

For Immediate Release

TENCENT ANNOUNCES 2008 FOURTH QUARTER AND ANNUAL RESULTS

Hong Kong, March 18, 2009 – 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 fourth quarter of 2008 and audited consolidated results for the year ended December 31, 2008.

Highlights of 2008 full year:

- Total revenues were RMB7,154.5 million (USD1,046.8 million¹), an increase of 87.2% over the year ended December 31, 2007 (“YoY”)
- Revenues from Internet value-added services (IVAS) were RMB4,915.0 million (USD719.1 million), an increase of 95.5% YoY
- Revenues from Mobile & telecommunications value-added services (MVAS) were RMB1,399.0 million (USD204.7 million), an increase of 73.2% YoY
- Revenues from Online advertising were RMB826.0 million (USD120.9 million), an increase of 67.5% YoY
- Gross profit was RMB4,984.1 million (USD729.2 million), an increase of 84.4% YoY. Gross margin decreased to 69.7% from 70.8% last year
- Operating profit was RMB3,246.0 million (USD474.9 million), an increase of 98.5% YoY. Operating margin increased to 45.4% from 42.8% last year
- Profit for the year was RMB2,815.7 million (USD412.0 million), an increase of 79.6% YoY. Net margin decreased to 39.4% from 41.0% last year
- Profit attributable to the equity holders of the Company for the year was RMB2,784.6 million (USD407.4 million), an increase of 77.8% YoY
- Basic earnings per share were RMB1.552. Diluted earnings per share were RMB1.514.
- The Board of Directors has recommended a final dividend of HKD0.25 per share for the year ended 31 December 2008 and a special dividend of HKD0.10 per share to celebrate the 10-year anniversary of the Company, subject to the approval of the shareholders at the Annual General Meeting to be held on May 13, 2009. The proposed dividend will be payable on May 27, 2009.

Highlights of the fourth quarter of 2008:

- Total revenues were RMB2,097.4 million (USD306.9 million), an increase of 3.6% over the third quarter of 2008 (“QoQ”) or an increase of 86.9% over the fourth quarter of 2007 (“YoY”)
- Revenues from IVAS were RMB1,478.6 million (USD216.3 million), an increase of 5.6% QoQ or an increase of 97.7% YoY
- Revenues from MVAS were RMB399.9 million (USD58.5 million), an increase of 7.4% QoQ or an increase of 89.0% YoY
- Revenues from Online advertising were RMB209.6 million (USD30.7 million), a decrease of 15.8% QoQ or an increase of 31.2% YoY

¹ Figures stated in USD are based on USD1 to RMB6.8346

- Gross profit was RMB1,414.2 million (USD206.9 million), an increase of 2.6% QoQ or an increase of 76.0% YoY. Gross margin decreased to 67.4% from 68.1% last quarter
- Operating profit was RMB932.9 million (USD136.5 million), an increase of 15.1% QoQ or an increase of 96.4% YoY. Operating margin increased to 44.5% from 40.0% last quarter
- Profit for the period was RMB876.1 million (USD128.2 million), an increase of 17.6% QoQ or an increase of 69.5% YoY. Net margin increased to 41.8% from 36.8% last quarter
- Profit attributable to equity holders of the Company for the period was RMB869.1 million (USD127.2 million), an increase of 17.9% QoQ or an increase of 68.8% YoY
- Key platform statistics:
 - Total registered Instant Messaging (“IM”) user accounts increased to 891.9 million, representing a 4.2% growth QoQ
 - Active IM user accounts increased 6.1% QoQ to 376.6 million
 - Peak simultaneous online user accounts for IM services recorded 49.7 million, a growth of 9.7% QoQ
 - Peak simultaneous online user accounts of QQ Game portal (for mini casual games only) was 4.7 million, representing a 6.2% growth QoQ
 - IVAS paying subscriptions were 31.4 million, an increase of 3.6% QoQ
 - MVAS paying subscriptions were 14.7 million, a decrease of 0.7% QoQ

Mr. Ma Huateng, Chairman and CEO of Tencent, said, “In 2008, Tencent delivered strong financial and operating results, leveraging our diversified, platform-based business model which is unique in China’s Internet market. We are also excited to see that, during the year, China has become the largest Internet market in the world by number of users and that Internet has increasingly become an indispensable part of everyday life for people in China.”

