

For Immediate Release

TENCENT ANNOUNCES 2010 FIRST QUARTER RESULTS

Hong Kong, May 12, 2010 – 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 2010 ended March 31, 2010.

Highlights of the first quarter of 2010:

- § Total revenues were RMB4,226.1 million (USD619.1 million¹), an increase of 14.6% over the fourth quarter of 2009 (“QoQ”) or an increase of 68.7% over the first quarter of 2009 (“YoY”)
- § Revenues from Internet value-added services (“IVAS”) were RMB3,387.4 million (USD496.2 million), an increase of 19.0% QoQ or an increase of 77.9% YoY
- § Revenues from mobile & telecommunications value-added services (“MVAS”) were RMB618.2 million (USD90.6 million), an increase of 12.4% QoQ or an increase of 40.7% YoY
- § Revenues from online advertising were RMB204.3 million (USD29.9 million), a decrease of 26.8% QoQ or an increase of 39.4% YoY
- § Gross profit was RMB2,897.7 million (USD424.5 million), an increase of 13.9% QoQ or an increase of 68.6% YoY. Gross margin decreased to 68.6% from 69.0% last quarter
- § Operating profit was RMB2,148.4 million (USD314.7 million), an increase of 20.9% QoQ or an increase of 84.5% YoY. Operating margin increased to 50.8% from 48.2% last quarter
- § Profit for the period was RMB1,802.4 million (USD264.0 million), an increase of 17.6% QoQ or an increase of 71.1% YoY. Net margin increased to 42.7% from 41.6% last quarter
- § Profit attributable to equity holders of the Company was RMB1,783.2 million (USD261.2 million), an increase of 18.3% QoQ or an increase of 72.2% YoY
- § Key platform statistics:
 - Active Instant Messaging (“IM”) user accounts increased 8.7% QoQ to 568.6 million
 - Peak simultaneous online user accounts for IM services increased 13.2% QoQ to 105.3 million
 - Active user accounts of Qzone increased 10.4% QoQ to 428.0 million
 - Peak simultaneous online user accounts of QQ Game portal (for mini casual games only) increased 9.7% QoQ to 6.8 million
 - IVAS paying subscriptions increased 16.1% QoQ to 59.9 million
 - MVAS paying subscriptions increased 14.8% QoQ to 23.3 million

Mr. Ma Huateng, Chairman and CEO of Tencent, said, “During the first quarter of 2010, our various online platforms continued to grow and our IVAS business, particularly our online gaming business, benefited from the strong holiday season. The second quarter will be a weaker season for our IVAS business, but it will present stronger seasonality for our online advertising business. We are also looking forward to leveraging the Shanghai World Expo and World Cup events to further build our brand and media influence. While we are cognizant of the fact that as our scale grows, the growth rate of our business will inevitably slow down; we are committed to continuously investing into the future as we believe in the long-term potential of the China Internet market.”

¹ Figures stated in USD are based on USD1 to RMB6.8263

Financial Review for the First Quarter of 2010

IVAS revenues increased 19.0% QoQ to RMB3,387.4 million and represented 80.2% of our total revenues for the first quarter of 2010. Revenues from our online games increased by 30.1% to RMB2,023.6 million. This primarily reflected the positive seasonal impact of the Chinese New Year holidays and winter break for students, which resulted in the increased monetisation of our major advanced casual games and MMOGs, namely Cross Fire, Dungeon and Fighter (“DNF”), QQ Dancer and QQ Speed. The growth of QQ Game also contributed to the increase in online gaming revenues. For our community value-added services, revenues increased by 5.6% to RMB1,363.8 million. Subscriber of QQ Membership increased as we focused on enhancing user value and stickiness by enriching the online and offline privileges of the product. Growth in Qzone was mainly due to increased user activeness driven by our SNS applications. Revenues from QQ Show also increased as we launched programmes to attract new subscribers and continued to improve user loyalty with enhanced features as well as annual subscription package.

MVAS revenues increased 12.4% QoQ to RMB618.2 million and represented 14.6% of our total revenues. This was primarily driven by the growth in the user base of our bundled SMS packages resulting from enhanced privileges and features. Revenues from mobile SNS applications and mobile games also increased. The increase in revenues was partly offset by the reduction in revenues from our WAP business due to the suspension of billing for WAP services by China Mobile since 30 November 2009. Revenues from legacy mobile voice value-added services also declined.

Online advertising revenues decreased 26.8% QoQ to RMB204.3 million and represented 4.8% of our total revenues. This primarily reflected weaker seasonality in the first quarter as advertising activities reduced around the Chinese New Year holidays.

Other Key Financial Information for the First Quarter of 2010

Share-based compensation was RMB101.0 million for the first quarter of 2010 as compared with RMB100.3 million for the previous quarter.

Foreign exchange loss was RMB1.6 million for the first quarter of 2010 as compared with RMB0.4 million for the previous quarter.

Capital expenditure was RMB366.6 million for the first quarter of 2010 as compared with RMB369.2 million for the previous quarter.

