

For Immediate Release

**TENCENT ANNOUNCES 2006 FOURTH QUARTER AND ANNUAL RESULTS
Martin Lau Appointed As Executive Director**

Hong Kong, March 21, 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 fourth quarter of 2006 and audited results for the year ended December 31, 2006.

At the same time, the Board of Directors of the Company was pleased to announce the appointment of Mr. Lau Chi Ping Martin, the President of the Company, as an Executive Director with effect from March 21, 2007.

Highlights of 2006 full year:

- Total revenues were RMB2,800.4 million (USD358.6 million), an increase of 96.3% over the year ended December 31, 2005 (“YoY”)
- Revenues from Internet value-added services (IVAS) were RMB1,825.3 million (USD233.8 million), an increase of 132.0% YoY
- Revenues from Mobile & telecommunications value-added services (MVAS) were RMB700.1 million (USD89.7 million), an increase of 35.3% YoY
- Revenues from Online advertising were RMB266.7 million (USD34.2 million), an increase of 136.4% YoY
- Gross profit was RMB1,983.4 million (USD254.0 million), an increase of 107.4% YoY
- Operating profit was RMB1,163.3 million (USD149.0 million), an increase of 140.2% YoY
- Net profit for the year was RMB1,063.8 million (USD136.2 million), an increase of 119.2% YoY
- The Board of Directors has recommended a final dividend of HKD0.12 per share, subject to the approval of the shareholders at the Annual General Meeting to be held on May 16, 2007. The proposed dividend will be payable on May 30, 2007.

Highlights of the fourth quarter of 2006:

- Total revenues were RMB713.2 million (USD91.3 million), a decrease of 3.2% over the third quarter (“QoQ”) or an increase of 66.1% over the fourth quarter of 2005 (“YoY”)
- Revenues from IVAS were RMB436.5 million (USD55.9 million), a decline of 10.9% QoQ or an increase of 65.9% YoY
- Revenues from MVAS were RMB193.1 million (USD24.7 million), an increase of 16.8% QoQ or an increase of 54.0% YoY
- Revenues from Online advertising were RMB81.5 million (USD10.4 million), an increase of 1.4% QoQ or an increase of 116.4% YoY
- Gross profit was RMB479.5 million (USD61.4 million), a decrease of 9.2% QoQ or an increase of 65.8% YoY
- Operating profit was RMB244.2 million (USD31.3 million), a decline of 25.4% QoQ or an increase of 68.5% YoY
- Net profit was RMB263.6 million (USD33.8 million), a decrease of 6.7% QoQ or an increase of 113.1% YoY

- Key platform statistics:
 - Total registered Instant Messaging (“IM”) user accounts increased to 580.5 million, representing a 1.4% growth QoQ
 - Peak simultaneous online user accounts for IM services recorded over 24.5 million, a growth of 10.9% QoQ
 - Active IM user accounts increased 5.1% QoQ to 232.6 million
 - Peak simultaneous online user accounts of QQ Game portal (for mini casual games only) was 2.71 million, an increase of 5.9% QoQ
 - IVAS paying subscriptions were 12.5 million, a decrease of 8.8% QoQ
 - MVAS paying subscriptions were 9.9 million, a decrease of 2.0% QoQ

*Figures stated in USD are based on USD1 to RMB7.8087

Mr. Ma Huateng, Chairman and CEO of Tencent, said, “In 2006, we experienced a strong year of growth in our businesses, reaping the fruits of our investments in research and development and new products in 2005. On the other hand, we also faced intensifying competition and made significant more efforts to improve user account security in our IM service. Going forward, the Company will continue to make investments in our existing and new products. We believe our strategy of focusing on our users’ experience and building sustainable franchises will pay off for us over the long run.”

Commenting on Mr. Lau’s appointment as Executive Director, Mr. Ma said, “Martin has made tremendous contribution to the Company over the past two years as a senior management member. He brought a high degree of management competence and deep strategic insight in China’s fast developing Internet industry. Today, we are pleased to welcome him to the Board and believe that in this capacity, Martin will further contribute to the continued, long-term success of Tencent.”