“While we continue to see significant long-term potential in the Internet market, we are conscious of the potential negative impact of a slowing economy and intensifying competition in the market. Our online advertising business will experience particular pressure as advertisers reduce or delay their advertising budget, while our user-paid small ticket based entertainment and membership services will be relatively more resilient. To navigate through this challenging macro environment and position the Company for future growth, we will manage our business rigorously while continuing to make necessary investments in our platforms and our people,” he added.

Business highlights for the fourth quarter of 2008

IVAS revenues increased 5.6% QoQ to RMB1,478.6 million and represented 70.5% of the total revenues in the fourth quarter of 2008. Besides the growth in revenues from online games, revenues from QQ Membership registered growth due to increased user loyalty and stickiness as the service was enhanced with differentiated value-added functions and privileges across our platforms. Revenues from online identity and community business decreased during the quarter as a result of weaker seasonality.

Game-related IVAS revenues increased 18.0% QoQ to RMB802.5 million in the fourth quarter of 2008. The rising popularity of QQ Game as well as recently launched games, including Dungeon and

Fighter (“DNF”), Cross Fire and QQ Dancer contributed to the growth in revenues. The increase was partly offset by decreased revenues from QQ SanGuo and QQ Fantasy.

MVAS revenues increased 7.4% QoQ to RMB399.9 million and represented 19.1% of the total revenues in the fourth quarter of 2008. This increase was driven by increased revenues from bundled SMS packages, reflecting the Company's continuing effort in product enhancements and promotions. In addition, mobile gaming revenues increased as a result of the growing popularity of the service.

Online Advertising revenues decreased 15.8% QoQ to RMB209.6 million and represented 10.0% of total revenues in the fourth quarter of 2008. The decline mainly reflected a tougher economic environment and a significant reduction in advertising spending by the Company's advertising customers. The quantity of rush orders declined during the quarter.

Other key financial information for the fourth quarter of 2008

Share-based compensation was RMB48.4 million for the fourth quarter of 2008 as compared with RMB44.6 million for the previous quarter. Foreign exchange gain, as a result of Renminbi depreciation, was RMB2.6 million for the fourth quarter of 2008 as compared with a loss of RMB7.9 million for the previous quarter. Capital expenditure was RMB450.1 million for the fourth quarter of 2008 as compared with RMB590.9 million for the previous quarter.

Basic earnings per share for the quarter were RMB0.484, and diluted earnings per share were RMB0.474.

As at the end of December 31, 2008, cash position stood at RMB5,128.6 million. The total number of shares of the Company in issue was 1.797 billion.

Outlook

Looking into the first quarter of 2009, the Company expects to see a more favorable seasonality for its IVAS business, especially for online games, as a result of winter break for students and the Chinese New Year holidays. On the other hand, its online advertising business would face severe pressure as more and more advertisers scale down or delay their spending under a worsening economic environment. In addition, the first quarter is generally a seasonally weak quarter as advertising activities slow around Chinese New Year holidays.

For non-game IVAS, the Company is seeking opportunities to extend QQ Membership offline to include privileges for lifestyle products. While the Company will continue to enhance the service features and user experience of Qzone, it is addressing the social networking needs of university students with the official launch of Xiaoyou, a real-name SNS service, in January 2009. For online gaming, the Company will continue to leverage its core strengths to launch attractive games through a combination of self-development, licensing and investments, despite lower margins of licensed games. The Company's preliminary pipeline includes three MMOGs and one advanced casual

game scheduled for 2009 as well as up to six MMOGs planned for the first half of 2010.

The Company's wireless business registered strong growth in 2008 as the operating environment became more favorable. Going forward, while the launch of 3G networks and more affordable data packages offered by telecom operators will stimulate the growth of wireless data services, the Company remains cautious on the regulatory environment as the telecom sector is in the midst of transition. The Company will seek to create more value for its users and maintains a close relationship with telecom operators in order to position it for longer term growth.

As the Company has just started to experience the rippling effect of the global recession on China, it believes that the negative impact on its advertising business will be substantial in 2009 and it is very difficult to predict the timing of recovery. The Company will be very vigilant in serving its clients, especially in more resilient advertising segments, including food and beverages, apparels and online games. In addition, the Company will continue to cautiously make investments in its sales organization, technology platform, content, branding and relationship with advertisers to position it well when growth returns to the market.

