

For Immediate Release

TENCENT ANNOUNCES 2009 FOURTH QUARTER AND ANNUAL RESULTS

Hong Kong, March 17, 2010 – 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 fourth quarter of 2009 and audited consolidated results for the year ended December 31, 2009.

Highlights of 2009 full year:

- § Total revenues were RMB12,440.0 million (USD1,821.9 million¹), an increase of 73.9% over the year ended December 31, 2008 (“YoY”)
- § Revenues from Internet value-added services (“IVAS”) were RMB9,530.7 million (USD1,395.8 million), an increase of 93.9% YoY
- § Revenues from mobile & telecommunications value-added services (“MVAS”) were RMB1,905.6 million (USD279.1 million), an increase of 36.2% YoY
- § Revenues from online advertising were RMB962.2 million (USD140.9 million), an increase of 16.5% YoY
- § Gross profit was RMB8,550.5 million (USD1,252.2 million), an increase of 71.6% YoY. Gross margin decreased to 68.7% from 69.7% last year
- § Operating profit was RMB6,020.5 million (USD881.7 million), an increase of 85.5% YoY. Operating margin increased to 48.4% from 45.4% last year
- § Profit for the year was RMB5,221.6 million (USD764.7 million), an increase of 85.4% YoY. Net margin increased to 42.0% from 39.4% last year
- § Profit attributable to the equity holders of the Company for the year was RMB5,155.6 million (USD755.1 million), an increase of 85.2% YoY
- § Basic earnings per share were RMB2.862. Diluted earnings per share were RMB2.791.
- § The Board of Directors has recommended a final dividend of HKD0.40 per share for the year ended December 31, 2009, subject to the approval of the shareholders at the Annual General Meeting to be held on May 12, 2010. The proposed dividend will be payable on May 26, 2010.

Highlights of the fourth quarter of 2009:

- § Total revenues were RMB3,688.3 million (USD540.2 million), an increase of 9.5% over the third quarter of 2009 (“QoQ”) or an increase of 75.9% over the fourth quarter of 2008 (“YoY”)
- § Revenues from IVAS were RMB2,847.1 million (USD417.0 million), an increase of 8.6% QoQ or an increase of 92.6% YoY
- § Revenues from MVAS were RMB549.9 million (USD80.5 million), an increase of 23.3% QoQ or an increase of 37.5% YoY
- § Revenues from online advertising were RMB279.0 million (USD40.9 million), a decrease of 5.0% QoQ or an increase of 33.1% YoY

¹ Figures stated in USD are based on USD1 to RMB6.8282

- § Gross profit was RMB2,543.4 million (USD372.5 million), an increase of 8.5% QoQ or an increase of 79.8% YoY. Gross margin decreased to 69.0% from 69.6% last quarter
- § Operating profit was RMB1,776.7 million (USD260.2 million), an increase of 5.7% QoQ or an increase of 90.5% YoY. Operating margin decreased to 48.2% from 49.9% last quarter
- § Profit for the period was RMB1,533.1 million (USD224.5 million), an increase of 7.0% QoQ or an increase of 75.0% YoY. Net margin decreased to 41.6% from 42.5% last quarter
- § Profit attributable to equity holders of the Company for the period was RMB1,507.9 million (USD220.8 million), an increase of 6.2% QoQ or an increase of 73.5% YoY
- § Key platform statistics:
 - Active Instant Messaging (“IM”) user accounts increased 7.8% QoQ to 522.9 million
 - Peak simultaneous online user accounts for IM services increased 23.2% QoQ to 93.0 million
 - Active user accounts of Qzone increased 27.0% QoQ to 387.8 million
 - Peak simultaneous online user accounts of QQ Game portal (for mini casual games only) increased 8.8% QoQ to 6.2 million
 - IVAS paying subscriptions increased 7.7% QoQ to 51.6 million
 - MVAS paying subscriptions increased 14.7% QoQ to 20.3 million

