

For Immediate Release

TENCENT ANNOUNCES 2005 SECOND QUARTER AND INTERIM RESULTS
Strong Sequential Growth in Internet Value-added Services and Online Advertising

Hong Kong, August 24, 2005 – 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 second quarter and the half year ended June 30 2005.

Highlights for First Half of 2005:

- Total revenues increased by 20.1% to RMB634.1 million (USD76.6 million*) compared with the same period last year
- Revenues from Internet value-added services (IVAS) increased by 56.0% to RMB318.9 million (USD38.5 million)
- Revenues from mobile & telecommunications value-added services (MVAS) decreased by 9.4% to RMB270.8 million (USD32.7 million)
- Revenues from online advertising increased by 92.1% to RMB40.5 million (USD4.9 million)
- Operating profit reduced by 2.7% to RMB222.2 million (USD26.8 million). Net profit for the period increased by 30% to RMB283.9 million (USD34.3 million)

Highlights for the Second Quarter of 2005:

- Total revenues were RMB333.7 million (USD40.3 million), an increase of 11.1% QoQ and an increase of 23.3% YoY
- Revenues from IVAS were RMB169.9 million (USD20.5 million), an increase of 14.0% QoQ and an increase of 70.0% YoY
- Revenues from MVAS were RMB136.5 million (USD16.5 million), an increase of 1.7% QoQ and a decrease of 12.5% YoY
- Revenues from online advertising were RMB25.2 million (USD3.0 million), an increase of 64.6% QoQ and an increase of 95.9% YoY
- Operating profit was RMB118.8 million (USD14.3 million), an increase of 14.8% QoQ and an increase of 3.1% YoY
- Net profit was RMB187.0 million (USD22.6 million), an increase of 92.8% QoQ and an increase of 67.1% YoY. Basic earnings per share were RMB0.106
- Peak simultaneous online user accounts for Instant Messaging (IM) services recorded over 16.2 million, a growth of 22.7% QoQ. Peak simultaneous online user accounts of QQ Game portal (including mini casual games and advanced casual games) reached 1.44 million
- Total registered IM user accounts climbed to 438.4 million, representing a 9.4% growth QoQ. Active IM user accounts increased 16.0% QoQ to 173.1 million
- IVAS paying subscriptions were 9.4 million as of the end of the period, decreased 2.1% compared with March 31, 2005
- MVAS paying subscriptions were 9.2 million as of the end of the period, increased 1.1% compared with March 31, 2005

*Figures stated in USD are based on USD1 to RMB8.28

Mr Ma Huateng, Chairman and CEO of Tencent, said, "We are pleased to see our continued platform leadership as reflected in the growth in the number of users and traffic of our QQ IM, QQ.com and QQ Game portal in the second quarter. In addition, we achieved solid performance with double-digit growth in our Internet value-added services. We also recorded a strong increase in online advertising, demonstrating increasing recognition of our platform values among advertisers. We are committed to making continued investment in R&D and our people to further strengthen our franchise in the industry."

Business Highlights

In the second quarter, Tencent's core platforms continued to register healthy growth due to enhanced functionalities and content. Peak simultaneous online user accounts of QQ IM increased 22.7% QoQ to 16.2 million. QQ.com portal also recorded over 50% increase in its traffic.

Tencent's IVAS business accounted for 50.9% of the total revenues, compared with 49.6% in the previous quarter. The 14.0% QoQ revenue growth reflects the strong appeal of its enriched online identity products and game offerings, as well as the growth of Premium QQ. The Company conducted open beta testing for two new online identity products, Q-Zone and QQ Pet, and has received favorable initial response from users.

For online games business, QQ Game portal remained the leading casual game portal in China with over 1.44 million peak simultaneous online users. During the quarter, the Company refined the product offerings and increased promotions for its mini casual games and advanced casual game, QQ Tang. Online games revenues increased 20.8% QoQ to RMB25.3 million.

MVAS business made up 40.9% of Tencent's total revenues, compared with 44.7% in the previous quarter. MVAS revenues increased 1.7% QoQ. Revenues from mobile voice value-added services increased significantly but the increase was partially offset by the decline in revenues in SMS services due to the continued clean-up by the mobile operators.

Online advertising business accounted for 7.6% of Tencent's total revenues, compared with 5.1% in the previous quarter. The 64.6% sequential growth was primarily due to seasonality, a strengthened sales force and intensified marketing efforts of Tencent. It also reflects increasing recognition of QQ.com as a valuable advertising platform among advertisers.

Financials

Gross margin increased to 67.3% in the second quarter from 66.1% in the previous quarter. Operating profit increased 14.8% QoQ to RMB118.8 million. Operating margin was 35.6% compared with 34.4% in the previous quarter.

Net profit rose 92.8% QoQ to RMB187.0 million partly due to recognition of deferred tax assets of RMB88.6 million by a subsidiary. Net margin for the period was 56.0% compared with 32.3% in the previous quarter.

