinary shares issuable upon vesting of restricted share units within 60 days of March 31, 2025.

(3)Represents (i) 26,681,433 Class A ordinary shares held or beneficially owned by Mr. Ye, and (ii) 3,650,000 Class A ordinary shares issuable upon exercise of options held by Mr. Ye within 60 days of March 31, 2025 and 83,333 Class A Ordinary Shares issuable upon vesting of restricted share units within 60 days from March 31, 2025. With respect to 11,851,613 Class A ordinary shares, Forrest Xiaodong Li has been given an irrevocable proxy with regard to all matters that are subject to the vote of shareholders, and such numbers are excluded from the total voting power of Mr. Ye.

- (4) Represents (i) 102,645 Class A ordinary shares held or beneficially owned by Mr. Feng, (ii) 9,400,000 Class A ordinary shares issuable upon exercise of options held by Mr. Feng within 60 days of March 31, 2025, and (iii) 100,000 Class A Ordinary Shares issuable upon vesting of restricted share units within 60 days from March 31, 2025. With respect to all these shares, Forrest Xiaodong Li has been given an irrevocable proxy with regard to all matters that are subject to the vote of shareholders, and such numbers are excluded from the total voting power of Mr. Feng.
- (5) Represents (i) 9,170,802 Class A ordinary shares held or beneficially owned by Mr. Chen, and (ii) 2,850,000 Class A ordinary shares issuable upon exercise of options held by Mr. Chen within 60 days of March 31, 2025. With respect to 3,863,430 Class A ordinary shares, Forrest Xiaodong Li has been given an irrevocable proxy with regard to all matters that are subject to the vote of shareholders, and such numbers are excluded from the total voting power of Mr. Chen.
- (6) In September 2022, Tencent Holdings Limited and certain other Tencent entities granted an irrevocable voting proxy with respect to all their Class A ordinary shares to our board of directors to vote on matters that are subject to the vote of shareholders of Sea. Such proxy gives our board of directors (duly constituted from time to time) approximately 8.5% of total voting power as of March 31, 2025. The total number of Class A ordinary shares beneficially owned by all directors and executive officers as a group and the voting power of all directors and executive officers as a group have included the shares subject to such proxy.
- (7) Based on a Schedule 13D/A filed with the SEC on September 8, 2022 by Tencent Holdings Limited and Tencent Limited, the number of shares beneficially owned by Tencent entities are as follows: (i) 1,816,833 Class A ordinary shares beneficially owned by Tencent Holdings Limited through Huang River Investment Limited, (ii) 98,510,410 Class A ordinary shares held by Tencent Limited, and (iii) 3,937,500 Class A ordinary shares by Tencent Growthfund Limited, a wholly-owned subsidiary of Tencent Holdings Limited. Tencent Holdings Limited is a limited liability company organized and existing under the laws of the Cayman Islands and is currently listed on Hong Kong Stock Exchange. The registered office of Tencent Holdings Limited is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. In September 2022, Tencent granted an irrevocable voting proxy with respect to all its Class A ordinary shares to our board of directors (duly constituted from time to time) to vote on matters that are subject to the vote of shareholders of Sea. Total voting power of Tencent excludes voting power subject to such proxy.
- (8) Represents 45,527,793 Class B ordinary shares held by Blue Dolphins Venture Inc, a company wholly owned by Forrest Xiaodong Li. The registered address of Blue Dolphins Venture Inc is Kingston Chambers, P.O. Box 173, Road Town, Tortola, British Virgin Islands.
- (9) Based on a Schedule 13G filed with the SEC on February 12, 2025 by Baillie Gifford & Co (“Baillie Gifford”), Baillie Gifford reported sole voting power over 29,574,967 ADSs, each representing one Class A ordinary share, and sole dispositive power over 40,954,549 ADSs. The address of Baillie Gifford is Calton Square 1 Greenside Row Edinburgh EH1 3AN, Scotland, United Kingdom.

Our ADSs are traded on the New York Stock Exchange and brokers or other nominees may hold ADSs in “street name” for customers who are the beneficial owners of our ADSs. As a result, we may not be aware of each person or group of affiliated persons who beneficially owns more than 5.0% of our ordinary shares.

Our share capital consists of Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares and Class B ordinary shares have the same rights except for voting and conversion rights and certain approval rights. Each Class A ordinary share is entitled to one vote, and each Class B ordinary share is entitled to 15 votes and is convertible into one Class A ordinary share. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. See “Item 10. Additional Information—B. Memorandum and Articles of Association” for a more detailed description of our Class A ordinary shares and Class B ordinary shares.

As of March 31, 2025, 414,849,045 of our outstanding Class A ordinary shares were held as ADSs by the depositary for our ADS holders. Other than the depositary, we are not aware of any record shareholder being a United States citizen or an entity incorporated in the United States as of March 31, 2025.

We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

For certain information as of December 31, 2024 concerning the outstanding awards we have granted to our directors and executive officers individually pursuant to our share incentive plan, see “—B. Compensation—Share Incentive Plan.” Other than under the 2009 Plan, there are no arrangements for involving the employees in the capital of the company, including any arrangement that involves the issue or grant of options or shares or securities of the company.

F. Disclosure of a Registrant’s Action to Recover Erroneously Awarded Compensation

Not applicable.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

See “Item 6. Directors, Senior Management and Employees—E. Share Ownership.”

B. Related Party Transactions

See Note 20 – Related Party Transactions in the accompanying notes to consolidated financial statements included in “Item 17. Financial Statements.”

Contractual Arrangements with Our VIEs, Their Shareholders and Us

See “Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements among Our VIEs, Their Shareholders and Us.”

Share Incentive Plan

See “Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Plan.”

Employment Agreements and Indemnification Agreements

See “Item 6. Directors, Senior Management and Employees—A. Directors and Senior Management—Employment Agreements and Indemnification Agreements.”

C. Interest of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

We have appended consolidated financial statements filed as part of this annual report.

Legal and Administrative Proceedings

From time to time, we are and may become involved in legal proceedings, claims, investigations, and other disputes incidental to the ordinary conduct of our business including, among other things, contract or licensing disputes, copyright, trademark and other intellectual property infringement claims, consumer protection claims, employment related cases, disputes between consumers and third-party sellers or merchants, and disputes concerning other matters incidental to the ordinary course of our business. We may also initiate legal proceedings to protect our rights and interests. We are not a party to, nor are we aware of, any legal proceeding, investigation or claim which, in the opinion of our management, is likely to have any material adverse effect on our business, financial condition or results of operations. However, in light of the inherent uncertainties involved in these matters, some of which are beyond our control, the risk of loss may become more likely and an adverse outcome of one or more of these matters could be material to our results of operations or cash flows for any particular reporting period.

Class Action Litigations

New York Action. On February 11, 2022, a putative class action captioned City of Taylor Police and Fire Retirement System v. Sea Limited, et al., No. 151344/2022, was filed in New York state court against our company, directors, one of our shareholders, registered agent, and the underwriters of our ADS offering in September 2021. The plaintiff’s complaint, which was amended on May 16, 2022, alleges that the registration statement for our ADS offering contained material misstatements or omissions in violation of the U.S. securities laws. On June 17, 2022, a second putative securities class action lawsuit captioned General Retirement System of the City of Detroit v. Sea Limited, et al., Index No. 155162/2022, was filed in New York state court against the same defendants. The complaint is purportedly on behalf of investors who purchased the Company’s 0.25% convertible notes due 2026 in our registered notes offering in September 2021 conducted concurrently with the abovementioned ADS offering and contained substantially similar allegations.

In July 2022, the parties to both lawsuits jointly filed a stipulation and proposed order of consolidation, seeking to consolidate the two lawsuits, which was so-ordered by the New York state court on August 3, 2022. On August 8, 2022, the county clerk certified the consolidation of the actions, with the consolidated action proceeding under Index No. 151344/2022, and re-captioning the consolidated action as In re Sea Limited Securities Litigation.

In July 2022, the Company and other served defendants filed a motion to dismiss the consolidated amended complaint. On May 15, 2023, the court issued a decision and order dismissing the complaint in its entirety with prejudice. On June 15, 2023, the plaintiffs filed a motion for leave to reargue and renew the motion to dismiss. On November 20, 2023, the court issued a decision and order denying the plaintiffs’ motion for leave to reargue and renew the motion to dismiss.

On June 15, 2023, the plaintiffs also filed a notice of appeal. On May 28, 2024, the First Department Appellate Division issued a decision and order reversing the dismissal of the complaint. On June 27, 2024, the Company filed a motion for reargument or leave to appeal to the Court of Appeals, which remains pending.

On July 22, 2024, the Company filed its answer to the consolidated amended complaint.

On October 15, 2024, plaintiffs and the Company participated in a mediation. On February 28, 2025, the Company signed a stipulation of settlement that agreed to settle this class action at US\$40 million, subject to final approval by the court.

Arizona Action. On July 21, 2023 and September 8, 2023, two putative securities fraud class actions Muraweh v. Sea Limited, et al. and Mirvaydullov v. Sea Limited, et al. were filed in the United States District Court for the District of Arizona against our company and two of our officers, asserting claims under the U.S. Securities Exchange Act of 1934. On October 6, 2023, the Court consolidated both actions and appointed Laborers District Council Construction Industry Pension Fund as lead plaintiff under the caption Laborers District Council Construction Industry Pension Fund v. Sea Limited, et al., Case No. CV-23-01455-PHX-DLR.

On October 23, 2023, the Company filed a motion to transfer the class action to the United States District Court for the Southern District of New York. On May 31, 2024, the court issued a decision and order denying the motion to transfer.

On December 22, 2023, the lead plaintiff filed a consolidated amended complaint against the Company and five of its officers alleging claims under the Exchange Act. On February 20, 2024, the Company filed a motion to dismiss. On August 7, 2024, the court issued an order granting-in-part and denying-in-part the motion to dismiss. On August 21, 2024, defendants filed a motion for partial reconsideration of the court’s motion to dismiss order, which remains pending.

On October 18, 2024, defendants filed their answer to the consolidated amended complaint.

On December 20, 2024, lead plaintiff and the Company participated in a mediation. On February 3, 2025, the parties executed a settlement term sheet. On March 14, 2025, the parties signed a stipulation of settlement that agreed to settle this class action at US\$46 million, subject to final approval by the court.

For risks and uncertainties relating to the pending cases against us, please see “Item 3. Key Information—D. Risk Factors—Business and Operational Related Risks—Other Operational Risks—We may be subject to risks related to litigation and regulatory proceedings.”

Dividend Policy

We do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

Our board of directors has discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. If we pay any dividends on our ordinary shares, we will pay those dividends which are payable in respect of the Class A ordinary shares underlying the ADSs to the depositary, as the registered holder of such Class A ordinary shares, and the depositary then will pay such amounts to our ADS holders who will receive payment to the same extent as holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

Our ADSs have been listed on the New York Stock Exchange since October 20, 2017 and traded under the symbol “SE.” Each ADS represents one Class A ordinary share.

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs have been listed on the New York Stock Exchange since October 20, 2017 under the symbol “SE.”

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM ADDITIONAL INFORMATION
10.

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

We are a Cayman Islands exempted company and our affairs are governed by our amended and restated memorandum and articles of association and the Companies Act (As Revised) of the Cayman Islands, or Companies Act, and the common law of the Cayman Islands.

We incorporate by reference into this annual report our Ninth Amended and Restated Memorandum and Articles of Association, the form of which was included as Exhibit 3.1 to the Form 6-K (File No. 001-38237) we furnished to the Securities and Exchange Commission on February 14, 2022. Our shareholders adopted our Ninth Amended and Restated Memorandum and Articles of Association by a special resolution on February 14, 2022.

The following are summaries of material provisions of our Ninth Amended and Restated Memorandum and Articles of Association and the Companies Act as they relate to the material terms of our ordinary shares.

Registered Office and Objects

Our registered office in the Cayman Islands is at the offices of Maples Corporate Services Limited at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

According to Clause 3 of our Ninth Amended and Restated Memorandum of Association, the objects for which we are established are unrestricted and we have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

Board of Directors

See “Item 6. Directors, Senior Management and Employees.”

Exempted Company

We are an exempted company incorporated with limited liability under the Companies Act. The Companies Act distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary resident company except for the exemptions and privileges listed below:

- an exempted company does not have to file an annual return of its shareholders with the Registrar of Companies;
- an exempted company is not required to open its register of members for inspection;
- an exempted company does not have to hold an annual general meeting;
- an exempted company may issue no par value shares;
- an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are given for a period of up to 30 years);

- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- an exempted company may register as a limited duration company; and
- an exempted company may register as a segregated portfolio company.

Ordinary Shares

General

All of our issued and outstanding ordinary shares are fully paid and non-assessable. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their ordinary shares. Our Ninth Amended and Restated Memorandum and Articles of Association prohibit us from issuing bearer shares. Our company will issue only shares in registered form, which will be issued when registered in our register of members.

Dividends

The holders of our ordinary shares are entitled to receive such dividends as may be declared by our board of directors subject to our Ninth Amended and Restated Memorandum and Articles of Association and the Companies Act. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, dividends may be paid only out of profits, which include net earnings and retained earnings undistributed in prior years, and out of share premium, a concept analogous to paid-in surplus in the United States. No dividend may be declared and paid unless our directors determine that, immediately after the payment, we will be able to pay our debts as they fall due in the ordinary course of business and we have funds lawfully available for such purpose.

Register of Members

Under Cayman Islands law, we must keep a register of members and there must be entered therein:

- the names and addresses of the members, together with a statement of the shares held by each member, and such statement shall confirm (i) of the amount paid or agreed to be considered as paid, on the shares of each member, (ii) the number and category of shares held by each member, and (iii) whether each relevant category of shares held by a member carries voting rights under the articles of association of the company, and if so, whether such voting rights are conditional;
- the date on which the name of any person was entered on the register as a member; and
- the date on which any person ceased to be a member.

Under Cayman Islands law, the register of members of our company is prima facie evidence of the matters set out therein (i.e., the register of members will raise a presumption of fact on the matters referred to above unless rebutted) and a member registered in the register of members will be deemed as a matter of Cayman Islands law to have legal title to the shares as set against its name in the register of members.

If the name of any person is, without sufficient cause, entered in or omitted from the register of members, or if default is made or unnecessary delay takes place in entering on the register the fact of any person having ceased to be a member, the person or member aggrieved or any member or the company itself may apply to the Grand Court of the Cayman Islands for an order that the register be rectified, and the Court may either refuse such application or it may, if satisfied of the justice of the case, make an order for the rectification of the register.

Classes of Ordinary Shares; Conversion

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Except for conversion rights and voting rights, the Class A ordinary shares and Class B ordinary shares carry equal rights and rank pari passu with one another, including the rights to dividends and other capital distributions. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. In addition, upon any direct or indirect sale, transfer, assignment or disposition of any number of Class B ordinary shares by a holder thereof or the direct or indirect transfer or assignment of the voting power attached to such Class B ordinary shares through voting proxy or otherwise to any person or entity which is not a permitted transferee, such Class B ordinary shares will automatically convert into an equal number of Class A ordinary shares. Permitted transferees of our founder, who currently beneficially owns all issued and outstanding Class B ordinary shares, include certain of his relatives so long as our founder retains control of the voting power over the Class B ordinary shares held by such permitted transferees. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances and no Class B ordinary shares will be issued after our initial public offering.

Voting Rights

Holders of our ordinary shares have the right to receive notice of, attend, speak and vote at general meetings of our company. Holders of Class A ordinary shares and Class B ordinary shares shall at all times vote together as one class on all resolutions submitted to a vote for shareholders’ approval or authorization, except for certain class consents required under our memorandum and articles of association. Each Class A ordinary share shall be entitled to one vote, and each Class B ordinary share shall be entitled to 15 votes, on all matters subject to the vote at general meetings of our company. At any general meeting a resolution put to the vote of the meeting shall be decided on a poll. An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes cast in a general meeting. A special resolution requires the affirmative vote of two-thirds of the votes cast in a general meeting. Both ordinary resolutions and special resolutions may also be passed by a unanimous written resolution signed by all the shareholders of our company, as permitted by the Companies Act and our Ninth Amended and Restated Memorandum and Articles of Association. A special resolution will be required for important matters such as making changes to our memorandum and articles of association.

General Meetings and Shareholder Proposals

As a Cayman Islands exempted company, we are not obliged by the Companies Act to call shareholders’ annual general meetings. Our Ninth Amended and Restated Memorandum and Articles of Association provide that we may (but are not obliged to) in each year hold a general meeting as our annual general meeting in which case we will specify the meeting as such in the notices calling it, and the annual general meeting will be held at such time and place as may be determined by our directors.

Cayman Islands law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company’s articles of association. Our Ninth Amended and Restated Memorandum and Articles of Association allow shareholders holding shares representing in aggregate not less than one-third of all votes attaching to the issued and outstanding shares of our company entitled to vote at general meetings to requisition an extraordinary general meeting of the shareholders, in which case the directors are obliged to call such meeting and to put the resolutions so requisitioned to a vote at such meeting; however, our Ninth Amended and Restated Memorandum and Articles of Association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

A quorum required for a meeting of shareholders consists of one or more shareholders holding, in aggregate, not less than 40% of the votes attaching to all issued and outstanding shares of our company present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative. Advance notice of at least seven calendar days, or such longer period as may be determined by the chairman of our board of directors or our board of directors (exclusive of the day on which it is given or deemed to be given and of the day for which it is given) is required for the convening of our annual general meeting and other shareholders meetings.

Transfer of Ordinary Shares

Subject to the restrictions in our Ninth Amended and Restated Memorandum and Articles of Association as set out below, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our directors may also, but is not required to, decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of shares;
- the instrument of transfer is properly stamped, if required;
- in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four; or
- the ordinary shares transferred are free of any lien in favor of us; or
- a fee of such maximum sum as the designated stock exchange may determine to be payable, or such lesser sum as the board of directors may from time to time require, is paid to us in respect thereof.

If our directors refuse to register a transfer they are obligated to, within three months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal. The registration of transfers of shares or of any class of shares may, after compliance with any notice requirement of the designated stock exchange, be suspended at such times and for such periods (not exceeding in the whole thirty (30) days in any year) as our board of directors may determine.

Issuance of Additional Shares

Our Ninth Amended and Restated Memorandum and Articles of Association authorizes our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares. Our Ninth Amended and Restated Memorandum and Articles of Association also authorize our board of directors to establish from time to time one or more series of preference shares and to determine, with respect to any series of preference shares, the terms and rights of that series, including:

- the designation of the series;
- the number of shares of the series;
- the dividend rights, dividend rates, conversion rights, voting rights; and
- the rights and terms of redemption and liquidation preferences.

Our board of directors may issue preference shares without further action by our shareholders to the extent authorized but unissued. Issuance of these shares may dilute the voting power of holders of ordinary shares.

Liquidation

On the winding up of our company, if the assets available for distribution amongst our shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst our shareholders in proportion to the par value of the shares held by them at the commencement of the winding up, subject to a deduction from those shares in respect of which there are monies due, of all monies payable to our company for unpaid calls or otherwise. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders in proportion to the par value of the shares held by them. We are an exempted company with “limited liability” incorporated under the Companies Act, and under the Companies Act, the liability of our members is limited to the amount, if any, unpaid on the shares respectively held by them. Our Ninth Amended and Restated Memorandum of Association contains a declaration that the liability of our members is so limited.

Calls on Ordinary Shares and Forfeiture of Ordinary Shares

Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their ordinary shares in a notice served to such shareholders at least 14 calendar days prior to the specified time and place of payment. The ordinary shares that have been called upon and remain unpaid on the specified time are subject to forfeiture.

Redemption, Repurchase and Surrender of Ordinary Shares

We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders thereof, on such terms and in such manner as may be determined, before the issue of such shares, by our board of directors. Our company may also repurchase any of our shares (including any redeemable shares) provided that the manner and terms of such purchase have been approved by our board of directors or are otherwise authorized by our Ninth Amended and Restated Memorandum and Articles of Association. Under the Companies Act, the redemption or repurchase of any share may be paid out of our company’s profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if the company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Act no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares issued and outstanding, or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Variations of Rights of Shares

The rights attached to any class of shares may, unless otherwise provided by the terms of issue of the shares of or the rights attaching to that class, be materially adversely varied only with the written consent of the holders of a majority of the issued shares of that class or with the sanction of an ordinary resolution passed at a separate meeting of the holders of the shares of that class.

Inspection of Books and Records

Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records (save for our memorandum and articles of association, register of mortgages and charges, and special resolutions of our shareholders). However, we will provide our shareholders with annual audited financial statements. See “—H. Documents on Display.”

Changes in Capital

Our shareholders may from time to time by ordinary resolutions:

- increase the share capital by such sum, to be divided into shares of such classes and amount, as the resolution prescribes;
- consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares;
- convert all or any of its paid-up shares into stock and reconvert the stock into paid-up shares of any denomination;
- sub-divide our existing shares, or any of them into shares of a smaller amount than that fixed by our Ninth Amended and Restated Memorandum of Association; provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share will be the same as it was in case of the share from which the reduced share is derived; and

- cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so canceled.

Our shareholders may by special resolution, subject to confirmation by the Grand Court of the Cayman Islands on an application by our company for an order confirming such reduction, reduce our share capital and any capital redemption reserve in any manner authorized by law.

C. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than those described in this annual report.

D. Exchange Controls

The Cayman Islands currently has no exchange control regulations or currency restrictions. See “Item 4. Information on the Company—B. Business Overview—Regulation” for exchange control and currency restrictions in Indonesia, Taiwan, Vietnam, Thailand, Singapore and Malaysia.

E. Taxation

The following discussion is a summary of Cayman Islands, Singapore and U.S. federal income tax considerations of an investment in our ADSs or ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This summary does not deal with all possible tax considerations relating to an investment in our ADSs or ordinary shares, such as the tax considerations under state, local and other tax laws, or tax laws of jurisdictions other than the Cayman Islands, Singapore and the United States. To the extent that the discussion relates to matters of Cayman Islands tax law, it represents the opinion of Maples and Calder (Hong Kong) LLP, our counsel as to Cayman Islands law. To the extent that the discussion relates to matters of Singapore tax law, it represents the opinion of Rajah & Tann Singapore LLP, our counsel as to Singapore law.

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within, the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties which are applicable to any payments made by or to our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Payments of dividends and capital in respect of our ordinary shares or our ADSs will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of our ordinary shares or our ADSs, nor will gains derived from the disposal of our ordinary shares or our ADSs be subject to Cayman Islands income or corporation tax.

No stamp duty is payable in respect of the issue of our ordinary shares or on an instrument of transfer in respect of our ordinary shares.

Singapore Taxation

The following discussion is a summary of Singapore income tax, goods and services tax and stamp duty considerations relevant to the acquisition, ownership and disposition of ADSs or our ordinary shares. The statements made herein regarding taxation are general in nature and based upon certain aspects of the current tax laws of Singapore and administrative guidelines issued by the relevant authorities in force as of the date hereof and are subject to any changes in such laws or administrative guidelines or the interpretation of such laws or guidelines occurring after such date, which changes could be made on a retrospective basis. The statements made herein do not purport to be a comprehensive or exhaustive description of all of the tax considerations that may be relevant to a decision to acquire, own or dispose of our ADSs or our ordinary shares and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules. Prospective shareholders are advised to consult their own tax advisers as to the Singapore or other tax consequences of the acquisition, ownership of or disposal of our ADSs and our ordinary shares, taking into account their own particular circumstances. It is emphasized that neither we, our counsels, nor any other persons involved in this annual report accept responsibility for any tax effects or liabilities resulting from the acquisition, holding or disposal of our ADSs or our ordinary shares.

