

For Immediate Release

TENCENT ANNOUNCES 2008 FIRST QUARTER RESULTS

Hong Kong, May 14, 2008 – Tencent Holdings Limited (“Tencent” or the “Company”, SEHK 0700), a leading provider of Internet and mobile & telecommunications value-added services in China, today announced the unaudited results for the first quarter of 2008 ended March 31, 2008.

Highlights

- Total revenues were RMB1,432.9 million (USD204.1 million¹), an increase of 27.7% over the fourth quarter of 2007 (“QoQ”) or an increase of 85.4% over the first quarter of 2007 (“YoY”)
- Revenues from Internet value-added services (IVAS) were RMB998.7 million (USD142.3 million), an increase of 33.5% QoQ or an increase of 99.0% YoY
- Revenues from Mobile and telecommunications value-added services (MVAS) were RMB288.3 million (USD41.1 million), an increase of 36.3% QoQ or an increase of 46.7% YoY
- Revenues from Online advertising were RMB144.6 million (USD20.6 million), a decrease of 9.5% QoQ or an increase of 95.2% YoY
- Gross profit was RMB1,044.4 million (USD148.8 million), an increase of 30.0% QoQ or an increase of 95.0% YoY
- Operating profit was RMB737.3 million (USD105.0 million), an increase of 55.2% QoQ or an increase of 125.2% YoY
- Profit for the period was RMB542.0 million (USD77.2 million), an increase of 4.8% QoQ or an increase of 86.8% YoY
- Profit attributable to equity holders of the Company for the period was RMB534.4 million (USD76.1 million), an increase of 3.8% QoQ or an increase of 84.2% YoY
- Key platform statistics:
 - Total registered Instant Messaging (“IM”) user accounts increased to 783.4 million, representing a 5.6% growth QoQ
 - Active IM user accounts increased 5.9% QoQ to 317.9 million
 - Peak simultaneous online user accounts for IM services recorded 40.3 million, a growth of 11.6% QoQ
 - Peak simultaneous online user accounts of QQ Game portal (for mini casual games only) was 4.0 million, an increase of 5.3% QoQ
 - IVAS paying subscriptions were 22.4 million, an increase of 27.3% QoQ
 - MVAS paying subscriptions were 12.6 million, an increase of 15.6% QoQ

Mr. Ma Huateng, Chairman and CEO of Tencent, said, “During the first quarter of 2008, we benefited from positive seasonality associated with Chinese New Year holidays which increased the consumption of our Internet value-added services and helped us to achieve another record quarter. We also continued to increase our focus on developing our advertising business. In addition to our branding campaign, we have signed up as the exclusive Internet partner to the 2010 World Expo in Shanghai, which we believe will future raise our profile with consumers and advertisers.”

¹ Figures stated in USD are based on USD1 to RMB7.019

Commenting on becoming a constituent of the Hang Seng Index (HSI), he said, “We are very pleased with the news, and feel encouraged by the recognition from the market.” The best way to express our gratitude, he added, was to continue to create more sustainable value to our investors, our users and our employees via investing in our platforms, strategic research and our employees to reinforce the long-term competitiveness of the Company.

Business Review

IVAS revenues increased 33.5% QoQ to RMB998.7 million and represented 69.7% of the total revenues in the first quarter of 2008. The increase reflected the significant growth in revenues from online gaming, online identity and community business, particularly Qzone, QQ Show and Premium QQ, due to the seasonal impact of the Chinese New Year holidays and winter break for students, as well as the positive impact of the Company’s various service enhancements and changes. Revenue from Premium QQ benefited from increased user loyalty and stickiness as the service continued to give differentiated value-added and privileges across various platforms. Revenue from Qzone benefited from growth in active usage of the service due to organic growth and due to increase in popularity of some Qzone applications such as mobile Qzone and celebrity blogs.

