

For Immediate Release

TENCENT ANNOUNCES 2006 THIRD QUARTER RESULTS

Hong Kong, November 22, 2006 – 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, 2006.

Highlights for the Third Quarter of 2006:

- Total revenues were RMB736.9 million (USD93.2 million), an increase of 4.5% over the second quarter (“QoQ”) or an increase of 103.1% over the third quarter of 2005 (“YoY”)
- Revenues from Internet Value-Added Services (IVAS) were RMB490.0 million (USD62.0 million), an increase of 6.0% QoQ or an increase of 139.4% YoY
- Revenues from Mobile and Telecommunications Value-Added Services (MVAS) were RMB165.3 million (USD20.9 million), a decline of 7.3% QoQ or an increase of 36.4% YoY
- Revenues from Online Advertising were RMB80.4 million (USD10.2 million), an increase of 27.7% QoQ or an increase of 131.9% YoY
- Gross profit was RMB528.3 million (USD66.8 million), an increase of 4.4% QoQ or an increase of 116.5% YoY
- Operating profit was RMB327.5 million (USD41.4 million), an increase of 5.6% QoQ or an increase of 179.3% YoY
- Net profit was RMB282.6 million (USD35.7 million), an increase of 5.5% QoQ or an increase of 263.4% YoY
- Key platform statistics:
 - Total registered Instant Messaging (“IM”) user accounts climbed to 572.3 million, representing a 4.2% growth QoQ
 - Peak simultaneous online user accounts for IM services recorded over 22.1 million, a growth of 10.0% QoQ
 - Active IM user accounts decreased 1.2% QoQ to 221.4 million due to the Company’s efforts in preventing abusive users from obtaining multiple accounts for distributing spam messages
 - Peak simultaneous online user accounts of QQ Game portal (for mini casual games only) was 2.56 million, an increase of 6.8% QoQ
 - IVAS paying subscriptions were 13.7 million, a decrease of 6.8% QoQ. The decline was mainly caused by Tencent’s efforts in cleaning up delinquent user accounts
 - MVAS paying subscriptions were stable at 10.1 million

*Figures stated in USD are based on USD1 to RMB7.9087

Mr. Ma Huateng, Chairman and CEO of Tencent, said “Leveraging the favorable seasonality during the summer holidays, we delivered a set of satisfactory results in the third quarter despite tough market conditions for our wireless and online games businesses. We are glad to see that our advertising business registered strong sequential growth and QQ.com continues to be a leading portal in China.”

On the other hand, Mr. Ma cautioned that the Company continued to operate in a competitive and challenging environment. He emphasized that in order to build a more secure network for the large user base, the Company would continue to implement tough measures to enhance user account protection and crack down on spam messaging within the QQ network. These measures may affect general usage and monetization of its IVAS services. In addition, the Company faces uncertainties in the wireless sector relating to possible further policy changes and the provision of mobile chat services on the Monternet platform. The online games business also faces intensifying competition. Despite these short-term challenges, Mr. Ma believed the Company's services continued to carry fundamental value to its users and indicated the Company would continue to invest in improving the operating platforms to capture the long-term opportunities offered by the Internet industry in China.

Business Highlights

IVAS revenue increased 6.0% QoQ to RMB490.0 million and represented 66.5% of the total revenues in the third quarter of 2006. During the July and August period, consumption of Tencent's entertainment-oriented IVAS increased generally because students had more time to use these services during the school summer holidays. In this quarter, the Company's online identity and community business, including QQ Pet and Qzone, continued to grow. A partnership with Hunan Satellite TV on the voting of Super Girls using QQ IM and QQ Live platforms also contributed to the increase in revenues.

Total revenues generated from online games decreased 2.8% QoQ to RMB163 million in the third quarter. Revenue from mini casual games decreased because Tencent strategically reduced monetization to increase its platform attractiveness to free users. The intensifying competition in the MMOG market had a negative impact on QQ Fantasy. Meanwhile, the revenue decline was partially offset by revenue contribution from R2Beat, a new advanced casual game the Company launched in July, and the increased contribution from QQ Tang in the summer.