Business Highlights of the Fourth Quarter of 2006

IVAS revenues decreased 10.9% QoQ to RMB436.5 million and represented 61.2% of the total revenues in the fourth quarter of 2006. Revenues from Tencent’s online entertainment-related value-added services, such as online identity and community business and online games, decreased due to seasonal factors as the impact of the school summer holidays that affected the third quarter did not continue in the fourth quarter. A special one-time event, a vote for “Super Girls” using Tencent’s QQ and QQ Live platforms in partnership with Hunan Satellite TV, also contributed to the higher third quarter results. In addition, Tencent implemented measures to enhance the security of users’ virtual items, which particularly affected revenues from QQ Show and QQ Game in the fourth quarter. The decrease was somewhat offset by growth in revenues from Premium QQ.

As part of IVAS revenues, the total revenues generated from Online games decreased 16.8% QoQ to RMB135.9 million in the fourth quarter as Tencent implemented a system upgrade with respect to QQ Game to improve system performance and user experience, and to provide more effective support for in-game avatars and in-game advertising. The system upgrade affected certain monetization of the game portal in the fourth quarter.

MVAS revenues increased 16.8% QoQ to RMB193.1 million and represented 27.1% of total revenues in the fourth quarter of 2006. This increase reflected increases in revenues from Tencent’s

communication-based SMS, mobile voice value-added services and 2.5G services. China Mobile had implemented policy changes for wireless value-added services on its Monternet platform in the third quarter, involving giving new subscribers free one-month trial periods and reminding subscribers of fees and cancellation procedures, which had a negative effect on Tencent's revenues. In September and continuing in the fourth quarter, China Mobile discontinued its one-month trial period policy for SMS services. The discontinuing of such policy by China Mobile had a positive impact on Tencent's revenues and allowed Tencent to offer enhanced services and products by increasing its promotional activity during the fourth quarter. The increase in revenues was partially offset by decreased revenues from content-based SMS services. In December, Tencent entered into a partnership with China Mobile to develop a platform tentatively named "Fetion QQ" that will enable interconnection between China Mobile's Fetion handset users and QQ subscribers, which is expected to be introduced in the middle of 2007.

Online advertising revenues increased 1.4% QoQ to RMB81.5 million and represented 11.4% of total revenues in the fourth quarter of 2006. Tencent was able to achieve growth in Online advertising in the fourth quarter compared to a seasonally strong third quarter. The increase was mainly attributable to increased in-game advertising revenues. The increase was partially offset by a decrease in advertising revenues from Tencent's web portal due to seasonal factors.

Financials of the Fourth Quarter of 2006

Gross profit for the fourth quarter was RMB479.5 million, a decrease of 9.2% QoQ or an increase of 65.8% YoY. Gross margin was 67.2% compared with 71.7% in the third quarter. Operating profit for the fourth quarter was RMB244.2 million, a decrease of 25.4% QoQ or an increase of 68.5% YoY. Operating margin decreased to 34.2% compared with 44.4% in the previous quarter. Net profit for the fourth quarter was RMB263.6 million, a decrease of 6.7% QoQ or an increase of 113.1% YOY. Net margin was 37.0% compared with 38.3% in the previous quarter. Basic earnings per share were RMB0.149. Diluted earnings per share were RMB0.145.

In the fourth quarter, the Company formed the Tencent Charity Fund to support charitable initiatives in China. Tencent made an initial donation of RMB20 million to the fund, which was recorded as an operating expense in the fourth quarter. Tencent believes that, as a good corporate citizen, it should contribute to the development of a better society in China. In addition, Tencent wants to encourage its employees to participate in charity and volunteer work and build a strong and constructive corporate culture. The Company is committed to supporting the Tencent Charity Fund through additional donations and by encouraging its employees to participate actively in the future.

Share-based compensation charge for this quarter was RMB23.3 million as compared with RMB20.7 million for the previous quarter. Foreign exchange loss for this quarter, as a result of Renminbi appreciation, was RMB14.2 million as compared with RMB13.7 million for the previous quarter.

Outlook

The fourth quarter was a challenging quarter as Tencent came off the strong summer holidays season in the third quarter, and as measures to enhance user account security negatively impacted its Internet value-added services. The first quarter of 2007 would present better seasonality for its

Internet value-added services as a result of the Chinese New Year holidays and winter holidays for students. On the other hand, Tencent expects its account security measures will continue in the foreseeable future.

