

For Immediate Release

TENCENT 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.

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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 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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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)

	Unaudited		Unaudited	
	3Q2007	2Q2007	3Q2007	3Q2006
Revenues	1,057,626	868,016	1,057,626	736,930
Internet VAS	717,718	546,235	717,718	490,018
Mobile & Telecom VAS	193,481	206,036	193,481	165,258
Online Advertising	144,643	114,599	144,643	80,417
Others	1,784	1,146	1,784	1,237
Cost of revenues	(295,112)	(266,041)	(295,112)	(208,637)
Gross profit	762,514	601,975	762,514	528,293
Gross margin	72.1%	69.4%	72.1%	71.7%
Other gains, net	5,033	23,315	5,033	21,942
S&M expenses	(78,039)	(70,870)	(78,039)	(65,231)
G&A expenses	(219,235)	(192,017)	(219,235)	(157,546)
Operating profit	470,273	362,403	470,273	327,458
Operating margin	44.5%	41.8%	44.5%	44.4%
Financial cost, net	(12,137)	(16,690)	(12,137)	(15,696)
Share of loss of a jointly controlled entity	(14)	-	(14)	-
Profit before income tax	458,122	345,713	458,122	311,762
Income tax expenses	(31,813)	(11,227)	(31,813)	(29,174)
Profit for the period	426,309	334,486	426,309	282,588
Net margin	40.3%	38.5%	40.3%	38.3%
Attributable to:				
Equity holders of the Company	426,401	334,486	426,401	282,588
Minority interest	(92)	-	(92)	-
Earnings per share				
- basic (RMB)	0.239	0.188	0.239	0.160
- diluted (RMB)	0.232	0.183	0.232	0.156

CONDENSED CONSOLIDATED BALANCE SHEET

In RMB '000 (unless otherwise stated)

	Unaudited 30 September 2007	Unaudited 30 June 2007
ASSETS		
Non-current assets		
Fixed assets	821,851	739,955
Construction in progress	109,027	49,994
Investment property	66,772	-
Leasehold land and land use rights	36,984	9,916
Intangible assets	207,989	168,461
Investment in a jointly controlled entity	496	-
Held-to-maturity investments	75,108	76,155
Deferred income tax assets	157,665	141,848
Available-for-sale financial assets	59,974	59,974
	<u>1,535,866</u>	<u>1,246,303</u>
Current assets		
Inventories	1,628	1,776
Accounts receivable	581,968	491,821
Prepayments, deposits and other receivables	159,225	193,746
Financial assets held for trading	221,914	245,278
Held-to-maturity investments	75,108	228,465
Term deposits with initial term of over three months	914,240	914,784
Cash and cash equivalents	2,320,844	1,839,775
	<u>4,274,927</u>	<u>3,915,645</u>
Total Assets	<u>5,810,793</u>	<u>5,161,948</u>
EQUITY		
Shareholders' equity		
Share capital	194	194
Share premium	1,424,814	1,509,906
Share-based compensation reserve	190,387	158,892
Other reserves	86,469	86,469
Retained earnings	2,894,842	2,468,441
	<u>4,596,706</u>	<u>4,223,902</u>
Minority interest in equity	<u>5,682</u>	<u>-</u>
Total equity	<u>4,602,388</u>	<u>4,223,902</u>
LIABILITIES		
Non-current liabilities		
Deferred income tax liabilities	27,912	22,337
	<u>27,912</u>	<u>22,337</u>
Current liabilities		
Accounts payable	128,870	82,836
Other payables and accruals	549,665	432,077
Current income tax liabilities	71,287	52,282
Other tax liabilities	63,202	31,518
Deferred revenue	367,469	316,996
	<u>1,180,493</u>	<u>915,709</u>
Total Liabilities	<u>1,208,405</u>	<u>938,046</u>
Total Equity and Liabilities	<u>5,810,793</u>	<u>5,161,948</u>