MVAS revenue decreased 7.3% QoQ to RMB165.3 million and represented 22.4% of total revenues in the third quarter of 2006. The sequential decline was mainly caused by the policy changes for the MVAS on China Mobile's Monternet platform. Initiated in July 2006, the policy changes negatively affected the number of new subscribers, and increased the churn of existing monthly subscriptions for Tencent's mobile value-added services. The revenue decrease was partially offset by increased contribution from SMS services provided by the Joymax Group.

Online Advertising revenue increased 27.7% QoQ to RMB80.4 million and represented 10.9% of total revenues in the third quarter of 2006. The growth was mainly attributable to increased volume through agency sales and the strong seasonal factors in this quarter.

Financial Information

Gross profit was RMB528.3 million, an increase of 4.4% QoQ or 116.5% from the same period last year. Gross margin was stable at 72%. Operating profit was RMB327.5 million, an increase of 5.6% QoQ or an increase of 179.3% YoY. Operating margin was stable at 44%. Net profit was RMB282.6 million, an increase of 5.5% QoQ or an increase of 263.4% YoY. Net margin was stable at 38%. Basic earnings per share were RMB0.160. Diluted earnings per share were RMB0.156.

Share-based compensation was RMB20.7 million for this quarter in comparison to RMB19.4 million in the previous quarter. Foreign exchange loss for this quarter, as a result of Renminbi appreciation, was RMB13.6 million for the third quarter of 2006 compared to RMB3.1 million for the second quarter of 2006.

During the third quarter of 2006, Tencent did not make any repurchase of its shares from the market. The Company is planning to build a new headquarters in Shenzhen with a preliminary budget of over RMB550 million. The construction is expected to complete by 2009.

Outlook

Tencent registered strong results in the third quarter despite challenges in its wireless business as the Company leveraged the strong seasonality in the summer holidays to generate more revenue from the Internet value-added services. However, Tencent's business environment will become more challenging in the near future. Firstly, the strong seasonality in the third quarter will not repeat in the fourth quarter. Secondly, its wireless business remains volatile due to policy risks. Thirdly, Tencent has implemented a number of account security related measures which may affect usage of its services and negatively impact its IVAS revenue in the short term. Despite all these challenges, Tencent believes its Internet platforms continue to generate significant value to its users, and it will continue to invest in improving these platforms to capture the vast long-term opportunities offered by the Internet industry in China.

In its core IM platform, Tencent continues to focus on eliminating "spam" messages and enhancing user account protection. In the past quarters, Tencent has significantly reduced the number of "spam" messages in its IM system and achieved good initial results in improving user account protection. Although the active user accounts might have declined slightly as a side effect, Tencent believes the usage of its services is becoming healthier, as is reflected in increased peak concurrent user accounts, and that Tencent will benefit from these maintenance initiatives for the long-run.

In the Internet value-added services, Tencent's online identities businesses, such as Qzone and QQ Pet, continued to grow as the Company improved system performance and product experience for these services. With respect to online games, competition in the market has intensified due to the introduction of many new games, particularly games charged by items instead of user hours. Tencent reduced the degree of monetization in its mini casual games portal, which has allowed the

Company to increase the peak concurrent user accounts in the third quarter after a small decline in the second quarter. Tencent is implementing additional measures in enhancing the security of its users' virtual item, which will affect sale of certain game items in the short term. Tencent is also planning a system upgrade in our mini casual games portal, which is aimed to improve system performance and provide better support for in-game avatar and in-game advertising. The system upgrade may affect the operation and monetization of the game portal in the next two quarters. In term of MMOG business, Tencent launched a major expansion pack for QQ Fantasy in August, which is aimed to increase the stickiness of the game. The Company is currently working on additional expansion packs for QQ Fantasy. Tencent also launched its second advanced casual game, R2Beat, in July for open beta testing with satisfactory results. The Company will strengthen its pipeline through self-development and licensing from potential overseas partners.

In the wireless business, industry regulatory environment remains challenging. In addition, Tencent understood that wireless service providers who are currently providing mobile chat services on the Monternet platform will have their service contracts extended up to 31 December 2006. Tencent is engaging in a constructive dialogue with China Mobile to discuss the possible options thereafter. Tencent believes that its wireless business will continue to be susceptible to various policy risks. To manage these challenges, the Company will focus on closely interacting with China Mobile and improving its own execution. In addition, Tencent is making strategic investment in wireless data related services, such as its WAP portal, to position the Company for the future growth in the upcoming 3G era.

