

For Immediate Release

TENCENT ANNOUNCES 2008 THIRD QUARTER RESULTS

Hong Kong, November 12, 2008 – 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 third quarter of 2008 ended September 30, 2008.

Highlights for the Third Quarter of 2008:

- § Total revenues were RMB2,024.5 million (USD296.9 million¹), an increase of 26.5% over the second quarter of 2008 (“QoQ”) or an increase of 91.4% over the third quarter of 2007 (“YoY”)
- § Revenues from Internet value-added services (IVAS) were RMB1,400.6 million (USD205.4 million), an increase of 35.1% QoQ or an increase of 95.1% YoY
- § Revenues from Mobile and telecommunications value-added services (MVAS) were RMB372.5 million (USD54.6 million), an increase of 10.1% QoQ or an increase of 92.5% YoY
- § Revenues from Online advertising were RMB249.1 million (USD36.5 million), an increase of 11.8% QoQ or an increase of 72.2% YoY
- § Gross profit was RMB1,378.7 million (USD202.2 million), an increase of 20.2% QoQ or an increase of 80.8% YoY. Gross margin decreased to 68.1% from 71.7% last quarter
- § Operating profit was RMB810.5 million (USD118.9 million), an increase of 5.9% QoQ or an increase of 72.3% YoY. Operating margin decreased to 40.0% from 47.8% last quarter
- § Profit for the period was RMB745.3 million (USD109.3 million), an increase of 14.3% QoQ or an increase of 74.8% YoY. Net margin decreased to 36.8% from 40.8% last quarter
- § Profit attributable to equity holders of the Company for the period was RMB737.1 million (USD108.1 million), an increase of 14.5% QoQ or an increase of 72.9% YoY
- § Key platform statistics:
 - Total registered Instant Messaging (“IM”) user accounts increased to 856.2 million, representing a 4.1% growth QoQ
 - Active IM user accounts increased 3.9% QoQ to 355.1 million
 - Peak simultaneous online user accounts for IM services recorded 45.3 million, a growth of 7.9% QoQ
 - Peak simultaneous online user accounts of QQ Game portal (for mini casual games only) was 4.4 million, representing a 11.2% growth QoQ
 - IVAS paying subscriptions were 30.3 million, an increase of 16.1% QoQ
 - MVAS paying subscriptions were 14.8 million, an increase of 10.4% QoQ

Mr. Ma Huateng, Chairman and CEO of Tencent, said “We have achieved another quarter of record revenue and profit, thanks to favorable summer seasonality, successful operation of our newly launched games and growth of our Internet platforms. The global financial crisis and economic downturn in the U.S. are putting pressure on the Chinese economy. While we are concerned about uncertainties in the macro-economic environment, we believe the value of the Internet as an enabling

¹ Figures stated in USD are based on USD1 to RMB6.8183

technology that increased efficiency and saved costs for people and its long-term prospect would nevertheless remain intact.

“In case of an economic downturn, our online advertising business will inevitably be affected. On the other hand, our value-added services are relatively more resilient, as they comprise small ticket consumption items for the consumers. During this period of uncertainty, we would be monitoring expenses and managing risks rigorously. At the same time, we would still be making necessary investments in our businesses and take advantage of this opportunity to further enhance our market position.” he added.

Business Highlights

IVAS revenues increased 35.1% QoQ to RMB1,400.6 million and represented 69.2% of the total revenues in the third quarter of 2008. The increase mainly reflected the seasonal effects of the summer school holidays, which had a positive impact on the demand for the Company’s Internet value-added services. Besides a steady overall growth in revenues from online games, revenues from non-game Internet value-added services also increased. Specifically, revenues from QQ Membership and online identity and community business, including Qzone, QQ Pet and QQ Show, all increased during the quarter.

Game-related IVAS revenues increased 50.3% QoQ to RMB679.9 million in the third quarter of 2008. The full quarter effect of newly launched games, such as Dungeon and Fighter, QQ Dancer and Cross Fire, as well as organic growth in mini games contributed to the growth in revenues. The increase was partially offset by a decrease in revenues from more established games, such as QQ Fantasy.

MVAS revenues increased 10.1% QoQ to RMB372.5 million and represented 18.4% of the total revenues in the third quarter of 2008. This increase reflected higher revenues from bundled SMS subscriptions as well as growth in mobile gaming services. The increase was mainly attributable to enhancements to the user experience, increased promotional efforts and growing popularity of mobile gaming services.

Online Advertising revenues increased 11.8% QoQ to RMB249.1 million and represented 12.3% of total revenues in the third quarter of 2008. The increase mainly reflected positive seasonal effects.

Other Key Financial Information

Share-based compensation was RMB44.6 million for the third quarter of 2008 as compared with RMB32.1 million for the previous quarter. Foreign exchange loss, as a result of Renminbi appreciation, was RMB7.9 million as compared with RMB40.9 million for the previous quarter. Capital expenditure was RMB590.9 million for the third quarter of 2008 as compared with RMB255.5 million for the previous quarter.