Outlook

Tencent is confident about the long-term potential of the Internet industry in China as the number of Internet and broadband users continue to grow rapidly. It is committed to providing compelling functionalities and contents to meet the needs of its users and capture the opportunities ahead.

Tencent intends to grow its IVAS as it releases online identity products QQ Pet and Q-Zone on a wider basis. For online games, the Company is planning to conduct open-beta testing for its self-developed MMOG, QQ Fantasy, in the fourth quarter. It expects to further grow the traffic of QQ Game portal and generate incremental revenues from its game business in the second half of the year.

For MVAS, Tencent expects continued volatility as industry environment continues to evolve and competition continues to intensify but it will increase its investment in the customization of its Internet-based products and services for the wireless platform, such as its WAP portal and networked wireless casual games, to prepare for the opportunities in the future 3G era.

Leveraging its significant traffic in its Internet platforms, Tencent strives to grow its online advertising revenues by investing in the branding of its QQ.com, building a strong sales team and developing strong relationships with leading advertisers in China.

About Tencent Holdings Limited

Tencent Holdings Limited is a leading provider of Internet and mobile & telecommunications value-added services in China. Tencent serves the largest instant messaging (IM) community in China as measured by registered IM user accounts. The Company's IM platform allows users to communicate in real-time across the Internet, and mobile and fixed line telecommunications networks using various terminal devices.

Tencent 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 the stock code 700. For more information, please visit our corporate website at www.tencent.com.

Tencent currently offers three IM products – QQ, TM and RTX. QQ is a consumer IM communication product which offers a variety of entertainment and community features. TM is for professional IM communications in a business environment. RTX offers an IM package solution that allows an enterprise to operate and manage its own internal IM network.

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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. The 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.

Financial Highlights

In '000 RMB (unless otherwise stated)

	2Q2005	1Q2005	2Q2005	2Q2004 (as restated)
Revenues	333,665	300,471	333,665	270,513
Internet VAS	169,883	149,064	169,883	99,913
Mobile & Telecom VAS	136,498	134,271	136,498	156,054
Online Advertising	25,170	15,293	25,170	12,847
Others	2,114	1,843	2,114	1,699
COPS	(108,963)	(101,928)	(108,963)	(100,652)
Gross profit	224,702	198,543	224,702	169,861
Gross margin	67.3%	66.1%	67.3%	62.8%
Other gains, net	15,148	11,905	15,148	1,061
S&M expenses	(45,501)	(38,513)	(45,501)	(26,773)
G&A expenses	(75,596)	(68,526)	(75,596)	(28,957)
Operating profit	118,753	103,409	118,753	115,192
Operating margin	35.6%	34.4%	35.6%	42.6%
Finance costs, net	(51)	(115)	(51)	(18)
Profit before income tax	118,702	103,294	118,702	115,174
Income tax benefit/(expenses)	68,271	(6,340)	68,271	(3,293)
Profit for the period	186,973	96,954	186,973	111,881
Net margin	56.0%	32.3%	56.0%	41.4%
Earnings per share				
- basic (RMB)	0.106	0.055	0.106	0.084
- diluted (RMB)	0.103	0.054	0.103	0.083

**CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT JUNE 30, 2005 AND MARCH 31, 2005**

	Unaudited June 30 2005 RMB'000	Unaudited March 31 2005 RMB'000
ASSETS		
Non-current assets		
Fixed assets	190,653	151,723
Intangible assets	18,055	-
Held-to-maturity investments	167,358	167,374
Deferred tax assets	86,748	-
	<u>462,814</u>	<u>319,097</u>
Current assets		
Accounts receivable	232,358	201,528
Prepayments, deposits and other receivables	32,910	54,012
Financial assets held for trading	675,200	669,948
Term deposits with initial term of over three months	547,459	560,172
Cash and cash equivalents	1,124,492	1,132,054
	<u>2,612,419</u>	<u>2,617,714</u>
Total Assets	<u><u>3,075,233</u></u>	<u><u>2,936,811</u></u>
EQUITY		
Shareholders' equity		
Share capital	193	192
Share premium	1,781,904	1,779,769
Share-based compensation reserve	15,426	10,120
Other reserves	66,609	52,442
Retained earnings	954,024	913,254
	<u>2,818,156</u>	<u>2,755,777</u>
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	358	-
Current liabilities		
Accounts payable	1,401	2,261
Other payables and accruals	110,006	68,534
Dividends payable	-	145
Current income tax liabilities	18,119	11,944
Other tax liabilities	13,269	16,754
Deferred revenue	113,924	81,396
	<u>256,719</u>	<u>181,034</u>
Total Liabilities	<u>257,077</u>	<u>181,034</u>
Total Equity and Liabilities	<u><u>3,075,233</u></u>	<u><u>2,936,811</u></u>