Tencent's advertising business continued to grow during the third quarter as it became more successful in monetizing the heavy traffic to its IM and portal platforms. As the Company looks forward, many of its existing and potential future services carry significant traffic and thus advertising value. Tencent is particularly focused on professionalizing its sales team and improving its product offerings to capture these opportunities in the future.

About Tencent

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 personal IM communication product which offers a variety of entertainment and community features. TM is for professional IM communications in a business environment. RTX offers IM solution that allows an enterprise to operate and manage its own internal IM network.

For enquiries, please contact:

Catherine Chan Tel: (86) 755 86013388 ext 8369 or (852) 21795122 Email: cchan@tencent.com

Johnny Shen Tel: (86) 755 86013388 ext 5423 or (852) 21795122 Email: jshen@tencent.com

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. These 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 RMB '000 (unless otherwise stated)

CONDENSED CONSOLIDATED INCOME STATEMENT

	Unaudited		Unaudited	
	3Q2006	2Q2006	3Q2006	3Q2005
Revenues	736,930	704,981	736,930	362,829
Internet VAS	490,018	462,260	490,018	204,658
Mobile & Telecom VAS	165,258	178,355	165,258	121,154
Online Advertising	80,417	62,972	80,417	34,683
Others	1,237	1,394	1,237	2,334
COPS	(208,637)	(199,035)	(208,637)	(118,804)
Gross profit	528,293	505,946	528,293	244,025
Gross margin	71.7%	71.8%	71.7%	67.3%
Other gains, net	21,942	21,357	21,942	15,997
S&M expenses	(65,231)	(74,838)	(65,231)	(51,603)
G&A expenses	(157,546)	(142,440)	(157,546)	(91,182)
Operating profit	327,458	310,025	327,458	117,237
Operating margin	44.4%	44.0%	44.4%	32.3%
Finance cost, net	(15,696)	(6,537)	(15,696)	(42,351)
Profit before income tax	311,762	303,488	311,762	74,886
Income tax (expenses)/benefit	(29,174)	(35,599)	(29,174)	2,869
Profit for the period	282,588	267,889	282,588	77,755
Net margin	38.3%	38.0%	38.3%	21.4%
Earnings per share				
- basic (RMB)	0.160	0.151	0.160	0.044
- diluted (RMB)	0.156	0.147	0.156	0.043

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2006 AND 30 JUNE 2006 (in RMB '000)

	Unaudited 30 September 2006	Unaudited 30 June 2006
ASSETS		
Non-current assets		
Fixed assets	515,515	494,885
Construction in progress	7,864	-
Leasehold land payments	9,908	9,908
Intangible assets	212,466	216,444
Held-to-maturity investments	79,087	239,868
Deferred tax assets	85,333	91,983
Available-for-sale investments	47,552	36,073
	<u>957,725</u>	<u>1,089,161</u>
Current assets		
Inventories	2,146	2,571
Accounts receivable	447,305	381,406
Prepayments, deposits and other receivables	80,095	62,350
Financial assets held for trading	215,857	286,343
Held-to-maturity investments	158,174	-
Term deposits with initial term of over three months	897,963	711,543
Cash and cash equivalents	1,640,880	1,458,733
	<u>3,442,420</u>	<u>2,902,946</u>
Total Assets	<u><u>4,400,145</u></u>	<u><u>3,992,107</u></u>
EQUITY		
Shareholders' equity		
Share capital	192	191
Share premium	1,448,727	1,439,916
Share-based compensation reserve	94,579	73,913
Other reserves	80,925	80,925
Retained earnings	1,795,918	1,513,330
	<u>3,420,341</u>	<u>3,108,275</u>
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	21,426	17,532
Long term payable	107,251	106,056
	<u>128,677</u>	<u>123,588</u>
Current liabilities		
Accounts payable	42,585	50,857
Other payables and accruals	421,676	353,956
Current income tax liabilities	42,225	47,555
Other tax liabilities	18,363	20,199
Deferred revenue	326,278	287,677
	<u>851,127</u>	<u>760,244</u>
Total Liabilities	<u>979,804</u>	<u>883,832</u>
Total Equity and Liabilities	<u><u>4,400,145</u></u>	<u><u>3,992,107</u></u>