

For Immediate Release

TENCENT ANNOUNCES 2008 INTERIM AND SECOND QUARTER RESULTS

Hong Kong, August 13, 2008 – Tencent Holdings Limited (“Tencent” or the “Company”, SEHK 00700), a leading provider of Internet and mobile & telecommunications value-added services in China, today announced the unaudited consolidated results for the first half year and the second quarter of 2008 ended June 30, 2008.

Highlights for the First Half of 2008:

- § Total revenues were RMB3,032.7 million (USD442.1 million¹), an increase of 84.8% over the first half of year ended June 30, 2007 (“YoY”)
- § Revenues from Internet value-added services (IVAS) were RMB2,035.8 million (USD296.8 million), an increase of 94.2% YoY
- § Revenues from Mobile & telecommunications value-added services (MVAS) were RMB626.6 million (USD91.4 million), an increase of 55.6% YoY
- § Revenues from Online advertising were RMB367.4 million (USD53.6 million), an increase of 94.7% YoY
- § Gross profit was RMB2,191.2 million (USD319.5 million), an increase of 92.6% YoY
- § Operating profit was RMB1,502.6 million (USD219.1 million), an increase of 117.8% YoY
- § Net profit for the year was RMB1,194.2million (USD174.1 million), an increase of 91.2% YoY
- § Profit attributable to equity holders of the Company for the period was RMB1,178.4 million (USD171.8 million), an increase of 88.6% YoY

Highlights for the Second Quarter of 2008:

- § Total revenues were RMB1,599.8 million (USD233.2 million), an increase of 11.6% over the first quarter of 2008 (“QoQ”) or an increase of 84.3% over the second quarter of 2007 (“YoY”)
- § Revenues from IVAS were RMB1,037.0 million (USD151.2 million), an increase of 3.8% QoQ or an increase of 89.9% YoY
- § Revenues from MVAS were RMB338.3 million (USD49.3 million), an increase of 17.4% QoQ or an increase of 64.2% YoY
- § Revenues from Online advertising were RMB222.8 million (USD32.5 million), an increase of 54.1% QoQ or an increase of 94.4% YoY
- § Gross profit was RMB1,146.7 million (USD167.2 million), an increase of 9.8% QoQ or an increase of 90.5% YoY. Gross margin decreased to 71.7% from 72.9% last quarter
- § Operating profit was RMB765.3 million (USD111.6 million), an increase of 3.8% QoQ or an increase of 111.2% YoY. Operating margin decreased to 47.8% from 51.5% last quarter
- § Profit for the period was RMB652.2 million (USD95.1 million), an increase of 20.3% QoQ or an increase of 95.0% YoY. Net margin increased to 40.8% from 37.8% last quarter
- § Profit attributable to equity holders of the Company for the period was RMB644.0 million (USD93.9 million), an increase of 20.5% QoQ or an increase of 92.5% YoY

¹ Figures stated in USD are based on USD1 to RMB6.8591

§ Key platform statistics:

- Total registered Instant Messaging (“IM”) user accounts increased to 822.2 million, representing a 5.0% growth QoQ
- Active IM user accounts increased 7.6% QoQ to 341.9 million
- Peak simultaneous online user accounts for IM services recorded 42.0 million, a growth of 4.2% QoQ
- Peak simultaneous online user accounts of QQ Game portal (for mini casual games only) was 4.0 million, flat QoQ
- IVAS paying subscriptions were 26.1 million, an increase of 16.5% QoQ
- MVAS paying subscriptions were 13.4 million, an increase of 6.4% QoQ

Mr. Ma Huateng, Chairman and CEO of Tencent, said “During the second quarter of 2008, we achieved solid financial results leveraging our diversified business portfolio. While our community based Internet value-added services experienced negative seasonality, our online gaming, wireless and online advertising businesses all registered solid growth. We expect the third quarter will present strong seasonality for our Internet value-added services, but the growth may be partly offset by negative impact of the Olympics event as users spend more time watching the event.”

“On the other hand, we currently have more than 500 people working on Olympics related initiatives. We are going to leverage the historical Olympics event to further develop the recognition of our portal QQ.com as the leading online media for users and advertisers.” added Mr. Ma.

Business Highlights

IVAS revenues increased 3.8% QoQ to RMB1,037.0 million and represented 64.8% of the total revenues in the second quarter of 2008 despite the fact that the second quarter is generally a slow season for Internet value-added services as there was a lack of long holidays, and as students were busy in preparing for their examinations. The increase was mainly due to the growth in revenues from online gaming. On the other hand, non-game Internet value-added services such as QQ Membership, and online identity and community products were negatively impacted by the adverse seasonality.