As part of IVAS revenues, the total revenues generated from online games increased 38.9% QoQ to RMB391.3 million in the first quarter. The revenue growth was driven by mini games, QQ Sanguo and QQ Huaxia. Revenue from QQ Sanguo benefited from upgrades targeted to increase monetization during the first quarter. Revenue from QQ Huaxia increased primarily as the Company recognized 100% of the revenues from QQ Huaxia in its consolidated financial results for the full three months in the first quarter of 2008, compared to recognizing only a portion of the fourth quarter of 2007 after acquisition in late November 2007.

MVAS revenues increased 36.3% QoQ to RMB288.3 million and represented 20.1% of total revenues in the first quarter of 2008. This increase was mainly driven by increased online promotion of bundled service packages and better than expected collection rate for Fetion QQ service as the platform become more stable. Being classified as category A service provider was beneficial to the promotion of the Company’s business, particularly for SMS, WAP and IVR.

Online advertising revenues decreased 9.5% QoQ to RMB144.6 million and represented 10.1% of total revenues in the first quarter of 2008, mainly reflecting the seasonal impact of the first quarter of each year being a soft quarter for advertising.

Financials

Gross profit for the first quarter was RMB1,044.4 million, an increase of 30.0% QoQ or an increase of 95.0% YoY. Gross margin was 72.9% compared with 71.6% in the fourth quarter of 2007. Operating profit for the first quarter was RMB737.3 million, an increase of 55.2% QoQ or an increase of 125.2% YoY. Operating margin increased to 51.5% compared with 42.3% in the previous quarter.

Profit for the quarter was RMB542.0 million, an increase of 4.8% QoQ or an increase of 86.8% YoY. Net margin decreased to 37.8% compared with 46.1% in the previous quarter. Basic earnings per share was RMB0.298. Diluted earnings per share was RMB0.290.

Share-based compensation was RMB35.4 million as compared with RMB29.7 million for the previous quarter. Foreign exchange loss, as a result of Renminbi appreciation, was RMB94.5 million as compared with RMB58.9 million for the previous quarter.

Outlook

The Company expects the second quarter will present a weaker seasonality for its Internet value-added services, given the May 1st long holiday in China is shortened from 7 days to 3 days this year. On the other hand, online advertising revenue will trend up due to better seasonality in the second quarter and the Olympics-related advertising. On the back of a successful QQ.com branding campaign last year, the Company continued to invest in the advertising of QQ.com in major cities and the sponsorship of major events to raise the profile of QQ.com. In particular, the Company has recently signed up as the exclusive internet service sponsor to the 2010 World Expo in Shanghai. It targets to once again grow its annual online advertising revenue in 2008 at a rate above industry average by expanding relationship with top advertisers, professionalizing its advertising sales team and leveraging its increasing traffic across its Internet platforms.

Resignation of Chief Financial Officer and Succession Plan

The Board of the Company announces that, due to personal reasons, Mr Patrick Chun Kwok Tsang (“Mr Tsang”) has tendered his resignation from his position as Chief Financial Officer of the Company with effect from September 30, 2008.

The Board would like to express its sincere gratitude to Mr Tsang for his valuable contributions to the Company during his tenure of services.

“Patrick has been an extremely valuable and dedicated member of the management team, traveling between his Beijing home and our Shenzhen headquarters on a weekly basis for the past seven years, during which he has built a highly professional finance team from scratch. We will miss him dearly, and want to wish him all the best as he turns a new leaf in his life,” said Mr. Ma Huateng, Chairman and CEO of Tencent.

The Board announced the appointment of Mr John Shek Hon Lo (“Mr Lo”), currently the qualified accountant and Financial Controller of the Company, as Deputy Chief Financial Officer of the Company with effect from May 14, 2008. Mr Lo was appointed the Financial Controller of the Company in 2004 and has been responsible for the financial control of the Company. The current change in personnel is not expected to have any significant impact on the business of the Company.

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 0700. The Company will become one of the 43 constituents of the Hang Seng Index (HSI) on June 10, 2008. 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 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.