Mr. Ma Huateng, Chairman and CEO of Tencent, said, “On the backdrop of improved economy and rapid growth of the Internet industry in China, Tencent delivered solid financial and operating performance in the year of 2009, capitalizing on our diversified and platform-based business model. We are excited to report that QQ IM’s PCU exceeded 100 million in March 2010, marking a new milestone in the history of China’s Internet market. As the Chinese Internet market continues to develop, we have witnessed users’ increasing demand for better services, and more intensified competition from experienced and well-funded competitors. In order to maintain our position in this dynamic and highly competitive industry, we will continue to increase our investments in research and development, technical infrastructure, people development and branding in the coming years. These investments are aimed to benefit the Company and our shareholders in the long-run.”

Financial Review for the Fourth Quarter of 2009

IVAS revenues increased 8.6% QoQ to RMB2,847.1 million and represented 77.2% of our total revenues for the fourth quarter of 2009. Revenues from community value-added services, which were less sensitive to seasonal fluctuation, increased 18.1% QoQ to RMB1,292.1 million, which was attributable to the growth in Qzone, QQ Membership and QQ Show partly offset by the decline in QQ Pets. Qzone registered significant growth during the quarter as a result of increased user engagement and monetization driven by the popularity of social networking service (“SNS”) applications. Subscriber base of QQ Membership expanded, thanks to our ongoing enrichment of online and offline privileges which enhanced user loyalty and stickiness. Growth in revenues from QQ Show was attributable to the increase in monthly subscription, as well as improvement in customer loyalty driven by the launch of annual subscription package and our continued enhancements in user experience. QQ Pets experienced decline in revenues as the Company reduced monetization to increase usage and to transform it into a multi-player community platform. Revenues from online gaming business increased 1.7% QoQ to RMB1,555.0 million, despite weaker seasonality. This was primarily due to the increase in revenues from Dungeon and Fighter (“DNF”) and Cross Fire as a result of the launch of upgrades and promotional activities. Silk Road Hero, a web-based MMOG launched in the previous quarter, started to gain popularity and registered revenue growth as well. On

the other hand, revenues from more mature MMOGs declined.

MVAS revenues increased 23.3% QoQ to RMB549.9 million and represented 14.9% of our total revenues. This was primarily driven by the growth in the user base of our bundled SMS packages resulting from the launch of privileges associated with our SNS applications as well as our continued enhancements in service features. The growth in mobile games and the recovery of realisation rates, which were particularly low in the third quarter of 2009, also contributed to the revenue increase. Revenues from WAP business declined mainly due to the suspension of the WAP billing system by China Mobile since November 30, 2009.

Online advertising revenues decreased 5.0% QoQ to RMB279.0 million and represented 7.6% of our total revenues. This was due to the significant reduction in search-based advertising revenues as a result of the amended service contract with our partner and the transition into our self-developed search engine. Albeit weaker seasonality in the fourth quarter, advertising revenues from our IM client and portal increased by 2.8% QoQ on the back of the general improvement in macro environment and improved customer recognition of the effectiveness of our advertising platforms.

Other Key Financial Information for the Fourth Quarter of 2009

Share-based compensation was RMB100.3 million for the fourth quarter of 2009 as compared with RMB117.8 million for the previous quarter.

Foreign exchange loss was RMB0.4 million for the fourth quarter of 2009 as compared with a loss of RMB1.2 million for the previous quarter.

Capital expenditure was RMB369.2 million for the fourth quarter of 2009 as compared with RMB269.1 million for the previous quarter.

Basic earnings per share for the quarter were RMB0.835, and diluted earnings per share were RMB 0.812.

As at December 31, 2009, cash and cash equivalents, term deposits with initial term of over three months and held-to-maturity investments totaled RMB11,695.3 million. The total number of shares of the Company in issue was 1.819 billion.