Income Tax

Under the Singapore Income Tax Act, a company established outside Singapore but whose governing body, being the board of directors, usually exercises de facto control and management of its business in Singapore could be considered tax residents in Singapore. However, such control and management of the business should not be deemed to be in Singapore if physical board meetings are mainly conducted outside Singapore. Where board resolutions are passed in the form of written consent signed by the directors each acting in their own jurisdictions, or where the board meetings are held by teleconference or videoconference, it is possible that the place of de facto control and management will be considered to be where the majority of the board are located when they sign such consent or attend such conferences.

We believe that Sea Limited is not a Singapore tax resident for Singapore income tax purposes. However, the tax resident status of Sea Limited is subject to determination by the IRAS and uncertainties remain with respect to our tax residence status. It is not certain if Sea Limited will be classified as a Singapore tax resident. See “Item 3. Key Information—D. Risk Factors—Markets Related Risks” for a discussion of the Singapore tax consequences to non-resident investors if Sea Limited is deemed to be a Singapore tax resident. The statements below are based on the assumption that Sea Limited is not a tax resident in Singapore for Singapore income tax purposes.

Dividends With Respect to Our ADSs or Our Ordinary Shares

Where Sea Limited is not considered a tax resident in Singapore for Singapore income tax purposes, the dividend payments made by Sea Limited would be considered sourced outside Singapore (unless our ADSs or our ordinary shares are held as part of a trade or business carried out in Singapore, in which case the holders of our ADSs or our ordinary shares may be taxed on the dividends distributed to them). Foreign-sourced dividends received or deemed to be received in Singapore by non-resident individuals are exempt from Singapore income tax. This exemption also applies to Singapore tax resident individuals who have received or, are deemed to have received his foreign-sourced income in Singapore on or after January 1, 2004 (except where such income is received through a partnership in Singapore).

Foreign-sourced dividends received or deemed to be received in Singapore by corporate investors who do not have a business presence in Singapore, are not tax resident in Singapore, and who do not have a permanent establishment or tax presence in Singapore, will generally not be subject to income tax in Singapore. Foreign-sourced dividends received or deemed to be received in Singapore by corporate investors who are tax residents in Singapore will generally be subject to Singapore income tax. Since Sea Limited is a company incorporated in the Cayman Islands, and the prevailing rate of tax in the Cayman Islands, being a tax of a similar character to the Singapore income tax, is 0%, dividends received in Singapore by resident corporate investors should be subject to Singapore income tax at the prevailing rate of 17% unless the resident corporate investors are able to avail themselves to the exemption in Section 13(12) of the Singapore Income Tax Act.

Dividends received in respect of our ADSs or our ordinary shares whether by a Singapore tax resident or a non-Singapore tax resident as a shareholder are not subject to any withholding tax in Singapore.

Gains With Respect to Disposition of Our ADSs or Our Ordinary Shares

Gains arising from disposition of our ADSs or our ordinary shares may be construed as income and subject to Singapore income tax if they arise from or are otherwise connected with a trade or business activity in Singapore. Factors that determine the existence of a trade include, inter alia, the length of ownership, the frequency of similar transactions, and the motive of acquisition.

Such gains may also be considered revenue in nature, even if they do not arise from an activity in the ordinary course of trade or business or an ordinary incident of some other business activity. For example, if our ADSs or our ordinary shares were purchased with the intention or purpose of making a profit by sale rather than holding for long-term investment purposes in Singapore. Conversely, gains from disposition of our ADSs or our ordinary shares in Singapore, if considered as capital gains rather than income by the Inland Revenue Authority of Singapore, are not taxable in Singapore to the extent that they do not fall within the ambit of Section 10L.

Under Section 10L of the Singapore Income Tax Act, effective January 1, 2024, foreign-sourced disposal gains received in Singapore by an entity of a relevant group from the sale or disposal of a foreign asset will be treated as income chargeable to tax under Section 10(1) (g) of the Singapore Income Tax Act. A group is a relevant group if the entities of the group are not all incorporated, registered or established in Singapore, or any entity of the group has a place of business outside Singapore. An entity in this context includes any legal person (but not an individual), a general or limited partnership, or a trust.

“Foreign sourced disposal gains” are gains derived from the sale of moveable or immoveable property situated outside Singapore. Such gains will only be subject to tax if they are received in Singapore by an entity that does not have adequate economic substance in Singapore and the sale or disposal of the foreign asset occurs on or after January 1, 2024. Foreign sourced disposal gains derived by foreign entities (incorporated, registered or established outside Singapore) that are not operating in or from Singapore will generally not be within the scope of Section 10L. For example, a foreign entity that only makes use of banking facilities in Singapore and has no operations in Singapore is not within the scope of Section 10L.

Investors should seek their own tax advice on the taxability of the gains arising from the disposition of our ADSs or our ordinary shares.

For corporate shareholders who are subject to Singapore income tax treatment under Section 34A or 34AA of the Singapore Income Tax Act in relation to the adoption of Singapore Financial Reporting Standard 39—Financial Instruments: Recognition and Measurement (FRS 39) or Singapore Financial Reporting Standard 109—Financial Instruments (FRS 109), for accounting purposes, they may be required to recognize gains or losses (not being gains or losses in the nature of capital) even though no sale or disposal of our ADSs or our ordinary shares has been made. Our corporate shareholders who may be subject to such provisions should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, ownership and disposition of our ADSs and our ordinary shares arising from the adoption of FRS 39 or FRS 109.

Notwithstanding the above, foreign investors may claim that the gains from disposition of their ADSs or ordinary shares are not sourced or received in Singapore (so that such gains will not be subject to Singapore income tax) if (i) the foreign investor is not a tax resident in Singapore, (ii) the foreign investor does not maintain a permanent establishment in Singapore, to which the disposition gains may be effectively connected, and (iii) the entire process (including the negotiation, deliberation, execution of the acquisition and sale, etc.) leading up to the actual acquisition and sale of our ADSs or our ordinary shares is performed outside of Singapore.

Goods and Services Tax

The issuance of our ADSs or our ordinary shares is not subject to Singapore goods and services tax (GST).

The sale of our ADS or our ordinary shares by a GST-registered investor in Singapore to another person belonging in Singapore is an exempt supply (i.e., not subject to GST). Any input GST (for example, GST on brokerage) incurred by the GST-registered investor in connection with the making of this exempt supply is generally not recoverable and will become an additional cost to the investor unless the investor satisfies certain conditions prescribed under the GST legislation or satisfies certain GST concessions.

Where our ADS or our ordinary shares are sold by a GST-registered investor in the course or furtherance of a business carried on by such an investor to a person belonging outside Singapore (and who is outside Singapore at the time of supply), the sale is a taxable supply subject to GST at a zero rate (i.e., 0%). Any input GST (for example, GST on brokerage) incurred by the GST-registered investor in making this zero-rated supply for the purpose of his business will, subject to the conditions prescribed under the GST legislation, be recoverable from the Comptroller of GST.

Investors should seek their own tax advice on the recoverability of GST incurred on expenses in connection with the purchase and sale of our ADSs or our ordinary shares.

Services such as brokerage and handling services rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor’s purchase or sale of our ADSs or our ordinary shares will be subject to GST at the prevailing rate (currently at 9%). Similar services rendered contractually to an investor belonging outside Singapore should, subject to certain conditions prescribed under the GST legislation, qualify for GST at zero rate (i.e. 0%).

Stamp Duty

No stamp duty is payable on the subscription and issuance of our ADSs or our ordinary shares. As Sea Limited is incorporated in the Cayman Islands and our ADSs and our ordinary shares are not registered in any register kept in Singapore, no stamp duty is payable in Singapore on any instrument of transfer upon a sale or gift of our ADSs or our ordinary shares. This position would remain as long as Sea Limited is not considered a residential property-holding entity.

United States Federal Income Tax Considerations

The following discussion is a summary of U.S. federal income tax considerations generally applicable to the ownership and disposition of the ADSs owned by U.S. Holders (as defined below) and to the underlying ordinary shares. This discussion applies only to U.S. Holders that hold the ADSs or ordinary shares as capital assets (generally, property held for investment). This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the “Code”), U.S. Treasury regulations promulgated thereunder (“Regulations”), published positions of the Internal Revenue Service (the “IRS”), court decisions and other applicable authorities, all as of the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect).

This discussion does not address all U.S. federal income tax considerations that may be applicable to U.S. Holders in light of their particular circumstances or U.S. Holders subject to special treatment under U.S. federal income tax law, such as:

- banks, insurance companies and other financial institutions;
- entities treated as partnerships for U.S. federal income tax purposes, S corporations or other pass-through entities;
- tax-exempt entities;
- real estate investment trusts;
- regulated investment companies;
- brokers, dealers, or traders in securities that elect to use a mark-to-market method of accounting;
- certain former citizens or residents of the United States;
- persons that elect to mark their securities to market;
- persons who hold ADSs or ordinary shares as part of a hedging, integrated, straddle, conversion or constructive sale transaction for U.S. federal income tax purposes;
- persons that have a functional currency other than the U.S. dollar; and
- persons that actually or constructively own 10% or more of our stock by vote or value.

This discussion does not address any U.S. state or local or non-U.S. tax considerations or any U.S. federal estate, gift, alternative minimum tax or Medicare contribution tax considerations.

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of the ADSs or ordinary shares that is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (including any entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust, (i) the administration of which is subject to the primary supervision of a court within the United States and for which one or more U.S. persons have the authority to control all substantial decisions, or (ii) that has a valid election in effect under applicable Regulations to be treated as a U.S. person.

If a partnership or other entity treated as a partnership for U.S. federal income tax purposes holds the ADSs or ordinary shares, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partners in a partnership holding the ADSs or ordinary shares should consult their tax advisors regarding the tax considerations of an investment in the ADSs or ordinary shares.

The discussion below assumes that the representations contained in the deposit agreement are true and that the obligations in the deposit agreement and any related agreement have been and will be complied with in accordance with their terms.

If a U.S. Holder holds ADSs, such holder will generally be treated as owning the underlying ordinary shares represented by those ADSs for U.S. federal income tax purposes.

Dividends

Subject to the discussion below under “—Passive Foreign Investment Company Rules,” the gross amount of any distribution to a U.S. Holder with respect to the ADSs or ordinary shares will generally be included in such holder’s gross income as ordinary dividend income on the date actually or constructively received by such holder, in the case of ordinary shares, or by the depositary, in the case of ADSs, to the extent that the distribution is paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). We do not intend to calculate our earnings and profits under U.S. federal income tax principles. Therefore, U.S. Holders should expect that any distribution from us will generally be reported as a dividend. The amount of such dividend will include amounts withheld by us or our paying agent in respect of any foreign taxes. Any dividend from us will not be eligible for the dividends-received deduction generally allowed to corporations in respect of dividends received from U.S. corporations.

The amount of any dividend paid in foreign currency will equal the U.S. dollar value of the foreign currency received calculated by reference to the exchange rate in effect on the date the dividend is received by a U.S. Holder, in the case of ordinary shares, or by the depositary in the case of ADSs, regardless of whether the foreign currency is converted into U.S. dollars. If the foreign currency received as a dividend is converted into U.S. dollars on the date it is received, a U.S. Holder will generally not be required to recognize foreign currency gain or loss in respect of the dividend income. If the foreign currency received as a dividend is not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any gain or loss realized on a subsequent conversion or other disposition of the foreign currency will be treated as U.S. source ordinary income or loss.

With respect to individuals and certain other non-corporate U.S. Holders, dividends may constitute “qualified dividend income” that is subject to tax at the lower applicable capital gains rates provided that (1) the ADSs or ordinary shares on which the dividends are paid are readily tradable on an established securities market in the United States, (2) we are not a PFIC for either our taxable year in which the dividend was paid or the preceding taxable year, and (3) certain holding period and other requirements are met. The ADSs, but not our ordinary shares, are listed on the NYSE so we anticipate that the ADSs should qualify as readily tradable on an established securities market in the United States, although there can be no assurances in this regard. U.S. Holders should consult their tax advisors regarding the availability of the lower capital gains rate applicable to qualified dividend income for dividends paid with respect to the ADSs.

Dividends from us will generally constitute non-U.S. source income and be treated as “passive category income” for foreign tax credit limitation purposes. U.S. Holders may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of any nonrefundable foreign withholding tax imposed on dividends received on the ADSs or ordinary shares. If a U.S. Holder does not elect to claim a foreign tax credit for foreign taxes withheld, such holder may instead claim a deduction for U.S. federal income tax purposes in respect of such taxes, but only for a year in which such holder elects to do so for all creditable foreign income taxes. U.S. Holders should consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale or Other Disposition of ADSs or Ordinary Shares

Subject to the discussion below under “—Passive Foreign Investment Company Rules,” a U.S. Holder will generally recognize gain or loss on any sale or other disposition of the ADSs or ordinary shares equal to the difference between the amount realized with respect to such ADSs or ordinary shares and such holder’s tax basis in such ADSs or ordinary shares. Such gain or loss will generally be capital gain or loss. Individuals and certain other non-corporate U.S. Holders who have held such ADSs or ordinary shares for more than one year will generally be eligible for reduced tax rates. The deductibility of capital losses is subject to limitations. Any such gain or loss recognized by a U.S. Holder will generally be treated as U.S.-source gain or loss for foreign tax credit limitation purposes.

Passive Foreign Investment Company Rules

A non-U.S. corporation, such as our company, will be classified as a PFIC for U.S. federal income tax purposes for any taxable year, if either (i) 75% or more of its gross income for such year consists of certain types of “passive” income or (ii) 50% or more of the value of its assets (generally determined on the basis of a quarterly average) during such year produce or are held for the production of passive income. Passive income generally includes dividends, interest (including interest from our non-banking credit business), royalties, rents, annuities, net gains from the sale or exchange of property producing such income and net foreign currency gains. For this purpose, cash is generally categorized as a passive asset and the company’s unbooked intangibles associated with active business activity are taken into account as a non-passive asset. We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own (or are deemed to own), directly, indirectly or constructively, 25% or more (by value) of the stock.

Although the law in this regard is not entirely clear, we treat our VIEs as being owned by us for U.S. federal income tax purposes.

Based on our income and assets, and the value of the ADSs, we do not believe that we were a PFIC, for U.S. federal income tax purposes, for the taxable year ended December 31, 2024, and do not anticipate becoming a PFIC for the current taxable year or for the foreseeable future. Nevertheless, because PFIC status is a factual determination made annually after the close of each taxable year on the basis of the composition of our income and assets, there can be no assurance that we will not be a PFIC for the current taxable year or any future taxable year. Under circumstances where revenues from activities that produce passive income significantly increase relative to our revenues from activities that produce non-passive income, or where we determine not to deploy significant amounts of cash, our risk of becoming classified as a PFIC may substantially increase. In addition, because we have valued our goodwill based on the market value of the ADSs, a decrease in the market value of the ADSs may also result in our becoming a PFIC.

If we are a PFIC for any taxable year during which a U.S. Holder holds the ADSs or ordinary shares, such holder will be subject to special tax rules with respect to any “excess distribution” that such holder receives on the ADSs or ordinary shares and any gain such holder realizes from a sale or other disposition (including a pledge) of the ADSs or ordinary shares, unless such holder makes a “mark-to-market” election as discussed below. Distributions received by a U.S. Holder in a taxable year that are greater than 125% of the average annual distributions such holder received during the shorter of the three preceding taxable years or such holder’s holding period for the ADSs or ordinary shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over the U.S. Holder’s holding period for the ADSs or ordinary shares;

- amounts allocated to the current taxable year and any taxable years in the U.S. Holder’s holding period prior to the first taxable year in which we are classified as a PFIC (a “pre-PFIC year”) will be subject to tax as ordinary income; and
- amounts allocated to each prior taxable year, other than the current taxable year or a pre-PFIC year, will be subject to tax at the highest tax rate in effect applicable to the U.S. Holder for that year, and such amounts will be increased by an additional tax equal to interest on the resulting tax deemed deferred with respect to such years.

If we are a PFIC for any taxable year during which a U.S. Holder holds ADSs or ordinary shares and any of our non-U.S. affiliated entities are also PFICs, such holder will be treated as owning a proportionate amount (by value) of the shares of each such non-U.S. affiliate classified as a PFIC for purposes of the application of these rules.

Alternatively, a U.S. Holder of “marketable stock” (as defined below) in a PFIC may make a mark-to-market election for such stock of a PFIC to elect out of the tax treatment discussed in the second preceding paragraph. If a U.S. Holder makes a valid mark-to-market election for the ADSs, the U.S. Holder will include in income each year an amount equal to the excess, if any, of the fair market value of the ADSs as of the close of such holder’s taxable year over such holder’s adjusted basis in such ADSs. The U.S. Holder is allowed a deduction for the excess, if any, of such holder’s adjusted basis in the ADSs over their fair market value as of the close of the taxable year. Deductions are allowable however, only to the extent of any net mark-to-market gains on the ADSs included in the U.S. Holder’s income for prior taxable years. Amounts included in the U.S. Holder’s income under a mark-to-market election, as well as gain on the actual sale or other disposition of the ADSs, are treated as ordinary income. Ordinary loss treatment also applies to the deductible portion of any mark-to-market loss on the ADSs, as well as to any loss realized on the actual sale or disposition of the ADSs, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included in income with respect to such ADSs. The U.S. Holder’s basis in the ADSs will be adjusted to reflect any such income or loss amounts. If a U.S. Holder makes such a mark-to-market election, tax rules that apply to distributions by corporations which are not PFICs would apply to distributions by us (except that the lower applicable capital gains rate for qualified dividend income would not apply). If a U.S. Holder makes a valid mark-to-market election, and we subsequently cease to be classified as a PFIC, such U.S. Holder will not be required to take into account the mark-to-market income or loss described above during any period that we are not classified as a PFIC.

The mark-to-market election is available only for “marketable stock” which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter (“regularly traded”) on a qualified exchange or other market, as defined in applicable Regulations. We expect that the ADSs will continue to be listed on the NYSE, which is a qualified exchange for these purposes, and, consequently, assuming that the ADSs are regularly traded, if a U.S. Holder holds the ADSs, it is expected that the mark-to-market election would be available to such holder were we to become a PFIC. A mark-to-market election may not, however, be made with respect to the ordinary shares, as they are not marketable stock. Accordingly, if we are a PFIC during any year in which a U.S. Holder holds ordinary shares, such holder will generally be subject to the special tax rules discussed above.

In addition, because, as a technical matter, a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. Holder may continue to be subject to the PFIC rules with respect to such holder’s indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes.

We do not intend to provide information necessary for U.S. Holders to make qualified electing fund elections, which, if available, would result in tax treatment different from the general tax treatment for PFICs described above.

If a U.S. Holder owns the ADSs or ordinary shares during any taxable year that we are a PFIC, such holder must generally file an annual report with the IRS regarding their ownership of the ADSs or ordinary shares. U.S. Holders should consult their tax advisors concerning the U.S. federal income tax considerations of holding and disposing of the ADSs or ordinary shares if we are or become a PFIC, including the availability and possibility of making a mark-to-market election.

THE PRECEDING DISCUSSION OF U.S. FEDERAL INCOME TAX CONSIDERATIONS IS INTENDED FOR GENERAL INFORMATION ONLY AND DOES NOT CONSTITUTE TAX ADVICE. U.S. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSIDERATIONS TO THEM OF THE OWNERSHIP AND DISPOSITION OF THE ADSs AND ORDINARY SHARES IN THEIR PARTICULAR CIRCUMSTANCES.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We previously filed with the SEC registration statement on Form F-1 (File No. 333-220571), as amended, including the prospectus contained therein, together with the post-effective registration statement on Form F-1 (File No. 333-221029) to register additional securities that become effective immediately upon filing, to register our Class A ordinary shares in relation to our initial public offering. We also filed with the SEC related registration statement on Form F-6 (File No. 333-220861) to register our ADSs and registration statements on Form S-8 (File No. 333-222071, No. 333-223551, No. 333-229137, No. 333-232859, No. 333-235799, No. 333-251873, No. 333-261969, No. 333-269099 and No. 333-276358) to register our securities to be issued under our 2009 Plan.

We are subject to the periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F within four months after the end of each fiscal year. Copies of reports and other information, when so filed with the SEC, can be obtained from the SEC’s website at www.sec.gov. As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

We will furnish The Bank of New York Mellon, the depository of our ADSs, with our annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders’ meetings and other reports and communications that are made generally available to our shareholders. The depository will make such notices, reports and communications available to holders of ADSs and, upon our request, will mail to all record holders of ADSs the information contained in any notice of a shareholders’ meeting received by the depository from us.

I. Subsidiary Information

Not applicable.

J. Annual Report to Security Holders

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Exchange Risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. Our exposure to the risk of changes in foreign exchange rates relates primarily to our operating activities when revenue or expense is denominated in a foreign currency and our net investments in foreign subsidiaries. We have transactional currency exposures arising from sales or cost of revenue that are denominated in a currency other than the respective functional currencies of our subsidiaries, primarily Singapore dollar, Indonesian rupiah, Vietnamese dong, Philippines peso, Malaysian ringgit, Thai baht, Chinese yuan, New Taiwan dollar and Brazil real. The foreign currencies in which these transactions are denominated are mainly U.S. dollar. Our sales and costs are denominated in the respective functional currencies of our subsidiaries. Our loans receivable, deposits payable, escrow payables and advances from customers, accrued expenses, trade and other payable and trade and other receivable balances at the end of the reporting period have similar exposures. Such amounts include balances within the subsidiaries which, although eliminated from the consolidated balance sheets, will continue to contribute to foreign exchange risk exposures in the consolidated statements of operations and consolidated statements of comprehensive loss.

Foreign currency exchange rates for currencies in some of our markets have experienced substantial volatility. It is difficult to predict how market forces or the government policies in those markets may impact the exchange rates against the U.S. dollar in the future. See “Item 3. Key Information—D. Risk Factors—Business and Operational Related Risks—Risks Applicable Across Multiple Businesses—Fluctuations in foreign currency exchange rates may adversely affect our operational and financial results, which we report in U.S. dollars.”

As of December 31, 2024, we had cash, cash equivalents and restricted cash of US\$4.1 billion. We had U.S. dollar-denominated cash, cash equivalents and restricted cash of US\$1.2 billion, Singapore dollar-denominated cash, cash equivalents and restricted cash of US\$580.3 million, Vietnamese dong-denominated cash, cash equivalents and restricted cash of US\$427.2 million, Indonesian rupiah-denominated cash, cash equivalents and restricted cash of US\$403.4 million, and cash, cash equivalents and restricted cash denominated in other currencies of US\$1.5 billion. If the U.S. dollar had strengthened or weakened by 100 basis points against Singapore dollar, our cash, cash equivalents and restricted cash would have decreased or increased by US\$5.8 million. If the U.S. dollar had strengthened or weakened by 100 basis points against Vietnamese dong, our cash, cash equivalents and restricted cash would have decreased or increased by US\$4.3 million. If the U.S. dollar had strengthened or weakened by 100 basis points against Indonesian rupiah, our cash, cash equivalents and restricted cash would have decreased or increased by US\$4.0 million. If the U.S. dollar had strengthened or weakened by 100 basis points against each of the other currencies in which we held cash, cash equivalents and restricted cash, our cash, cash equivalents and restricted cash would have decreased or increased by US\$15.2 million.