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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.

CONSOLIDATED INCOME STATEMENT

In RMB '000 (unless otherwise stated)

	Unaudited		Audited	
	4Q2008	3Q2008	2008	2007
Revenues	2,097,381	2,024,474	7,154,544	3,820,923
Internet VAS	1,478,601	1,400,598	4,914,974	2,513,728
Mobile & Telecom VAS	399,884	372,498	1,398,984	807,645
Online Advertising	209,611	249,068	826,049	493,018
Others	9,285	2,310	14,537	6,532
Cost of revenues	(683,139)	(645,748)	(2,170,421)	(1,117,557)
Gross profit	1,414,242	1,378,726	4,984,123	2,703,366
Gross margin	67.4%	68.1%	69.7%	70.8%
Other gains/(losses), net	45,804	(6,902)	112,205	69,212
S&M expenses	(147,271)	(184,730)	(518,147)	(297,439)
G&A expenses	(379,921)	(376,585)	(1,332,207)	(840,113)
Operating profit	932,854	810,509	3,245,974	1,635,026
Operating margin	44.5%	40.0%	45.4%	42.8%
Finance income/(costs)	2,596	(7,944)	(140,732)	(100,192)
Share of profit/(loss) of associates/a jointly controlled entity	1,387	(176)	(347)	(331)
Profit before income tax	936,837	802,389	3,104,895	1,534,503
Income tax (expense)/benefit	(60,688)	(57,099)	(289,245)	33,505
Profit for the period	876,149	745,290	2,815,650	1,568,008
Net margin	41.8%	36.8%	39.4%	41.0%
Attributable to:				
Equity holders of the Company	869,097	737,123	2,784,577	1,566,020
Minority interests	7,052	8,167	31,073	1,988
Earnings per share				
- basic (RMB)	0.484	0.410	1.552	0.880
- diluted (RMB)	0.474	0.400	1.514	0.853

CONSOLIDATED BALANCE SHEETS

In RMB '000 (unless otherwise stated)

	Audited	
	As at 31 December	
	2008	2007 (as restated)
ASSETS		
Non-current assets		
Fixed assets	1,165,048	839,256
Construction in progress	875,897	112,232
Investment property	64,981	66,414
Leasehold land and land use rights	36,046	36,796
Intangible assets	370,314	391,994
Investment in a jointly controlled entity	-	179
Investment in associates	302,712	-
Deferred income tax assets	334,164	287,652
Held-to-maturity investments	-	73,046
Available-for-sale financial assets	86,180	63,605
Prepayments, deposits and other receivables	124,354	219,138
	3,359,696	2,090,312
Current assets		
Inventories	5,483	1,701
Accounts receivable	983,459	535,528
Prepayments, deposits and other receivables	378,340	130,406
Financial assets held for trading	329,804	266,495
Derivative financial instruments	-	47,759
Held-to-maturity investments	68,346	-
Term deposits with initial term of over three months	1,662,501	604,486
Restricted cash	-	300,000
Cash and cash equivalents	3,067,928	2,948,757
	6,495,861	4,835,132
Total Assets	9,855,557	6,925,444
EQUITY		
Equity attributable to the Company's equity holders		
Share capital	195	194
Share premium	1,155,209	1,455,854
Shares held for share award scheme	(21,809)	-
Share-based compensation reserve	381,439	220,230
Other reserves	(433,038)	80,295
Retained earnings	5,938,930	3,413,823
	7,020,926	5,170,396
Minority interests in equity	98,406	64,661
Total Equity	7,119,332	5,235,057
LIABILITIES		
Non-current liabilities		
Deferred income tax liabilities	78,368	40,770
Long-term payable	566,260	-
	644,628	40,770
Current liabilities		
Accounts payable	244,647	117,062
Other payables and accruals	1,013,542	669,194
Short-term bank borrowing	-	292,184
Derivative financial instruments	-	30,060
Current income tax liabilities	47,307	71,133
Other tax liabilities	103,933	134,746
Deferred revenue	682,168	335,238
	2,091,597	1,649,617
Total Liabilities	2,736,225	1,690,387
Total Equity and Liabilities	9,855,557	6,925,444