Game-related IVAS revenues increased 15.6% QoQ to RMB452.2 million in the second quarter of 2008 due to the growth in revenues from QQ Games, QQ Fantasy and QQ Huaxia. The increase also reflected an increase in revenues from the introduction of new games in the second quarter of 2008, including Dungeon and Fighter (“DNF”), QQ Dancer and Cross Fire. In addition, revenues increased following the introduction in April of a new expansion pack for QQ Fantasy which extended the number of levels from 60 to 80. The increase was slightly offset by a temporary suspension of the Company’s online gaming services for a period of three days due to a major earthquake in Sichuan in May 2008.

MVAS revenues increased 17.4% QoQ to RMB338.3 million and represented 21.1% of the total revenues in the second quarter of 2008. The increase mainly reflected an increase in revenues from the Company’s 2.5G-related services, in particular, from WAP service due to better than expected revenue collectibility, improvements to the user experience and increased promotion efforts, and from

its mobile gaming service due to enhanced mobile game content, including the launch of additional higher-quality games. In addition, revenues in the Company's mobile voice VAS increased, primarily as a result of an increase in revenues from its mobile IVR service as it increased promotion efforts. The Company's classification as a "Category A service provider" also contributed to the growth of its business, particularly for SMS, WAP and IVR.

Online Advertising revenues increased 54.1% QoQ to RMB222.8 million and represented 13.9% of total revenues in the second quarter of 2008, mainly reflecting the seasonal impact of the second quarter of each year having stronger sales compared to the first quarter of each year. The improved brand recognition from Tencent's customers as an effective advertising platform also contributed to increased revenues.

Other Key Financial Information

Basic earnings per share were RMB0.359. Diluted earnings per share were RMB0.349. The total number of shares in issue was 1.797 billion.

Share-based compensation was RMB32.1 million for the second quarter of 2008 as compared with RMB35.4 million for the previous quarter. Foreign exchange loss, as a result of Renminbi appreciation, was RMB40.9 million as compared with RMB94.5 million for the previous quarter.

Outlook

The Company expects the third quarter will present strong seasonality for Internet value-added services, although partly offset by negative impact of the Olympics event as it diverts users' attention from the consumption of online services. In addition, the Company believes licensed games launched during the second quarter will contribute to incremental revenue in the third quarter, although they will carry lower margins as the Company has to pay licensing fees and revenue share to their developers.

During the second quarter, the Chinese government announced the restructuring plan for the telecom industry. While the Company expects its long-term impact will be positive, it believes the restructuring may create regulatory uncertainties in the short to medium term.

QQ.com portal has played an important role during the Sichuan earthquake, serving as a hub for user interaction and coordination of the Company's initiatives to support relief work. The Company has reinforced its leading position not only as the largest portal in China by traffic, but also an influential and socially responsible online media. During the Olympics in Beijing, QQ.com portal will again play a central role in the coverage of this historical event with an aim to generate significant traffic growth and enhance its recognition by consumers and advertisers. While there will be additional content and marketing costs incurred, the Company believes they are worthy investments for the long-term.

As the Company looks into the second half of the year, it is getting more cautious on the short-term outlook of the Internet advertising market given the economy in China is slowing down and its effect may become more obvious after the Olympics event.

###

About Tencent

Tencent aims to enrich the interactive online experience of Internet users in China by providing a comprehensive range of Internet and wireless value-added services. Through its various online platforms, including Instant Messaging QQ, web portal QQ.com, QQ Game portal, multi-media blog service Qzone and wireless portal, Tencent services the largest online community in China and fulfills the user's needs for communication, information, entertainment and e-Commerce on the Internet.

Tencent has three main streams of revenues: Internet value-added services, mobile and telecommunications value-added services and online advertising.

Shares of Tencent Holdings Limited are traded on the Main Board of the Stock Exchange of Hong Kong Limited, under stock code 00700. The Company became one of the 43 constituents of the Hang Seng Index (HSI) on June 10, 2008. For more information, please visit www.tencent.com/ir.

For enquiries, please contact:

Catherine Chan Tel: (86) 755 86013388 ext 8369 or (852) 21795122 Email: cchan@tencent.com

Forward-Looking Statements

This press release contains forward-looking statements relating to the business outlook, forecast business plans and growth strategies of the Company. These forward-looking statements are based on information currently available to the Group and are stated herein on the basis of the outlook at the time of this announcement. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond our control. These forward-looking statements may prove to be incorrect and may not be realized in future. Underlying the forward-looking statements is a large number of risks and uncertainties. Further information regarding these risks and uncertainties is included in our other public disclosure documents on our corporate website.