Credit Risk

We are exposed to credit risk from our operating activities (primarily from trade and other receivables) and from our investing activities, including loans receivable, time deposits with banks and financial institutions, sovereign bonds and corporate bonds, and other financial instruments. Our objective is to seek continual revenue growth while minimizing losses incurred due to increased credit risk exposure. Financial instruments that potentially subject us to significant concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, accounts receivable, other receivables, loans receivable, held to maturity investments, available-for-sale investments, and amounts due from related parties. As of December 31, 2024, substantially all of our cash and cash equivalents, restricted cash and time deposits were held at major financial institutions in their respective locations. We believe that these financial institutions are of high credit quality and continually monitor the credit worthiness of these financial institutions. Investments in sovereign bonds are backed by the government while investments in corporate bonds are substantially investment grade. Due to the relatively small dollar amount of individual loans receivable, we generally do not require collateral on these balances. As of December 31, 2024, no single loan customer’s balance accounted for more than 5% of net loans receivable.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees and Charges Our ADS Holders May Have to Pay

Our ADSs, each of which represents one Class A ordinary share, are listed on the New York Stock Exchange. The Bank of New York Mellon is the depositary of our ADS program. A holder of ADSs may have to pay certain fees of The Bank of New York Mellon, as depositary, and certain taxes, registration and transfer charges and fees and governmental charges and fees. The depositary collects fees for delivery and surrender of ADSs directly from holders depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to holders by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing holders or by charging the book-entry system accounts of participants acting for them. The depositary may collect any fees by deduction from any cash distribution payable (or by selling a portion of securities or other property distributable) to ADS holders that are obligated to pay those fees. The depositary may generally refuse to deliver ADSs or deposited shares or to forward any distributions until its fees for those services are paid. Pursuant to the depositary agreement, holders of our ADSs may have to pay to The Bank of New York Mellon, either directly or indirectly, fees or charges up to the amounts set forth in the table below.

From time to time, the depositary may make payments to us to reimburse us for costs and expenses generally arising out of establishment and maintenance of the ADS program, waive fees and expenses for services provided to us by the depositary or share revenue from the fees collected from ADS holders. In performing its duties under the deposit agreement, the depositary may use brokers, dealers, foreign currency dealers or other service providers that are owned by or affiliated with the depositary and that may earn or share fees, spreads or commissions. A copy of the depositary agreement is filed as an exhibit to this annual report on Form 20-F.

<i>Persons depositing or withdrawing shares or holders of ADSs must pay:</i>	<i>For:</i>
US\$5.00 (or less) per 100 ADSs (or portion thereof)	Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property
	Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
US\$.05 (or less) per ADS (or portion thereof)	Any cash distribution to ADS holders
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	Distribution of securities distributed to holders of deposited securities (including rights) that are distributed by the depositary to ADS holders
US\$.05 (or less) per ADS (or portion thereof) per annum	Depositary services
Registration or transfer fees	Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares
Expenses of the depositary	Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)
	Converting foreign currency to U.S. dollars
Taxes and other governmental charges the depositary or the custodian has to pay on any ADS or shares underlying ADSs, such as stock transfer taxes, stamp duty or withholding taxes	As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	As necessary

PART II

ITEM DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES
13.

None.

ITEM MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS
14.

Not applicable.

ITEM CONTROLS AND PROCEDURES
15.

Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) that are designed to ensure that required information is recorded, processed, summarized and reported within the required timeframe, as specified in the rules set forth by the Securities and Exchange Commission (“SEC”). Our disclosure controls and procedures are also designed to ensure that information required to be disclosed is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2024. While there are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures, the Company’s disclosure controls, and procedure are designed to provide reasonable assurance of achieving their objectives. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of December 31, 2024.

Management’s Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2024. In making this assessment, management used the criteria set forth in the “Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework).”

Based on the results of this assessment and on those criteria, management concluded that our internal control over financial reporting was effective as of December 31, 2024.

Attestation Report of the Registered Public Accounting Firm

The effectiveness of the company’s internal control over financial reporting as of December 31, 2024 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM AUDIT COMMITTEE FINANCIAL EXPERT
16A.

Our board of directors has also determined that Mr. David Heng Chen Seng, an independent director and a member of our audit committee, qualifies as an “audit committee financial expert” within the meaning of the SEC rules and possesses financial sophistication within the meaning of the New York Stock Exchange Listed Company Manual. Mr. David Heng Chen Seng satisfies the “independence” requirements of Section 303A of the New York Stock Exchange Listed Company Manual and meets the independence standards under Rule 10A-3 under the Exchange Act.

ITEM CODE OF ETHICS
16B.

Our board of directors has adopted a code of business conduct and ethics that applies to all of our directors, officers, employees, including certain provisions that specifically apply to our principal executive officer, principal financial officer, principal accounting officer or controller and any other persons who perform similar functions for us. We have filed our code of business conduct and ethics as Exhibit 99.1 of our registration statement on Form F-1 (File No. 333-220571) filed with the SEC on September 22, 2017. A copy of our code of business conduct and ethics is available on our website at www.sea.com.

ITEM PRINCIPAL ACCOUNTANT FEES AND SERVICES
16C.

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Ernst & Young LLP, our independent registered public accounting firm, for the periods indicated. We did not pay any other fees to our independent registered public accounting firm during the periods indicated below.

	For the Year Ended December 31,	
	2023	2024
	(US\$ thousands)	
Audit fees ⁽¹⁾	5,000	5,500
Tax fees ⁽²⁾	90	125
Audit-related fees ⁽³⁾	1,650	233
Other fees ⁽⁴⁾	161	34

-
- (1)

“Audit fees” means the aggregate fees billed for professional services rendered by our independent registered public accounting firm for the audit of our annual financial statements. This category also included professional services rendered by our independent registered public accounting firm for statutory audits required by non-U.S. jurisdictions. In 2024, the audit refers to financial audit and audit pursuant to Section 404 of the Sarbanes-Oxley Act of 2002.
- (2)

“Tax fees” means the aggregate fees billed for the tax services provided with respect to tax consulting and tax audit assistance.
- (3)

“Audit-related fees” means the aggregate fees billed in each fiscal year listed for professional services rendered by our principal auditors related to the audit of our financial statements that are not reported under “audit fees.”
- (4)

“Other fees” means the aggregate fees billed for transaction advisory services with respect to the review of our cybersecurity and data protection.

The policy of our audit committee is to pre-approve all audit and non-audit services provided by Ernst & Young LLP, our independent registered public accounting firm, including audit services, audit-related services and tax services as described above, other than those for de minimis services which are approved by the audit committee prior to the completion of the audit.

ITEM EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES
16D.

Not applicable.

ITEM PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS
16E.

None.

ITEM CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT
16F.

Not applicable.

ITEM CORPORATE GOVERNANCE
16G.

We are subject to the New York Stock Exchange corporate governance listing standards. However, New York Stock Exchange rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the New York Stock Exchange corporate governance listing standards.

Section 303A.08 of the New York Stock Exchange Listed Company Manual requires a listed company to give shareholders an opportunity to vote on all equity-compensation plans and material revisions thereto. We are a Cayman Islands company, and there are no shareholder approval requirements for such matter. Pursuant to the exemption granted to foreign private issuers under Section 303A.00 of the New York Stock Exchange Listed Company Manual, we have followed our home country practice in lieu of the requirements of Sections 303A.08. In November 2017 and February 2018, we obtained approvals from our board of directors to increase the maximum aggregate number of ordinary shares which may be issued pursuant to all awards under the 2009 Plan. In April 2022, our board of directors approved the amendment and restatement of the 2009 Plan to increase the maximum aggregate number of shares available under the 2009 Plan, pursuant to which on January 1 of each of 2023, 2024, 2025 and 2026, the maximum aggregate number of ordinary shares which may be issued under the 2009 Plan will increase by 3% of the total number of ordinary shares of all classes of the company outstanding on that day immediately before the increase. For additional information, see “Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Plan.”

We follow home country practice that permits our Audit Committee to consist of less than three members, in lieu of complying with Section 303A.07 of the New York Stock Exchange Listed Company Manual which requires each company to have an audit committee of at least three members. Our Audit Committee currently consists of two members.

Pursuant to Sections 303A.04 and 303A.05 of the New York Stock Exchange Listed Company Manual, a listed U.S. company is required to have a nominating/corporate governance committee and a compensation committee, each composed entirely of independent directors. We follow home country practice and the compensation committee and corporate governance and nominating committee of our board of directors are not comprised entirely of independent directors.

Other than the home country practice described above, we are not aware of any significant ways in which our corporate governance practices differ from those followed by U.S. domestic companies under the New York Stock Exchange listing rules. See “Item 3. Key Information—D. Risk Factors—Risks Related to the ADS—We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to domestic public companies in the United States.”

ITEM MINE SAFETY DISCLOSURE
16H.

Not applicable.

ITEM DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS
16I.

Not applicable.

ITEM INSIDER TRADING POLICIES
16J.

We have an insider trading policy governing the purchase, sale and other dispositions of Sea’s securities that applies to all directors, officers and employees of Sea and its subsidiaries and consolidated affiliated entities. We believe that our insider trading policy is reasonably designed to promote compliance with insider trading laws, rules and regulations, as well as applicable listing standards. A copy of the insider trading policy is filed as Exhibit 11.2 to this report.

ITEM CYBERSECURITY
16K.

Cybersecurity Risk Management

We have processes in place designed to protect the confidentiality, integrity, and availability of our critical systems, information and data. These processes include mechanisms, controls, technologies, methods and systems that are designed to prevent, detect, or mitigate data loss, theft, misuse, unauthorized access, or other security incidents or vulnerabilities affecting the confidential, proprietary, and business and personal information that we collect, process, store, and transmit as part of our businesses. We also take measures to identify, protect, detect, and respond to reasonably foreseeable cybersecurity risk and threats. We maintain incident response plans designed to protect, identify, evaluate, respond to, and recover from a cybersecurity incident. Such plans are designed to be flexible so that they may be adapted to an array of scenarios and provide for the creation of cross-functional cybersecurity incident response teams in the event of a cybersecurity incident.

Our cybersecurity risk management framework is based on applicable laws and regulations, as well as industry recognized standards and practices. As part of our risk management process, we conduct application security assessments, vulnerability management, penetration testing, security audits, and ongoing risk assessments. In addition, we have implemented cybersecurity trainings designed to educate and train employees on how to identify and report cybersecurity threats.

Our cybersecurity risk management framework includes:

- Risk assessments designed to help identify material cybersecurity risks to our critical systems, information, products, services, and our broader enterprise information technology environment;
- Regular testing of our systems to identify and address potential vulnerabilities;
- Integrated planning and preparedness activities supporting business continuity and operational resiliency;
- Security teams principally responsible for managing (1) our annual cybersecurity risk assessment processes, (2) our security controls, and (3) our response to cybersecurity incidents;
- A cybersecurity incident response plan that includes procedures for responding to cybersecurity incidents;
- The use of external service providers, where appropriate, to assess, test or otherwise assist with aspects of our security controls;
- An information training and awareness program for our employees, contractors, incident response personnel, and senior management; and
- a vendor assessment program designed to identify and mitigate cybersecurity risks associated with our use of third-party service providers.

Cybersecurity Governance

Our board of directors considers cybersecurity risk as part of its risk oversight function and has oversight of cybersecurity and other information technology risks. The board of directors oversees management’s implementation of our cybersecurity risk management program and management discusses and updates the Board, as necessary, regarding any significant cybersecurity incidents and any pressing risk or compliance matters.

Management is responsible for assessing, identifying, and managing material cybersecurity risks, and we have chief security officers and their security teams meet regularly with each other and with members of management to review and evaluate our cybersecurity risks and risk management framework.

Our security teams’ experience includes cybersecurity incident response, in-depth security assessments and security emulation exercises to evaluate security profile, security research, education and outreach, and security tool development.

We also periodically engage third-party advisors to assess the effectiveness of our cybersecurity program, policies and practices and consult with external advisors regarding opportunities and enhancements to strengthen our policies and practices.

As of the date of this report, we are not aware of any material risks from cybersecurity threats that have materially affected or are reasonably likely to materially affect us, including our business strategy, results of operations or financial condition. Although we have invested in the protection of our data and information technology, and monitor our systems on an ongoing basis, there can be no assurance that such efforts will be successful in preventing our information technology systems from being compromised or otherwise protecting us completely from security breaches or incidents. For additional information please see the section titled “Risk Factors,” in this Annual Report on Form 20-F, including the section titled “Risk Factors – Business or Operational Related Risks – Risks Across Multiple Businesses – We may be liable for security breaches and attacks against our or our third-party partners’ platforms and network, particularly with regard to confidential user information and personal or other data or any other privacy or data protection compliance issue, and our platforms and games may contain unforeseen “bugs”, vulnerabilities or errors.”

PART III

ITEM FINANCIAL STATEMENTS
17.

We have elected to provide financial statements pursuant to Item 18.

ITEM FINANCIAL STATEMENTS
18.

The consolidated financial statements of Sea Limited are included at the end of this annual report.

ITEM EXHIBITS
19.

Exhibit Number	Description of Document
1.1	Ninth Amended and Restated Memorandum and Articles of Association of Sea Limited (incorporated by reference to Exhibit 3.1 from our Form 6-K (File No. 001-38237) filed with the SEC on February 14, 2022)
2.1	Form of Sea Limited’s Specimen American Depositary Receipt (included in Exhibit 2.3)
2.2	Sea Limited’s Specimen Certificate for its Class A Ordinary Shares (incorporated by reference to Exhibit 4.2 from our registration statement on Form F-1 (File No. 333-220571) filed with the SEC on September 22, 2017)
2.3	Deposit Agreement dated as of October 19, 2017 among Sea Limited, The Bank of New York Mellon and owners and holders of the ADSs (incorporated by reference to Exhibit 4.3 from our registration statement on Form S-8 (File No. 333-222071) filed publicly with the SEC on December 15, 2017)
2.4*	Description of Securities registered under Section 12 of the Exchange Act
3.1	Irrevocable Proxy, dated as of September 5, 2022, between Tencent Holdings Limited, Tencent Limited, Tencent Growthfund Limited and Huang River Investment Limited, on the one hand, and Sea Limited’s Board of Directors, on the other hand (incorporated by reference to Exhibit 3.1 from our annual report on Form 20-F filed with the SEC on April 6, 2023)
4.1	Second Amended and Restated Share Incentive Plan (incorporated by reference to Exhibit 4.1 from our annual report on Form 20-F filed with the SEC on April 22, 2022)

Exhibit Number	Description of Document
4.2	<u>Form of Indemnification Agreement between Sea Limited and each director and executive officer (incorporated by reference to Exhibit 10.2 from our registration statement on Form F-1 (File No. 333-220571) filed with the SEC on September 22, 2017).</u>
4.3	<u>Form of Employment Letter with each executive officer (incorporated by reference to Exhibit 10.3 from our registration statement on Form F-1 (File No. 333-220571) filed with the SEC on September 22, 2017).</u>
4.4†	<u>Amended and Restated Mobile Game Development Agreement, dated as of March 8, 2018, by and between Garena Online Private Limited and Proxima Beta Private Limited (incorporated by reference to Exhibit 4.16 from our annual report on Form 20-F filed with the SEC on April 10, 2018).</u>
4.5†	<u>Master License Agreement, dated as of November 16, 2018, by and between Garena Online Private Limited and Shenzhen Tencent Computer Systems Company Limited (incorporated by reference to Exhibit 4.17 from our annual report on Form 20-F filed with the SEC on March 1, 2019).</u>
4.6	<u>Indenture, dated as of November 18, 2019, by and between Sea Limited and Wilmington Trust, National Association (incorporated by reference to Exhibit 4.16 from our annual report on Form 20-F filed with the SEC on April 14, 2020).</u>
4.7	<u>Indenture, dated as of May 22, 2020, by and between Sea Limited and Wilmington Trust, National Association (incorporated by reference to Exhibit 4.16 from our annual report on Form 20-F filed with the SEC on April 16, 2021).</u>
4.8	<u>Indenture, dated as of September 14, 2021, by and between Sea Limited and Wilmington Trust, National Association (incorporated by reference to Exhibit 4.10 from our annual report on Form 20-F filed with the SEC on April 22, 2022).</u>
4.9	<u>First Supplemental Indenture, dated as of September 14, 2021, by and between Sea Limited and Wilmington Trust, National Association (incorporated by reference to Exhibit 4.11 from our annual report on Form 20-F filed with the SEC on April 22, 2022).</u>
8.1*	<u>List of Principal Subsidiaries and Consolidated Affiliated Entities of Sea Limited</u>
11.1	<u>Code of Business Conduct and Ethics of Sea Limited (incorporated by reference to Exhibit 99.1 from our registration statement on Form F-1 (File No. 333-220571) filed with the SEC on September 22, 2017).</u>
11.2*	<u>Insider Trading Policy of Sea Limited</u>
12.1*	<u>Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
12.2*	<u>Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
13.1**	<u>Certification by the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
13.2**	<u>Certification by the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
15.1*	<u>Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm</u>
15.2*	<u>Consent of Maples and Calder (Hong Kong) LLP</u>
15.3*	<u>Consent of LCS & Partners</u>

Exhibit Number	Description of Document
15.4*	Consent of Kudun and Partners Company Limited
15.5*	Consent of Rajah & Tann Singapore LLP
97.1	Clawback Policy of Sea Limited (incorporated by reference to Exhibit 97.1 from our annual report on Form 20-F filed with the SEC on April 26, 2024)
101.INS	Inline XBRL Instance Document — the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Exhibit 101 Inline XBRL document)

* Filed with this annual report on Form 20-F.

** Furnished with this annual report on Form 20-F.

† Confidential treatment has been granted by the U.S. Securities and Exchange Commission with respect to portions of the exhibit that have been redacted.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Sea Limited

By: /s/ Forrest Xiaodong Li
Name: Forrest Xiaodong Li
Title: Chairman and Chief Executive Officer

Date: April 17, 2025

SEA LIMITED

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Report of Independent Registered Public Accounting Firm (PCAOB ID: 01247)	F-2
Consolidated Balance Sheets as of December 31, 2023 and 2024	F-7
Consolidated Statements of Operations for the Years Ended December 31, 2022, 2023 and 2024	F-11
Consolidated Statements of Comprehensive (Loss) Income for the Years Ended December 31, 2022, 2023 and 2024	F-13
Consolidated Statements of Cash Flows for the Years Ended December 31, 2022, 2023 and 2024	F-14
Consolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 2022, 2023 and 2024	F-17
Notes to the Consolidated Financial Statements for the Years Ended December 31, 2022, 2023 and 2024	F-20

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Sea Limited

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Sea Limited (the Company) as of December 31, 2024 and 2023, the related consolidated statements of operations, comprehensive (loss) income, cash flows, and shareholders’ equity for each of the three years in the period ended December 31, 2024, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated April 17, 2025 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

To the Shareholders and the Board of Directors of Sea Limited

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Recognition of Digital Entertainment (“DE”) Revenue

<i>Description of the Matter</i>	<p>For the year ended December 31, 2024, the Company’s revenue arising from DE was \$1,911 million.</p> <p>As outlined in Note 2(o) of the consolidated financial statements, DE revenue is recognized over the performance obligation period. The Company has determined that an implied obligation exists to the paying users to continue providing hosting services and access to the purchased in-game items within the online games over an estimated performance obligation period. Such performance obligation period is largely determined in accordance with the estimated average lifespan of the paying users.</p>
<i>How We Addressed the Matter in Our Audit</i>	<p>Auditing the DE revenue recognition process was complex and involved judgment to determine the historical paying users’ inactive rate and playing behavior, in estimating the average lifespan of the paying users. In addition, the Company utilized various operating systems to process user data and transactions and relies on automated processes and controls over the completeness and accuracy of the historical user and game data, which were key inputs to the above-mentioned estimates.</p> <p>We obtained an understanding, evaluated the design and tested the operating effectiveness of internal controls over the Company’s DE revenue recognition process. For example, we tested the automated controls of the related operating systems. We also tested the effectiveness of management’s review controls over assessing the completeness and accuracy of the historical user and game data and the appropriateness of the judgments regarding the most relevant historical user and game data to be applied in their estimates.</p> <p>To test the recognition of DE revenue, our audit procedures included, among others, testing the completeness and accuracy of the above-mentioned underlying historical user and game data and assessing the reasonableness of the historical data applied in estimating the average lifespan of the paying users. We also recalculated the amount of revenue to be deferred based on management’s estimated performance obligation periods and compared those amounts with the amounts recorded by the Company.</p>

To the Shareholders and the Board of Directors of Sea Limited

Critical Audit Matters (continued)

Impairment of long-lived assets in E-commerce (“EC”) segment

Description of the Matter As at December 31, 2024, the Company’s long-lived assets in EC segment amounted to approximately 88.5% of the Company’s long-lived assets. The long-lived assets include property and equipment, operating lease right-of-use assets and intangible assets.

As outlined in Note 2(m) to the consolidated financial statements, the Company evaluates its long-lived assets for impairment when there are events or changes in circumstances which indicate that the carrying amounts of the long-lived assets may not be recoverable. Due to the losses incurred by EC segment, the Company evaluated the related long-lived assets for impairment at the asset group level by comparing the carrying amount of the asset group to the recoverable value determined by forecasted undiscounted cash flows expected to be generated by this asset group.

Auditing management’s long-lived assets impairment test was highly judgmental due to the magnitude of the carrying amount of long-lived assets and management’s judgment in estimating the recoverable value (undiscounted cash flows) of the asset group, which were sensitive to key assumptions such as projected revenue and sales and marketing expenses.

How We Addressed the Matter in Our Audit We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company’s long-lived asset impairment process to determine the recoverable value of the asset group. For example, we tested controls over management’s review of the key assumptions used in estimating the recoverable value.

To test the impairment of long-lived assets, our audit procedures included, among others, obtaining an understanding from management regarding the basis of which the undiscounted cash flows were prepared and assessing the reasonableness of the forecasted undiscounted cash flows by comparing them against the Company’s business strategies and underlying key assumptions over the forecast periods, taking into consideration current industry and economic trends. We performed sensitivity analysis over the key assumptions described above to evaluate the changes to the estimated recoverable value for the asset group that would result from reasonable changes in the assumptions.

/s/ Ernst & Young LLP

We have served as the Company’s auditor since 2010.

