

For Immediate Release

TENCENT ANNOUNCES 2005 THIRD QUARTER RESULTS
Continued Solid Growth in Internet Value-added Services and Online Advertising

Hong Kong, November 23, 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 third quarter ended September 30, 2005.

Highlights

- Total revenues were RMB362.8 million (USD44.8 million*), an increase of 8.7% QoQ and an increase of 20.5% YoY
- Revenues from Internet Value-added Services (IVAS) were RMB204.7 million (USD25.3 million), an increase of 20.5% QoQ and an increase of 87.1% YoY
- Revenues from Mobile and Telecommunications Value-added Services (MVAS) were RMB121.2 million (USD15.0 million), a decrease of 11.2% QoQ and a decrease of 30.2% YoY
- Revenues from online advertising were RMB34.7 million (USD4.3 million), an increase of 37.8% QoQ and an increase of 116.8% YoY
- Operating profit was RMB117.2 million (USD14.5 million), a decrease of 1.3% QoQ and an increase of 3.5% YoY
- Net profit was RMB77.8 million (USD9.6 million), a decrease of 58.4% QoQ and a decrease of 26.9% YoY. Net profit for the quarter was affected by a foreign exchange loss of RMB42.4 million relating to effect of the appreciation of the Renminbi in July 2005 on the Company’s US dollar-denominated cash and investments. The net profit for the second quarter benefited from the recognition of deferred tax assets of RMB88.6 million, while the deferred tax assets recognized for the quarter was only RMB12.9 million.
- Peak simultaneous online user accounts for Instant Messaging (IM) services recorded over 19.5 million, a growth of 20.4% QoQ. Excluding the “idle logins”, estimated peak simultaneous online user accounts were about 15.9 million and 14.0 million for the third quarter and second quarter respectively. Peak simultaneous online user accounts of QQ Game portal (including mini casual games and advanced casual games) reached 1.88 million, a growth of 30.3% QoQ
- Total registered IM user accounts climbed to 474.1 million, representing an 8.1% growth QoQ. Active IM user accounts increased 6.8% QoQ to 184.8 million
- IVAS paying subscriptions were 10.1 million as of the end of the period, increased 7.4% compared with June 30, 2005
- MVAS paying subscriptions were 8.4 million as of the end of the period, decreased 8.7% compared with June 30, 2005

*USD1 = RMB8.09

Mr Ma Huateng, Chairman and CEO of Tencent, said, “During the third quarter, our various online platforms continued to grow in terms of number of users and traffic. We benefited from the summer vacation and recorded strong performance in our IVAS, which has seen double-digit growth over the past three quarters. In our online advertising, growth momentum continued into the third quarter, reflecting growing recognition of our Internet properties as valuable advertising platforms among advertisers.

“We have received encouraging responses from our users in many of the new products that we released. These include Qzone, QQ Pet, our online auction platform PaiPai, which has been going through open-beta testing during the quarter, and our MMOG QQ Fantasy, which was released on October 25 for open-beta testing. We are determined to continue investing in R&D, and our people, as we believe such investment will strengthen our leadership in the industry and benefit us in the long run.”

Business Highlights

In the third quarter, peak simultaneous online user accounts of QQ IM increased 20.4% QoQ to 19.5 million. However, Tencent estimates this number includes “idle logins”, which are logins by users for the sole purpose of increasing their rating in the QQ rating system. Excluding such “idle logins”, we estimate that peak simultaneous online user accounts would have been approximately 15.9 million, compared with the estimated 14.0 million (after excluding idle logins) in the second quarter. QQ.com portal recorded over 50% increase in its traffic during the quarter.

Tencent’s IVAS business accounted for 56.4% of the total revenues, compared with 50.9% in the previous quarter. The 20.5% QoQ revenue growth reflects the increasing popularity of its new online identity products, Qzone and QQ Pet, as well as online games. Revenues from Premium QQ also saw stable growth.

For online games business, QQ Game portal remained the leading casual game portal in China with over 1.88 million peak simultaneous online users, increasing 30.3 % from the previous quarter. Its online games benefited from the higher traffic during the school summer holidays. Revenues increased 33.0% QoQ to RMB33.7 million.

MVAS business made up 33.4% of Tencent’s total revenues, compared with 40.9% in the previous quarter. MVAS revenues decreased 11.2% QoQ, primarily because of a substantial decline in its mobile IVR revenues relating to the temporary suspension of some products by the Company to enhance the functionality of the IVR platform.

Online advertising business accounted for 9.6% of Tencent’s total revenues, compared with 7.6% in the previous quarter. The 37.8% sequential growth was mainly driven by existing advertisers increasing their spending, especially in QQ.com.

Financials

Gross margin stayed at 67.3%, same as the previous quarter. Operating profit decreased 1.3% QoQ to RMB117.2 million. Operating margin decreased to 32.3% compared with 35.6% in the previous quarter due to growing R&D investment in relation to new products and functionalities.

