

**For Immediate Release**

**TENCENT ANNOUNCES 2007 FOURTH QUARTER AND ANNUAL RESULTS**

**Hong Kong, March 19, 2008** – Tencent Holdings Limited (“Tencent” or the “Company”, SEHK 700), a leading provider of Internet and mobile & telecommunications value-added services in China, today announced the unaudited results for the fourth quarter of 2007 and audited results for the year ended December 31, 2007.

***Highlights of 2007 full year:***

- § Total revenues were RMB3,820.9 million (USD523.1 million<sup>1</sup>), an increase of 36.4% over the year ended December 31, 2006 (“YoY”)
- § Revenues from Internet value-added services (IVAS) were RMB2,513.7 million (USD344.1 million), an increase of 37.7% YoY
- § Revenues from Mobile & telecommunications value-added services (MVAS) were RMB807.6 million (USD110.6 million), an increase of 15.4% YoY
- § Revenues from Online advertising were RMB493.0 million (USD67.5 million), an increase of 84.9% YoY
- § Gross profit was RMB2,703.4 million (USD370.1 million), an increase of 36.3% YoY
- § Operating profit was RMB1,635.0 million (USD223.8 million), an increase of 40.6% YoY
- § Profit for the year was RMB1,568.0 million (USD214.7 million), an increase of 47.4% YoY
- § Profit attributable to the equity holders of the Company for the year was RMB1,566.0 million (USD214.4 million), an increase of 47.2% YoY
- § Basic earnings per share were RMB0.880. Diluted earnings per share were RMB0.853.
- § The Board of Directors has recommended a final dividend of HKD 0.16 per share, subject to the approval of the shareholders at the Annual General Meeting to be held on May 14, 2008. The proposed dividend will be payable on May 28, 2008.

***Highlights of the fourth quarter of 2007:***

- § Total revenues were RMB1,122.2 million (USD153.6 million), an increase of 6.1% over the third quarter (“QoQ”) or an increase of 57.3% over the fourth quarter of 2006 (“YoY”)
- § Revenues from IVAS were RMB748.0 million (USD102.4 million), an increase of 4.2% QoQ or an increase of 71.3% YoY
- § Revenues from MVAS were RMB211.6 million (USD29.0 million), an increase of 9.4% QoQ or an increase of 9.6% YoY
- § Revenues from Online advertising were RMB159.7 million (USD21.9 million), an increase of 10.4% QoQ or an increase of 95.9% YoY
- § Gross profit was RMB803.3 million (USD110.0 million), an increase of 5.4% QoQ or an increase of 67.5% YoY
- § Operating profit was RMB475.0 million (USD65.0 million), an increase of 1.0% QoQ or an increase of 94.5% YoY
- § Profit for the fourth quarter was RMB517.0 million (USD70.8 million), an increase of 21.3% QoQ or an increase of 96.1% YoY
- § Profit attributable to the equity holders of the Company for the fourth quarter was RMB515.0 million (USD70.5 million), an increase of 20.8% QoQ or an increase of 95.3% YoY

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<sup>1</sup> Figures stated in USD are based on USD1 to RMB7.3046

§ Key platform statistics:

- Total registered Instant Messaging (“IM”) user accounts increased to 741.7 million, representing a 3.7% growth QoQ
- Active IM user accounts increased 4.0% QoQ to 300.2 million
- Peak simultaneous online user accounts for IM services recorded over 36.1 million, a growth of 10.7% QoQ
- Peak simultaneous online user accounts of QQ Game portal (for mini casual games only) was 3.80 million, an increase of 5.8% QoQ
- IVAS paying subscriptions were 17.6 million, a decline of 0.6% QoQ
- MVAS paying subscriptions were 10.9 million, an increase of 5.8% QoQ

Mr. Ma Huateng, Chairman and CEO of Tencent, said, “In 2007, our diversified business portfolio once again delivered solid results as a whole, although different business lines fluctuated at different times. Our Internet value-added services business, particularly non-game Internet value-added services, and online advertising business grew strongly.

“We continue to face a challenging security environment and increasing competition. To stay competitive, we are committed to investing in research and development. We also place tremendous focus on building a stronger organization that can attract, develop and retain the best engineering and business talents. By focusing on our users and our people, and taking a long-term approach in building our business franchises, we believe we can capitalize on the long-term growth potential in the Internet industry,” added Mr. Ma.