Singapore
April 17, 2025

To the Shareholders and the Board of Directors of Sea Limited

Opinion on Internal Control Over Financial Reporting

We have audited Sea Limited’s internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, Sea Limited (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2024 and 2023, the related consolidated statements of operations, comprehensive loss, cash flows, and shareholders’ equity for each of the three years in the period ended December 31, 2024, and the related notes and our report dated April 17, 2025 expressed an unqualified opinion thereon.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management’s Assessment of Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Singapore
April 17, 2025

SEA LIMITED

CONSOLIDATED BALANCE SHEETS
(Amounts expressed in thousands of US dollars (“\$”))

	Note	As of December 31,	
		2023	2024
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		2,811,056	2,405,153
Restricted cash (including restricted cash of the Consolidated VIEs that can only be used to settle the obligations of those Consolidated VIEs of \$14,773 and \$43,127 as of December 31, 2023 and 2024, respectively)		1,410,365	1,655,171
Accounts receivable, net of allowance for credit losses of \$9,351 and \$5,089, as of December 31, 2023 and 2024, respectively		262,716	306,657
Prepaid expenses and other assets (including prepaid expenses and other assets of the Consolidated VIEs that can only be used to settle the obligations of those Consolidated VIEs of \$7 and \$37 as of December 31, 2023 and 2024, respectively)	5	1,861,842	1,661,373
Loans receivable, net of allowance for credit losses of \$319,463 and \$443,555, as of December 31, 2023 and 2024, respectively (including loans receivable, net of allowance for credit losses of the Consolidated VIEs that can only be used to settle the obligations of those Consolidated VIEs of \$153,820 and \$426,995 as of December 31, 2023 and 2024, respectively)	6	2,464,662	4,052,215
Inventories, net		125,395	143,246
Short-term investments	7	2,547,644	6,215,423
Amounts due from related parties		290,254	418,430
Total current assets		11,773,934	16,857,668
Non-current assets			
Property and equipment, net	8	1,207,698	1,097,699
Operating lease right-of-use assets, net	9	1,015,982	1,054,785
Intangible assets, net	10	50,821	27,310
Long-term investments	7	4,262,562	2,694,305
Prepaid expenses and other assets (including prepaid expenses and other assets of the Consolidated VIEs that can only be used to settle the obligations of those Consolidated VIEs of nil and \$1,562 as of December 31, 2023 and 2024, respectively)	5	87,705	138,839
Loans receivable, net of allowance for credit losses of \$2,105 and \$5,780 as of December 31, 2023 and 2024, respectively	6	20,551	108,594
Restricted cash		22,236	21,261
Deferred tax assets	18	328,961	517,383
Goodwill	4	112,782	107,625
Total non-current assets		7,109,298	5,767,801
Total assets		18,883,232	22,625,469

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEETS (continued)
(Amounts expressed in thousands of US dollars (“\$”))

	Note	As of December 31,	
		2023	2024
		\$	\$
LIABILITIES AND SHAREHOLDERS’ EQUITY			
Current liabilities			
Accounts payable (including accounts payable of the Consolidated VIEs without recourse to the primary beneficiaries of \$7,612 and \$4,768 as of December 31, 2023 and 2024, respectively)		342,547	350,021
Accrued expenses and other payables (including accrued expenses and other payables of the Consolidated VIEs without recourse to the primary beneficiaries of \$131,409 and \$144,286 as of December 31, 2023 and 2024, respectively)	11	1,834,807	2,380,371
Deposits payable		1,706,299	2,711,693
Escrow payables and advances from customers (including escrow payables and advances from customers of the Consolidated VIEs without recourse to the primary beneficiaries of \$17,747 and \$18,487 as of December 31, 2023 and 2024, respectively)		2,199,464	2,498,094
Amounts due to related parties (including amounts due to related parties of the Consolidated VIEs without recourse to the primary beneficiaries of \$15 and \$6 as of December 31, 2023 and 2024, respectively)		64,081	255,896
Borrowings (including borrowings of the Consolidated VIEs without recourse to the primary beneficiaries of nil and \$50,000 as of December 31, 2023 and 2024, respectively)	12	146,661	130,615
Operating lease liabilities (including operating lease liabilities of the Consolidated VIEs without recourse to the primary beneficiaries of \$6,416 and \$10,544 as of December 31, 2023 and 2024, respectively)	9	290,788	300,274
Convertible notes	13	151,764	1,147,984
Deferred revenue (including deferred revenue of the Consolidated VIEs without recourse to the primary beneficiaries of \$169,059 and \$196,369 as of December 31, 2023 and 2024, respectively)		1,208,892	1,405,785
Income tax payable (including income tax payable of the Consolidated VIEs without recourse to the primary beneficiaries of \$1,748 and \$2,773 as of December 31, 2023 and 2024, respectively)		223,638	115,419
Total current liabilities		8,168,941	11,296,152

The accompanying notes are an integral part of these consolidated financial statements.

SEA LIMITED

CONSOLIDATED BALANCE SHEETS (continued)
(Amounts expressed in thousands of US dollars (“\$”))

	Note	As of December 31,	
		2023	2024
		\$	\$
Non-current liabilities			
Accrued expenses and other payables (including accrued expenses and other payables of the Consolidated VIEs without recourse to the primary beneficiaries of \$3,141 and \$9,515 as of December 31, 2023 and 2024, respectively)	11	79,257	71,678
Borrowings (including borrowings of the Consolidated VIEs without recourse to the primary beneficiaries of \$119,323 and \$249,474 as of December 31, 2023 and 2024, respectively)	12	119,323	249,474
Operating lease liabilities (including operating lease liabilities of the Consolidated VIEs without recourse to the primary beneficiaries of \$18,344 and \$51,542 as of December 31, 2023 and 2024, respectively)	9	789,514	803,502
Deferred revenue (including deferred revenue of the Consolidated VIEs without recourse to the primary beneficiaries of \$16,658 and \$12,226 as of December 31, 2023 and 2024, respectively)		72,587	109,895
Convertible notes	13	2,949,785	1,478,784
Deferred tax liabilities	18	133	408
Unrecognized tax benefits (including unrecognized tax benefits of the Consolidated VIEs without recourse to the primary beneficiaries of \$107 and nil as of December 31, 2023 and 2024, respectively)	18	6,107	138,000
Total non-current liabilities		4,016,706	2,851,741
Total liabilities		12,185,647	14,147,893
Commitments and contingencies	23		

The accompanying notes are an integral part of these consolidated financial statements.

SEA LIMITED

CONSOLIDATED BALANCE SHEETS (continued)
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and par value)

	Note	As of December 31,	
		2023	2024
		\$	\$
Shareholders’ equity			
Class A Ordinary shares (par value of US\$0.0005 per share; authorized: 14,800,000,000 and 14,800,000,000 shares as of December 31, 2023 and 2024, respectively; issued: 526,812,214 and 545,345,184 shares as of December 31, 2023 and 2024, respectively; outstanding: 524,270,557 and 543,584,213 shares as of December 31, 2023 and 2024, respectively)	15	262	272
Class B Ordinary shares (par value of US\$0.0005 per share; authorized: 200,000,000 and 200,000,000 shares as of December 31, 2023 and 2024, respectively; issued and outstanding: 45,527,793 and 45,527,793 shares as of December 31, 2023 and 2024, respectively)	15	23	23
Additional paid-in capital		15,283,870	16,703,192
Accumulated other comprehensive loss	16	(108,000)	(193,148)
Statutory reserves	17	16,981	17,260
Accumulated deficit		(8,599,306)	(8,155,264)
Total Sea Limited shareholders’ equity		6,593,830	8,372,335
Non-controlling interests		103,755	105,241
Total shareholders’ equity		6,697,585	8,477,576
Total liabilities and shareholders’ equity		18,883,232	22,625,469

The accompanying notes are an integral part of these consolidated financial statements.

SEA LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts expressed in thousands of US dollars (“\$”))

	Note	Year ended December 31,		
		2022	2023	2024
		\$	\$	\$
Revenue				
Service revenue		11,340,336	11,942,385	15,261,263
Sales of goods		1,109,369	1,121,175	1,558,603
Total revenue		<u>12,449,705</u>	<u>13,063,560</u>	<u>16,819,866</u>
Cost of revenue				
Cost of service		(6,271,082)	(6,202,524)	(8,164,387)
Cost of goods sold		(993,346)	(1,027,389)	(1,450,391)
Total cost of revenue		<u>(7,264,428)</u>	<u>(7,229,913)</u>	<u>(9,614,778)</u>
Gross profit		<u>5,185,277</u>	<u>5,833,647</u>	<u>7,205,088</u>
Operating income (expenses)				
Other operating income		279,184	221,021	180,443
Sales and marketing expenses		(3,269,223)	(2,779,223)	(3,472,686)
General and administrative expenses		(1,437,612)	(1,134,724)	(1,267,706)
Provision for credit losses		(513,690)	(633,942)	(776,937)
Research and development expenses		(1,376,501)	(1,164,126)	(1,206,050)
Impairment of goodwill		(354,943)	(117,875)	–
Total operating expenses		<u>(6,672,785)</u>	<u>(5,608,869)</u>	<u>(6,542,936)</u>
Operating (loss) income		(1,487,508)	224,778	662,152
Interest income		115,515	331,310	365,817
Interest expense		(45,396)	(41,075)	(38,341)
Net investment loss		(207,331)	(125,656)	(250,220)
Net gain on debt extinguishment		199,697	38,550	42,621
Foreign exchange (loss) gain		(75,510)	4,487	(3,246)
(Loss) Income before income tax and share of results of equity investees		<u>(1,500,533)</u>	<u>432,394</u>	<u>778,783</u>
Income tax expense	18	(168,395)	(262,680)	(321,168)
Share of results of equity investees		<u>11,156</u>	<u>(7,032)</u>	<u>(9,788)</u>
Net (loss) income		<u>(1,657,772)</u>	<u>162,682</u>	<u>447,827</u>
Net loss (income) attributable to non-controlling interests		<u>6,351</u>	<u>(11,956)</u>	<u>(3,506)</u>
Net (loss) income attributable to Sea Limited’s ordinary shareholders		<u><u>(1,651,421)</u></u>	<u><u>150,726</u></u>	<u><u>444,321</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

SEA LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS (continued)
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

		Year ended December 31,		
		2022	2023	2024
	Note	\$	\$	\$
(Loss) Earnings per share:				
Basic	19	(2.96)	0.27	0.77
Diluted	19	(2.96)	0.25	0.74
Weighted average shares used in (loss) earnings per share computation:				
Basic	19	558,119,948	566,612,815	574,966,327
Diluted	19	558,119,948	594,405,604	604,713,980

The accompanying notes are an integral part of these consolidated financial statements.

SEA LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(Amounts expressed in thousands of US dollars (“\$”))

	Year ended December 31,		
	2022	2023	2024
	\$	\$	\$
Net (loss) income	(1,657,772)	162,682	447,827
Other comprehensive (loss) income, net of tax			
Change in foreign currency translation adjustment	(81,620)	(695)	(85,548)
Available-for-sale investments:			
Change in unrealized (loss) gain	(7,930)	5,067	(2,628)
Reclassification adjustment to net (loss) income	212	148	(1,194)
Total other comprehensive (loss) income, net of tax	(89,338)	4,520	(89,370)
Total comprehensive loss (income) attributable to non-controlling interests	11,129	(13,261)	716
Total comprehensive (loss) income attributable to Sea Limited’s ordinary shareholders	(1,735,981)	153,941	359,173

The accompanying notes are an integral part of these consolidated financial statements.

SEA LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts expressed in thousands of US dollars (“\$”))

	Year ended December 31,		
	2022	2023	2024
	\$	\$	\$
Cash flows from operating activities			
Net (loss) income	(1,657,772)	162,682	447,827
Adjustments to reconcile net (loss) income to net cash (used in) generated from operating activities:			
Amortization of debt issuance costs of convertible notes	7,536	6,034	5,075
Amortization of premium on debt securities	(8,332)	(50,404)	(108,953)
Deferred income taxes	(140,553)	(94,551)	(193,361)
Depreciation and amortization	428,344	440,845	389,673
Impairment and write-off of long-lived assets	32,823	1,680	1,943
Impairment of goodwill	354,943	117,875	–
Net foreign exchange differences	41,737	3,814	(30,775)
Net investment loss	216,001	135,932	262,490
Net gain on debt extinguishment	(199,697)	(38,550)	(42,621)
Provision for credit losses	513,690	633,942	776,937
Share-based compensation	705,896	685,030	715,839
Share of results of equity investees	(11,156)	7,032	9,788
Unrecognized tax benefits	–	6,000	131,893
Others	30,476	7,218	3,427
Operating cash flows before changes in working capital:	313,936	2,024,579	2,369,182
Accounts receivable	98,981	7,516	(48,973)
Prepaid expenses and other assets	(497,889)	(344,845)	(39,411)
Inventories	1,441	(14,838)	(26,292)
Amounts due from related parties	1,360	(274,482)	(150,400)
Operating lease right-of-use assets	(360,472)	(47,543)	(87,387)
Accounts payable	43,311	81,381	28,161
Accrued expenses and other payables	(39,069)	455,088	522,785
Escrow payables and advances from customers	166,996	396,757	467,424
Amounts due to related parties	(72,341)	35,164	(13,303)
Operating lease liabilities	385,911	42,473	74,608
Deferred revenue	(1,093,229)	(325,160)	281,899
Income tax payable	(4,628)	43,598	(100,873)
Net cash (used in) generated from operating activities	(1,055,692)	2,079,688	3,277,420

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(Amounts expressed in thousands of US dollars (“\$”))

	Year ended December 31,		
	2022	2023	2024
	\$	\$	\$
Cash flows from investing activities			
Purchase of property and equipment	(924,178)	(241,605)	(318,153)
Purchase of intangible assets and capitalized software costs	(52,105)	(16,656)	(3,440)
Proceeds from disposal of long-lived assets	119,996	61,873	6,238
Purchase of investments	(2,630,842)	(8,319,757)	(9,661,521)
Proceeds from sale and maturity of investments	2,281,019	3,521,187	7,385,049
Distributions from investments	4,674	912	964
Acquisition of businesses, net of cash acquired	(60,713)	–	–
Effect on cash from deconsolidation of subsidiaries	(230)	(43,785)	(229)
Change in securities purchased under agreements to resell	–	233,219	82,537
Change in loans receivable	(1,166,430)	(999,850)	(2,532,291)
Net cash used in investing activities	<u>(2,428,809)</u>	<u>(5,804,462)</u>	<u>(5,040,846)</u>
Cash flows from financing activities			
Repayment of bank borrowings and finance lease obligations	(117,238)	(54,407)	(8,628)
Proceeds from bank borrowings	49,000	–	–
Capital contributed by non-controlling interest	70,876	1,336	–
Transactions with non-controlling interests	(22,889)	–	(9,945)
Payments for redemption, exchange, conversion and repurchase of convertible notes	(611,315)	(204,625)	(285,194)
Proceeds from issuance of ordinary shares, net	50,211	10,643	146,081
Change in deposits payable	942,630	389,276	1,292,099
Proceeds from borrowings under securitization transactions	–	119,687	185,215
Proceeds from (repayments of) secured borrowings, net	38,981	104,101	(64,156)
Settlement of Capped Calls	–	–	429,021
Net cash generated from financing activities	<u>400,256</u>	<u>366,011</u>	<u>1,684,493</u>
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(143,511)	(7,964)	(83,139)
Net decrease in cash, cash equivalents and restricted cash	<u>(3,227,756)</u>	<u>(3,366,727)</u>	<u>(162,072)</u>
Cash, cash equivalents and restricted cash at beginning of the year	10,838,140	7,610,384	4,243,657
Cash, cash equivalents and restricted cash at end of the year⁽¹⁾	<u><u>7,610,384</u></u>	<u><u>4,243,657</u></u>	<u><u>4,081,585</u></u>

(1) As of December 31, 2022, cash and cash equivalents of \$13,227 was included in Assets held for sale within Prepaid expenses and other assets.

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(Amounts expressed in thousands of US dollars (“\$”))

	Year ended December 31,		
	2022	2023	2024
	\$	\$	\$
Supplement disclosures of cash flow information			
Income taxes paid	(313,755)	(318,924)	(515,323)
Interest paid	(103,335)	(119,471)	(144,700)
Supplement disclosures of non-cash activities			
Change in accrued expenses and other payables related to purchase of property and equipment	(14,631)	6,482	4,730
Change in accrued expenses and other payables related to purchase of intangible assets	(554)	(4,049)	6,200
Conversion and exchange of convertible notes into ordinary shares	(5)	(31,297)	(152,040)
Acquisition of subsidiaries by conversion of convertible notes or issuance of shares	6,875	—	—
Change in accrued expenses and other payables related to purchase of investments	—	—	87,714

The accompanying notes are an integral part of these consolidated financial statements.

SEA LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares)

	No of ordinary shares	Ordinary shares \$	Additional paid-in capital \$	Accumulated other comprehensive loss \$	Statutory reserves \$	Accumulated deficit \$	Total Sea Limited shareholders’ equity \$	Non- controlling interests \$	Total shareholders’ equity \$
Balance as of January 1, 2022	557,737,960	278	14,622,292	(28,519)	6,144	(7,201,498)	7,398,697	25,712	7,424,409
Adjustments for prior periods from adopting ASU 2020-06	—	—	(811,483)	—	—	113,724	(697,759)	—	(697,759)
Net loss for the year	—	—	—	—	—	(1,651,421)	(1,651,421)	(6,351)	(1,657,772)
Other comprehensive loss	—	—	—	(84,560)	—	—	(84,560)	(4,778)	(89,338)
Acquisition of subsidiaries	—	—	—	—	—	—	—	12,560	12,560
Appropriation of statutory reserves	—	—	—	—	6,346	(6,346)	—	—	—
Conversion of convertible notes into Class A ordinary shares	252	—	5	—	—	—	5	—	5
Capital contributed by non-controlling interest	—	—	335	1,864	—	—	2,199	68,677	70,876
Transactions with non-controlling interests	—	—	(14,889)	—	—	—	(14,889)	—	(14,889)
Disposal of interest in a subsidiary	—	—	—	—	—	—	—	(701)	(701)
Shares issued to depository bank	7,000,000	—	—	—	—	—	—	—	—
Exercise of share options	3,412,987	1	50,210	—	—	—	50,211	—	50,211
Restricted share awards and restricted share units issued	3,809,600	2	(2)	—	—	—	—	—	—
Share-based compensation	—	—	713,222	—	—	—	713,222	—	713,222
Settlement of share incentives with shares held by depository bank	(7,201,957)	—	—	—	—	—	—	—	—
Balance as of December 31, 2022	<u>564,758,842</u>	<u>281</u>	<u>14,559,690</u>	<u>(111,215)</u>	<u>12,490</u>	<u>(8,745,541)</u>	<u>5,715,705</u>	<u>95,119</u>	<u>5,810,824</u>

The accompanying notes are an integral part of these consolidated financial statements.

SEA LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (continued)
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares)

	No of ordinary shares	Ordinary shares \$	Additional paid-in capital \$	Accumulated other comprehensive loss \$	Statutory reserves \$	Accumulated deficit \$	Total Sea Limited shareholders’ equity \$	Non- controlling interests \$	Total shareholders’ equity \$
Balance as of January 1, 2023	564,758,842	281	14,559,690	(111,215)	12,490	(8,745,541)	5,715,705	95,119	5,810,824
Net income for the year	—	—	—	—	—	150,726	150,726	11,956	162,682
Other comprehensive income	—	—	—	3,215	—	—	3,215	1,305	4,520
Appropriation of statutory reserves	—	—	—	—	4,491	(4,491)	—	—	—
Conversion of convertible notes into Class A ordinary shares	1,581,165	1	31,296	—	—	—	31,297	—	31,297
Capital contributed by non-controlling interest	—	—	—	—	—	—	—	1,336	1,336
Deconsolidation of a subsidiary	—	—	(1,352)	—	—	—	(1,352)	(5,961)	(7,313)
Shares issued to depository bank	6,000,000	—	—	—	—	—	—	—	—
Exercise of share options	1,603,859	1	10,642	—	—	—	10,643	—	10,643
Restricted share awards and restricted share units issued	4,101,762	2	(2)	—	—	—	—	—	—
Share-based compensation	—	—	683,596	—	—	—	683,596	—	683,596
Settlement of share incentives with shares held by depository bank	(5,705,621)	—	—	—	—	—	—	—	—
Balance as of December 31, 2023	<u>572,340,007</u>	<u>285</u>	<u>15,283,870</u>	<u>(108,000)</u>	<u>16,981</u>	<u>(8,599,306)</u>	<u>6,593,830</u>	<u>103,755</u>	<u>6,697,585</u>

The accompanying notes are an integral part of these consolidated financial statements.

SEA LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (continued)
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares)

	No of ordinary shares	Ordinary shares \$	Additional paid-in capital \$	Accumulated other comprehensive loss \$	Statutory reserves \$	Accumulated deficit \$	Total Sea Limited shareholders’ equity \$	Non- controlling interests \$	Total shareholders’ equity \$
Balance as of January 1, 2024	572,340,007	285	15,283,870	(108,000)	16,981	(8,599,306)	6,593,830	103,755	6,697,585
Net income for the year	—	—	—	—	—	444,321	444,321	3,506	447,827
Other comprehensive loss	—	—	—	(85,148)	—	—	(85,148)	(4,222)	(89,370)
Appropriation of statutory reserves	—	—	—	—	279	(279)	—	—	—
Transaction with non-controlling interest	—	—	(12,147)	—	—	—	(12,147)	2,202	(9,945)
Conversion of convertible notes into Class A ordinary shares	3,032,970	2	152,038	—	—	—	152,040	—	152,040
Shares issued to depository bank	15,500,000	—	—	—	—	—	—	—	—
Exercise of share options	10,147,180	5	146,076	—	—	—	146,081	—	146,081
Restricted share awards and restricted share units issued	6,133,506	3	(3)	—	—	—	—	—	—
Share-based compensation	—	—	704,337	—	—	—	704,337	—	704,337
Settlement of share incentives with shares held by depository bank	(16,280,686)	—	—	—	—	—	—	—	—
Settlement of Capped Calls	—	—	429,021	—	—	—	429,021	—	429,021
Balance as of December 31, 2024	<u>590,872,977</u>	<u>295</u>	<u>16,703,192</u>	<u>(193,148)</u>	<u>17,260</u>	<u>(8,155,264)</u>	<u>8,372,335</u>	<u>105,241</u>	<u>8,477,576</u>

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

1. ORGANIZATION

Sea Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands on May 8, 2009 and conducts its business primarily through its subsidiaries and variable interest entities (“VIEs”) in markets including Southeast Asia, Taiwan and Latin America. The Company is principally engaged in the e-commerce, digital financial services and digital entertainment businesses.

(a) As of December 31, 2024, principal subsidiaries of the Company consist of the following entities:

Entity	Date of incorporation/ acquisition	Place of incorporation	Percentage of direct ownership by the Company		Principal activities
			2023	2024	
Garena Online Private Limited (“Garena Online”)	May 8, 2009	Singapore	100	100	Game operations and software development
Shopee Limited	January 16, 2015	Cayman Islands	100	100	Investment holding company
Shopee Singapore Private Limited	February 5, 2015	Singapore	100	100	Online platform
PT Shopee International Indonesia	August 5, 2015	Indonesia	100	100	Online platform
Sea Services Limited (formerly known as Sea Capital Limited)	January 30, 2020	Cayman Islands	100	100	Investment holding company
Sea Services Holdings Limited (formerly known as SEA Capital C1 Holdings Limited)	June 30, 2021	Cayman Islands	100	100	Investment holding company
Locust Walk A1 Holdings Limited	June 30, 2021	Cayman Islands	100	100	Investment holding company
Shopee IP Singapore Private Limited	September 2, 2021	Singapore	100	100	Holding certain intellectual property

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

1. ORGANIZATION (continued)

(b) *VIE structure*

A VIE is a legal entity that has either a total equity investment that is insufficient to finance its activities without additional subordinated financial support or whose equity investors lack the characteristics of a controlling financial interest. The Company’s variable interest arises from contractual, ownership or other monetary interests in the entity, which change with fluctuations in the fair value of the entity’s net assets. A VIE is consolidated by its primary beneficiary, the party that has both the power to direct the activities that most significantly impact the VIE’s economic performance, and the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. The Company consolidates a VIE when it is deemed to be the primary beneficiary. The Company assesses whether it is the primary beneficiary of a VIE on an ongoing basis.

