TENCIENT ANNOUNCES 2007 THIRD QUARTER RESULTS

Hong Kong, November 14, 2007 – 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 quarter ended September 30, 2007.

Highlights for the Third Quarter of 2007:

- Total revenues were RMB1,057.6 million (USD140.8 million), an increase of 21.8% over the second quarter of 2007 (“QoQ”) or an increase of 43.5% over the third quarter of 2006 (“YoY”)
- Revenues from Internet value-added services (IVAS) were RMB717.7 million (USD95.6 million), an increase of 31.4% QoQ or an increase of 46.5% YoY
- Revenues from Mobile & telecommunications value-added services (MVAS) were RMB193.5 million (USD25.8 million), a decrease of 6.1% QoQ or an increase of 17.1% YoY
- Revenues from Online Advertising were RMB144.6 million (USD19.3 million), an increase of 26.2% QoQ or an increase of 79.9% YoY
- Gross profit was RMB762.5 million (USD101.5 million), an increase of 26.7% QoQ or an increase of 44.3% YoY
- Operating profit was RMB470.3 million (USD62.6 million), an increase of 29.8% QoQ or an increase of 43.6% YoY
- Net profit was RMB426.3 million (USD56.8 million), an increase of 27.5% QoQ or an increase of 50.9% YoY

Key platform statistics:
- Total registered Instant Messaging (IM) user accounts increased to 715.3 million, representing a 10.5% growth QoQ
- Active IM user accounts increased 5.7% QoQ to 288.7 million
- Peak simultaneous online user accounts for IM services recorded over 32.6 million, a growth of 12.8% QoQ
- Peak simultaneous online user accounts of QQ Game portal (for mini casual games only) was 3.59 million, an increase of 13.2% QoQ
- IVAS paying subscriptions were 17.7 million, an increase of 1.1% QoQ
- MVAS paying subscriptions were 10.3 million, an increase of 7.3% QoQ

*Figures stated in USD are based on USD1 to RMB7.5108

Mr. Ma Huateng, Chairman and CEO of Tencent, said “We are delighted to report a strong quarter. Our IVAS business generated robust growth as a result of strong seasonality and as new games we launched in the second quarter generated revenue. Online advertising also registered strong growth because of favorable seasonality, continued growth of traffic in our Internet platforms and better execution of our sales team. Going forward, we will continue to invest in strengthening our integrated Internet platforms to better serve our users and to deliver more measurable results to our expanding advertiser base.”
Business Highlights

IVAS revenues increased 31.4% QoQ to RMB717.7 million and represented 67.9% of the total revenues in the third quarter of 2007. The revenue growth benefited from the positive seasonality during the school summer holidays. Tencent’s online identity and community business, including Qzone and QQ Pet, registered strong performance during school holidays. In addition, Premium QQ grew because of organic growth and strong seasonality.

As part of IVAS revenues, the total revenues generated from Online Games increased 52.0% QoQ to RMB230.6 million in the third quarter of 2007 due to strong seasonality and the popularity of newly launched MMOGs QQ SanGuo and QQ Huaxia (co-launched with one of Tencent’s investee companies, Shenzhen Domain).

MVAS revenues decreased 6.1% QoQ to RMB193.5 million and represented 18.3% of the total revenues in the third quarter of 2007. The decrease mainly reflected decreases in revenues from the Company’s content-based SMS as the impact of regulatory policy changes lingered. For Mobile QQ, the migration of the user base to the new technical platform, jointly developed and operated by China Mobile and Tencent, led to some cancellations in subscriptions. The migration is now complete, and Tencent has stepped up marketing efforts to promote the new branding and to retain users.

Online Advertising revenues increased 26.2% QoQ to RMB144.6 million and represented 13.6% of total revenues in the third quarter of 2007. The increase was mainly attributable to the general seasonality, especially for online games and education advertisements.

Financials

Gross profit for the third quarter of 2007 was RMB762.5 million, an increase of 26.7% QoQ or an increase of 44.3% YoY. Gross margin increased to 72.1% compared with 69.4% in the previous quarter. Operating profit for the third quarter was RMB470.3 million, an increase of 29.8% QoQ or an increase of 43.6% YoY. Operating margin increased to 44.5% compared with 41.8% in the previous quarter. Net profit for the third quarter was RMB426.3 million, an increase of 27.5% QoQ or an increase of 50.9% YoY. Net margin increased to 40.3% compared with 38.5% in the previous quarter. Basic earnings per share were RMB0.239. Diluted earnings per share were RMB0.232.