Business Review and Outlook

The Internet market in China continued to expand rapidly in 2009. Total number of Internet users increased by 28.9% to 384 million at the end of the year, according to China Internet Network Information Center. At the end of 2009, Internet penetration stood at 28.9%, reaching global average, but was still lower than that in developed countries. After years of rapid growth in penetration, the growth rate of new users is poised to slow down over time. On the other hand, the usage of Internet is becoming more entrenched in users' everyday life. This is evidenced by the fact that the average time spent online per user has been growing. In addition, the Internet has increasingly become a major media for people in China to communicate and network, to seek entertainment and information as well as to conduct transactions. We believe the sector is well poised to benefit from the secular growth of the Chinese economy in the long run.

2009 was a year in flux for both the economy and Internet industry in China. The overall economic environment was very challenging at the beginning of the year with the global financial crisis negatively impacting on investments and consumption. However, market conditions improved substantially later on, riding on the Chinese government's enormous stimulus package. For the Internet market, the year saw rapid development of the mobile Internet, catalysed by the reduction in traffic costs, increasing penetration of Internet-enabled mobile devices, and the launch of 3G mobile networks. At the end of 2009, total mobile Internet population in China increased significantly by 98.5% to 233 million. Such rapid growth has underpinned the rising adoption of different Internet applications on mobile, including WAP portal, IM, SNS and games. Another significant development in the Internet market was the evolution and substantial growth of the SNS sector, mainly driven by the rising popularity of social gaming applications. SNS platforms have increasingly become an indispensable part of everyday life for Internet users. Meanwhile, the online gaming sector continued to expand, riding on the continued growth of MMOGs, advanced casual games and mini casual games, as well as the upsurge in web-based games. During the year, usage of online video also grew significantly, although rampant piracy hampered participation of established Internet companies like ourselves. For online advertising, the industry was impacted by the global financial crisis in the first half of the year as advertisers significantly reduced their spending in response to the economic downturn. This was followed by a gradual recovery in the second half of the year as market conditions improved.

As the Chinese Internet market continues to develop, we have witnessed users' increasing demand for better services, and more intensified competition from experienced and well-funded competitors. In order to maintain our position in this dynamic and highly competitive industry, we will continue to increase our investments in research and development, technical infrastructure, people development and branding in the coming years. In this process, we will incur significant costs and may even have to forgo certain revenues that interfere with user experience. However, we believe we ought to take a long-term perspective in building our business, and these investments will benefit the Company and our shareholders in the long run.

In the year of 2009, Tencent's diversified business portfolio delivered robust growth. Our Internet value-added services ("IVAS") grew significantly during the year, underpinned by the growth of our major online games and community value-added services. Our mobile and telecommunications value-added services ("MVAS") also registered solid increase in revenues on the back of the growth in our bundled SMS packages and mobile games. Despite the impact of the global financial crisis, our

online advertising business registered above-industry growth as we continued to improve the key aspects of our business, including brand, content, sales organisation and technology platform. For the fourth quarter of 2009, our IVAS registered increase in revenues as our community value-added services, which were less sensitive to seasonal fluctuation, continued to grow. Despite weaker seasonality, revenues from our online gaming business were broadly stable compared to the previous quarter, primarily driven by the strong performance of DNF and Cross Fire. Our MVAS enjoyed significant growth in revenues on the back of the continued increase in the user base of our bundled SMS packages. Mobile games and the recovery of realisation rates, which were particularly low in the third quarter, also contributed to the growth. Our online advertising business experienced decline in revenues in the fourth quarter. This mainly reflected the contraction of our search-based advertising business as we amended service contract with our partner and switched to our self-developed search engine. Advertising revenues from our IM client and portal increased with general improvement in macro environment as well as enhanced customer recognition of the effectiveness of our advertising platforms. Looking into the first quarter of 2010, we expect more favourable seasonality for our IVAS, particularly for our online games, as the winter break for students and the Chinese New Year holidays would enhance users' propensity to spend. For MVAS, revenues would be affected by the suspension of billing for WAP services by China Mobile since 30 November 2009 and the continued decline of legacy services, including content download, colour ringback tone and IVR. The regulatory measure implemented in early 2010, which limits one SMS service code to one product only, would also have a negative impact on the business. Our online advertising business would face a weaker season in the first quarter as advertising activities generally slow down around the Chinese New Year holidays.