**Business Highlights of the Fourth Quarter of 2007**

IVAS revenues increased 4.2% QoQ to RMB748.0 million and represented 66.7% of the total revenues in the fourth quarter of 2007. Revenues from Tencent’s online identity and community business, particularly QQ Pet and QQ Show, decreased. The decrease in revenues from QQ Pet was mainly due to seasonal factors, while revenues from QQ Show decreased as the service reached a comparatively mature stage in addition to seasonal factors. However, such decrease was offset by an increase in revenues from Premium QQ as the Company continued to enhance user loyalty through bundling more functionalities.

As part of IVAS revenues, the total revenues generated from online games increased 22.2% QoQ to RMB281.7 million in the fourth quarter due in particular to the growing popularity of games, such as QQ Game, QQ SanGuo and QQ Huaxia, and the launch in the fourth quarter of a free-to-play, itemized-charge version of QQ Fantasy to supplement the time-charge version. In addition, Tencent exercised its pre-negotiated right to acquire a majority stake in an investee company that co-launched QQ Huaxia with the Company and began to consolidate the revenues from QQ Huaxia as well as other revenues attributable to the investee company in its consolidated financial results starting in November 2007, as opposed to recognizing only the shared portion of revenues from QQ Huaxia prior to the acquisition.

MVAS revenues increased 9.4% QoQ to RMB211.6 million and represented 18.9% of total revenues in the fourth quarter of 2007. This increase mainly resulted from the Company’s successful marketing, aimed at both promoting new bundled service package and retaining existing users. As a result of these marketing activities, revenues from communication-based SMS services grew despite a migration of some users to a new technical platform.

Online advertising revenues increased 10.4% QoQ to RMB159.7 million and represented 14.2% of total revenues in the fourth quarter of 2007. The increase was mainly attributable to the improved recognition by customers of Tencent's brand as an effective advertising platform.

### **Financials of the Fourth Quarter of 2007**

Gross profit for the fourth quarter was RMB803.3 million, an increase of 5.4% QoQ or an increase of 67.5% YoY. Gross margin was 71.6% compared with 72.1% in the third quarter. Operating profit for the fourth quarter was RMB475.0 million, an increase of 1.0% QoQ or an increase of 94.5% YoY. Operating margin decreased to 42.3% compared with 44.5% in the previous quarter. Net profit for the fourth quarter was RMB517.0 million, an increase of 21.3% QoQ or an increase of 96.1% YoY. Net margin increased to 46.1% compared with 40.3% in the previous quarter. Basic earnings per share were RMB0.288. Diluted earnings per share were RMB0.279.

Share-based compensation charge for this quarter was RMB29.7 million as compared with RMB31.3 million for the previous quarter. Foreign exchange loss for this quarter, as a result of Renminbi appreciation, was RMB58.9 million as compared with RMB11.6 million for the previous quarter.

### **Outlook**

For the fourth quarter of 2007, Tencent experienced negative seasonality in its non-game Internet value-added services business while its online game business grew, driven by new features in the games, growth in newly launched games, and consolidation of an affiliate game studio which Tencent increased its stake to control position during the quarter. Both of Tencent's online advertising businesses and wireless value-added services registered solid growth during the quarter.

Stepping into the first quarter of 2008, the Company expects to see a more favorable seasonality for its Internet value-added services business as a result of winter break for students and the Chinese New Year holidays. On the other hand, its online advertising business will experience a slow season as advertising activities are generally dampened around the Chinese New Year holidays. For 2008, Tencent's financial results will generally be subject to higher staff costs as the Company strives to retain, reward and attract the best talents, higher tax rate as a result of tax reform, and higher foreign exchange losses as US dollar continued its depreciation against the RMB.

## 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 currently operates three principal lines of business: 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 700. For more information, please visit [www.tencent.com/ir](http://www.tencent.com/ir).