In the core IM platform, enhancing user security remained Company's number one priority. During the fourth quarter, Tencent strengthened its dedicated team of account security staff who have been designing various mechanisms to detect and prevent account thefts. Tencent had launched its QQ Security Doctor to allow its users to more easily detect and eliminate Trojan horses and viruses on their computers aimed to steal user account passwords. The Company has also put in various restrictions on transfer of virtual items such that virtual items in stolen accounts would not be easily transferred. Although some of the measures Tencent took had a negative impact on its revenues, particularly on item-based revenues, the Company is committed to continuing these measures to foster a safer environment for its users.

In Internet value-added services, Tencent's online identities businesses, Qzone and QQ Pet were relatively flat as organic growth in the businesses evened out weak seasonality and account security measures. On the other hand, QQ Show declined as it was particularly hard-hit by weak seasonality and account security measures and as the product became mature. For 2007, Tencent will continue to improve the speed and stability of Qzone, and develop more significant new features for QQ Pet and QQ Show.

With respect to online games, weak seasonality affected the revenues across the board in the fourth quarter. In addition, mini casual game was negatively impacted by account security measures as certain restrictions were placed on the purchase and consumption of virtual items. Tencent had also commissioned a system upgrade for its mini casual game which caused certain disruption to monetization of the service. Tencent expects such impacts would be somewhat alleviated in the future as the system upgrade progressed smoothly. Having said that, Tencent will continue to maintain a relatively modest level of monetization in its mini casual game to provide a balanced environment for its large user base which Tencent believe is an important franchise for its entire online game business. In MMOG, QQ Fantasy continued to face intense competition from increasing number of free-to-play games. To counter such pressure, Tencent had been introducing more in-game activities and developing expansion packs. In addition, Tencent is preparing for the launch of its light MMOG, QQ SanGuo, toward the summer season. Apart from QQ SanGuo, Tencent currently has one internally developed and one licensed 3D MMOG scheduled for launch in 2008. In advanced casual game, R2Beat started to contribute more revenue as Tencent increased the number of items for sale while QQ Tang declined as a result of weak seasonality. In the course of 2007, Tencent will continue to roll out expansion packs for both R2Beat and QQ Tang. In addition, the Company is looking to launch one or two games toward the second half of this year.

In wireless business, Tencent's revenues benefited from the relaxation of the one-month free trial policy by China Mobile and achieved growth despite continued industry volatility. During the quarter, Tencent entered into a cooperation memorandum with China Mobile to jointly develop a technical platform to implement interoperation between China Mobile's Fetion (mobile chat) handset users and its QQ users through the offering of "Fetion QQ". Tencent's current service contracts on mobile chat services with China Mobile were also extended for another six months at which time Fetion QQ is expected to be launched. Looking forward, the Company expects the wireless industry to remain

volatile and uncertain in the foreseeable future as regulatory scrutiny keeps increasing in response to consumer complaints. Tencent is committed to strengthening its cooperation with operators and regulators, and continuing to improve the user experience for its services. In addition, Tencent believes wireless Internet presents significant opportunity over the long run as more and more users access the Internet via their handsets. According to CNNIC, the number of users who access the Internet via handsets has reached 17 million by the end of 2006. Tencent will focus on investing in wireless Internet technology and its wireless portal to position itself for such growth.

Tencent's advertising business was relatively flat compared to a seasonally strong third quarter. Tencent has continued to sign up new advertisers as traffic to its IM and portal platforms grew. In addition, Tencent has placed a lot of emphasis on improving the foundation of its advertising business by professionalizing its advertising sales team and improving its advertising delivery technology. In 2007, Tencent will be focused on increasing the monetization of its QQ.com portal given it has already become the number one portal in China in terms of traffic since July 2006, according to Alexa.com. Tencent will invest in branding campaigns for QQ.com to raise its profile and increase purchase of strategic content to further improve its appeal for users. Although the first quarter of 2007 will be a weak season, Tencent strives to grow its advertising business at a rate above industry average in the entire year of 2007.

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.

