

**For Immediate Release**

**TENCENT ANNOUNCES 2009 FIRST QUARTER RESULTS**

**Hong Kong, May 13, 2009** – 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 first quarter of 2009 ended March 31, 2009.

***Highlights of the first quarter of 2009:***

- Total revenues were RMB2,504.4 million (USD366.4 million<sup>1</sup>), an increase of 19.4% over the fourth quarter of 2008 (“QoQ”) or an increase of 74.8% over the first quarter of 2008 (“YoY”)
- Revenues from Internet value-added services (“IVAS”) were RMB1,904.6 million (USD278.6 million), an increase of 28.8% QoQ or an increase of 90.7% YoY
- Revenues from Mobile & telecommunications value-added services (“MVAS”) were RMB439.5 million (USD64.3 million), an increase of 9.9% QoQ or an increase of 52.5% YoY
- Revenues from Online advertising were RMB146.6 million (USD21.4 million), a decrease of 30.1% QoQ or an increase of 1.4% YoY
- Gross profit was RMB1,718.5 million (USD251.4 million), an increase of 21.5% QoQ or an increase of 64.5% YoY. Gross margin increased to 68.6% from 67.4% last quarter
- Operating profit was RMB1,164.6 million (USD170.4 million), an increase of 24.8% QoQ or an increase of 57.9% YoY. Operating margin increased to 46.5% from 44.5% last quarter
- Profit for the period was RMB1,053.6 million (USD154.1 million), an increase of 20.3% QoQ or an increase of 94.4% YoY. Net margin increased to 42.1% from 41.8% last quarter
- Profit attributable to equity holders of the Company for the period was RMB1,035.4 million (USD151.5 million), an increase of 19.1% QoQ or an increase of 93.8% YoY
- Key platform statistics:
  - Total registered Instant Messaging (“IM”) user accounts increased to 934.9 million, representing a 4.8% growth QoQ
  - Active IM user accounts increased 9.1% QoQ to 410.8 million
  - Peak simultaneous online user accounts for IM services recorded 57.5 million, a growth of 15.7% QoQ
  - Peak simultaneous online user accounts of QQ Game portal (for mini casual games only) was 5.8 million, representing a 22.7% growth QoQ
  - IVAS paying subscriptions were 36.9 million, an increase of 17.5% QoQ
  - MVAS paying subscriptions were 16.8 million, an increase of 14.3% QoQ

Mr. Ma Huateng, Chairman and CEO of Tencent, said, “Leveraging our online platforms and benefiting from the positive seasonality for our Internet value-added services, we achieved solid results for the first quarter of 2009. Despite the economic downturn, our user-paid Internet and mobile value-added services have so far been relatively resilient. On the other hand, our online advertising business was negatively impacted due to stringent budget control adopted by advertisers.”

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<sup>1</sup> Figures stated in USD are based on USD1 to RMB6.8359

“While we remain cautious of the macro-economic environment, as the visibility of the advertising market is still low and the continued performance of our user-paid services under a prolonged economic downturn remains untested, we are committed to making further investments in our platforms and people to position us for capturing the longer term growth of the online market in China.”

### **Business highlights**

IVAS revenues increased 28.8% QoQ to RMB1,904.6 million and represented 76.0% of the total revenues in the first quarter of 2009. Revenue increase from online gaming and community value-added services reflected the positive seasonal impact of the Chinese New Year holidays and winter break for students as well as the Company's continued efforts in service enhancements. Revenues from community value-added services recorded increase, mainly driven by the growth in QQ Membership and Qzone during the favorable season. Revenues from QQ Membership grew with enhanced user loyalty and stickiness as a result of the introduction of more valued-added functions and privileges. Growth in revenues from Qzone was mainly attributable to increase in number of active users and user activity.

Game-related IVAS revenues increased 32.2% QoQ to RMB1,060.7 million. The significant growth in revenues was on the back of seasonal promotions during the quarter and increased monetization of advanced causal games and MMOG launched in 2008, as well as the organic growth of QQ Game. For advanced causal games, Cross Fire and QQ Dancer gained traction and posted robust revenue increase during the quarter. For MMOG, Dungeon and Fighter (“DNF”) registered growth in the number of peak concurrent users.

MVAS revenues increased 9.9% QoQ to RMB439.5 million and represented 17.6% of the total revenues. This increase was mainly driven by the growth in bundled SMS packages due to ongoing addition of privileges, enhancements in user experience of the Company's services as well as increased promotions across different channels. Revenues from mobile gaming services also increased as a result of the growing popularity of mobile games.

Online Advertising revenues decreased 30.1% QoQ to RMB146.6 million and represented 5.9% of total revenues in the first quarter of 2009. The decline reflected lower advertising spending by customers as they imposed more cautious cost control measures, which include delaying the budget approval process and signing of framework contracts, under the uncertain economic environment. In addition, the first quarter is generally a weak season for advertising where activities were reduced around the Chinese New Year holidays.

### **Other key financial information**

Share-based compensation was RMB49.3 million for the first quarter of 2009 as compared with RMB48.4 million for the previous quarter. Foreign exchange gain was RMB0.2 million for the first quarter of 2009 as compared with RMB2.6 million for the previous quarter. Capital expenditure was

RMB196.9 million for the first quarter of 2009 as compared with RMB450.1 million for the previous quarter.

Basic earnings per share for the quarter were RMB0.577, and diluted earnings per share were RMB0.566.

As at the end of March 31, 2009, cash position stood at RMB6,597.8 million. The total number of shares of the Company in issue was 1.799 billion.

## **Outlook**

Looking ahead, the second quarter of 2009 would present a weaker seasonality for the Company's IVAS business. On the other hand, the Company expects its online advertising business to benefit from relatively better seasonality in the second quarter, although the overall industry outlook continues to be weak.