CONDENSED CONSOLIDATED INCOME STATEMENT

In RMB '000 (unless otherwise stated)

	Unaudited		Unaudited	
	1Q2008	4Q2007	1Q2008	1Q2007
Revenues	1,432,911	1,122,220	1,432,911	773,061
Internet VAS	998,733	747,988	998,733	501,787
Mobile & Telecom VAS	288,291	211,584	288,291	196,544
Online Advertising	144,580	159,708	144,580	74,068
Others	1,307	2,940	1,307	662
Cost of revenues	(388,465)	(318,885)	(388,465)	(237,519)
Gross profit	1,044,446	803,335	1,044,446	535,542
<i>Gross margin</i>	72.9%	71.6%	72.9%	69.3%
Other gains, net	47,448	6,851	47,448	34,013
S&M expenses	(85,934)	(78,320)	(85,934)	(70,210)
G&A expenses	(268,642)	(256,884)	(268,642)	(171,977)
Operating profit	737,318	474,982	737,318	327,368
<i>Operating margin</i>	51.5%	42.3%	51.5%	42.3%
Finance costs	(94,466)	(58,860)	(94,466)	(12,505)
Share of loss of a jointly controlled entity	-	(317)	-	-
Profit before income tax	642,852	415,805	642,852	314,863
Income tax (expenses)/ benefit	(100,840)	101,239	(100,840)	(24,694)
Profit for the period	542,012	517,044	542,012	290,169
<i>Net margin</i>	37.8%	46.1%	37.8%	37.5%
Attributable to:				
Equity holders of the Company	534,378	514,964	534,378	290,169
Minority interest	7,634	2,080	7,634	-
Earnings per share				
- basic (RMB)	0.298	0.288	0.298	0.164
- diluted (RMB)	0.290	0.279	0.290	0.158

CONDENSED CONSOLIDATED BALANCE SHEETS

In RMB '000 (unless otherwise stated)

	Unaudited	Audited
	31 March	31 December
	2008	2007
ASSETS		
Non-current assets		
Fixed assets	905,065	839,256
Construction in progress	136,576	112,232
Investment property	66,056	66,414
Leasehold land and land use rights	36,609	36,796
Intangible assets	446,976	451,554
Investment in a jointly controlled entity	-	179
Investment in associates	333,974	-
Deferred income tax assets	316,519	287,652
Held-to-maturity investments	70,190	73,046
Available-for-sale financial assets	66,455	63,605
Other long-term assets	171,413	219,138
	2,549,833	2,149,872
Current assets		
Inventories	1,134	1,701
Accounts receivable	735,288	535,528
Prepayments, deposits and other receivables	163,912	130,406
Financial assets held for trading	464,787	266,495
Derivative financial instruments	67,041	47,759
Term deposits with initial term of over three months	903,197	604,486
Restricted cash	300,000	300,000
Cash and cash equivalents	2,360,257	2,948,757
	4,995,616	4,835,132
Total Assets	7,545,449	6,985,004
EQUITY		
Equity attributable to the Company's equity holders		
Share capital	195	194
Share premium	1,428,511	1,455,854
Share-based compensation reserve	255,786	220,230
Other reserves	93,712	93,712
Retained earnings	3,948,201	3,413,823
	5,726,405	5,183,813
Minority interests in equity	99,436	91,630
Total Equity	5,825,841	5,275,443
LIABILITIES		
Non-current liabilities		
Deferred income tax liabilities	59,479	59,944
Current liabilities		
Accounts payable	198,790	117,062
Other payables and accruals	472,818	669,194
Short-term bank borrowing	292,184	292,184
Derivative financial instruments	49,342	30,060
Current income tax liabilities	150,934	71,133
Other tax liabilities	153,696	134,746
Deferred revenue	342,365	335,238
	1,660,129	1,649,617
Total Liabilities	1,719,608	1,709,561
Total Equity and Liabilities	7,545,449	6,985,004