IM Platform

Our core IM platform enjoyed continued growth during the year, thanks to the increasing popularity of SNS, which enhanced user activity and engagement through cross-platform integration. Usage of our IM service via client software installed on Internet-enabled mobile devices also contributed to the growth. Active user accounts at the end of the year reached 522.9 million, representing a year-on-year growth of 38.8%. Peak concurrent user accounts ("PCU") increased by 87.1% to 93.0 million in the fourth quarter. On 5 March 2010, we made a significant milestone as our PCU exceeded 100 million, marking a new page in the history of China's Internet market.

During the year, we continued to focus on enhancing our IM platform. QQ 2009, a new generation of our IM service, was successfully launched to enhance the overall user experience, and to allow us to better address different needs of our large user base. Its improved architecture also enables broader and deeper integration with other platforms of Tencent, enhancing user value and stickiness. Going forward, we will further enhance our services for different user segments with tailored functionalities based on the new architecture.

QQ.com

QQ.com continued to generate the highest traffic among portals in China. During the year, our brand image and awareness further improved as we stepped up our advertising and promotional activities, which include a major brand TV advertising campaign that ran from December 2009 to early 2010. We also focused on enhancing QQ.com's position as a leading mainstream media by strengthening the reporting of major events, such as the 60th anniversary of National Day, and enhancing the content quality of different channels. In 2010, we will leverage our sponsorship for the 2010 World

Exposition in Shanghai as well as the coverage of other major events, such as the World Cup, to further enhance our brand position and media influence. We will also continue to improve our key vertical channels and achieve stronger integration with other platforms of Tencent.

Internet value-added services

For our community value-added services, Qzone registered robust growth during the year and further consolidated its position as the largest SNS platform in China, with active user accounts increasing by 158.4% YoY to 387.8 million at the end of 2009. The key drivers of the strong growth were the popularity of SNS applications, especially social games, as well as the continued improvements in user experience and features. Xiaoyou, a real-name SNS launched in January 2009, gained considerable traction during the year and has become a popular service among university students and young alumni. In 2010, we will focus on offering more SNS applications, including third-party applications, to enhance user value and better address the needs of different user groups in the market. We will also enhance the integration of our SNS with other platforms of Tencent to further extend our leadership. For QQ Membership, 2009 saw significant growth in user base as well as enhanced user loyalty and stickiness, mainly attributable to the bundling of more value-added functions as well as online and offline lifestyle privileges. However, further growth of QQ Membership will become more challenging with its large base and already high penetration among the QQ users. For QQ Show, revenues increased significantly during the year as we focused on promoting its fashionable appeal with the launch of different trendy themes and offline promotions, as well as improving user loyalty and stickiness through our subscription program. Seasonal volatility of the product also decreased as the bulk of the revenue was generated through monthly subscription as opposed to item-sale before. For QQ Pets, revenues declined during the year as we reduced monetisation to increase usage and to transform it into a multi-player community platform. We will re-position the product as a game targeting younger demographics, and expect the product to generate relatively little revenue going forward.

Our online game business posted remarkable growth in 2009. Since the second quarter of 2009, we have become the largest online game operator in China by revenue, demonstrating the strengths of our platforms, our diversified product portfolio as well as our execution capabilities. During the year, our major MMOGs and advanced casual games commanded strong market response and posted significant growth in users and revenues. DNF experienced significant growth during the year. In the fourth quarter of 2009, its PCU reached 2.2 million, making it one of China's top online games. Cross Fire became the first First Person Shooting ("FPS") game in the world achieving the 1 million PCU milestone. Its PCU further increased to 1.8 million in the fourth quarter. QQ Dancer also saw its PCU surpassing 1 million during the year. QQ Game, the largest mini-casual game portal in China, continued to register solid growth with its PCU growing to 6.2 million in the fourth quarter of 2009.