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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 | |
|--------------------------------|------------------|------------------|------------------|------------------|
| | 4Q2006 | 3Q2006 | 2006 | 2005 |
| Revenues | 713,225 | 736,930 | 2,800,441 | 1,426,395 |
| Internet VAS | 436,527 | 490,018 | 1,825,343 | 786,680 |
| Mobile & Telecom VAS | 193,075 | 165,258 | 700,114 | 517,265 |
| Online Advertising | 81,525 | 80,417 | 266,684 | 112,826 |
| Others | 2,098 | 1,237 | 8,300 | 9,624 |
| COPS | (233,697) | (208,637) | (817,062) | (469,869) |
| Gross profit | 479,528 | 528,293 | 1,983,379 | 956,526 |
| Gross margin | 67.2% | 71.7% | 70.8% | 67.1% |
| Other gains, net | 18,360 | 21,942 | 83,195 | 73,145 |
| S&M expenses | (73,430) | (65,231) | (293,247) | (197,627) |
| G&A expenses | (180,229) | (157,546) | (610,022) | (347,685) |
| Operating profit | 244,229 | 327,458 | 1,163,305 | 484,359 |
| Operating margin | 34.2% | 44.4% | 41.5% | 34.0% |
| Foreign exchange loss | (14,206) | (15,696) | (46,534) | (47,304) |
| Profit before income tax | 230,023 | 311,762 | 1,116,771 | 437,055 |
| Income tax (expenses)/ benefit | 33,600 | (29,174) | (52,971) | 48,307 |
| Profit for the period | 263,623 | 282,588 | 1,063,800 | 485,362 |
| Net margin | 37.0% | 38.3% | 38.0% | 34.0% |
| Earnings per share | | | | |
| - basic (RMB) | 0.149 | 0.160 | 0.603 | 0.274 |
| - diluted (RMB) | 0.145 | 0.156 | 0.585 | 0.267 |

CONSOLIDATED BALANCE SHEETS

In RMB '000 (unless otherwise stated)

| | Audited | |
|--|-------------------|------------------|
| | As at 31 December | |
| | 2006 | 2005 |
| ASSETS | | |
| Non-current assets | | |
| Fixed assets | 549,109 | 365,047 |
| Construction in progress | 14,462 | - |
| Leasehold land and land use rights | 10,018 | - |
| Intangible assets | 155,587 | 21,432 |
| Held-to-maturity investments | - | 244,581 |
| Deferred income tax assets | 130,522 | 96,362 |
| Available-for-sale financial assets | 56,440 | 36,073 |
| | 916,138 | 763,495 |
| Current assets | | |
| Inventories | 2,466 | 2,647 |
| Accounts receivable | 399,337 | 222,754 |
| Prepayments, deposits and other receivables | 113,768 | 32,570 |
| Financial assets held for trading | 195,907 | 383,887 |
| Held-to-maturity investments | 234,261 | - |
| Term deposits with initial term of over three months | 944,375 | 445,725 |
| Cash and cash equivalents | 1,844,320 | 1,576,044 |
| | 3,734,434 | 2,663,627 |
| Total Assets | 4,650,572 | 3,427,122 |
| EQUITY | | |
| Shareholders' equity | | |
| Share capital | 192 | 192 |
| Share premium | 1,459,020 | 1,666,044 |
| Share-based compensation reserve | 118,078 | 40,109 |
| Other reserves | 80,925 | 66,609 |
| Retained earnings | 2,059,541 | 1,155,459 |
| | 3,717,756 | 2,928,413 |
| LIABILITIES | | |
| Non-current liabilities | | |
| Deferred income tax liabilities | 16,821 | 810 |
| Long term payable | 48,148 | - |
| | 64,969 | 810 |
| Current liabilities | | |
| Accounts payable | 38,934 | 25,555 |
| Other payables and accruals | 444,387 | 196,187 |
| Current income tax liabilities | 47,472 | 28,766 |
| Other tax liabilities | 17,715 | 13,256 |
| Deferred revenue | 319,339 | 234,135 |
| | 867,847 | 497,899 |
| Total Liabilities | 932,816 | 498,709 |
| Total Equity and Liabilities | 4,650,572 | 3,427,122 |