(i) *Contractual arrangements that give the Company control of the VIEs*

The Company operates in various markets that have certain restrictions on foreign ownership of local companies. To comply with these foreign ownership restrictions, the Company conducts certain businesses through VIEs using contractual agreements (the “VIE Agreements”).

The following is a summary of the key terms of the VIE Agreements that were signed amongst the primary beneficiary and the respective shareholders of the VIEs (collectively the “VIE Shareholders”):

Loan Agreements

In order to ensure that the VIE Shareholders are able to provide capital to each of these VIEs in order to develop its business, the primary beneficiary has entered into loan agreements with each VIE Shareholder.

Pursuant to the loan agreements, the primary beneficiary has granted loans to the VIE Shareholders that may only be used for the purpose of acquiring equity interests in or contributing to the registered capital of these VIEs. The time and manner for repayment of the loans are at the sole discretion of the primary beneficiary. The loans may be repaid only by transferring all of the VIE Shareholders’ equity interests in the VIE to the primary beneficiary or their respective designee upon exercise of the option under the exclusive option agreement. The loan agreements also prohibit the VIE Shareholders from assigning or transferring to any third party, or from creating or causing any security interest to be created on, any part of their equity interests in these entities. In the event that the respective VIE Shareholders sell their equity interests to the primary beneficiary or their respective designee at a price which is equal to or lower than the principal amount of the loan, the loan will be interest-free. If the price is higher than the principal amount of the loans, the excess amount will be deemed to be interest on the loans payable by the VIE Shareholders to the primary beneficiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

1. ORGANIZATION (continued)

(b) VIE structure (continued)

(i) Contractual arrangements that give the Company control of the VIEs (continued)

Exclusive Option Agreements

In order to ensure that the Company is able to acquire all of the equity interests in the VIEs at its discretion, the primary beneficiary has entered into exclusive option agreements with the respective VIE Shareholders. Each option is exercisable by the primary beneficiary at any time, provided that doing so is not prohibited by law. The exercise price under each option is the minimum amount required by law and any proceeds obtained by the respective VIE Shareholders through the transfer of their equity interests in these VIEs shall be used for the repayment of the loan provided in accordance with the loan agreements.

During the terms of the exclusive option agreements, the VIE Shareholders will not grant a similar right or transfer any of the equity interests in these VIEs to any party other than the primary beneficiary or their respective designee, nor will it pledge, create or permit any security interest or similar encumbrance to be created on any of the equity interests. The VIEs cannot declare any profit distributions or grant loans in any form without the prior consent of the primary beneficiary. The VIE Shareholders must remit in full any funds received from the VIEs to the primary beneficiary or their respective designee in the event any distributions are made by the VIEs.

The exclusive option agreements will remain in effect until the respective VIE Shareholder has transferred such shareholder’s equity interests in the VIEs to the primary beneficiary or their respective designee.

Powers of Attorney

In order to ensure that the Company is able to make all of the decisions concerning the VIEs, the primary beneficiary has entered into powers of attorney with the shareholders of these VIEs. Pursuant to the powers of attorney, each VIE Shareholder has irrevocably appointed the primary beneficiary as their attorney-in-fact to act for all matters pertaining to such shareholding in these VIEs and to exercise all of their rights as shareholders, including but not limited to attending shareholders’ meetings and designating and appointing directors, supervisors, the chief executive officer and other senior management members of these entities, and selling, transferring, pledging or disposing the shares of these entities. The primary beneficiary may authorize or assign its rights to any other person or entity at its sole discretion without prior notice to or prior consent from the VIE Shareholders of these VIEs.

Each power of attorney remains in effect until the VIE Shareholder ceases to hold any equity interest in the respective VIE.

1. ORGANIZATION (continued)

(b) VIE structure (continued)

(i) Contractual arrangements that give the Company control of the VIEs (continued)

Equity Interest Pledge Agreements

In order to secure the performance of the VIEs and the VIE Shareholders under the contractual arrangements, each of the VIE Shareholders of the VIEs has pledged all of their shares to the primary beneficiary. These pledges secure the contractual obligations and indebtedness of the VIE Shareholders, including all penalties, damages and expenses incurred by the primary beneficiary in connection with the contractual arrangements, and all other payments due and payable to the primary beneficiary by the respective VIEs under the exclusive business cooperation agreements and by the VIE Shareholders under the loan agreements, exclusive option agreements, and powers of attorney. Should the VIEs or their respective VIE Shareholders breach or default under any of the contractual arrangements, the primary beneficiary has the right to require the transfer of the respective VIE Shareholders’ pledged equity interests in the VIEs to the primary beneficiary or their respective designee, to the extent permitted by laws, or require a sale of the pledged equity interests and has priority in any proceeds from the auction or sale of such pledged interests. Moreover, the primary beneficiary has the right to collect any and all dividends in respect of the pledged equity interests during the term of the pledge.

Unless the respective VIEs have fully performed all of their obligations in accordance with the exclusive business cooperation agreements and the pledged equity interests have been fully transferred to the primary beneficiary or their respective designee in accordance with the exclusive option agreements and the loan agreements, the equity interest pledge agreements will continue to remain in effect.

Spousal Consent Letters

Under the spousal consent letters, each spouse of the married VIE Shareholders of the VIEs unconditionally and irrevocably agreed that the equity interest in the respective VIE held by and registered in the name of their spouse will be disposed of pursuant to the contractual arrangements. Each spouse agreed not to assert any rights over the equity interest in these VIEs held by their spouse. In addition, in the event that the spouses obtain any equity interest in these VIEs held by their spouse for any reason, they agree to be bound by the contractual arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

1. ORGANIZATION (continued)

(b) VIE structure (continued)

(i) Contractual arrangements that give the Company control of the VIEs (continued)

Exclusive Business Cooperation Agreements

In order to ensure that the Company receives the economic benefits of the VIEs, the primary beneficiary has entered into exclusive business cooperation agreements with these VIEs under which the primary beneficiary has the exclusive right to provide or to designate any third party to provide, among other things, technical support, consulting services, intellectual property licenses and other services to these VIEs, and these VIEs agree to accept all services provided by the primary beneficiary or their respective designee. Without the primary beneficiary’s prior written consent, the VIEs are prohibited from directly or indirectly engaging any third party to provide the same or any similar services under these agreements or establishing similar cooperative relationships with any third party regarding the matters contemplated by these agreements. In addition, the primary beneficiary shall have exclusive and proprietary ownership, rights and interests in any and all intellectual properties arising out of or created during the performance of the exclusive business cooperation agreements.

The VIEs agree to pay a monthly fee to the primary beneficiary at an amount determined at the primary beneficiary’s sole discretion after taking into account factors including the complexity and difficulty of the services provided, the level of and time consumed by its employees or third-party service providers designated by the primary beneficiary providing the services, the content and value of services and licenses provided and the market price of the similar type of services or licenses.

The exclusive business cooperation agreements will remain effective unless terminated in accordance with their provisions or terminated in writing by the primary beneficiary. Unless otherwise required by applicable laws, these VIEs do not have any right to terminate the exclusive business cooperation agreements in any event.

Financial Support Confirmation Letters

In order to ensure that the VIEs have sufficient cash flow to fund their daily operations and/or to set off any losses incurred in such operations, the primary beneficiary has entered into financial support confirmation letters with each of these VIEs. Under the financial support confirmation letters, the primary beneficiary pledges to provide continuous financial support to these VIEs by itself or their respective designee and agreed to forego its right to seek repayment in the event these entities are unable to repay such financial support or the primary beneficiary becomes liable for the liabilities of these VIEs. These VIEs agree to accept such financial support and pledge to only use such support to develop their respective businesses. To the extent permitted by law, the financial support the primary beneficiary provides to these VIEs may take the form of loans, borrowings or guarantees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

1. ORGANIZATION (continued)

(b) VIE structure (continued)

(i) Contractual arrangements that give the Company control of the VIEs (continued)

Despite the lack of technical majority ownership, there exists a parent-subsidiary relationship between the primary beneficiary and their respective VIEs, through the irrevocable power of attorney agreements, whereby the VIE Shareholders effectively assigned all of the voting rights underlying their equity interest in the respective VIEs to the primary beneficiary. Furthermore, pursuant to the loan agreements, exclusive option agreements and equity interest pledge agreements, the primary beneficiary obtained effective control over the respective VIEs, through the ability to exercise all the rights of the VIE Shareholders and therefore the power to govern the activities that most significantly impact the economic performance of the VIEs. The primary beneficiary demonstrates its ability and intention to continue to absorb substantially all the expected losses through the financial support confirmation letters. The primary beneficiary also demonstrates its ability to receive substantially all of the economic benefits of the VIEs through the exclusive business cooperation agreements. Thus, the Company consolidates these VIEs and their subsidiaries under ASC 810-10, *Consolidation: Overall*.

In the opinion of the Company’s management and external legal counsels, the ownership structure of its VIEs are generally in compliance with the local laws or regulations that are currently in effect, and each of the agreements among the primary beneficiary, the VIEs and/or the VIE Shareholders is valid, binding and enforceable, and do not and will not result in any violation of such laws or regulations that are currently in effect.

However, there are substantial uncertainties regarding the interpretation and application of current and future local laws and regulations. Accordingly, the Company cannot be assured that the local regulatory authorities will not ultimately take a contrary view to its opinion. If the current ownership structure of the Company and its contractual arrangements with the VIEs are found to be in violation of any existing or future local laws and regulations, the Company may be required to restructure its ownership structure and operations in certain countries to comply with the changing and new local laws and regulations. To the extent that changes and new local laws and regulations prohibit the Company’s VIE arrangements from complying with the principles of consolidation, the Company would have to deconsolidate the financial position and results of operations of its VIEs. In the opinion of management, the likelihood of loss in respect of the Company’s current ownership structure or the contractual arrangements with the VIEs is remote based on current facts and circumstances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

1. ORGANIZATION (continued)

(b) VIE structure (continued)

(ii) Securitizations

The Company securitizes certain loans receivable through special purpose entities, deemed as VIEs. These VIEs were created and designed to transfer credit risk associated with the loans receivable through the issuance of borrowing. The Company has various forms of involvement with such VIEs, including servicing of loans held by these VIEs, ownership of minority shareholding interests in these VIEs and holding subordinated debt issued by these VIEs. The third-party investors in the securitization transactions have legal recourse only to the assets of the VIEs including the loans receivable backing the debt and do not have direct recourse to the Company.

The primary beneficiary also demonstrates that it retains economic interests in the VIEs in the form of subordinated interests, and the power to direct the activities that most significantly impact the VIEs’ economic performance as servicer.

(c) VIE disclosures

Certain assets of the VIEs can only be used to settle the obligations of the VIEs, and such amounts have been parenthetically presented on the face of the consolidated balance sheets. Creditors of the VIEs have no recourse to the general credit of the primary beneficiaries of the VIEs, and such amounts have been parenthetically presented on the face of the consolidated balance sheets. The Company has not provided any financial or other support that it was not previously contractually required to provide to the VIEs during the periods presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

1. ORGANIZATION (continued)

(c) VIE disclosures (continued)

The following tables represent the financial information of the VIEs whom the Company does not have majority voting interest as of December 31, 2023 and 2024 and for the years ended December 31, 2022, 2023 and 2024 before eliminating the intercompany balances and transactions between the VIEs and other entities within the group:

	As of December 31,	
	2023	2024
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	63,187	61,362
Loans receivable, net	148,246	426,171
Amounts due from intercompanies ⁽¹⁾	241,740	275,715
Others	123,046	124,710
Total current assets	576,219	887,958
Non-current assets		
Property and equipment, net	123,094	88,964
Deferred tax assets	35,280	39,967
Others	28,649	71,287
Total non-current assets	187,023	200,218
Total assets	763,242	1,088,176

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

1. ORGANIZATION (continued)

(c) VIE disclosures (continued)

	As of December 31,	
	2023	2024
	\$	\$
LIABILITIES		
Current liabilities		
Accrued expenses and other payables	128,917	140,883
Deferred revenue	169,059	196,369
Borrowings	—	50,000
Amounts due to intercompanies ⁽¹⁾	230,884	158,139
Others	15,864	18,829
Total current liabilities	544,724	564,220
Non-current liabilities		
Deferred revenue	16,658	12,226
Amounts due to intercompanies ⁽¹⁾	61,165	207,855
Borrowings	119,323	249,474
Others	19,529	65,596
Total non-current liabilities	216,675	535,151
Total liabilities	761,399	1,099,371

(1) Amounts due from or to intercompanies consist of intercompany receivables or payables to the other companies within the group arising from intercompany transactions and funds advanced for working capital purpose.

	Year ended December 31,		
	2022	2023	2024
	\$	\$	\$
Revenue			
- Third-party customers	722,607	551,978	613,102
- Intercompanies	176,072	248,637	373,962
Net income (loss)	20,425	40,776	(14,011)

	Year ended December 31,		
	2022	2023	2024
	\$	\$	\$
Net cash generated from (used in) operating activities	22,449	(21,369)	(54,917)
Net cash used in investing activities	(89,160)	(189,617)	(319,262)
Net cash generated from financing activities	44,442	232,420	338,806

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of preparation*

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”).

(b) *Principles of consolidation*

The consolidated financial statements include the financial statements of the Company, its subsidiaries and the VIEs for which the Company or a subsidiary of the Company is the primary beneficiary. All significant intercompany transactions and balances between the Company, its subsidiaries and the VIEs are eliminated upon consolidation.

(c) *Use of estimates*

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Areas where management uses subjective judgment include, but are not limited to, revenue recognition, estimating the useful lives and impairment assessment of long-lived assets and goodwill, accounting for and impairment assessment of investments, impairment assessment of loans receivable, accounting for deferred income taxes and accounting for share-based compensation arrangements. Changes in facts and circumstances may result in revised estimates.

(d) *Foreign currency*

The functional currency of the Company is the United States dollar (“\$” or “USD”), whereas the functional currency of the Company’s subsidiaries and its VIEs are the respective local currencies as determined based on the criteria of ASC 830, *Foreign Currency Matters*. The Company uses the USD as its reporting currency. Transactions denominated in foreign currencies are re-measured into the functional currency at the exchange rates prevailing on the transaction dates. Foreign currency denominated financial assets and liabilities are re-measured at the balance sheet date exchange rate. Exchange gains and losses are included in foreign exchange gains and losses in the consolidated statements of operations.

Assets and liabilities of the Company’s subsidiaries and its VIEs that have functional currencies other than USD are translated into USD at fiscal year-end exchange rates. Income and expense items are translated at average exchange rates prevailing during the fiscal year. The resulting translation adjustments are recorded in accumulated other comprehensive loss, a component of shareholders’ equity.

Exchange differences arising on monetary items that form part of the Company’s net investments in foreign operations are recognized initially in other comprehensive loss and accumulated under accumulated other comprehensive loss in equity. The other comprehensive income or loss arising from exchange differences is reclassified from equity to profit or loss of the Company on disposal of the foreign operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) *Cash and cash equivalents*

The Company considers cash equivalents to be short-term, highly-liquid investments that are both readily convertible to cash and have a maturity of three months or less at the time of purchase. Cash and cash equivalents consist of cash on hand, demand deposits and money market funds placed with banks and other financial institutions which are unrestricted as to withdrawal and use.

(f) *Restricted cash*

Restricted cash mainly comprises monies received held in escrow in connection with the Company’s e-commerce business and mobile wallet in connection with the Company’s digital financial services business that are restricted and not available for the Company’s use.

(g) *Accounts receivable, loans receivable and allowance for credit losses*

Accounts receivable and loans receivable are carried at net realizable value. Loans principal and interest receivables are placed on non-accrual status when payments are 90 days past due contractually. When a loan principal and interest receivable is placed on non-accrual status, interest accrual ceases. If the loan is non-accrual, the cost recovery method is used and cash collected is applied to first reduce the carrying value of the loan. Otherwise, interest income may be recognized to the extent cash is received. Loans principal and interest receivables may be returned to accrual status when all of the borrower’s delinquent balances of loans principal and interest have been settled and the borrower continues to perform in accordance with the loan terms.

The Company has established a provision matrix applied on the portfolio segmented by factors such as geographic region and products that are considered to have similar credit characteristics and risk of loss. The allowance for credit losses is computed based on its historical lifetime credit loss experience, adjusted for forward-looking factors specific to the receivable and economic environment. The Company utilizes models such as transition matrix method based on roll rates and then transformed, taking into account expected future delinquency rate to estimate the likelihood that a loan will default over a given period of time, net of any estimated recoveries. These models utilize information that is available at the reporting date about past events, current conditions and macro-economic forecasts. The macro-economic forecast varies by countries and include factors such as unemployment rates, gross domestic product and consumer price indices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Inventories

Inventories which comprise mainly merchandise products sold through the Company’s e-commerce business platform are valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted at purchase cost on first-in-first-out basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(i) Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Computers	3 to 5 years
- Office equipment, furniture and fittings	3 to 10 years
- Leasehold improvements	Over the shorter of lease term or the estimated useful lives of the assets
- Transportation assets	4 to 10 years
- Warehouse equipment	3 to 10 years
- Land use right	Over the land use term
- Building	6 to 20 years

Freehold land has unlimited useful life and therefore is not depreciated. The useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Repair and maintenance costs are charged to expense as incurred, whereas the costs of betterments that extend the useful lives of property and equipment are capitalized as additions to the related assets. Retirements, sale and disposals of assets are recorded by removing the cost and accumulated depreciation with any resulting gain or loss reflected in the consolidated statements of operations.

Property and equipment that are purchased or constructed which require a period of time before the property and equipment are ready for their intended use are accounted for as construction-in-progress. Construction-in-progress is recorded at acquisition cost, including installation costs. Construction-in-progress is transferred to specific property and equipment accounts and commences depreciation when these property and equipment are ready for their intended use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) *Goodwill*

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed from the acquired entity as a result of the Company’s acquisitions of interests in its subsidiaries and Consolidated VIEs. During the measurement period, which does not exceed one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding adjustment to goodwill. Upon conclusion of the measurement period, any adjustments are recorded in the consolidated statements of operations.

Goodwill is not amortized but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. In testing goodwill for impairment, the Company evaluates whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the qualitative assessment indicates that goodwill impairment is more likely than not, the Company applies a one-step quantitative test and record the amount of goodwill impairment as the excess of goodwill allocated to the reporting unit’s carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit.

(k) *Intangible assets*

Intangible assets acquired through business combinations are recognized as assets separate from goodwill if they satisfy either the “contractual-legal” or “separability” criterion. Intangible assets arising from business combinations are measured at fair value upon acquisition. Other intangible assets are carried at cost less accumulated amortization and any recorded impairment.

Costs incurred in connection with the planning and post implementation phases of the development of software for internal use are expensed. Costs incurred in the application development phase are capitalized when certain criteria are met. Capitalization ceases and the costs are amortized over the software’s estimated useful life when the software is ready for its intended use.

Costs incurred internally in researching and developing a software product are charged to expense as research and development costs prior to technological feasibility being established for the product. Once technological feasibility is established, all software costs are capitalized until the product is available for general release to customers. Technological feasibility is established upon completion of all the activities that are necessary to substantiate that the software product can be produced in accordance with its design specifications, including functions, features, and technical performance requirements. None of such costs were capitalized for any of the periods presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Intangible assets (continued)

Intangible assets with finite useful lives are amortized over the estimated economic lives of the intangible assets as follows:

- Licensing fee	Over the shorter of licensing period or the estimated useful lives of the intangible assets
- IP right	1 to 6 years
- Trademarks	10 years
- Software	3 to 7 years
- Customer relationships	3 to 8 years

The useful lives and methods of amortization of intangible assets are reviewed at each financial year end and adjusted prospectively, if appropriate.

(l) Investments

The Company’s investments consist of available-for-sale investments, held-to-maturity investments, equity security investments, investments carried at fair value and equity method investments.

In accordance with ASC 320, *Investments – Debt Securities*, the Company classifies the investments in debt securities as “held-to-maturity”, “trading” or “available-for-sale”, whose classification determines the respective accounting methods stipulated by ASC 320. Dividend and interest income for all categories of investments in securities are included in earnings. Any realized gains or losses, if any, on the sale of the investments are determined on a specific identification method, and such gains and losses are reflected in earnings during the period in which gains or losses are realized. The debt securities that the Company has positive intent and ability to hold to maturity are classified as held-to-maturity securities and stated at amortized cost. The securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and measured at fair value. Unrealized holding gains and losses for trading securities are included in earnings. Investments not classified as trading or as held-to-maturity are classified as available-for-sale investments. Available-for-sale investments are reported at fair value, with unrealized gains and losses recorded in accumulated other comprehensive loss. Realized gains or losses are included in earnings during the period in which the gain or loss is realized.

Credit losses related to available-for-sale investments to be recorded through an allowance for credit losses. The Company compares the present value of cash flows expected to be collected from the investment with the amortized cost basis of the security to determine if a credit loss exists. If the present value of cash flows expected to be collected is less than the amortized cost basis of the investment, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than amortized cost basis. An available-for-sale investment is written off in the period the investment is deemed uncollectible. The Company has the ability and intent to hold these investments with unrealized losses for a reasonable period of time sufficient for the recovery of their amortized cost bases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) *Investments (continued)*

In accordance with ASC 946-320, *Financial Services – Investment Companies, Investments – Debt and Equity Securities*, the Company accounts for non-marketable equity securities and limited partnerships held by consolidated investment company at fair value. During the year ended December 31, 2023, the consolidated Investment Company no longer qualifies as an Investment Company under ASC 946-320, as a result of its termination of its investment advisory agreement. The Company discontinued applying the guidance in ASC 946-320 and began to account for the change in status prospectively by accounting for those investments in accordance with other U.S. GAAP as of the date of the change in status. The fair value of the investments at the date of the change in status shall be the investments’ initial carrying amount.

In accordance with ASC 321, *Investments – Equity Securities*, for investments in an investee over which the Company does not have significant influence, the Company carries the investments at fair value with unrealized gains and losses included in earnings. In accordance with ASC 820, *Fair Value Measurements*, for investments that do not have readily determinable fair value, the Company has elected to measure its equity security investments at net asset value (or its equivalent), if it qualifies for the NAV practical expedient or at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same investee (“measurement alternative”). The Company’s management regularly evaluates the impairment of its equity security investments based on the performance and financial position of the investee as well as other evidence of estimated market values. Such evaluation includes, but is not limited to, reviewing the investee’s cash position, recent financing, projected and historical financial performance, cash flow forecasts and current and future financing needs. An impairment loss is recognized in the consolidated statements of operations equal to the excess of the investment’s cost over its fair value at the balance sheet date of the reporting period for which the assessment is made. The fair value would then become the new cost basis of investment.

Investments in equity investees represent investments in (a) entities in which the Company can exercise significant influence but does not own a majority equity interest or control and (b) limited partnership in which the Company holds a five percent or greater interest. Such investments are accounted for using the equity method of accounting in accordance with ASC 323-10, *Investments – Equity Method and Joint Ventures: Overall*. Under the equity method, the Company initially records its investments at cost and prospectively recognizes its proportionate share of each equity investee’s net income or loss into its consolidated statements of operations. The difference between the cost of the equity investee and the amount of the underlying equity in the net assets of the equity investee is recognized as equity method goodwill included in equity method investments on the consolidated balance sheets. The Company evaluates its equity method investments for impairment under ASC 323-10. An impairment loss on the equity method investments is recognized in the consolidated statements of operations when the decline in value is determined to be other-than-temporary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) *Investments (continued)*

The Company discontinues applying equity method if an investment (and additional financial supports to the investee, if any) has been reduced to zero. When the Company has other investments in the investee that have liquidation preferences more senior than the ordinary shares and the equity method investment in the ordinary shares is reduced to zero, the Company continues to report its share of equity losses in the consolidated statements of operations, to the extent of and as an adjustment to the adjusted basis of the other investments in the investee. The order in which the equity losses are applied to the other investments follows the seniority of the other investments in the same investee.

