

For Immediate Release

**TENCENT ANNOUNCES 2004 THIRD QUARTER RESULTS
REVENUES INCREASE 46% YOY
MORE ONLINE GAMES TO SPUR FUTURE GROWTH**

Hong Kong, November 18, 2004 – Tencent Holdings Limited (“Tencent” or the “Company”, SEHK 700), a leading provider of Internet services and mobile value-added services in China, today announced the unaudited results for the third quarter ended September 30, 2004.

Key Highlights

- Revenues grew 46.1% yoy and 11.3% qoq, amounting to RMB301 million (USD 36.4 million)
- Revenues from Internet Value-Added Services (IVAS) were RMB109 million (USD13.1 million), representing an increase of 55% yoy, and an increase of 9.5% qoq
- Revenues from Mobile and Telecommunication Value-Added Services (MVAS) were RMB174 million (USD21 million), representing an increase of 38% yoy and 11.3% qoq
- Revenues from Online Advertising were RMB16 million (USD1.9 million), representing an increase of 107% yoy and 24.5% qoq
- Gross profit increased 34% yoy to RMB186 million (USD22.5 million), or up 9.4% qoq
- Net profits were RMB108 million (USD13 million), an increase of 23% yoy and a decline of 4.7% qoq
- Peak simultaneous online users for instant messaging (IM) services broke a new record at 7.3 million
- Registered IM user accounts climbed to 355 million, representing a 66% growth yoy and a 7% growth qoq. Active user accounts increased to 119 million from 110.1 million, representing a growth of 82% yoy and 8% qoq
- IVAS and MVAS paying subscriptions were 6.9 million and 12.5 million respectively

Mr Ma Huateng, Chairman and CEO of Tencent, said: “We are glad to have achieved strong quarter-on-quarter revenues growth in all our major business segments despite tough market conditions. This proves our strategy of building a diversified portfolio is working well.

“To further drive the organic growth of the Company, we have made additional strategic investments in key areas such as online games and web portal, and we will step up our efforts to strengthen our IM functionalities to enhance user experience,” Mr. Ma said.

Performance Review

Within the first year of its launch, QQ Game portal has become the No.1 casual game portal in China with 708,000 peak simultaneous online users. This represented an 81% quarter-on-quarter growth over the second quarter. Tencent has introduced a revenue model and is gradually monetizing the user base.

Avatar services continued double-digit quarter-on-quarter growth as the Company introduced creative features to the online community. A new product, "QQ Pet", will be launched by the end of this year.

The third quarter also saw increasing popularity of the Company's web portal, QQ.com. As at the end September 2004, Alexa.com ranked QQ.com portal the 4th most popular portal in China, and the 12th most popular website in the world.

"We will to extend the reach and enhance our recognition among potential advertisers by branding QQ.com as the preferred destination portal for the young generation," said Mr Ma.

For MVAS, the SMS segment has stabilized with a 5.3% qoq growth in revenues. The Company has focused on developing new 2.5G products by utilizing QQ.com contents and promoting cross-selling with the web portal.

Financials

Tencent posted gross profits of RMB186 million (USD22.5 million) in the third quarter, a qoq increase of 9.4% from RMB170 million (USD20.5 million). Gross margins were at 62% against 63% in the previous quarter.

Net profits were RMB108 million (USD13 million). Net margins declined to 36% compared with 42% in the second quarter. This is attributable to:

- Increased R&D expenses as the Company employed more staff with an emphasis on the development of the online games, web portal and IM functionalities
- Higher office lease payments due to relocation to new Shenzhen headquarters with additional office space to accommodate future growth
- Higher professional consulting fees following the initial public offering in June

"These investments have temporarily reduced our net profits, but we believe they are necessary and timely for the long-term sustainability of our business," Mr Ma said.

Outlook

Looking forward, the Company will strengthen IM functionalities by bundling other IVAS and MVAS products such as music, e-magazine, mobile IVR and content downloads.

In addition to launching new mini games every quarter, Tencent's in-house game development team will complete open beta testing of a new advanced casual game, "QQ Tang", by the end of this year. A new self-developed Massive Multi-player Online Game (MMOG) will be released for open beta testing by the first quarter of 2005, and further strengthening of the network PC game platform is now underway.

"We believe these new game offerings will make a sizable contribution to our revenues next year. They will complement our solid revenue streams from existing IVAS and MVAS products.

"As competition intensifies in China's Internet industry, we are planning ahead and investing to develop new products and grow new markets in order to achieve continued success," Mr Ma concluded.

About Tencent Holdings Limited

Tencent Holdings Limited is a leading provider of Internet services and mobile 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, under the QQ brand, allows users to communicate in real-time across the Internet, and mobile and fixed line telecommunications networks using various terminal devices.

The Company operates three principal lines of business: Internet value-added services, mobile and telecommunications value-added services and online advertising.

Ends

For more information, please visit Tencent's website: www.tencent.com

Issued by: **Tencent Holdings Limited**

Catherine Chan Tel: (86) 755 8376 9533 cchan@staff.tencent.com

Sue So Tel: (86) 755 8376 9522 sueso@staff.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. 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.

Brief Income Statement

In '000 RMB

	3Q2004	2Q2004	3Q2004	3Q2003
Revenues	300,986	270,513	300,986	206,057
Internet VAS	109,393	99,913	109,393	70,608
Mobile & Telecom VAS	173,655	156,054	173,655	125,798
Online Advertising	15,995	12,847	15,995	7,720
Others	1,943	1,699	1,943	1,931
Cost of revenues	(114,652)	(100,159)	(114,652)	(66,978)
Gross profit	186,334	170,354	186,334	139,079
Other operating income/(exp), net	-	-	-	35
S&M expenses	(27,472)	(26,465)	(27,472)	(15,255)
G&A expenses	(49,647)	(28,310)	(49,647)	(32,384)
Profit from operations	109,215	115,579	109,215	91,475
Finance income, net	3,425	1,003	3,425	1,196
Fair value gains	1,457	-	1,457	-
Profit before taxation	114,097	116,582	114,097	92,671
Taxation	(6,122)	(3,293)	(6,122)	(4,531)
Profit for the period	107,975	113,289	107,975	88,140
Earnings per share				
- basic (RMB)	0.062	0.085	0.062	0.067
- diluted (RMB)	0.060	0.085	0.060	0.067
Gross margins	62%	63%	62%	67%
Net margins	36%	42%	36%	43%