During 2009, we launched Silk Road Hero, a web-based MMOG, and Hero Island, a niche market MMOG, to address various segments in the online gaming market. At the beginning of 2010, we also introduced A.V.A., an advanced FPS game, to further enrich our game portfolio. As the online game industry begins to mature, we believe gamers will demand for increasingly high quality games, increasing the investment requirements and decreasing the success rates for new games. Amid this more challenging industry environment, we will continue to leverage our platforms and extensive operational experience to launch high quality games in different market segments via self-development, licensing and investments. Our preliminary pipeline for the rest of 2010 includes

four MMOGs. We will also continue to develop new content and play modes for our existing games.

Mobile and telecommunications value-added services

Our MVAS business registered solid growth in 2009 with the continued organic growth of our bundled SMS packages and mobile games. During the year, traffic on our WAP portal registered significant growth, further consolidating our position as the leading wireless portal in China. We also continued to develop mobile applications based on our existing Internet platforms to address the different needs of mobile Internet users and capture the opportunities presented by the launch of 3G in China.

Despite the opportunities ahead, outlook of the MVAS sector in China remains uncertain as the industry value chain continues to evolve. The suspension of the billing for WAP services and additional regulatory measures implemented in early 2010 exemplified the challenging regulatory environment. We are also facing shrinking business volume for our legacy services and intensifying competition from new entrants in the market. Although we have been actively adjusting our business operations to mitigate the negative impact of these risk factors, it is important to recognise that our MVAS revenues for 2010 will continue to face low visibility and high volatility.

Online advertising

Our online advertising business faced a tough operating environment in 2009, particularly at the beginning of the year, as the global financial crisis severely affected market sentiment and advertising spending. Despite the challenges, we achieved above-industry revenue growth during the year, on the back of increased customer recognition of the effectiveness of our advertising platforms as well as our enhanced operations. Riding on our success among online gaming, food and beverage and apparel advertisers, we made good progress in other major advertiser sectors including automobile and finance.

During the year, we continued to focus on enhancing the overall competitiveness of our business. Our advertising platform has been significantly improved to offer more effective support to our sales teams in satisfying customer needs. We also stepped up our brand investments which have enhanced market recognition of the strengths of our Internet platforms among advertisers.

Looking into 2010, we will continue to focus on leveraging our integrated platforms as a key differentiator to broaden our advertiser base. Significant investments in our brand will also be made. In particular, we will ride on major events, including the 2010 World Exposition and World Cup, to enhance our brand image and media influence as well as to generate advertising opportunities. We will also continue to focus on improving the key aspects of our operations, including sales organisation and advertising platform. On the other hand, we expect to see relatively little revenue from our search business during the year as we have just switched to our self-developed search engine, and the near-to-mid-term priority for us will be on improving the user experience as opposed to generating revenue.

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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 social networking 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 88369 or (852) 21795122 Email: cchan@tencent.com

Jane Yip Tel: (86) 755 86013388 ext 81374 or (852) 21795122 Email: janeyip@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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In RMB '000 (unless otherwise stated)