(m) *Impairment of long-lived assets*

The Company evaluates its long-lived assets or asset groups, including intangible assets with finite lives, for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will impact the future use of the assets) indicate that the carrying amount of an asset or a company of long-lived assets may not be recoverable. When these events occur, the Company evaluates for impairment by comparing the carrying amount of the assets to future undiscounted net cash flows expected to result from the use of the assets and their eventual disposition. If the forecasted undiscounted cash flows are less than the carrying amount of the assets, the Company would recognize an impairment loss based on the excess of the carrying amount of the asset group over its fair value. Fair value is generally determined by discounting the cash flows expected to be generated by the assets, when the market prices are not readily available for the long-lived assets.

(n) *Fair value of financial instruments*

Available-for-sale investments are measured at fair value with the change in fair value recognized in accumulated other comprehensive loss. Marketable equity securities, investments carried at fair value, certain other assets, derivative assets, derivative liabilities and share appreciation rights are measured at fair value with corresponding changes in the assets and liabilities’ fair values reflected in consolidated statements of operations.

(o) *Revenue recognition*

Revenue is recognized upon transfer of control of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled to for those goods or services. Revenue is measured based on the amount of consideration that the Company expects to receive reduced by discounts, incentives and rebates. Revenue also excludes any amounts collected on behalf of third parties, including sales taxes and indirect taxes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) *Revenue recognition (continued)*

The Company evaluates revenue from services and sales of goods to determine if it controls such services and goods to be the principal (i.e., report revenues on a gross basis) or agent (i.e., report revenues on a net basis). The key indicators that the Company evaluates in determining gross versus net treatment include, but are not limited to, (i) which party is primarily responsible for fulfilling the promise to provide the specified good or service; (ii) which party bears inventory risks before the specified good or service has been transferred to a customer; and (iii) which party has discretion in establishing the price for the specified good or service.

(i) *Digital entertainment revenue*

The Company distributes online games, including self-developed games and licensed games from game developers, through its PC and mobile based applications and certain app stores. The Company offers many ways for users to purchase in-game items (also known as virtual items), including through online payment gateways, bank transfers, credit cards, mobile phone billing and prepaid cards (including its own prepaid cards which are sold through agents). As the Company controls the service of providing games to the users and it has a direct contractual arrangement with the Company’s paying users and it has the right to determine the price to be paid by such users, the gross proceeds collected from these channels represent revenue to be recognized, and the amounts retained by these channels based on a predetermined percentage represent the Company’s cost of revenue to be recognized.

Proceeds from these sales are initially recognized as “Escrow payables and advances from customers” and subsequently reclassified to “Deferred revenue” when the users make in-game purchases of the virtual items within the games operated by the Company and such purchases are no longer refundable. Deferred revenue recognized as revenue during the respective years ended December 31, 2023 and 2024 was \$1,420,420 and \$1,055,394.

For the licensed games, the Company records revenue inclusive of the royalties payable to game developers, which are based on revenue-sharing ratios, as it controls the service of providing the games to the users, and is primarily responsible to the customers and has latitude in establishing the pricing of the virtual items.

Revenue is recognized over the performance obligation period. The Company recognizes an implied obligation to the paying users to continue to provide hosting services and access to the purchased virtual items within the online games over an estimated performance obligation period. Such performance obligation period is determined in accordance with the estimated average lifespan of the paying user or virtual items sold.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Revenue recognition (continued)

(i) Digital entertainment revenue (continued)

(a) Item-based revenue model

Virtual items have different lifespan patterns: time-based, consumable and durable. Time-based virtual items are items with a stated expiration time. Revenue attributable to a time-based virtual item is recognized ratably over the period based on the time unit of the item. Consumable virtual items are items that can be consumed by a specific user action and have limitations on repeated use. Revenue attributable to a consumable virtual item is recognized upon consumption. Durable virtual items are items that provide the user with continuing benefits over an extended period of time. Revenue attributable to a durable virtual item is recognized ratably over its average lifespan.

(b) User-based revenue model

The Company tracks paying users’ activeness within each game where the user-based revenue model is used to estimate paying users’ average lifespan. Paying users are defined as inactive when they have reached a period of inactivity such that it is reasonable to believe that these users will not return to a specific game.

Determining the estimated performance obligation period requires management’s judgment and thus involves uncertainty. Future users’ usage patterns and playing behaviors may change and differ from the historical usage patterns and playing behaviors, leading to a change in the estimated performance obligation period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Revenue recognition (continued)

(ii) E-commerce

The Company’s e-commerce business (“Shopee”) charges its sellers on its marketplace a fixed rate commission fee based on gross merchandise value in selected markets. Fees are charged when the transactions are completed and settled. Such commission fees charged are recognized on a net basis.

The Company also provides logistic services to end customers. Revenue from logistic services is recognized over time as the customer simultaneously receives and consumes the benefits provided by the Company’s performance as it performs.

Shopee operates a customer loyalty program, where end users who purchase merchandises and participate in activities through Shopee’s platform are given Shopee coins which entitle them to offset future purchases, participate in activities and redeem vouchers through Shopee’s platform. A portion of the revenue attributable to Shopee coins is deferred until they are redeemed, used or expired.

The Company charges its sellers advertising fees through its paid ads service on Shopee’s platform. The paid ads service allows the sellers to bid for keywords that match their product or service listing appearing in search or browser results on Shopee marketplace. Their product or service listing will show higher in search rankings when users search for their bid keywords. Sellers prepay for paid ads services and the advertising income is recognized based on the number of clicks on the product or service listings during the service period.

Sellers and buyers are customers of Shopee.

(iii) Digital financial services

The Company earns interest and fees from loans granted to customers. Interest and fees earned, less costs to originate the loans granted to customers are recognized over the period of the loan based on the effective interest method.

The Company also earns commissions from merchants when transactions are completed and settled through its digital financial services platform. Such commissions are generally determined as a percentage based on the value of the merchandise being sold by the merchants. Commissions are recognized in the consolidated statements of operations at the time when the underlying transaction is completed.

(iv) Rendering of services

The Company also recognizes revenue from other services when the services are rendered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) *Revenue recognition (continued)*

(v) *Sales of goods*

The Company recognizes revenue from sales of goods at the point in time that the customer obtains control of the goods, which generally occurs upon delivery to the customer.

(p) *Cost of revenue*

Cost of revenue consists primarily of purchase price of inventories, depreciation expenses, amortization expenses, payment channel costs, royalty expenses, hosting charges, interest expenses related to the Company’s digital financial services segment, payroll-related costs, bank transaction fees, cost of logistics and the other overhead expenses.

(q) *Advertising expenditure*

Advertising expenditures are expensed as incurred and are included in sales and marketing expenses. As part of the advertising expenditure, sales incentives given to end users as a result of a concurrent sale are recognized as reductions of the corresponding consideration that the Company expects to receive. In some instances, the Company may record losses from transactions when the sales incentives provided exceed the revenue earned from the customer on a transaction-by-transaction basis. Such losses are then reclassified and recorded in sales and marketing expenses.

(r) *Research and development expenses*

Research and development expenses consist primarily of payroll and related personnel costs related to product development. Research and development expenses are expensed as incurred, except for qualifying costs relating to the development of software for internal use as described in Note 2(k).

(s) *Leases*

Leases are classified at the inception date as either a finance lease or an operating lease. As the lessee, a lease is a finance lease if any of the following conditions exists: a) ownership is transferred to the lessee by the end of the lease term, b) there is a bargain purchase option, c) the lease term is at least 75% of the asset’s estimated remaining economic life, or d) the present value of the minimum lease payments at the beginning of the lease term is 90% or more of the fair value of the leased asset to the lessor at the inception date.

Finance lease assets are included in property and equipment, net, and finance lease liabilities are included in accrued expenses and other payables, current and non-current.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) *Leases (continued)*

All other leases are accounted for as operating leases wherein rental payments are expensed on a straight-line basis over the periods of their respective leases. Operating leases (with an initial term of more than 12 months) are included in operating lease right-of-use (“ROU”) assets, operating lease liabilities (current), and operating lease liabilities (non-current) in the consolidated balance sheets. ROU assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Company estimates the incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease prepayments, reduced by lease incentives and accrued rent. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

The Company has lease agreements with lease and non-lease components. The Company has elected to account for lease and non-lease components as a single lease component for data center leases only. In addition, leases with an initial term of 12 months or less are not recorded on the consolidated balance sheets; the Company recognizes lease expense for these leases on a straight-line basis over the lease term. Certain lease agreements contain rent holidays and escalating rent are considered when determining the straight-line rent expense to be recorded over the lease term. The lease term begins on the date of initial possession of the lease property for purposes of recognizing lease incentives.

(t) *Income taxes*

The Company accounts for income taxes using the liability method. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. The Company records a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. The Company applies ASC 740, *Accounting for Income Taxes*, to account for uncertainty in income taxes. ASC 740 prescribes a recognition threshold a tax position is required to meet before being recognized in the financial statements.

The Company has elected to classify interest and penalties related to unrecognized tax benefits, if and when required, as part of “Income tax expense” in the consolidated statements of operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) *Share-based compensation*

All share-based compensation, including share options, restricted share awards, restricted share units and share appreciation rights under share incentive plan are accounted for under ASC 718, *Compensation – Stock Compensation*, which requires that share-based awards granted to employees to be measured at fair value and recognized as compensation expense over the requisite service period (which is generally the vesting period) in the consolidated statements of operations. The Company has elected to recognize compensation expense using the straight-line method for equity-classified share-based awards granted with service conditions that have a graded vesting schedule. Forfeitures are accounted for as they occur.

The Company, with the assistance of an independent third-party valuation firm, determined the estimated fair value of the share options using the Black-Scholes pricing model.

(v) *(Loss) Earnings per share*

In accordance with ASC 260, *Earnings per Share*, basic (loss) earnings per share is computed by dividing net (loss) income attributable to ordinary shareholders by the weighted average number of unrestricted ordinary shares outstanding during the year using the two-class method. Under the two-class method, net (loss) income is allocated between ordinary shares and other participating securities based on their participating rights. Partially paid shares are included in the computation of basic (loss) earnings per share to the extent that these shares are entitled to dividends in proportion to the amount paid.

Diluted (loss) earnings per share is calculated by dividing net (loss) income attributable to ordinary shareholders as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares consist of the ordinary shares issuable upon the conversion of the convertible notes using the if-converted method and outstanding share-based awards, using the treasury stock method, when the impact is dilutive. Ordinary share equivalents are excluded from the computation of diluted (loss) earnings per share if their effects would be anti-dilutive.

(w) *Segment reporting*

The Company identifies a business as an operating segment if: i) it engages in business activities from which it may earn revenues and incur expenses; ii) its operating results are regularly reviewed by the Chief Operating Decision Maker (“CODM”) to make decisions about resources to be allocated to the segment and assess its performance; and iii) it has available discrete financial information. The CODM reviews financial information at the operating segment-level to allocate resources and to assess the operating results and financial performance for each operating segment.

The Company has three operating and reportable segments: e-commerce, digital financial services and digital entertainment. Accordingly, the financial statements include segment information which reflects the current composition of the reportable segments in accordance with ASC 280, *Segment Reporting*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) *Employee benefits*

(i) *Defined contribution plan*

The Company participates in the national pension schemes as defined by the laws of the jurisdictions in which it has operations. Contributions to defined contribution pension schemes are recognized as an expense in the period in which the related service is performed.

(ii) *Employee leave entitlement*

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognized for services rendered by employees up to the end of the reporting period.

(y) *Transfers of financial assets*

The Company accounts for transfers of financial assets as true sales when the transferred assets have been legally isolated from the Company, the transferee has the right to pledge or exchange transferred assets and the Company does not maintain effective control over the transferred assets.

Transfers of financial assets that do not qualify for sale accounting continue to be reported on the Company’s consolidated balance sheets as if the transfer had not occurred. Accordingly, the sale proceeds are recognized as secured borrowings.

(z) *Recently adopted accounting pronouncements*

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* (“ASU 2023-07”). The amendments in ASU 2023-07 improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The Company adopted this accounting pronouncement retrospectively on December 31, 2024. See Note 21 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) *Recently issued accounting pronouncements not yet adopted*

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* (“ASU 2023-09”). ASU 2023-09 requires disaggregated information about a reporting entity’s effective tax rate reconciliation as well as additional information on income taxes paid. ASU 2023-09 is effective on a prospective basis for annual periods beginning after December 15, 2024, with retrospective application permitted. ASU 2023-09 will result in the required disclosures being included in the Company’s consolidated financial statements, once adopted. The Company is assessing the effects that the adoption of this accounting pronouncement may have on its financial statements.

In November 2024, the FASB issued ASU No. 2024-03, *Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses* (“ASU 2024-03”). ASU 2024-03 requires disclosure, in the notes to financial statements, of specified information about certain costs and expenses. ASU 2024-03 is effective on a prospective basis for annual periods beginning after December 15, 2026, with retrospective application permitted. ASU 2024-03 will result in the required disclosures being included in the Company’s consolidated financial statements, once adopted. The Company is assessing the effects that the adoption of this accounting pronouncement may have on its financial statements.

3. CONCENTRATION OF RISKS

(a) *Credit risk*

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, accounts receivable, other receivables, loans receivable, held-to-maturity investments, available-for-sale investments, and amounts due from related parties. As of December 31, 2023 and 2024, substantially all of the Company’s cash and cash equivalents, restricted cash and held-to-maturity investments were held at major financial institutions in their respective locations. Management believes that these financial institutions are of high credit quality and continually monitors the credit worthiness of these financial institutions. Available-for-sale investments substantially are either backed by the government or investment grade. Due to the relatively small dollar amount of individual loans receivable, the Company generally does not require collateral on these balances. As of December 31, 2023 and 2024, no single loan customer’s balance accounted for more than 5% of net loans receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

3. CONCENTRATION OF RISKS (continued)

(b) *Business, supplier, customer and economic risk*

The Company participates in relatively dynamic and competitive industries that are heavily reliant on operational excellence. The Company believes that changes in any of the following areas could have a material adverse effect on the Company’s future financial position, results of operations or cash flows:

- (i) *Business risk* – The Company mainly derives its net revenues from its e-commerce, digital financial services and digital entertainment operations. If competitors introduce new marketplace platforms, credit product offerings and services or new online games that compete with, or surpass the Company’s offerings, the Company’s operating performance will be affected.
- (ii) *Supplier risk* – The Company’s e-commerce and digital financial service businesses engage third-party logistics service providers, payment channels and other third parties as its service providers. The Company’s digital entertainment business licenses certain games from third-party game developers. The term of the game license agreements with the game developers typically ranges from three to nine years, renewable upon both parties’ consent. The Company may not be able to develop or procure new games or renew existing licenses on terms acceptable to both parties. The Company’s game developer partners may terminate its agreements prior to their expiration if the Company is not in compliance with the relevant terms or conditions and the Company may fail to remedy such non-compliance in time, or the game developer partners may refuse to renew the agreements. No individual third-party logistics services provider, third-party game developer or other third-party business partner accounted for more than 10% of the Company’s net cost of revenue for the years ended December 31, 2022, 2023 and 2024.
- (iii) *Customer risk* – No individual customer accounted for more than 10% of net revenues for the years ended December 31, 2022, 2023 and 2024. The Company relied on several distribution channels to publish its mobile games. Revenue generated through one of the distribution channels accounted for approximately 13%, 6% and 4% of the Company’s net revenues for the years ended December 31, 2022, 2023 and 2024, respectively.
- (iv) *Political, economic, social, legal and regulatory uncertainties* – The Company’s businesses could be adversely affected by the varying political, economic, social, legal and regulatory uncertainties in the diverse markets that it operates in. In addition, the Company may be unsuccessful in adapting its business practices, culture and operations in new markets.
- (v) *Regulatory restrictions* – Complex laws, rules and regulations including but not limited to those relating to game operations, e-commerce, digital platforms, payments, lending, banks and data privacy, in all markets where the Company operates. Laws and regulations and their enforcement vary from jurisdiction to jurisdiction and are often evolving, unclear or inconsistent with other applicable laws which may in turn cause uncertainty to our business operations. The Company may require more time than expected to adapt to these new requirements and may face delays during the implementation period.

3. CONCENTRATION OF RISKS (continued)

(c) *Currency convertibility risk*

A significant portion of the Company’s revenue and expenses are denominated in currencies subject to exchange control. If revenue denominated in such currencies increase or expenses denominated in such currencies decrease in the future, the Company may need to convert a portion of its revenue into other currencies to meet its foreign currency obligations. Currently, in Taiwan, a single remittance by a company for an amount over \$1 million or its equivalent in foreign currency shall be reported and documents supporting the accuracy of such report shall be provided to the bank handling such remittance before the remittance is conducted. In addition, remittances by a company in annual aggregate amount exceeding \$50 million or its equivalent in foreign currency may not be processed without the approval of the Central Bank of the Republic of China (Taiwan). In Vietnam, exchanging Vietnamese dong into foreign currency must be conducted at a licensed credit institution such as a licensed commercial bank. Conversion of Thai baht to another currency is subject to regulations promulgated by the Ministry of Finance and Bank of Thailand. Conversion of Indonesian rupiah into any foreign currency that exceeds a certain specific threshold is required to have an underlying transaction and supported by underlying transaction documents. In Malaysia, the foreign exchange policy requires the approval of the Central Bank of Malaysia (“BNM”) for cross border remittances which are either set out in the foreign exchange policy notices or applied for on an ad hoc basis. BNM has the discretion whether to grant its approval, and to impose any condition on such approval so there is no assurance that its approval will be granted. The Company may be unable to convert such local currencies into U.S. dollars or other foreign currencies to pay dividends or for other purposes on a timely basis or at all.

(d) *Foreign currency risk*

The Company operates in multiple markets, which exposes it to the effects of fluctuations in currency exchange rates as it reports its financials and key operational metrics in USD. The Company earns revenue denominated in local currencies of Southeast Asia, Taiwan and Brazil, among other currencies, while some of its costs and expenses are paid in other foreign currencies. The Company generally pays license fees to game developers in USD and incur operating expenses in the local currencies in the markets in which it operates. Fluctuations in the exchange rates among the various currencies that the Company uses could cause fluctuations in its operational and financial results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

4. GOODWILL

The changes in the carrying amount of goodwill are as follows:

	Digital Financial Services \$	Other Services \$	Total \$
Balance as of January 1, 2023	97,214	132,994	230,208
Impairment	–	(117,875)	(117,875)
Foreign currency translation	873	(424)	449
Balance as of December 31, 2023	98,087	14,695	112,782
Foreign currency translation	(4,443)	(714)	(5,157)
Balance as of December 31, 2024	93,644	13,981	107,625

During the year ended December 31, 2023, the Company recorded a full goodwill impairment of \$117,875 for a reporting unit within the Other Services segment. The impairment was due to change in business strategy, which led the Company to determine that the reporting unit’s carrying amount exceeded its respective fair value. The reporting unit was subsequently disposed during the year.

Gross goodwill balances were \$112,782 and \$107,625 as of December 31, 2023 and 2024, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

5. PREPAID EXPENSES AND OTHER ASSETS

	As of December 31,	
	2023	2024
	\$	\$
Current		
Other receivables	1,153,627	1,113,183
Deferred payment channel costs	197,814	225,856
Taxes receivable	207,172	106,190
Prepaid expenses	111,986	117,635
Securities purchased under agreements to resell	160,289	61,213
Security deposits	14,898	17,179
Others	16,056	20,117
	<u>1,861,842</u>	<u>1,661,373</u>
Non-current		
Prepayment of long-lived assets (including renovation-in-progress)	24,318	56,356
Security deposits	41,984	48,453
Deferred payment channel costs	12,089	20,491
Other receivables	2,652	155
Others	6,662	13,384
	<u>87,705</u>	<u>138,839</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

6. LOANS RECEIVABLE, NET

Consumer and Small Medium sized Enterprises (“SME”) loans primarily consist of loans receivable provided to both Shopee buyers and sellers. On the buyer side, the Company offers consumption loans (SPayLater) which gives users the ability to complete their purchase first and make the payment later or in instalments, and cash loans which allows users to meet their short-term borrowing needs. On the seller side, the Company offers unsecured SME loans to help sellers expand their operations and fast escrow services to help sellers receive their funds faster and improve cash flow management.

The Company monitors credit quality for all loans receivable on a recurring basis by evaluating the customers’ prior repayment history available internally and external sources information, where applicable. The Company uses delinquency status and trends to assist in making new and ongoing credit decisions, and to plan its collection practices and strategies. The following table presents the loans receivable by each of the loan portfolio:

	As of December 31,	
	2023	2024
	\$	\$
Consumer and SME loans	2,656,484	4,354,747
Other loans	150,297	255,397
	2,806,781	4,610,144
Allowance for credit losses	(321,568)	(449,335)
	2,485,213	4,160,809

Transfers of loans receivable that do not qualify for sale accounting continue to be reported on the Company’s consolidated balance sheets. As of December 31, 2023 and 2024, \$133,578 and \$70,754, respectively, of such loans receivable remained outstanding (see Note 12).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

6. LOANS RECEIVABLE, NET (continued)

The following table is a summary of the delinquency status of the loans receivable by year of origination:

	As of December 31, 2023						
	Year of origination						
	2023	2022	2021	2020	2019	Prior	Total
	\$	\$	\$	\$	\$	\$	\$
Consumer and SME loans							
<i>Delinquency:</i>							
Current	2,448,363	4,934	—	—	—	—	2,453,297
Past due							
- 1 to 30 days	64,015	1,054	—	—	—	—	65,069
- 31 to 60 days	49,419	925	—	—	—	—	50,344
- 61 to 90 days	42,239	2,054	—	—	—	—	44,293
- More than 90 days	41,843	1,638	—	—	—	—	43,481
	<u>2,645,879</u>	<u>10,605</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,656,484</u>
Current period gross write-off	182,145	358,503	4,834	—	—	—	545,482
Other loans							
<i>Delinquency:</i>							
Current	104,770	927	399	30,769	3,132	2,214	142,211
Past due							
- 1 to 30 days	4,660	8	6	98	86	17	4,875
- 31 to 60 days	1,776	4	30	38	260	275	2,383
- 61 to 90 days	10	9	—	28	51	16	114
- More than 90 days	69	52	17	210	242	124	714
	<u>111,285</u>	<u>1,000</u>	<u>452</u>	<u>31,143</u>	<u>3,771</u>	<u>2,646</u>	<u>150,297</u>
Current period gross write-off	—	16	12	205	775	220	1,228

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

6. LOANS RECEIVABLE, NET (continued)

	As of December 31, 2024						
	Year of origination						
	2024	2023	2022	2021	2020	Prior	Total
Consumer and SME loans	\$	\$	\$	\$	\$	\$	\$
<i>Delinquency:</i>							
Current	3,984,138	74,694	154	—	—	—	4,058,986
Past due							
- 1 to 30 days	95,797	952	1	—	—	—	96,750
- 31 to 60 days	73,694	1,634	2	—	—	—	75,330
- 61 to 90 days	58,547	2,597	9	—	—	—	61,153
- More than 90 days	58,412	4,103	13	—	—	—	62,528
	<u>4,270,588</u>	<u>83,980</u>	<u>179</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,354,747</u>
Current period gross write-off	272,582	333,714	7,112	—	—	—	613,408
Other loans							
<i>Delinquency:</i>							
Current	205,761	1,579	558	184	30,520	3,191	241,793
Past due							
- 1 to 30 days	9,183	4	5	62	47	127	9,428
- 31 to 60 days	3,695	—	—	18	—	73	3,786
- 61 to 90 days	—	8	—	—	16	61	85
- More than 90 days	16	53	21	38	85	92	305
	<u>218,655</u>	<u>1,644</u>	<u>584</u>	<u>302</u>	<u>30,668</u>	<u>3,544</u>	<u>255,397</u>
Current period gross write-off	—	274	13	3	185	316	791

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

6. LOANS RECEIVABLE, NET (continued)

An analysis of the loans receivable’s allowance for credit losses by portfolio segment is as follows:

	Consumer and SME loans \$	Other loans \$	Total \$
Balance as of January 1, 2023	237,379	1,440	238,819
Provision for credit losses	624,143	3,785	627,928
Write-off of loans receivable	(545,482)	(1,228)	(546,710)
Exchange differences	1,518	13	1,531
Balance as of December 31, 2023	317,558	4,010	321,568
Provision for credit losses	760,577	4,204	764,781
Write-off of loans receivable	(613,408)	(791)	(614,199)
Exchange differences	(22,560)	(255)	(22,815)
Balance as of December 31, 2024	442,167	7,168	449,335

7. INVESTMENTS

The following table sets forth a breakdown of the categories of short-term and long-term investments held by the Company:

	As of December 31,	
	2023	2024
	\$	\$
Short-term investments		
Debt securities:		
Held-to-maturity	1,731,154	2,960,155
Available-for-sale	792,908	3,245,212
Equity securities	23,582	10,056
	2,547,644	6,215,423
Long-term investments		
Debt securities:		
Held-to-maturity	49,726	39,385
Available-for-sale	3,405,098	2,076,450
Equity securities	612,729	393,462
Equity method investments	195,009	185,008
	4,262,562	2,694,305

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

7. INVESTMENTS (continued)

Marketable equity securities

The net unrealized fair value gain (loss) of \$146, (\$2,069) and (\$1,471) related to the marketable equity securities had been recognized in the consolidated statements of operations as “Net investment loss” for the years ended December 31, 2022, 2023 and 2024, respectively.