Share-based compensation was RMB31.3 million for the third quarter of 2007 as compared with RMB21.6 million for the previous quarter. Foreign exchange loss for the third quarter, as a result of Renminbi appreciation, was RMB11.6 million as compared with RMB16.2 million for the previous quarter.

Outlook

In the third quarter of 2007, Tencent benefited from the strong seasonality of school summer holidays in July and August, as well as the growth in newly launched online games. The Company’s Internet value-added services grew across the board, which were enhanced by the growth of QQ SanGuo, a self-developed light MMOG launched in end of June, and the growth of QQ Huaxia, an MMOG
co-launched with its investee company in May. The Company’s online advertising revenue also increased as online game and education advertisers placed more advertising during the summer season. On the other hand, the Company’s mobile and telecommunications value-added services declined in revenue as it faced a more challenging industry regulatory environment. In the fourth quarter, Tencent’s Internet value-added services revenue, and to a lesser extent, its online advertising revenue will reflect a weaker seasonality when compared to the third quarter.

###
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.

For enquiries, please contact:

Catherine Chan Tel: (86) 755 86013388 ext 8369 or (852) 21795122 Email: cchan@tencent.com
Boris Dong Tel: (86) 755 86013388 ext 7516 or (852)21795122 Email: borisdong@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 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, such as “Management Discussion and Analysis” in our announcement.
## Condensed Consolidated Income Statement

In RMB '000 (unless otherwise stated)

<table>
<thead>
<tr>
<th></th>
<th>Unaudited</th>
<th></th>
<th>Unaudited</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3Q2007</td>
<td>2Q2007</td>
<td>3Q2007</td>
<td>3Q2006</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internet VAS</td>
<td>717,718</td>
<td>546,235</td>
<td>717,718</td>
<td>490,018</td>
</tr>
<tr>
<td>Mobile &amp; Telecom VAS</td>
<td>193,481</td>
<td>206,036</td>
<td>193,481</td>
<td>165,258</td>
</tr>
<tr>
<td>Online Advertising</td>
<td>144,643</td>
<td>114,599</td>
<td>144,643</td>
<td>80,417</td>
</tr>
<tr>
<td>Others</td>
<td>1,784</td>
<td>1,146</td>
<td>1,784</td>
<td>1,237</td>
</tr>
<tr>
<td><strong>Cost of revenues</strong></td>
<td>(295,112)</td>
<td>(266,041)</td>
<td>(295,112)</td>
<td>(208,637)</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>762,514</td>
<td>601,975</td>
<td>762,514</td>
<td>528,293</td>
</tr>
<tr>
<td><strong>Gross margin</strong></td>
<td>72.1%</td>
<td>69.4%</td>
<td>72.1%</td>
<td>71.7%</td>
</tr>
<tr>
<td>Other gains, net</td>
<td>5,033</td>
<td>23,315</td>
<td>5,033</td>
<td>21,942</td>
</tr>
<tr>
<td>S&amp;M expenses</td>
<td>(78,039)</td>
<td>(70,870)</td>
<td>(78,039)</td>
<td>(65,231)</td>
</tr>
<tr>
<td>G&amp;A expenses</td>
<td>(219,235)</td>
<td>(192,017)</td>
<td>(219,235)</td>
<td>(157,546)</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>470,273</td>
<td>362,403</td>
<td>470,273</td>
<td>327,458</td>
</tr>
<tr>
<td><strong>Operating margin</strong></td>
<td>44.5%</td>
<td>41.8%</td>
<td>44.5%</td>
<td>44.4%</td>
</tr>
<tr>
<td>Financial cost, net</td>
<td>(12,137)</td>
<td>(16,690)</td>
<td>(12,137)</td>
<td>(15,696)</td>
</tr>
<tr>
<td>Share of loss of a jointly</td>
<td>(14)</td>
<td>-</td>
<td>(14)</td>
<td>-</td>
</tr>
<tr>
<td>controlled entity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before income tax</td>
<td>458,122</td>
<td>345,713</td>
<td>458,122</td>
<td>311,762</td>
</tr>
<tr>
<td>Income tax expenses</td>
<td>(31,813)</td>
<td>(11,227)</td>
<td>(31,813)</td>
<td>(29,174)</td>
</tr>
<tr>
<td><strong>Profit for the period</strong></td>
<td>426,309</td>
<td>334,486</td>
<td>426,309</td>
<td>282,588</td>
</tr>
<tr>
<td><strong>Net margin</strong></td>
<td>40.3%</td>
<td>38.5%</td>
<td>40.3%</td>
<td>38.3%</td>
</tr>
<tr>
<td>Attributable to:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity holders of the Company</td>
<td>426,401</td>
<td>334,486</td>
<td>426,401</td>
<td>282,588</td>
</tr>
<tr>
<td>Minority interest</td>
<td>(92)</td>
<td>-</td>
<td>(92)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Earnings per share</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- basic (RMB)</td>
<td>0.239</td>
<td>0.188</td>
<td>0.239</td>
<td>0.160</td>
</tr>
<tr>
<td>- diluted (RMB)</td>
<td>0.232</td>
<td>0.183</td>
<td>0.232</td>
<td>0.156</td>
</tr>
</tbody>
</table>
### CONDENSED CONSOLIDATED BALANCE SHEET