Basic earnings per share for the quarter were RMB0.984, and diluted earnings per share were RMB0.959.

As at March 31, 2010, cash and cash equivalents, term deposits with initial term of over three months and held-to-maturity investments totaled RMB13,810.3 million. The total number of shares of the Company in issue was 1.824 billion.

Business Review and Outlook

We delivered solid financial and operating performance in the first quarter of 2010 on the back of strong seasonality and the continued growth of our platforms. Our IVAS, especially for online games, benefited from the Chinese New Year holidays and winter break for students, when users' propensity to spend increased. Our MVAS registered growth during the quarter, primarily driven by the increase in subscription to our bundled SMS packages as we enriched the privileges and features. For our online advertising business, revenues decreased on a quarter-on-quarter basis as the first quarter was traditionally a weak season. Looking into the second quarter of 2010, we expect weaker seasonality for our IVAS due to fewer school holidays during the quarter and school examinations towards the end of the quarter. Visibility of our MVAS business would remain low as the industry continues to face significant regulatory uncertainties. On the other hand, our online advertising business should benefit from stronger seasonality in the second quarter.

In April 2010, we announced a USD300 million investment in Digital Sky Technologies Limited ("DST"), one of the largest Internet companies in the Russian-speaking and Eastern European markets, and the establishment of a long-term strategic partnership between DST and Tencent. This transaction represents a step for us to tap into the potential of the fast-growing Internet market in Russia. It also aligns with our long-term strategy of cooperating with top local Internet companies in emerging markets through strategic investment and partnership, and leveraging our technical and operational know-how to deliver quality Internet products and services to users in these markets.

IM Platform

Our IM platform continued to expand during the quarter, with active users and peak concurrent users ("PCU") increasing to 568.6 million and 105.3 million respectively. This was primarily driven by positive seasonality and the popularity of SNS applications, which enhanced user activity and engagement through cross-platform integration. The increasing usage of our IM services on mobile devices also contributed to the growth. To extend our leadership in the market, we are broadening and deepening the integration of our IM services with other platforms of Tencent. We are also enhancing our services for different user segments with tailored functionalities and features.

QQ.com

The traffic on QQ.com increased during the quarter as we enriched the content of our key vertical channels and fostered stronger cross-platform integration. We also continued to execute our brand TV advertising campaign to further improve our brand image and awareness. In the second quarter and third quarter of 2010, we will increase our investments in content as well as advertising and promotion activities to leverage the 2010 World Exposition in Shanghai and the World Cup to enhance our media influence and standing in the industry. As part of this strategy, we have just acquired the right from China Network Television to provide World Cup video clips to our users.

Internet value-added services

For community value-added services, QQ Membership registered healthy growth in user base on the back of enhanced user loyalty and stickiness mainly driven by the bundling of more value-added functions as well as online and offline lifestyle privileges. Benefiting from the popularity of SNS

applications, Qzone's active user accounts increased by 10.4% on a quarter-on-quarter basis to reach 428.0 million at the end of the first quarter. As we saw the growth of our most popular SNS game, QQ Farm, approaching saturation because of its high penetration, we increased the promotion of QQ Ranch, a social game closely related and integrated with QQ Farm, to provide more content to our users. We are also launching new self-developed and third-party applications on Qzone and Xiaoyou on trial basis during the first quarter as we recognise the life cycle of individual social game tends to be short. Going forward, we will continue to enhance the user value of our SNS platforms by improving the basic social networking functionalities as well as introducing different SNS applications that cater to the varying needs of our user base. We are also increasing our effort to extend Qzone to our wireless platforms to further enhance its reach and usage. For QQ Show, monthly subscription grew during the quarter as we introduced free trial and enhanced free items to attract new users and converted some of these users into paid subscribers. User stickiness also improved, with enhanced features as well as introduction of annual subscription package.

Our online game business benefited from positive seasonality as well as the launch of expansion packs and holiday promotions for our major advanced casual games and MMOGs. QQ Game also benefited from in-game promotions, with its PCU reaching 6.8 million. During the quarter, we launched Dragon Power, a hardcore 2D MMOG, and A.V.A., a niche market First Person Shooting game, to further enrich our diversified game portfolio. We are also working on the launch of additional MMOGs for the rest of 2010. We believe that as the online game industry begins to mature, the operating environment for online game companies would become more challenging going forward. On the one hand, gamers are now more sophisticated in choosing online games, raising the bar on the quality of successful games. On the other hand, competition for licensed games and talent has increased as there are many well-funded gaming companies in the market. These factors would decrease the success rate and extent of success for new games, as well as increase investment requirements. Against this backdrop, we will have to work even harder on leveraging our platforms and operational experience to introduce high quality games to different market segments via self-development, licensing and investments. Our recent acquisition of the remaining 40% stake in Shenzhen Domain Computer Network Company Limited, which will allow us to better integrate and leverage the development resources of the company, is in line with this strategy.