	Unaudited		Audited	
	4Q2009	3Q2009	2009	2008
Revenues	3,688,264	3,368,908	12,439,960	7,154,544
Internet VAS	2,847,055	2,622,625	9,530,711	4,914,974
Mobile & Telecom VAS	549,899	446,152	1,905,599	1,398,984
Online Advertising	279,006	293,558	962,171	826,049
Others	12,304	6,573	41,479	14,537
Cost of revenues	(1,144,855)	(1,024,086)	(3,889,468)	(2,170,421)
Gross profit	2,543,409	2,344,822	8,550,492	4,984,123
<i>Gross margin</i>	69.0%	69.6%	68.7%	69.7%
Interest income	41,116	33,329	136,014	105,216
Other (losses)/gains, net	(26,886)	5,685	(58,213)	6,989
S&M expenses	(208,105)	(160,671)	(581,468)	(518,147)
G&A expenses	(572,882)	(542,818)	(2,026,347)	(1,332,207)
Operating profit	1,776,652	1,680,347	6,020,478	3,245,974
<i>Operating margin</i>	48.2%	49.9%	48.4%	45.4%
Finance costs	(369)	(1,179)	(1,953)	(140,732)
Share of profit/(loss) of associates	9,542	3,840	22,206	(347)
Profit before income tax	1,785,825	1,683,008	6,040,731	3,104,895
Income tax expense	(252,772)	(249,808)	(819,120)	(289,245)
Profit /total comprehensive income for the period	1,533,053	1,433,200	5,221,611	2,815,650
<i>Net margin</i>	41.6%	42.5%	42.0%	39.4%
Attributable to:				
Equity holders of the Company	1,507,945	1,419,851	5,155,646	2,784,577
Minority interests	25,108	13,349	65,965	31,073
Earnings per share				
- basic (RMB)	0.835	0.787	2.862	1.552
- diluted (RMB)	0.812	0.767	2.791	1.514

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In RMB '000 (unless otherwise stated)

	Audited	
	As at 31 December	
	2009	2008
ASSETS		
Non-current assets		
Fixed assets	2,517,202	1,165,048
Construction in progress	105,771	875,897
Investment properties	68,025	64,981
Leasehold land and land use rights	35,296	36,046
Intangible assets	268,713	370,314
Investment in associates	477,622	302,712
Deferred income tax assets	301,016	334,164
Held-to-maturity investments	341,410	-
Available-for-sale financial assets	153,462	86,180
Prepayments, deposits and other receivables	80,306	124,354
	<u>4,348,823</u>	<u>3,359,696</u>
Current assets		
Inventories	-	5,483
Accounts receivable	1,229,436	983,459
Prepayments, deposits and other receivables	373,642	378,340
Financial assets held for trading	-	329,804
Held-to-maturity investments	-	68,346
Term deposits with initial term of over three months	5,310,168	1,662,501
Restricted cash	200,000	-
Cash and cash equivalents	6,043,696	3,067,928
	<u>13,156,942</u>	<u>6,495,861</u>
Total Assets	<u>17,505,765</u>	<u>9,855,557</u>
EQUITY		
Equity attributable to the Company's equity holders		
Share capital	197	195
Share premium	1,244,425	1,155,209
Shares held for share award scheme	(123,767)	(21,809)
Share-based compensation reserve	703,563	381,439
Other reserves	(166,364)	(433,038)
Retained earnings	10,520,453	5,938,930
	<u>12,178,507</u>	<u>7,020,926</u>
Minority interests in equity	<u>120,146</u>	<u>98,406</u>
Total Equity	<u>12,298,653</u>	<u>7,119,332</u>
LIABILITIES		
Non-current liabilities		
Deferred income tax liabilities	369,983	78,368
Long-term payables	274,050	566,260
	<u>644,033</u>	<u>644,628</u>
Current liabilities		
Accounts payable	696,511	244,647
Other payables and accruals	1,626,051	1,013,542
Short-term bank borrowing	202,322	-
Current income tax liabilities	85,216	47,307
Other tax liabilities	216,978	103,933
Deferred revenue	1,736,001	682,168
	<u>4,563,079</u>	<u>2,091,597</u>
Total Liabilities	<u>5,207,112</u>	<u>2,736,225</u>
Total Equity and Liabilities	<u>17,505,765</u>	<u>9,855,557</u>