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### Important note:

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

## CONSOLIDATED INCOME STATEMENT

In RMB '000 (unless otherwise stated)

	Unaudited		Audited	
	4Q2007	3Q2007	2007	2006
<b>Revenues</b>	<b>1,122,220</b>	<b>1,057,626</b>	<b>3,820,923</b>	<b>2,800,441</b>
Internet VAS	747,988	717,718	2,513,728	1,825,343
Mobile & Telecom VAS	211,584	193,481	807,645	700,114
Online Advertising	159,708	144,643	493,018	266,684
Others	2,940	1,784	6,532	8,300
<b>Cost of revenues</b>	<b>(318,885)</b>	<b>(295,112)</b>	<b>(1,117,557)</b>	<b>(817,062)</b>
<b>Gross profit</b>	<b>803,335</b>	<b>762,514</b>	<b>2,703,366</b>	<b>1,983,379</b>
<i>Gross margin</i>	<i>71.6%</i>	<i>72.1%</i>	<i>70.8%</i>	<i>70.8%</i>
Other gains, net	6,851	5,033	69,212	83,195
S&M expenses	(78,320)	(78,039)	(297,439)	(293,247)
G&A expenses	(256,884)	(219,235)	(840,113)	(610,022)
<b>Operating profit</b>	<b>474,982</b>	<b>470,273</b>	<b>1,635,026</b>	<b>1,163,305</b>
<i>Operating margin</i>	<i>42.3%</i>	<i>44.5%</i>	<i>42.8%</i>	<i>41.5%</i>
Finance costs	(58,860)	(12,137)	(100,192)	(46,534)
Share of loss of a jointly controlled entity	(317)	(14)	(331)	-
Profit before income tax	415,805	458,122	1,534,503	1,116,771
Income tax (expenses)/ benefit	101,239	(31,813)	33,505	(52,971)
<b>Profit for the period</b>	<b>517,044</b>	<b>426,309</b>	<b>1,568,008</b>	<b>1,063,800</b>
<i>Net margin</i>	<i>46.1%</i>	<i>40.3%</i>	<i>41.0%</i>	<i>38.0%</i>
<b>Attributable to:</b>				
Equity holders of the Company	514,964	426,401	1,566,020	1,063,800
Minority interest	2,080	(92)	1,988	-
<b>Earnings per share</b>				
- basic (RMB)	0.288	0.239	0.880	0.603
- diluted (RMB)	0.279	0.232	0.853	0.585

**CONSOLIDATED BALANCE SHEETS**

In RMB '000 (unless otherwise stated)

**Audited**
**As at 31 December**

	2007	2006
<b>ASSETS</b>		
<b>Non-current assets</b>		
Fixed assets	839,256	549,109
Construction in progress	112,232	14,462
Investment property	66,414	-
Leasehold land and land use rights	36,796	10,018
Intangible assets	670,692	155,587
Investment in a jointly controlled entity	179	-
Deferred income tax assets	287,652	130,522
Held-to-maturity investments	73,046	-
Available-for-sale financial assets	63,605	56,440
	<u>2,149,872</u>	<u>916,138</u>
<b>Current assets</b>		
Inventories	1,701	2,466
Accounts receivable	535,528	399,337
Prepayments, deposits and other receivables	130,406	113,768
Financial assets held for trading	266,495	195,907
Derivative financial instruments	47,759	-
Held-to-maturity investments	-	234,261
Term deposits with initial term of over three months	604,486	944,375
Restricted cash	300,000	-
Cash and cash equivalents	2,948,757	1,844,320
	<u>4,835,132</u>	<u>3,734,434</u>
<b>Total Assets</b>	<u><u>6,985,004</u></u>	<u><u>4,650,572</u></u>
<b>EQUITY</b>		
<b>Equity attributable to the Company's equity holders</b>		
Share capital	194	192
Share premium	1,455,854	1,459,020
Share-based compensation reserve	220,230	118,078
Other reserves	93,712	80,925
Retained earnings	3,413,823	2,059,541
	<u>5,183,813</u>	<u>3,717,756</u>
<b>Minority interests in equity</b>	<u>91,630</u>	<u>-</u>
<b>Total Equity</b>	<u><u>5,275,443</u></u>	<u><u>3,717,756</u></u>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Deferred income tax liabilities	59,944	16,821
Long term payable	-	48,148
	<u>59,944</u>	<u>64,969</u>
<b>Current liabilities</b>		
Accounts payable	117,062	38,934
Other payables and accruals	669,194	444,387
Short term bank borrowing	292,184	-
Derivative financial instruments	30,060	-
Current income tax liabilities	71,133	47,472
Other tax liabilities	134,746	17,715
Deferred revenue	335,238	319,339
	<u>1,649,617</u>	<u>867,847</u>
<b>Total Liabilities</b>	<u><u>1,709,561</u></u>	<u><u>932,816</u></u>
<b>Total Equity and Liabilities</b>	<u><u>6,985,004</u></u>	<u><u>4,650,572</u></u>