Non-marketable equity securities

As of December 31, 2023 and 2024, the Company determined an impairment indicator existed due to the deterioration in economic and market conditions and the fair value of certain investments was less than their carrying amount. As of December 31, 2023 and 2024, the Company recorded cumulative impairment of \$199,276 and \$443,906, respectively.

Impairment losses

Impairment losses are included in net investment loss in the consolidated statements of operations:

	Years ended December 31,		
	2022	2023	2024
	\$	\$	\$
Impairment losses			
Non-marketable equity securities	104,645	86,076	244,630
Equity method investments	<u>4,201</u>	<u>10,608</u>	<u>23,149</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

7. INVESTMENTS (continued)

The following table summarizes the cost or amortized cost, gross unrecognized gains and losses, gross unrealized gains and losses, and fair value of the Company’s debt securities as of December 31, 2023 and 2024:

	Cost or amortized cost \$	Gross unrecognized gains \$	As of December 31, 2023 Gross unrecognized losses \$	Gross unrealized gains \$	Gross unrealized losses \$	Fair value \$
Short-term investments						
Debt securities:						
Held-to-maturity						
Time deposits	1,715,693	—	—	—	—	1,715,693
Sovereign debt securities	15,461	9	(23)	—	—	15,447
Available-for-sale						
Sovereign and corporate debt securities	792,431	—	—	885	(408)	792,908
Long-term investments						
Debt securities:						
Held-to-maturity						
Sovereign debt securities	49,726	632	(193)	—	—	50,165
Available-for-sale						
Sovereign and corporate debt securities	3,407,262	—	—	15,002	(17,166)	3,405,098
	<u>5,980,573</u>	<u>641</u>	<u>(216)</u>	<u>15,887</u>	<u>(17,574)</u>	<u>5,979,311</u>
	Cost or amortized cost \$	Gross unrecognized gains \$	As of December 31, 2024 Gross unrecognized losses \$	Gross unrealized gains \$	Gross unrealized losses \$	Fair value \$
Short-term investments						
Debt securities:						
Held-to-maturity						
Time deposits	2,943,881	—	—	—	—	2,943,881
Sovereign debt securities	16,274	—	(34)	—	—	16,240
Available-for-sale						
Sovereign and corporate debt securities	3,238,181	—	—	7,873	(842)	3,245,212
Long-term investments						
Debt securities:						
Held-to-maturity						
Sovereign and corporate debt securities	39,385	236	(497)	—	—	39,124
Available-for-sale						
Sovereign and corporate debt securities	2,093,447	—	—	640	(17,637)	2,076,450
	<u>8,331,168</u>	<u>236</u>	<u>(531)</u>	<u>8,513</u>	<u>(18,479)</u>	<u>8,320,907</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

8. PROPERTY AND EQUIPMENT, NET

	As of December 31,	
	2023	2024
	\$	\$
Computers	1,472,199	1,525,593
Office equipment, furniture and fittings	65,355	61,443
Leasehold improvements	350,194	350,104
Transportation assets	64,022	70,669
Warehouse equipment	140,829	193,818
Land	278,756	268,032
Building	40,830	70,866
Construction-in-progress	44,884	11,391
	2,457,069	2,551,916
Less: accumulated depreciation	(1,249,371)	(1,454,217)
	1,207,698	1,097,699

Depreciation expenses recognized for each of the years ended December 31, 2022, 2023 and 2024 were included in the following captions:

	Year ended December 31,		
	2022	2023	2024
	\$	\$	\$
Cost of revenue	261,582	297,406	274,715
Sales and marketing expenses	10,733	8,665	4,779
General and administrative expenses	117,593	93,972	66,857
Research and development expenses	15,019	12,193	8,135
	404,927	412,236	354,486

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

9. LEASES

The Company has entered into commercial operating leases for the use of offices, warehouses and data centers as lessee. These leases have terms not exceeding 14 years. These leases have varying terms, escalation clauses and renewal rights.

Information pertaining to lease amounts recognized in the Company’s consolidated financial statements is summarized as follows:

	Year ended December 31,		
	2022	2023	2024
	\$	\$	\$
Lease cost			
Operating lease cost	257,359	295,501	314,128
Short-term lease cost	24,507	23,172	38,905
	<u>281,866</u>	<u>318,673</u>	<u>353,033</u>
	Year ended December 31,		
	2022	2023	2024
	\$	\$	\$
Supplemental cash flow information			
Operating cash flows from operating leases	228,604	292,781	315,925
ROU assets obtained in exchange for new operating lease liabilities	596,887	279,526	329,176
	As of December 31,		
	2023	2024	
Weighted-average remaining lease term			
Operating leases	6.15 years	6.55 years	
	As of December 31,		
	2023	2024	
Weighted-average discount rate			
Operating leases	8.3%	7.7%	
Maturities of operating lease liabilities as of December 31, 2024 were as follows:			
			\$
2025			313,516
2026			258,631
2027			190,933
2028			149,328
2029			126,578
Thereafter			396,372
Total lease payments			1,435,358
Less: imputed interest			(331,582)
Present value of lease liabilities			<u>1,103,776</u>

The Company has obligations for additional offices, warehouses and data centers’ leases that have not yet commenced of \$518,265 with lease terms not exceeding 14 years and \$501,504 with lease terms not exceeding 14 years, as of December 31, 2023 and 2024, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

10. INTANGIBLE ASSETS, NET

	As of December 31,	
	2023	2024
	\$	\$
Licensing fee	21,802	23,874
IP right	44,894	9,951
Trademarks	10,679	10,679
Software, including internal use software under development	73,231	75,507
Others	5,271	5,264
Total intangible assets, gross	155,877	125,275
Accumulated amortization:		
Licensing fee	(16,280)	(16,765)
IP right	(40,699)	(9,143)
Trademarks	(6,941)	(10,679)
Software	(38,200)	(57,878)
Others	(2,936)	(3,500)
Total accumulated amortization	(105,056)	(97,965)
Total intangible assets, net	50,821	27,310

The estimated aggregate amortization expenses of intangible assets, excluding internal use software under development, for each of the five succeeding fiscal years and thereafter are as follows:

	\$
2025	18,986
2026	5,352
2027	1,241
2028	560
2029	699
Thereafter	472
	27,310

Amortization expenses related to intangible assets was \$23,417, \$28,609 and \$35,187 for the years ended December 31, 2022, 2023 and 2024, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

11. ACCRUED EXPENSES AND OTHER PAYABLES

The components of accrued expenses and other payables are as follows:

	As of December 31,	
	2023	2024
	\$	\$
Current		
Accrued cost of revenue and operating expenses	1,066,988	1,236,212
Accrued payroll and welfare expenses	316,397	364,752
Business and other taxes payables	246,164	324,434
Other payables	116,338	281,205
Payables and accruals for long-lived assets	32,724	42,397
Finance lease liabilities	3,715	4,488
Accrued interest for convertible notes	3,737	3,363
Others	48,744	123,520
	<u>1,834,807</u>	<u>2,380,371</u>
Non-current		
Finance lease liabilities	10,828	9,012
Others	68,429	62,666
	<u>79,257</u>	<u>71,678</u>

12. BORROWINGS

Bank borrowings

As of December 31, 2023 and 2024, the Company had nil outstanding balance and \$400,000 of undrawn revolving credit facilities.

Secured borrowings

Sale proceeds from transfers of loans receivable that do not qualify for sale accounting are reported as secured borrowings. As of December 31, 2023 and 2024, \$146,661 and \$80,615, respectively, remained outstanding. Net cash flows from these transfers are presented in “Proceeds from (repayments of) secured borrowings, net” in the consolidated statements of cash flows.

Borrowings under securitization transactions

As of December 31, 2023 and 2024, \$119,323 and \$299,474, respectively, remained outstanding. As of December 31, 2023, the borrowings bear an interest rate of 5.3% to 7.8% and the maturity of the borrowings range from April 2026 to August 2026. As of December 31, 2024, the borrowings bear an interest rate of 5.3% to 8.2% and the maturity of the borrowings range from May 2025 to January 2027.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

13. CONVERTIBLE NOTES

	As of December 31,	
	2023	2024
	\$	\$
2024 Convertible Notes	151,764	—
2025 Convertible Notes	1,146,369	1,147,984
2026 Convertible Notes	1,803,416	1,478,784
	<u>3,101,549</u>	<u>2,626,768</u>

The Company issued the following convertible notes and the terms are as follows:

	2024 Convertible Notes	2025 Convertible Notes	2026 Convertible Notes
Issuance date	November 18, 2019	May 22, 2020	September 14, 2021
Maturity date	December 1, 2024	December 1, 2025	September 15, 2026
Principal amount	\$1,150,000	\$1,150,000	\$2,875,000
Interest rate	1.00%	2.375%	0.25%
Initial conversion rate	19.9475 ADSs per \$1 principal amount, equivalent to \$50.13 per ADS	11.0549 ADSs per \$1 principal amount, equivalent to \$90.46 per ADS	2.0964 ADSs per \$1 principal amount, equivalent to \$477.01 per ADS
Agreed conversion date	June 1, 2024	September 1, 2025	June 15, 2026

The Convertible Notes holders (the “Holders”) have the right, at their option, to convert the outstanding principal amount of the convertible notes, in whole or in part in integral multiples of \$1 principal amount (i) upon satisfaction of one or more of the conversion conditions as defined in the indenture prior to the close of business day immediately preceding the agreed conversion date; or (ii) anytime on or after the agreed conversion date until the close of business on the second scheduled trading day immediately preceding the maturity date (the “Conversion Option”).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

13. CONVERTIBLE NOTES (continued)

The conversion is subject to the anti-dilution and make-whole fundamental change adjustments. Upon conversion, the Company has the right, at its option, to pay or deliver, either cash, ADSs, or a combination of cash and ADSs to the Holders.

If certain events of default, changes in tax laws of the relevant taxing jurisdiction or fundamental change, optional redemption or clean up redemption as defined in the indenture were to occur, of which the optional redemption and clean up redemption only applies to the 2024 Convertible Notes, 2025 Convertible Notes and 2026 Convertible Notes, the outstanding obligations under the respective convertible notes could be immediately due and payable (the “Contingent Redemption Options”).

The Company evaluated the Conversion Option and Contingent Redemption Options in accordance with ASC 815, *Derivatives and Hedging*, to determine if these features require bifurcation and accounted for as a derivative at fair value with changes in fair value recorded in earnings. The Conversion Option and Contingent Redemption Options were not required to be bifurcated in accordance with ASC 815 and the convertible notes were accounted for as a single liability measured at amortized cost.

The following table presents the carrying amount of the convertible notes:

	As of December 31, 2023				As of December 31, 2024		
	2024	2025	2026		2025	2026	
	Convertible	Convertible	Convertible	Total	Convertible	Convertible	Total
	Notes	Notes	Notes		Notes	Notes	
	\$	\$	\$	\$	\$	\$	\$
Principal	152,048	1,149,500	1,813,273	3,114,821	1,149,500	1,483,880	2,633,380
Less: unamortized issuance cost and debt discount	(284)	(3,131)	(9,857)	(13,272)	(1,516)	(5,096)	(6,612)
Net carrying amount	151,764	1,146,369	1,803,416	3,101,549	1,147,984	1,478,784	2,626,768

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

13. CONVERTIBLE NOTES (continued)

During the years ended December 31, 2022, 2023 and 2024, the Company recognized total interest expense for coupon interest of \$36,544, \$34,309 and \$32,666, respectively, and amortization of debt issuance costs on the liability component amounted to \$7,536, \$6,034 and \$5,075, respectively.

Capped call transactions

In connection with the offering of 2024 Convertible Notes and 2025 Convertible Notes, the Company entered into separately negotiated capped call transactions with certain counterparties (collectively, the “Capped Calls”). The details of the Capped Calls are as follows:

	2024 Convertible Notes	2025 Convertible Notes
Initial strike price per share	\$50.13	\$ 90.46
Initial cap price per share	\$70.36	\$136.54

The Capped Calls are generally intended to reduce or offset the potential economic dilution to the Class A ordinary shares upon any conversion of the 2024 Convertible Notes and 2025 Convertible Notes, respectively, with such reduction or offset, as the case may be, subject to a cap based on the cap price. As the Capped Calls are considered indexed to the Company’s own stock and are equity classified, they are recorded in shareholders’ equity and are not accounted for as derivative. The costs of \$97,060 and \$135,700 incurred in connection with the Capped Calls of the 2024 Convertible Notes and 2025 Convertible Notes, respectively, were recorded as reductions to additional paid-in capital. Capped Calls are excluded from the calculation of diluted earnings per share, as they would be anti-dilutive under treasury stock method.

During the year ended December 31, 2024, the Company settled the Capped Calls of the 2024 Convertible Notes. The proceeds received were recorded as an increase in additional paid-in capital.

Repurchase of convertible notes

Subsequent to December 31, 2024, the Company repurchased 2026 Convertible Notes of \$149,750 and recorded a \$10,602 gain on debt extinguishment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

14. SHARE-BASED COMPENSATION

With effect on January 1, 2025, the maximum number of shares which may be issued pursuant to all awards under its 2009 share incentive plan (the “Plan”) increased to 228,561,966 Class A ordinary shares. The Company amended the Plan in April 2022 to automatically increase on January 1 of each of 2023, 2024, 2025 and 2026 by 3% of the total number of ordinary shares of all classes of the Company outstanding on that day immediately before the increase. Under the Plan, the Company may grant options, restricted share award (“RSA”), restricted share unit (“RSU”) or share appreciation right (“SAR”) to its officers, employees, directors and other eligible persons (collectively known as “Eligible Persons”). The Plan is administered by an authorized administrator appointed by the Board of Directors of the Company set forth in the Plan (the “Plan Administrator”).

All options granted have a contractual term of ten years. The options vest according to the stated vesting period in the grantee’s option agreement. Prior to 2024, the RSUs and SARs generally vest 25% on the first anniversary year from the stated vesting commencement date and the remaining 75% will vest in 12 substantially equal quarterly instalments. RSUs and SARs granted during the year ended December 31, 2024, generally vest in 16 substantially equal quarterly instalments.

On April 17, 2022, 4,000,000 existing options were cancelled and 4,000,000 new options were granted concurrently to the same grantee with an exercise price of US\$120 per share on the same date. The new options will vest every three months over a period of five years commencing April 30, 2022 and will expire 10 years after the grant date. This is accounted for as a modification and resulted in an incremental share-based compensation cost of US\$99,198, which shall be recognized over the new vesting period of the new options of five years commencing April 30, 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

14. SHARE-BASED COMPENSATION (continued)

(a) Option granted to Eligible Persons

The following table summarizes the Company’s share option activity under the Plan:

	Number of options	Weighted average exercise price \$	Weighted average remaining contractual term Years	Aggregate intrinsic value \$
Outstanding, January 1, 2022	46,222,613	37.70		
Granted	30,000,000	120.00		
Cancelled or forfeited	(4,012,516)	279.17		
Exercised	(3,676,911)	13.82		
Outstanding, December 31, 2022	68,533,186	60.87	7.30	1,433,420
Vested and expected to vest at December 31, 2022	68,533,186	60.87		
Exercisable as of December 31, 2022	36,880,548	22.99	5.97	1,274,793
Outstanding, January 1, 2023	68,533,186			
Granted	1,925,000	60.00		
Cancelled or forfeited	(9,292,295)	104.02		
Exercised	(1,336,980)	7.19		
Outstanding, December 31, 2023	59,828,911	55.34	6.18	944,611
Vested and expected to vest at December 31, 2023	59,828,911	55.34		
Exercisable as of December 31, 2023	42,877,386	35.29	5.51	887,174
Outstanding, January 1, 2024	59,828,911			
Cancelled	(6,600,000)	120.00		
Exercised	(10,148,635)	14.40		
Outstanding, December 31, 2024	43,080,276	55.08	5.24	2,426,627
Vested and expected to vest at December 31, 2024	43,080,276	55.08		
Exercisable as of December 31, 2024	36,830,100	47.63	5.00	2,312,733

The aggregate intrinsic value is calculated to be the difference between the exercise price of the underlying awards and the fair value of the underlying stock at each reporting date, for those awards that have an exercise price below the estimated fair value of the Company’s ordinary shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

14. SHARE-BASED COMPENSATION (continued)

(a) Option granted to Eligible Persons (continued)

The Company calculated the estimated fair value of the options on the respective grant dates using the Black-Scholes Option Pricing Model with the following assumptions:

	Granted in 2022	Granted in 2023
Risk-free interest rates	2.79% – 2.84%	3.60% – 4.10%
Expected term	5.1 – 7.5 years	6.5 – 7 years
Expected volatility	48.7% – 55.9%	60.2% – 62.0%
Expected dividend yield	—	—

The risk-free interest rate for periods within the contractual life of the option is based on the US Treasury Yields at the time of grant. The Company has used the simplified method to determine the expected term due to insufficient relevant historical exercise data to provide a reasonable basis to estimate expected term. The Company estimated expected volatility primarily based on the weighted-average historical share price volatility of the Company’s ADS. The Company’s management is ultimately responsible for the determination of the estimated fair value of its ordinary shares.

The weighted-average grant-date fair value of share options granted during the years of December 31, 2022 and 2023 were \$57.74 and \$40.62, respectively. The total fair value of share options vested during the years ended December 31, 2022, 2023 and 2024 was \$389,734, \$325,183 and \$181,293, respectively. The aggregate intrinsic value of options exercised during the years ended December 31, 2022, 2023 and 2024 was \$143,176, \$72,072 and \$401,405, respectively.

As of December 31, 2024, there were \$287,856 total unrecognized share-based compensation cost related to unvested options which is expected to be recognized over a weighted-average period of 2.29 years. Total unrecognized compensation cost may be adjusted for future changes in actual forfeitures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

14. SHARE-BASED COMPENSATION (continued)

(b) *RSAs/RSUs granted to Eligible Persons*

The following table summarizes the Company’s RSAs/RSUs activity under the Plan:

	Number of RSAs/RSUs	Weighted average grant date fair value \$	Weighted average remaining contractual life Years	Aggregate intrinsic value \$
Unvested, January 1, 2022	8,129,220	137.76	8.47	1,818,588
Granted	7,320,443	99.25		
Vested	(3,864,257)	110.34		
Forfeited	(1,933,175)	133.12		
Unvested, December 31, 2022 and January 1, 2023	9,652,231	120.48	8.81	502,206
Granted	7,119,505	63.46		
Vested	(4,130,583)	109.11		
Forfeited	(1,786,921)	116.01		
Unvested, December 31, 2023 and January 1, 2024	10,854,232	90.02	8.86	439,596
Granted	10,718,971	48.32		
Vested	(6,099,527)	93.83		
Forfeited	(1,688,983)	73.93		
Unvested, December 31, 2024	13,784,693	82.18	8.74	1,462,556

Share-based compensation cost for RSAs and RSUs is measured based on the fair value of the Company’s ordinary shares on the date of grant.

The weighted-average grant-date fair value of RSAs and RSUs granted during the years ended December 31, 2022, 2023 and 2024 was \$99.25, \$63.46 and \$48.32, respectively. The total fair value of RSAs and RSUs vested during the years ended December 31, 2022, 2023 and 2024 was \$426,398, \$450,703 and \$572,330, respectively.

As of December 31, 2024, there was \$1,132,807 of unrecognized share-based compensation cost related to RSAs and RSUs which is expected to be recognized over a weighted-average vesting period of 2.39 years. Total unrecognized compensation may be adjusted for future changes in actual forfeitures.

(c) *SARs granted to Eligible Persons*

During the years ended December 31, 2023 and 2024, the Company granted 64,295 and 91,038 SARs, respectively, to the Eligible Persons. Fair value of the SARs is measured based on the fair value of the Company’s ordinary shares at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

14. SHARE-BASED COMPENSATION (continued)

Total compensation expense relating to share options, RSAs, RSUs and SARs granted to employees after deducting forfeitures recognized for the years ended December 31, 2022, 2023 and 2024 is as follows:

	Year ended December 31,		
	2022	2023	2024
	\$	\$	\$
Share options:			
General and administrative expenses	313,917	253,408	155,051
Research and development expenses	254	44	–
	<u>314,171</u>	<u>253,452</u>	<u>155,051</u>
Cash received for the exercise in the respective years	<u>50,211</u>	<u>10,643</u>	<u>146,081</u>
RSAs/ RSUs:			
Cost of revenue	11,104	12,727	10,795
Sales and marketing expenses	36,812	35,988	32,257
General and administrative expenses	67,388	99,048	231,610
Research and development expenses	<u>283,747</u>	<u>282,381</u>	<u>274,624</u>
	<u>399,051</u>	<u>430,144</u>	<u>549,286</u>
SARs:			
Cost of revenue	(1,928)	383	2,235
Sales and marketing expenses	(1,762)	710	4,125
General and administrative expenses	(2,993)	200	4,197
Research and development expenses	<u>(643)</u>	<u>141</u>	<u>945</u>
	<u>(7,326)</u>	<u>1,434</u>	<u>11,502</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

15. ORDINARY SHARES

The Company has \$7,500,000 authorized share capital which divided into (i) 14,800,000,000 Class A ordinary shares with a par value of \$0.0005 each and (ii) 200,000,000 Class B ordinary shares with par value of \$0.0005 each. Holders of Class A ordinary shares and Class B ordinary shares shall at all times vote together as one class on all resolutions submitted to a vote for shareholders’ approval or authorization, except for certain class consents required under the Memorandum and Articles of Association. Each Class A ordinary share shall be entitled to one vote, and each Class B ordinary share shall be entitled to fifteen votes, on all matters subject to the vote at general meetings of the Company.