CONDENSED CONSOLIDATED INCOME STATEMENT

In RMB '000 (unless otherwise stated)

	Unaudited		Unaudited	
	2Q2008	1Q2008	2Q2008	2Q2007
Revenues	1,599,778	1,432,911	1,599,778	868,016
Internet VAS	1,037,042	998,733	1,037,042	546,235
Mobile & Telecom VAS	338,311	288,291	338,311	206,036
Online Advertising	222,790	144,580	222,790	114,599
Others	1,635	1,307	1,635	1,146
Cost of revenues	(453,069)	(388,465)	(453,069)	(266,041)
Gross profit	1,146,709	1,044,446	1,146,709	601,975
<i>Gross margin</i>	<i>71.7%</i>	<i>72.9%</i>	<i>71.7%</i>	<i>69.4%</i>
Other gains, net	25,855	47,448	25,855	23,315
S&M expenses	(100,212)	(85,934)	(100,212)	(70,870)
G&A expenses	(307,059)	(268,642)	(307,059)	(192,017)
Operating profit	765,293	737,318	765,293	362,403
<i>Operating margin</i>	<i>47.8%</i>	<i>51.5%</i>	<i>47.8%</i>	<i>41.8%</i>
Finance costs	(40,918)	(94,466)	(40,918)	(16,690)
Share of losses of associates	(1,558)	-	(1,558)	-
Profit before income tax	722,817	642,852	722,817	345,713
Income tax expense	(70,618)	(100,840)	(70,618)	(11,227)
Profit for the period	652,199	542,012	652,199	334,486
<i>Net margin</i>	<i>40.8%</i>	<i>37.8%</i>	<i>40.8%</i>	<i>38.5%</i>
Attributable to:				
Equity holders of the Company	643,979	534,378	643,979	334,486
Minority interest	8,220	7,634	8,220	-
Earnings per share				
- basic (RMB)	0.359	0.298	0.359	0.188
- diluted (RMB)	0.349	0.290	0.349	0.183

CONDENSED CONSOLIDATED BALANCE SHEETS

In RMB '000 (unless otherwise stated)

	Unaudited 30 June 2008	Unaudited 31 March 2008
ASSETS		
Non-current assets		
Fixed assets	1,010,180	905,065
Construction in progress	200,452	136,576
Investment property	65,698	66,056
Leasehold land and land use rights	36,421	36,609
Intangible assets	452,008	446,976
Investment in a jointly controlled entity	2,500	-
Investment in associates	332,416	333,974
Deferred income tax assets	352,133	316,519
Held-to-maturity investments	-	70,190
Available-for-sale financial assets	66,455	66,455
Other long-term assets	92,648	171,413
Prepayments, deposits and other receivables	201,167	-
	2,812,078	2,549,833
Current assets		
Inventories	1,261	1,134
Accounts receivable	899,007	735,288
Prepayments, deposits and other receivables	279,366	163,912
Financial assets held for trading	409,443	464,787
Held-to-maturity investments	68,591	-
Derivative financial instruments	44,133	67,041
Term deposits with initial term of over three months	1,127,551	903,197
Restricted cash	300,000	300,000
Cash and cash equivalents	2,263,418	2,360,257
	5,392,770	4,995,616
Total Assets	8,204,848	7,545,449
EQUITY		
Equity attributable to the Company's equity holders		
Share capital	195	195
Share premium	1,402,286	1,428,511
Shares held for share award scheme	(10,218)	-
Share-based compensation reserve	287,971	255,786
Other reserves	93,712	93,712
Retained earnings	4,334,377	3,948,201
	6,108,323	5,726,405
Minority interests in equity	107,656	99,436
Total Equity	6,215,979	5,825,841
LIABILITIES		
Non-current liabilities		
Deferred income tax liabilities	50,864	59,479
Current liabilities		
Accounts payable	255,446	198,790
Other payables and accruals	603,737	472,818
Short-term bank borrowing	292,184	292,184
Derivative financial instruments	26,434	49,342
Current income tax liabilities	170,833	150,934
Other tax liabilities	179,924	153,696
Deferred revenue	409,447	342,365
	1,938,005	1,660,129
Total Liabilities	1,988,869	1,719,608
Total Equity and Liabilities	8,204,848	7,545,449