Net profit declined 58.4% QoQ to RMB77.8 million primarily because of a foreign exchange loss of RMB42.4 million and much reduced deferred tax assets recognized during the quarter. The foreign exchange loss of RMB42.4 million was related to the effect of the appreciation of the Renminbi in July 2005 on its US dollar-denominated cash and investments, which primarily consist of proceeds raised from its IPO in 2004. During the period, the Company recognized additional deferred tax assets of RMB12.9 million as opposed to RMB88.6 million for the second quarter. As a result of the deferred tax assets recognized, the Company recorded a net tax credit of RMB2.9 million during the third quarter. Net margin was 21.4% compared with 56% in the previous quarter.

Outlook

During the third quarter of 2005, Tencent continued to execute its strategy of growing its online platforms including its IM platform, QQ.com portal and QQ Game portal. However, the Company expects peak simultaneous online user accounts of QQ IM to decrease in the fourth quarter because of its efforts to eliminate idle logins in order to maintain a healthy Internet environment.

For IVAS, its online identity products, Qzone and QQ Pet, have generated favorable responses from users and have started to generate revenue. At this stage, Tencent is still limiting the number of new accounts released for each service. The Company is currently working to enhance their technology platforms to prepare for a wider release of these products.

In the online game business, the Company launched the open-beta testing for QQ Fantasy on October 25, 2005, and has achieved peak simultaneous online user accounts of over 600,000 as of November 20, 2005. The Company expects to commercialize QQ Fantasy within the fourth quarter.

For MVAS, Tencent expects continued volatility in the industry environment and intensifying competition. However, it is improving its products and exploring new ways to promote its competitive products. In addition, it has continued to invest in its 3G WAP portal to prepare for the 3G era.

Tencent believes its online platforms carry significant value to advertisers and it will continue 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.

During the third quarter, Tencent soft-launched its online auction platform www.paipai.com. The Company intends to develop it into another significant online platform in which its users interact and transact with each other over the long run.

Others

To enhance shareholders' value, the Company currently intends to repurchase shares of the Company on-market for an amount up to USD30 million pursuant to the general mandate granted at the annual general meeting of the Company on April 27, 2005 and in accordance with the Hong Kong Stock Exchange listing rules.

- Ends -

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)

	3Q2005	2Q2005	3Q2005	3Q2004 (as restated)
Revenues	362,829	333,665	362,829	300,986
Internet VAS	204,658	169,883	204,658	109,393
Mobile & Telecom VAS	121,154	136,498	121,154	173,655
Online Advertising	34,683	25,170	34,683	15,995
Others	2,334	2,114	2,334	1,943
COPS	(118,804)	(108,963)	(118,804)	(115,184)
Gross profit	244,025	224,702	244,025	185,802
<i>Gross margin</i>	67.3%	67.3%	67.3%	61.7%
Other gains, net	15,997	15,148	15,997	5,621
S&M expenses	(51,603)	(45,501)	(51,603)	(27,720)
G&A expenses	(91,182)	(75,596)	(91,182)	(50,447)
Operating profit	117,237	118,753	117,237	113,256
<i>Operating margin</i>	32.3%	35.6%	32.3%	37.6%
Finance costs, net	(42,351)	(51)	(42,351)	(696)
Profit before income tax	74,886	118,702	74,886	112,560
Income tax benefit/(expenses)	2,869	68,271	2,869	(6,122)
Profit for the period	77,755	186,973	77,755	106,438
<i>Net margin</i>	21.4%	56.0%	21.4%	35.4%
Earnings per share				
- basic (RMB)	0.044	0.106	0.044	0.061
- diluted (RMB)	0.043	0.103	0.043	0.059

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

	Unaudited September 30 2005 RMB'000	Unaudited June 30 2005 RMB'000
ASSETS		
Non-current assets		
Fixed assets	243,272	190,653
Intangible assets	18,437	18,055
Held-to-maturity investments	244,357	167,358
Deferred tax assets	93,658	86,748
Available-for-sale investments	4,046	-
	603,770	462,814
Current assets		
Accounts receivable	277,345	232,358
Prepayments, deposits and other receivables	48,120	32,910
Financial assets held for trading	468,345	675,200
Term deposits with initial term of over three months	275,773	547,459
Cash and cash equivalents	1,605,883	1,124,492
	2,675,466	2,612,419
Total Assets	3,279,236	3,075,233
EQUITY		
Shareholders' equity		
Share capital	193	193
Share premium	1,785,525	1,781,904
Share-based compensation reserve	21,499	15,426
Other reserves	66,609	66,609
Retained earnings	1,031,779	954,024
	2,905,605	2,818,156
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	144	358
Current liabilities		
Accounts payable	5,843	1,401
Other payables and accruals	164,753	110,006
Current income tax liabilities	13,579	18,119
Other tax liabilities	9,284	13,269
Deferred revenue	180,028	113,924
	373,487	256,719
Total Liabilities	373,631	257,077
Total Equity and Liabilities	3,279,236	3,075,233