The Company expects the economic environment to remain challenging as it is still in the midst of a global recession. The Company's Internet and wireless value-added services, which are characterized by user-paid small ticket consumption items, have so far been rather resilient in the downturn, although the Company is uncertain of its performance should the economy continue to weaken for a prolonged period. The Company's online advertising business would continue to be affected by the economic slowdown as advertisers remain cautious on their spending for 2009. Despite these challenges, the Company believes that the time spent online by users will not decrease even under a weakened economic environment as the Internet is increasingly an indispensable part of everyday life for people in China. This allows the Company to continue its engagement of users in an economic downturn and to build its business for growth over the long-term.

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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 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](http://www.tencent.com/ir).

### **For enquiries, please contact:**

Catherine Chan Tel: (86) 755 86013388 ext 88369 or (852) 21795122 Email: [cchan@tencent.com](mailto:cchan@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		Unaudited	
	1Q2009	4Q2008	1Q2009	1Q2008
<b>Revenues</b>	<b>2,504,365</b>	<b>2,097,381</b>	<b>2,504,365</b>	<b>1,432,911</b>
Internet VAS	1,904,563	1,478,601	1,904,563	998,733
Mobile & Telecom VAS	439,545	399,884	439,545	288,291
Online Advertising	146,563	209,611	146,563	144,580
Others	13,694	9,285	13,694	1,307
<b>Cost of revenues</b>	<b>(785,914)</b>	<b>(683,139)</b>	<b>(785,914)</b>	<b>(388,465)</b>
<b>Gross profit</b>	<b>1,718,451</b>	<b>1,414,242</b>	<b>1,718,451</b>	<b>1,044,446</b>
<i>Gross margin</i>	<b>68.6%</b>	<b>67.4%</b>	<b>68.6%</b>	<b>72.9%</b>
Other (losses)/gains, net	(771)	45,804	(771)	47,448
S&M expenses	(98,105)	(147,271)	(98,105)	(85,934)
G&A expenses	(455,018)	(379,921)	(455,018)	(268,642)
<b>Operating profit</b>	<b>1,164,557</b>	<b>932,854</b>	<b>1,164,557</b>	<b>737,318</b>
<i>Operating margin</i>	<b>46.5%</b>	<b>44.5%</b>	<b>46.5%</b>	<b>51.5%</b>
Finance income/(costs)	248	2,596	248	(94,466)
Share of profit of associates	5,372	1,387	5,372	-
Profit before income tax	1,170,177	936,837	1,170,177	642,852
Income tax expense	(116,567)	(60,688)	(116,567)	(100,840)
<b>Profit /total comprehensive income for the period</b>	<b>1,053,610</b>	<b>876,149</b>	<b>1,053,610</b>	<b>542,012</b>
<i>Net margin</i>	<b>42.1%</b>	<b>41.8%</b>	<b>42.1%</b>	<b>37.8%</b>
<b>Attributable to:</b>				
Equity holders of the Company	1,035,440	869,097	1,035,440	534,378
Minority interests	18,170	7,052	18,170	7,634
<b>Earnings per share</b>				
- basic (RMB)	0.577	0.484	0.577	0.298
- diluted (RMB)	0.566	0.474	0.566	0.290

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In RMB '000 (unless otherwise stated)

	Unaudited 31 March 2009	Audited 31 December 2008
<b>ASSETS</b>		
<b>Non-current assets</b>		
Fixed assets	1,347,998	1,165,048
Construction in progress	825,702	875,897
Investment properties	32,212	64,981
Leasehold land and land use rights	35,859	36,046
Intangible assets	339,170	370,314
Investment in associates	320,633	302,712
Deferred income tax assets	318,016	334,164
Available-for-sale financial assets	87,037	86,180
Prepayments, deposits and other receivables	124,363	124,354
	<b>3,430,990</b>	<b>3,359,696</b>
<b>Current assets</b>		
Inventories	2,294	5,483
Accounts receivable	1,103,997	983,459
Prepayments, deposits and other receivables	374,498	378,340
Financial assets held for trading	329,866	329,804
Held-to-maturity investments	-	68,346
Term deposits with initial term of over three months	2,464,401	1,662,501
Cash and cash equivalents	3,803,523	3,067,928
	<b>8,078,579</b>	<b>6,495,861</b>
<b>Total Assets</b>	<b>11,509,569</b>	<b>9,855,557</b>
<b>EQUITY</b>		
<b>Equity attributable to the Company's equity holders</b>		
Share capital	195	195
Share premium	1,106,830	1,155,209
Shares held for share award scheme	(27,692)	(21,809)
Share-based compensation reserve	431,006	381,439
Other reserves	(433,038)	(433,038)
Retained earnings	6,974,370	5,938,930
	<b>8,051,671</b>	<b>7,020,926</b>
<b>Minority interests in equity</b>	<b>116,576</b>	<b>98,406</b>
<b>Total Equity</b>	<b>8,168,247</b>	<b>7,119,332</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Deferred income tax liabilities	73,757	78,368
Long-term payables	566,269	566,260
	<b>640,026</b>	<b>644,628</b>
<b>Current liabilities</b>		
Accounts payable	438,820	244,647
Other payables and accruals	886,882	1,013,542
Current income tax liabilities	126,902	47,307
Other tax liabilities	132,081	103,933
Deferred revenue	1,116,611	682,168
	<b>2,701,296</b>	<b>2,091,597</b>
<b>Total Liabilities</b>	<b>3,341,322</b>	<b>2,736,225</b>
<b>Total Equity and Liabilities</b>	<b>11,509,569</b>	<b>9,855,557</b>