Mobile and telecommunications value-added services

Our MVAS business grew during the quarter primarily driven by the expansion in the user base of our bundled SMS packages as we added more privileges and features to the packages. Traffic on our WAP portal continued to increase, reinforcing our leading position in the free WAP portal industry. The growth of our MVAS business was dampened by the suspension of billing for WAP services by China Mobile since 30 November 2009 and the decline in legacy mobile voice value-added services. Visibility of the industry would remain low as the sector is still subject to significant regulatory uncertainties.

Online advertising

Our online advertising business was affected by weaker seasonality in the first quarter of 2010 as advertising activities generally reduced around the Chinese New Year holidays. During the quarter, we continued to develop cross-platform and user-targeted advertising solutions to deepen our differentiation in the market. Looking ahead, we are positioning ourselves for long-term growth by

enhancing our image as a mainstream and influential media, strengthening our sales organisation and further improving our advertising products to capitalise on the strengths of our platforms.

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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 social networking 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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In RMB '000 (unless otherwise stated)

	Unaudited		Unaudited	
	1Q2010	4Q2009	1Q2010	1Q2009
Revenues	4,226,060	3,688,264	4,226,060	2,504,365
Internet VAS	3,387,377	2,847,055	3,387,377	1,904,563
Mobile & Telecom VAS	618,238	549,899	618,238	439,545
Online Advertising	204,334	279,006	204,334	146,563
Others	16,111	12,304	16,111	13,694
Cost of revenues	(1,328,355)	(1,144,855)	(1,328,355)	(785,914)
Gross profit	2,897,705	2,543,409	2,897,705	1,718,451
<i>Gross margin</i>	68.6%	69.0%	68.6%	68.6%
Interest income	57,191	41,116	57,191	34,049
Other losses, net	(35,275)	(26,886)	(35,275)	(34,820)
S&M expenses	(185,417)	(208,105)	(185,417)	(98,105)
G&A expenses	(585,766)	(572,882)	(585,766)	(455,018)
Operating profit	2,148,438	1,776,652	2,148,438	1,164,557
<i>Operating margin</i>	50.8%	48.2%	50.8%	46.5%
Finance (costs)/income	(1,558)	(369)	(1,558)	248
Share of profit of associates	12,913	9,542	12,913	5,372
Profit before income tax	2,159,793	1,785,825	2,159,793	1,170,177
Income tax expense	(357,375)	(252,772)	(357,375)	(116,567)
Profit for the period /Total comprehensive income for the period	1,802,418	1,533,053	1,802,418	1,053,610
<i>Net margin</i>	42.7%	41.6%	42.7%	42.1%
Attributable to:				
Equity holders of the Company	1,783,194	1,507,945	1,783,194	1,035,440
Minority interests	19,224	25,108	19,224	18,170
Earnings per share				
- basic (RMB)	0.984	0.835	0.984	0.577
- diluted (RMB)	0.959	0.812	0.959	0.566

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In RMB '000 (unless otherwise stated)

	Unaudited	Audited
	31 March 2010	31 December 2009
ASSETS		
Non-current assets		
Fixed assets	2,688,833	2,517,202
Construction in progress	123,824	105,771
Investment properties	67,703	68,025
Land use rights	35,109	35,296
Intangible assets	277,620	268,713
Investment in associates	612,856	477,622
Deferred income tax assets	286,862	301,016
Held-to-maturity investments	341,315	341,410
Available-for-sale financial assets	174,031	153,462
Prepayments, deposits and other receivables	12,799	80,306
	4,620,952	4,348,823
Current assets		
Accounts receivable	1,610,069	1,229,436
Prepayments, deposits and other receivables	431,937	373,642
Term deposits with initial term of over three months	6,673,010	5,310,168
Restricted cash	1,008,175	200,000
Cash and cash equivalents	6,795,966	6,043,696
	16,519,157	13,156,942
Total Assets	21,140,109	17,505,765
EQUITY		
Equity attributable to the Company's equity holders		
Share capital	197	197
Share premium	1,283,509	1,244,425
Shares held for share award scheme	(155,664)	(123,767)
Share-based compensation reserve	804,623	703,563
Other reserves	(66,030)	(166,364)
Retained earnings	12,297,564	10,520,453
	14,164,199	12,178,507
Minority interests in equity	112,672	120,146
Total Equity	14,276,871	12,298,653
LIABILITIES		
Non-current liabilities		
Deferred income tax liabilities	403,229	369,983
Long-term payables	12,799	274,050
	416,028	644,033
Current liabilities		
Accounts payable	937,360	696,511
Other payables and accruals	1,793,618	1,626,051
Short-term bank borrowings	988,448	202,322
Current income tax liabilities	288,728	85,216
Other tax liabilities	272,939	216,978
Deferred revenue	2,166,117	1,736,001
	6,447,210	4,563,079
Total Liabilities	6,863,238	5,207,112
Total Equity and Liabilities	21,140,109	17,505,765