Basic earnings per share for the quarter were RMB0.410, and diluted earnings per share were RMB0.400.

As at the end of September 2008, cash position stood at RMB4,263.5 million. The total number of shares in issue was 1.799 billion.

Outlook

Compared to the third quarter, the fourth quarter will generally present a weaker seasonality for Internet value-added services and online advertising business. Given the global financial crisis and worsening economic outlook in the U.S., the Company believes the macroeconomic environment in which it operates is facing increasing uncertainties and growing chances of downturn over the near term. While the Company believes the long-term secular growth trend of online advertising is still intact, the drag of the overall advertising market when advertisers spend less as a whole may negatively affect the Company's online advertising business. On the other hand, the Company believes its Internet and wireless value-added services, which are characterized by low average spending per user and per transaction, are relatively more resilient than online advertising during a downturn.

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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.

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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	
	3Q2008	2Q2008	3Q2008	3Q2007
Revenues	2,024,474	1,599,778	2,024,474	1,057,626
Internet VAS	1,400,598	1,037,042	1,400,598	717,718
Mobile & Telecom VAS	372,498	338,311	372,498	193,481
Online Advertising	249,068	222,790	249,068	144,643
Others	2,310	1,635	2,310	1,784
Cost of revenues	(645,748)	(453,069)	(645,748)	(295,112)
Gross profit	1,378,726	1,146,709	1,378,726	762,514
<i>Gross margin</i>	68.1%	71.7%	68.1%	72.1%
Other (losses)/gains, net	(6,902)	25,855	(6,902)	5,033
S&M expenses	(184,730)	(100,212)	(184,730)	(78,039)
G&A expenses	(376,585)	(307,059)	(376,585)	(219,235)
Operating profit	810,509	765,293	810,509	470,273
<i>Operating margin</i>	40.0%	47.8%	40.0%	44.5%
Finance costs	(7,944)	(40,918)	(7,944)	(12,137)
Share of loss of associates/a jointly controlled entity	(176)	(1,558)	(176)	(14)
Profit before income tax	802,389	722,817	802,389	458,122
Income tax expense	(57,099)	(70,618)	(57,099)	(31,813)
Profit for the period	745,290	652,199	745,290	426,309
<i>Net margin</i>	36.8%	40.8%	36.8%	40.3%
Attributable to:				
Equity holders of the Company	737,123	643,979	737,123	426,401
Minority interests	8,167	8,220	8,167	(92)
Earnings per share				
- basic (RMB)	0.410	0.359	0.410	0.239
- diluted (RMB)	0.400	0.349	0.400	0.232

CONDENSED CONSOLIDATED BALANCE SHEETS

In RMB '000 (unless otherwise stated)

	Unaudited 30 September 2008	Unaudited 30 June 2008
ASSETS		
Non-current assets		
Fixed assets	1,100,564	1,010,180
Construction in progress	605,548	200,452
Investment property	65,339	65,698
Leasehold land and land use rights	36,234	36,421
Intangible assets	439,785	452,008
Investment in a jointly controlled entity	-	2,500
Investment in associates	332,240	332,416
Deferred income tax assets	351,408	352,133
Available-for-sale financial assets	47,782	66,455
Other long-term assets	115,135	92,648
Prepayments, deposits and other receivables	73,094	201,167
	3,167,129	2,812,078
Current assets		
Inventories	585	1,261
Accounts receivable	1,052,022	899,007
Prepayments, deposits and other receivables	523,720	279,366
Financial assets held for trading	326,187	409,443
Held-to-maturity investments	68,183	68,591
Derivative financial instruments	29,640	44,133
Term deposits with initial term of over three months	1,567,359	1,127,551
Restricted cash	300,000	300,000
Cash and cash equivalents	2,301,727	2,263,418
	6,169,423	5,392,770
Total Assets	9,336,552	8,204,848
EQUITY		
Equity attributable to the Company's equity holders		
Share capital	195	195
Share premium	1,305,417	1,402,286
Shares held for share award scheme	(10,218)	(10,218)
Share-based compensation reserve	332,786	287,971
Other reserves	(281,288)	93,712
Retained earnings	5,071,500	4,334,377
	6,418,392	6,108,323
Minority interests in equity	118,323	107,656
Total Equity	6,536,715	6,215,979
LIABILITIES		
Non-current liabilities		
Deferred income tax liabilities	49,131	50,864
Long term payables	416,524	-
	465,655	50,864
Current liabilities		
Accounts payable	252,956	255,446
Other payables and accruals	870,260	603,737
Short-term bank borrowing	292,184	292,184
Derivative financial instruments	11,941	26,434
Current income tax liabilities	122,961	170,833
Other tax liabilities	232,955	179,924
Deferred revenue	550,925	409,447
	2,334,182	1,938,005
Total Liabilities	2,799,837	1,988,869
Total Equity and Liabilities	9,336,552	8,204,848