In RMB '000 (unless otherwise stated)  

#### ASSETS

**Non-current assets**

- **Fixed assets**: 821,851 (Unaudited) 739,955 (Unaudited)  
- **Construction in progress**: 109,027 (Unaudited) 49,994 (Unaudited)  
- **Investment property**: 66,772 (Unaudited) - (Unaudited)  
- **Leasehold land and land use rights**: 36,984 (Unaudited) 9,916 (Unaudited)  
- **Intangible assets**: 207,989 (Unaudited) 168,461 (Unaudited)  
- **Investment in a jointly controlled entity**: 496 (Unaudited) - (Unaudited)  
- **Held-to-maturity investments**: 59,974 (Unaudited) 59,974 (Unaudited)  

**Current assets**

- **Inventories**: 1,628 (Unaudited) 1,776 (Unaudited)  
- **Accounts receivable**: 581,968 (Unaudited) 491,821 (Unaudited)  
- **Prepayments, deposits and other receivables**: 159,225 (Unaudited) 193,746 (Unaudited)  
- **Financial assets held for trading**: 221,914 (Unaudited) 245,278 (Unaudited)  
- **Held-to-maturity investments**: 75,108 (Unaudited) 228,465 (Unaudited)  
- **Term deposits with initial term of over three months**: 914,240 (Unaudited) 914,784 (Unaudited)  
- **Cash and cash equivalents**: 2,320,844 (Unaudited) 1,839,775 (Unaudited)  

**Total Assets**: 5,810,793 (Unaudited) 5,161,948 (Unaudited)  

#### EQUITY

**Shareholders’ equity**

- **Share capital**: 194 (Unaudited) 194 (Unaudited)  
- **Share premium**: 1,424,814 (Unaudited) 1,509,906 (Unaudited)  
- **Share-based compensation reserve**: 190,387 (Unaudited) 158,892 (Unaudited)  
- **Other reserves**: 86,469 (Unaudited) 86,469 (Unaudited)  
- **Retained earnings**: 2,894,842 (Unaudited) 2,468,441 (Unaudited)  

**Total equity**: 4,602,388 (Unaudited) 4,223,902 (Unaudited)  

#### LIABILITIES

**Non-current liabilities**

- **Deferred income tax liabilities**: 27,912 (Unaudited) 22,337 (Unaudited)  

**Current liabilities**

- **Accounts payable**: 128,870 (Unaudited) 82,836 (Unaudited)  
- **Other payables and accruals**: 549,665 (Unaudited) 432,077 (Unaudited)  
- **Current income tax liabilities**: 71,287 (Unaudited) 52,282 (Unaudited)  
- **Other tax liabilities**: 63,202 (Unaudited) 31,518 (Unaudited)  
- **Deferred revenue**: 367,469 (Unaudited) 316,996 (Unaudited)  

**Total Liabilities**: 1,208,405 (Unaudited) 938,046 (Unaudited)  

**Total Equity and Liabilities**: 5,810,793 (Unaudited) 5,161,948 (Unaudited)