During the years ended December 31, 2023 and 2024, respectively, the Company issued 6,000,000 and 15,500,000 Class A ordinary shares to its share depositary bank which will be used to settle share incentive awards. No consideration was received by the Company for this issuance of Class A ordinary shares. These Class A ordinary shares are legally issued but are treated as escrowed shares for accounting purposes. Any Class A ordinary shares not used in the settlement of share incentive awards will be returned to the Company.

16. ACCUMULATED OTHER COMPREHENSIVE LOSS

The changes in accumulated other comprehensive loss by component, net of tax, are as follows:

	Unrealized fair value loss on available- for-sale investments \$	Foreign currency translation \$	Total \$
Balance as of January 1, 2022	(297)	(28,222)	(28,519)
Current year other comprehensive loss	(6,263)	(78,297)	(84,560)
Capital contributed by non-controlling interest	—	1,864	1,864
Balance as of December 31, 2022	(6,560)	(104,655)	(111,215)
Current year other comprehensive income (loss)	4,512	(1,297)	3,215
Balance as of December 31, 2023	(2,048)	(105,952)	(108,000)
Current year other comprehensive loss	(3,755)	(81,393)	(85,148)
Balance as of December 31, 2024	(5,803)	(187,345)	(193,148)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

17. RESTRICTED NET ASSETS

Certain of the Company’s subsidiaries and VIEs are restricted in their ability to transfer a portion of their net assets to the Company in accordance with the local laws and regulations.

Certain jurisdictions where the Company has subsidiaries or VIEs require those subsidiaries or VIEs to establish and fund statutory reserves, details of which are listed below:

Statutory reserve

The changes in statutory reserve are as follows:

	Year ended December 31,	
	2023	2024
	\$	\$
At the beginning of the financial year	12,490	16,981
Transferred from retained earnings	4,491	279
At the end of the financial year	16,981	17,260

Taiwan

The subsidiaries in Taiwan are required to set aside 10% of its profit after tax to legal reserve in accordance with Taiwanese regulations until the legal reserve amount equals to their total paid-up capital. In the event that the subsidiaries incurred no loss, the portion of legal reserve exceeding 25% of the paid-up capital can be used for distribution to shareholders in the form of new shares or cash.

Thailand

The Thailand regulations require that a private limited liability company shall allocate not less than 5% of its retained earnings to a legal reserve at the time the dividend is paid, until this account reaches an amount not less than 10% of the registered authorized capital. The legal reserve is not available for dividend distribution.

The PRC

The PRC subsidiaries of the Company are required to provide for certain statutory reserves, namely a general reserve, an enterprise expansion fund and a staff welfare and bonus fund.

Indonesia

The Indonesian regulations require a limited liability company to reserve a certain amount from its net income each year as a reserve fund until such fund amounts to at least 20% of its issued and paid-up capital.

18. TAXATION

Enterprise income tax

Cayman Islands

The Company is a company incorporated in the Cayman Islands and conducts its primary business operations through its subsidiaries and its Consolidated VIEs. Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains.

Singapore

Subsidiaries incorporated in Singapore are subject to the Singapore Corporate Tax rate of 17% for the years ended December 31, 2022, 2023 and 2024. Garena Online was granted five-year Development and Expansion Incentive (“DEI”) by the Singapore Economic Development Board (the “EDB”) commencing from January 1, 2022, which grants a concessionary tax rate of 10.5% from January 1, 2022 to December 31, 2026 on qualifying income, subject to certain terms and conditions imposed by the EDB.

Others

Subsidiaries incorporated in other countries are subject to the respective applicable corporate income tax rates of the countries where they are resident.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

18. TAXATION (continued)

Enterprise income tax (continued)

Income tax expense comprises:

	Year ended December 31,		
	2022	2023	2024
	\$	\$	\$
Current income tax	272,070	317,893	468,920
Deferred tax	(140,553)	(94,551)	(193,361)
Withholding tax expense	36,878	39,338	45,609
	<u>168,395</u>	<u>262,680</u>	<u>321,168</u>

The reconciliation of tax computed by applying the tax rate of 17% which is also the statutory corporate income tax rate for its Singapore’s corporate office for the years ended December 31, 2022, 2023 and 2024 is as follows:

	Year ended December 31,		
	2022	2023	2024
	\$	\$	\$
(Loss) Income before income tax and share of results of equity investees	(1,500,533)	432,394	778,783
Tax expense computed at tax rate of 17%	(255,091)	73,507	132,393
Changes in valuation allowance	389,129	44,491	(68,734)
Non-taxable and non-deductible items	25,387	(11,306)	30,124
Effect of concessionary tax rate and tax reliefs	(117,558)	(42,696)	(48,627)
Withholding tax expense	36,878	39,338	45,609
Foreign tax effects	85,204	154,756	101,966
Changes in unrecognized tax benefits	–	6,000	131,893
Others	4,446	(1,410)	(3,456)
	<u>168,395</u>	<u>262,680</u>	<u>321,168</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

18. TAXATION (continued)

Deferred tax

The significant components of deferred taxes are as follows:

	As of December 31,	
	2023	2024
	\$	\$
Deferred tax assets		
Property and equipment	16,094	17,999
Deferred revenue	161,981	182,068
Unutilized tax losses and unused capital allowances	2,197,209	2,013,487
Provision and accrued expenses	74,330	81,762
Allowance for credit losses	56,308	89,558
Others	19,437	31,998
Valuation allowance	(2,159,905)	(1,860,574)
Total deferred tax assets	<u>365,454</u>	<u>556,298</u>
Deferred tax liabilities		
Property and equipment	(7,853)	(7,843)
Deferred payment channel costs	(24,483)	(28,991)
Others	(4,290)	(2,489)
Total deferred tax liabilities	<u>(36,626)</u>	<u>(39,323)</u>
Net deferred tax assets	<u>328,828</u>	<u>516,975</u>

The use of these tax losses and capital allowances is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the jurisdiction in which the entity operates. These tax losses have no expiry date except tax losses approximating to \$2,189,029 and \$1,505,464 as of December 31, 2023 and 2024, respectively. The tax losses of \$1,505,464 as of December 31, 2024 will expire from 2025 to 2036.

The utilization of deferred tax assets recognized by the Company is dependent upon future taxable income in excess of income arising from the reversal of existing taxable temporary differences.

As of December 31, 2024, no deferred tax liability has been recognized on the undistributed earnings of its foreign subsidiaries as the Company either intends to permanently reinvest the undistributed earnings to fund its future operations or no withholding tax is imposed on the remittance of undistributed earnings in certain jurisdiction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

18. TAXATION (continued)

Unrecognized tax benefits

The Company has filed the tax returns for years through 2023 for the major tax jurisdictions. These returns are subject to examination by the taxing authorities in the respective jurisdictions, generally for five years. It is possible that the amount of unrecognized tax benefits will change in the next 12 months, however, an estimate of the range of the possible change cannot be made at this time.

A reconciliation of the beginning and ending unrecognized tax benefits, excluding interest and penalties are as follows:

	\$
Balance as of January 1, 2023	107
Additions based on tax positions related to the current year	2,000
Additions for tax positions for prior years	4,000
Balance as of December 31, 2023	6,107
Additions based on tax positions related to the current year	30,200
Additions for tax positions for prior years	72,300
Reductions for tax positions of prior years	(107)
Balance as of December 31, 2024	108,500

As of December 31, 2023 and 2024, there are \$6,107 and \$108,500 of unrecognized tax benefits that would affect the annual effective tax rate, respectively.

During the years ended December 31, 2022, 2023 and 2024, the Company recognized nil, nil and \$29,500 interest and penalties related unrecognized tax benefits, respectively.

19. (LOSS) EARNINGS PER SHARE

Basic (loss) earnings per share for each of the periods presented is calculated as follows:

	Year ended December 31,		
	2022	2023	2024
	\$	\$	\$
Numerator:			
Net (loss) income attributable to ordinary shareholders	(1,651,421)	150,726	444,321
Denominator:			
Weighted-average number of shares outstanding – basic	558,119,948	566,612,815	574,966,327
Basic (loss) earnings per share:	(2.96)	0.27	0.77

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

19. (LOSS) EARNINGS PER SHARE (continued)

Dilutive (loss) earnings per share for each of the periods presented is calculated as follows:

	Year ended December 31,		
	2022	2023	2024
	\$	\$	\$
Numerator:			
Net (loss) income attributable to ordinary shareholders	(1,651,421)	150,726	444,321
Less: interest on dilutive convertible notes	—	—	(1,670)
Net (loss) income used in computing diluted (loss) earnings per share	(1,651,421)	150,726	445,991
Denominator:			
Weighted-average number of shares outstanding – basic	558,119,948	566,612,815	574,966,327
Add: share options	—	27,486,226	23,660,416
Add: RSAs and RSUs	—	306,563	3,385,263
Add: dilutive convertible notes	—	—	2,701,974
Weighted-average number of shares outstanding – diluted	558,119,948	594,405,604	604,713,980
Diluted (loss) earnings per share:	(2.96)	0.25	0.74

The following potential common shares were excluded from calculation of diluted net (loss) earnings per share because their effect would have been anti-dilutive for the periods presented:

	Year ended December 31,		
	2022	2023	2024
Share options	68,800,110	32,342,730	19,421,360
RSAs/RSUs	9,652,231	10,547,669	10,494,737
Convertible notes	21,635,690	20,588,810	16,033,265
	100,088,031	63,479,209	45,949,362

The denominator for diluted (loss) earnings per share for the years ended December 31, 2022, 2023 and 2024 does not include any effect from the Capped Calls (Note 13) because it would be anti-dilutive. In the event of conversion of any or all of the 2024 Convertible Notes and 2025 Convertible Notes, the shares that would be delivered to the Company under the Capped Calls are designed to neutralize the dilutive effect of the shares that the Company would issue under the convertible notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

20. RELATED PARTY TRANSACTIONS

The Company has transactions with a certain shareholder and its affiliates, and an investee in the ordinary course of business.

The Company had the following significant related party transactions for the years ended December 31, 2022, 2023 and 2024:

	Year ended December 31,		
	2022	2023	2024
	\$	\$	\$
Services provided by:			
- Shareholder and its affiliates ⁽¹⁾	109,422	–	–
- Investee ⁽²⁾	–	11,327	57,176
Services provided to:			
- Investee ⁽²⁾	–	8,624	32,362

The Company had the following significant related party balances as of December 31, 2023 and 2024:

	As of December 31,	
	2023	2024
	\$	\$
Amounts due from:		
- Investee ⁽²⁾	281,485	406,235
Amounts due to:		
- Investee ⁽²⁾	63,419	254,704

- (1) On September 5, 2022, the director who is an executive officer of Tencent Limited (“Tencent”) resigned from the Board of Directors of the Company and Tencent granted an irrevocable voting proxy with respect to all its shares in the Company to the Board of Directors of the Company to vote on matters that are subject to the vote of shareholders of the Company. Accordingly, Tencent is no longer a related party of the Company.
- (2) In October 2023, the Company deconsolidated a subsidiary. The Company retained significant influence and the retained investment is accounted for using the equity method. Accordingly, the investee continues to be considered as a related party of the Company. Gain on deconsolidation is not material to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

21. SEGMENT REPORTING

The Company has three reportable segments, namely e-commerce, digital financial services and digital entertainment. The CODM, comprising the Company’s senior management team, reviews the performance of each segment based on revenue and certain key operating metrics of the operations and uses these results for the purposes of allocating resources to and evaluating the financial performance of each segment. The Company does not allocate assets to its segments as the CODM does not evaluate the performance of segments using asset information.

Description of Reportable Segments

E-commerce – Shopee’s platform is a mobile-centric, social-focused marketplace. It provides users with a convenient, safe, and trusted shopping environment with integrated payment, logistics infrastructure and comprehensive seller services. Products from manufacturers and third parties are also purchased and sold directly to buyers on the Shopee platform.

Digital financial services – SeaMoney provides a variety of payment services and loans to individuals and businesses. It is an important payment infrastructure supporting the Company’s digital entertainment and e-commerce businesses. In addition, SeaMoney also integrates with third-party merchant partners and covers a broad set of consumption use cases. Revenue from the Company’s digital financial services segment primarily consists of interest earned from Consumer and SME loans provided to both Shopee buyers and sellers.

Digital entertainment – Garena offers mobile and PC online games and develops mobile games for the global market. Garena also promotes eSports.

A combination of multiple business activities that does not meet the quantitative thresholds to qualify as reportable segments are grouped together as “Other services”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

21. SEGMENT REPORTING (continued)

Information about segments for the years ended December 31, 2022, 2023 and 2024 presented were as follows:

	Year ended December 31, 2022				
	E-Commerce \$	Digital Financial Services \$	Digital Entertainment \$	Other Services ⁽¹⁾ \$	Total \$
Revenue	7,288,677	1,221,996	3,877,163	61,869	12,449,705
Less ⁽²⁾					
Cost of revenue	(5,871,475)	(254,058)	(1,077,017)	—	
Sales and marketing expenses	(2,328,636)	(508,089)	(268,061)	—	
Provision for credit losses	—	(494,622)	—	—	
Other operating expenses ⁽³⁾	(1,101,926)	(242,491)	(560,669)	(314,031)	
Operating segment (loss) income	(2,013,360)	(277,264)	1,971,416	(252,162)	(571,370)
Unallocated expenses ⁽⁴⁾					(916,138)
Operating loss					(1,487,508)
Non-operating loss, net					(13,025)
Income tax expense					(168,395)
Share of results of equity investees					11,156
Net loss					(1,657,772)

	Year ended December 31, 2023				
	E-Commerce \$	Digital Financial Services \$	Digital Entertainment \$	Other Services ⁽¹⁾ \$	Total \$
Revenue	9,000,848	1,759,422	2,172,009	131,281	13,063,560
Less ⁽²⁾					
Cost of revenue	(6,194,900)	(279,745)	(672,481)	—	
Sales and marketing expenses	(2,510,693)	(116,445)	(104,721)	—	
Provision for credit losses	—	(630,300)	—	—	
Other operating expenses ⁽³⁾	(845,725)	(242,723)	(216,936)	(188,009)	
Operating segment (loss) income	(550,470)	490,209	1,177,871	(56,728)	1,060,882
Unallocated expenses ⁽⁴⁾					(836,104)
Operating income					224,778
Non-operating income, net					207,616
Income tax expense					(262,680)

Share of results of equity investees	(7,032)
Net income	162,682

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

21. SEGMENT REPORTING (continued)

	Year ended December 31, 2024				
	E-Commerce \$	Digital Financial Services \$	Digital Entertainment \$	Other Services ⁽¹⁾ \$	Total \$
Revenue	12,415,231	2,367,739	1,910,589	126,307	16,819,866
Less ⁽²⁾					
Cost of revenue	(8,611,530)	(348,424)	(610,586)	—	
Sales and marketing expenses	(2,966,084)	(298,386)	(117,556)	—	
Provision for credit losses	—	(771,407)	—	—	
Other operating expenses ⁽³⁾	(977,048)	(292,020)	(203,626)	(170,210)	
Operating segment (loss) income	(139,431)	657,502	978,821	(43,903)	1,452,989
Unallocated expenses ⁽⁴⁾					(790,837)
Operating income					662,152
Non-operating income, net					116,631
Income tax expense					(321,168)
Share of results of equity investees					(9,788)
Net income					447,827

- (1) A combination of multiple business activities that does not meet the quantitative thresholds to qualify as reportable segments are grouped together as “Other Services”.
- (2) The significant expenses categories and amounts align with the segment-level information that is regularly provided to the CODM.
- (3) Other operating expenses for e-commerce and digital entertainment include general and administrative expenses, research and development expenses, provision for credit losses and other operating income. Other operating expenses for digital financial services include general and administrative expenses, research and development expenses and other operating income.
- (4) Unallocated expenses are mainly related to share-based compensation, impairment of goodwill of prior acquisitions that are not under the Company’s reportable segments, and general and corporate administrative costs such as professional fees and other miscellaneous items that are not allocated to segments. These expenses are excluded from segment results as they are not reviewed by the CODM as part of segment performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

21. SEGMENT REPORTING (continued)

Revenue from external customers is classified based on the geographical locations where the services were provided.

	Year ended December 31,		
	2022	2023	2024
	\$	\$	\$
Revenue			
Southeast Asia	8,321,249	9,179,527	11,774,003
Latin America	2,043,918	2,193,758	3,276,281
Rest of Asia	1,727,187	1,496,433	1,591,487
Rest of the world	357,351	193,842	178,095
Consolidated revenue	12,449,705	13,063,560	16,819,866

Long-lived assets consist of property and equipment, operating lease ROU assets and intangible assets.

	As of December 31,	
	2023	2024
	\$	\$
Long-lived assets		
Southeast Asia	1,699,461	1,653,804
Rest of Asia	258,078	225,954
Rest of the world	316,962	300,036
	2,274,501	2,179,794

22. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measures, the following hierarchy prioritizes the inputs to valuation methodologies used to measure fair value:

Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets

Level 2 – Inputs that are based on quoted prices and market observable data of similar instruments in active markets

Level 3 – Unobservable inputs that are supported by little or no market activities

The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Derivative instruments are categorized within Level 2 of the fair value hierarchy because the valuation inputs are based on quoted prices and market observable data of similar instruments in active markets, such as currency spot and forward rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

22. FAIR VALUE MEASUREMENTS (continued)

As of December 31, 2023 and 2024, assets and liabilities categorized within Level 3 of the fair value hierarchy included investments in convertible loan, investments in sovereign bonds, investments in equity securities accounted under measurement alternative, redeemable preference shares of investees and other assets.

Investments in debt securities – the carrying amount approximates fair value due to its short-term nature.

Investments accounted under measurement alternative – the Company used Market Adjusted Option Pricing Model Backsolve, which is determined by using information including but not limited to the pricing of recent rounds of financing of the investees, liquidity factors and a selection of comparable companies.

The significant unobservable input used to determine the fair value of an investment under the market adjusted Option Pricing Model Backsolve is as follows:

Unobservable input ⁽¹⁾	As of December 31,	
	2023	2024
Equity value adjustment	(54%)	(73%)

(1) Significant increase (decrease) in the input would result in a significantly higher (lower) fair value measurement, depending on the materiality of the investment.

Convertible notes – the Company used commonly accepted valuation methodology to determine the fair value. The valuation methodology takes into account the volatility and implied credit yield.

Other assets – the Company used market approach to determine the fair value of certain assets by comparing to the sale and purchase transactions of comparable assets in the market, adjusted with differences such as size, physical condition, location and etc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

22. FAIR VALUE MEASUREMENTS (continued)

Assets and liabilities measured or reported at fair value on a recurring basis are summarized below:

	As of December 31, 2023			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Unobservable inputs (Level 3)	Total
	\$	\$	\$	\$
Held-to-maturity investments	1,780,898	–	407	1,781,305
Available-for-sale investments	4,177,564	–	20,442	4,198,006
Equity securities	23,495	87	–	23,582
Other assets	–	–	9,465	9,465
Derivative assets ⁽¹⁾	–	13	–	13
Derivative liabilities ⁽²⁾	–	(2,818)	–	(2,818)
Share appreciation rights	(5,522)	–	–	(5,522)
2024 Convertible Notes	–	–	(168,410)	(168,410)
2025 Convertible Notes	–	–	(1,179,739)	(1,179,739)
2026 Convertible Notes	–	–	(1,556,532)	(1,556,532)
	<u>5,976,435</u>	<u>(2,718)</u>	<u>(2,874,367)</u>	<u>3,099,350</u>

	As of December 31, 2024			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Unobservable inputs (Level 3)	Total
	\$	\$	\$	\$
Held-to-maturity investments	2,990,628	8,315	302	2,999,245
Available-for-sale investments	5,307,889	–	13,773	5,321,662
Equity securities	9,416	640	–	10,056
Other assets	–	–	8,891	8,891
Derivative assets ⁽¹⁾	–	4,901	–	4,901
Derivative liabilities ⁽²⁾	–	(9,314)	–	(9,314)
Share appreciation rights	(13,010)	–	–	(13,010)
2025 Convertible Notes	–	–	(1,435,716)	(1,435,716)
2026 Convertible Notes	–	–	(1,366,818)	(1,366,818)
	<u>8,294,923</u>	<u>4,542</u>	<u>(2,779,568)</u>	<u>5,519,897</u>

(1) Included in prepaid expenses and other assets in the consolidated balance sheets and not designated as hedges.
(2) Included in accrued expenses and other payables in the consolidated balance sheets and not designated as hedges.

Certain long-term equity securities that were accounted for using measurement alternative were measured at fair value on a non-recurring basis and were categorized within Level 3 of the fair value hierarchy because significant unobservable inputs were used to estimate its fair value. Assets remeasured at fair value within Level 3 of the fair value hierarchy on a non-recurring basis were \$251,232 and \$68,732 as of December 31, 2023 and 2024, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in thousands of US dollars (“\$”) except for number of shares and per share data)

22. FAIR VALUE MEASUREMENTS (continued)

Reconciliations of assets and liabilities measured at fair value on a recurring basis and are categorized within Level 3 of the fair value hierarchy are as follows:

	\$
Available-for-sale investments	
Balance as of January 1, 2023	35,126
Settlement	(278)
Impairment	(3,873)
Conversion into ordinary shares of investee	(9,945)
Net unrealized loss included in other comprehensive income	(588)
Balance as of December 31, 2023	20,442
Settlement	(167)
Impairment	(4,000)
Net unrealized loss included in other comprehensive income	(2,502)
Balance as of December 31, 2024	13,773
Investments carried at fair value	
Balance as of January 1, 2023	178,233
Transfer out of Level 3 due to change in status ⁽¹⁾	(178,233)
Balance as of December 31, 2023/ December 31, 2024	—
Other assets	
Balance as of January 1, 2023	9,668
Additions	122
Disposals	(464)
Fair value gain included in earnings	40
Translation gain included in other comprehensive income	99
Balance as of December 31, 2023	9,465
Additions	105
Disposals	(291)
Fair value gain included in earnings	39
Translation loss included in other comprehensive income	(427)
Balance as of December 31, 2024	8,891

(1) See note 2(l) for more information.

23. COMMITMENTS AND CONTINGENCIES

Purchase commitments

The Company has commitments to purchase property and equipment and hosting services of \$40,893 and \$50,713, committed licensing fee payable for the licensing of game titles of \$6,800 and \$4,039 and commitments to invest in certain companies of \$90,100 and \$61,651 as of December 31, 2023 and 2024, respectively.

Minimum guarantee commitments

The Company has commitments to pay minimum guarantee of royalty fee to game developers for certain online games it licensed from those game developers. As of December 31, 2023 and 2024, the minimum guarantee commitments amounted to \$10,400 and \$30,897, respectively, for its launched games as well as licensed but yet to be launched games.

Others

The Company has commitments to extend credit to customers under committed facilities granted. As of December 31, 2023 and 2024, the customers can draw down on a total undrawn credit limit of \$1,199 and \$152, respectively, under such committed facilities.