

**For Immediate Release**

**TENCENT ANNOUNCES 2004 INTERIM AND SECOND QUARTER RESULTS  
ACHIEVED 77.7% REVENUES GROWTH  
AND 58.1% INCREASE IN NET PROFIT IN 1H**

Hong Kong, August 19, 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 second quarter and half-year ended 30 June 2004.

**Key Highlights**

***Highlights for the first half 2004:***

- Tencent recorded 77.7% revenues growth from the first half of 2003 to RMB528.1 million (USD63.8 million) in the first half of 2004
- Net profit grew by 58.1% to RMB220.6 million (USD26.6 million)
- Revenues from Internet value-added services (IVAS) surged 152.7% to RMB 204.5 million (USD24.7 million)
- Revenues from mobile and telecommunications value-added services (MVAS) increased 49.9% to RMB 298.9 million (USD36.1 million)
- Revenues from online advertisement grew 37.2% to RMB 21.1 million (USD2.5 million)

***Highlights for the second quarter of 2004:***

- Revenues grew 57.1% yoy and 5.0% qoq, amounting to RMB270.5 million (USD 32.7 million)
- Net profit increased 37.8% yoy and 5.6% qoq, amounting to RMB113.3 million (USD13.7 million)
- Revenues from IVAS were RMB99.9 million (USD12.1 million), representing an increase of 108.6% yoy, and a drop of 4.5% qoq
- Revenues from MVAS was RMB156.1 million (USD18.9 million), representing an increase of 35.6% yoy and 9.3% qoq
- Revenues from online advertising were RMB12.8 million (USD1.5 million), representing an increase of 50.6% yoy and 56.4% qoq
- Registered IM user accounts climbed 82.6% yoy, from 181.1 million (Q2 2003) to 330.8 million (Q2 2004), representing a 13% growth qoq. Active user accounts increased to 110.1 million (Q2 2004) from 53.0 million (Q2 2003), representing a growth of 107.7 % yoy and 13% qoq
- For the second half of June 2004, the community spent an average of 78.0 million user hours daily on our IM platform. This represents an increase of 20.6% qoq on user hours, from 35.7 million (Q2 2003), and a growth of 118.5% yoy

Mr. Ma Huateng, Chairman and CEO of Tencent, said, "We made remarkable achievements in the second quarter of this year, and will continue to deliver our best despite tough market conditions. Our IVAS is growing at a healthy pace, with 13% quarter-on-quarter growth in both total and active registered Instant Messaging (IM) user accounts. In addition, our casual game portal 'QQ Games' recorded a 390,000 peak simultaneous online users this quarter, representing a surge of 78% quarter-on-quarter. We believe online games is one of our potential growth drivers for the future."

"We are also committed to strengthening our product offerings in MVAS, especially 2.5G services, to tap market opportunities in China as the world's largest mobile market."

"To stay ahead of competition, we will strive to increase the size and stickiness of our community, and to evolve our IM service from a pure communication tool into an integrated service and marketing platform," said Mr. Ma.

Looking forward, the Company will continue to develop and deliver new value-added services and products for the community, so as to enrich user experience while generating new sources of revenues for Tencent.

For IVAS, the Company has launched a new enriched version of 'QQ2004' IM software client in July, which offers fully integrated value-added services incorporating avatars, e-mail, music, online games, network file folder, browser, and enterprise IM software RTX. Tencent is gradually introducing a charging model for QQ Games portal in the third quarter of 2004.

For MVAS, the Company will focus on developing new products and utilize existing content from the entertainment portal QQ.com in pace with the migration to 2.5G platform.

Tencent will also leverage QQ.com to drive and tap the growth in online advertising.

Ends

#### **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.

For more information, please visit Tencent's website: [www.tencent.com](http://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

Through: **Hill & Knowlton Asia Limited**

Julian Lee Tel: (852) 2894 6213 julianlee@hillandknowlton.com.hk  
Louisa Wong Tel: (852) 2894 6296 louwong@hillandknowlton.com.hk

Fax: (852) 2576 3551

**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

|                                   | RMB'000  |           |          |           |          |           |
|-----------------------------------|----------|-----------|----------|-----------|----------|-----------|
|                                   | Q2 2003  | Q2 2004   | Q1 2004  | Q2 2004   | 1H 2003  | 1H 2004   |
| <b>Revenues</b>                   | 172,159  | 270,513   | 257,533  | 270,513   | 297,152  | 528,066   |
| IVAS                              | 47,898   | 99,913    | 104,586  | 99,913    | 80,910   | 204,499   |
| MVAS                              | 115,086  | 156,054   | 142,817  | 156,054   | 199,383  | 298,871   |
| Online Advertising                | 8,529    | 12,847    | 8,215    | 12,847    | 15,347   | 21,062    |
| Others                            | 646      | 1,699     | 1,935    | 1,699     | 1,512    | 3,634     |
| <b>Cost of revenues</b>           | (51,437) | (100,159) | (87,368) | (100,159) | (87,776) | (187,527) |
| <b>Gross profit</b>               | 120,722  | 170,354   | 170,185  | 170,354   | 209,376  | 340,539   |
| Other operating income/(exp), net | (1,182)  | -         | 18       | -         | (1,146)  | 18        |
| Selling & marketing expenses      | (10,970) | (26,465)  | (23,044) | (26,465)  | (23,283) | (49,509)  |
| General & administrative expenses | (22,502) | (28,310)  | (34,074) | (28,310)  | (39,154) | (62,384)  |
| <b>Profit from operations</b>     | 86,068   | 115,579   | 113,085  | 115,579   | 145,793  | 228,664   |
| Finance income, net               | 494      | 1,003     | 931      | 1,003     | 237      | 1,934     |
| Profit before taxation            | 86,562   | 116,582   | 114,016  | 116,582   | 146,030  | 230,598   |
| Taxation                          | (4,342)  | (3,293)   | (6,712)  | (3,293)   | (6,465)  | (10,005)  |
| <b>Profit for the period</b>      | 82,220   | 113,289   | 107,304  | 113,289   | 139,565  | 220,593   |
| <b>Gross profit</b>               | 70%      | 63%       | 66%      | 63%       | 70%      | 64%       |
| <b>Net margin</b>                 | 48%      | 42%       | 42%      | 42%       | 47%      | 42%       |