

**For Immediate Release**

**TENCENT ANNOUNCES 2009 SECOND QUARTER AND INTERIM RESULTS**

**Hong Kong, August 12, 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 second quarter and the first half year of 2009 ended June 30, 2009.

***Highlights for the First Half of 2009:***

- Total revenues were RMB5,382.8 million (USD787.9 million<sup>1</sup>), an increase of 77.5% over the first half of year ended June 30, 2008 (“YoY”)
- Revenues from Internet value-added services (“IVAS”) were RMB4,061.0 million (USD594.4 million), an increase of 99.5% YoY
- Revenues from mobile & telecommunications value-added services (“MVAS”) were RMB909.5 million (USD133.1 million), an increase of 45.2% YoY
- Revenues from online advertising were RMB389.6 million (USD57.0 million), an increase of 6.1% YoY
- Gross profit was RMB3,662.3 million (USD536.1 million), an increase of 67.1% YoY
- Operating profit was RMB2,563.5 million (USD375.2 million), an increase of 70.6% YoY
- Net profit for the period was RMB2,255.4 million (USD330.1 million), an increase of 88.9% YoY
- Profit attributable to equity holders of the Company for the period was RMB2,227.9 million (USD326.1 million), an increase of 89.1% YoY

***Highlights of the Second Quarter of 2009:***

- Total revenues were RMB2,878.4 million (USD421.3 million), an increase of 14.9% over the first quarter of 2009 (“QoQ”) or an increase of 79.9% over the second quarter of 2008 (“YoY”)
- Revenues from IVAS were RMB2,156.5 million (USD315.7 million), an increase of 13.2% QoQ or an increase of 107.9% YoY
- Revenues from MVAS were RMB470.0 million (USD68.8 million), an increase of 6.9% QoQ or an increase of 38.9% YoY
- Revenues from online advertising were RMB243.0 million (USD35.6 million), an increase of 65.8% QoQ or an increase of 9.1% YoY
- Gross profit was RMB1,943.8 million (USD284.5 million), an increase of 13.1% QoQ or an increase of 69.5% YoY. Gross margin decreased to 67.5% from 68.6% last quarter
- Operating profit was RMB1,398.9 million (USD204.8 million), an increase of 20.1% QoQ or an increase of 82.8% YoY. Operating margin increased to 48.6% from 46.5% last quarter
- Profit for the period was RMB1,201.7 million (USD175.9 million), an increase of 14.1% QoQ or an increase of 84.3% YoY. Net margin decreased to 41.8% from 42.1% last quarter
- Profit attributable to equity holders of the Company for the period was RMB1,192.4 million (USD174.5 million), an increase of 15.2% QoQ or an increase of 85.2% YoY

<sup>1</sup> Figures stated in USD are based on USD1 to RMB6.8319

- Key platform statistics:
  - Total registered Instant Messaging (“IM”) user accounts increased to 990.0 million, representing a 5.9% growth QoQ
  - Active IM user accounts increased 9.1% QoQ to 448.0 million
  - Peak simultaneous online user accounts for IM services recorded 61.3 million, a growth of 6.6% QoQ
  - Peak simultaneous online user accounts of QQ Game portal (for mini casual games only) was 6.2 million, representing a 7.6% growth QoQ
  - IVAS paying subscriptions were 40.0 million, an increase of 8.4% QoQ
  - MVAS paying subscriptions were 17.2 million, an increase of 2.4% QoQ

Mr. Ma Huateng, Chairman and CEO of Tencent, said, "For the second quarter of 2009, we delivered solid growth in our operating and financial results as we strengthened our online platforms and increased monetization on our Internet value-added services, especially online games.

For our online advertising business, the industry environment remained challenging although activities picked up modestly this quarter. We believe advertisers are still cautious on ad spend for 2009 until the global economy recovers in a more concrete and sustained manner.”

### **Business Highlights for the Second Quarter of 2009**

IVAS revenues increased 13.2% QoQ to RMB2,156.5 million and represented 74.9% of the total revenues in the second quarter of 2009, amid growth in online gaming and community value-added services.

Online gaming revenues increased 17.0% QoQ to RMB1,241.0 million. The growth was driven by the increased monetization of popular games, Dungeon and Fighter and Cross Fire, as well as the organic growth of QQ Game. This was partially offset by the decline in revenues from more mature MMOGs, including QQ Fantasy, QQ SanGuo and QQ Huaxia.

Revenues from our community value-added services increased, driven by the growth in Qzone, QQ Membership and QQ Show. Growth in revenues from Qzone was stimulated by the launch of new applications which enhanced user engagement and activity. Revenues from QQ Membership continued to increase as we enhanced user loyalty and stickiness through the expansion of valued-added functions and cross promotion with our online games and other community services. QQ Show continued to register growth in monthly subscription with the ongoing enhancements in features and user experience.

MVAS revenues increased 6.9% QoQ to RMB470.0 million and represented 16.3% of the total revenues. This was mainly driven by our bundled SMS packages and mobile gaming services. The growth is partly offset by the decline in revenues from our mobile voice value-added services as a result of the dwindling business volume of color ring back tone.

Online advertising revenues increased 65.8% QoQ to RMB243.0 million and represented 8.4% of total revenues. The growth primarily reflected better seasonality in the second quarter. In addition, there was an increase in advertising spending as advertisers resumed their activities upon signing of

framework contracts. The first quarter of 2009 was particularly subdued for the online advertising business as advertisers delayed their spending in response to the uncertain economic environment.

### **Other Key Financial Information for the Second Quarter of 2009**

Share-based compensation was RMB53.9 million for the second quarter of 2009 as compared with RMB49.3 million for the previous quarter.

Foreign exchange loss was RMB0.7 million for the second quarter of 2009 as compared with a gain of RMB0.2 million for the previous quarter.

Capital expenditure was RMB191.3 million for the second quarter of 2009 as compared with RMB196.9 million for the previous quarter.

Basic earnings per share for the quarter were RMB0.662, and diluted earnings per share were RMB0.647.

As at the end of June 30, 2009, cash position stood at RMB7,782.9 million. The total number of shares of the Company in issue was 1.804 billion.

### **Outlook**

Looking ahead, the Company expects that the third quarter would present stronger seasonality compared to the second quarter for online games due to summer school holidays, although the increase in monetization of games launched in 2008 would be more difficult as the games mature over time. In order to ensure the quality and depth of content for our upcoming MMOGs, we have decided to postpone the launch of our two in-house developed MMOGs, which were originally scheduled for launch towards the end of 2009, to the first half of 2010. Although our gaming revenue may be affected in the short-term as a result of this decision, we believe it will benefit our gaming business over the longer run.

As advertisers are still cautious and the recent improvements in market sentiment are still fragile, the Company expects the outlook of the online advertising industry to remain challenging in the second half of 2009. The Company will continue to make prudent investments in sales organization, content, technology platform, branding and relationship with advertisers to prepare for an eventual market recovery in the future.

###

## 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](http://www.tencent.com/ir).

### For enquiries, please contact:

Catherine Chan Tel: (86) 755 86013388 ext 88369 or (852) 21795122 Email: [cchan@tencent.com](mailto:cchan@tencent.com)

Jane Yip Tel: (86) 755 86013388 ext 81374 or (852) 21795122 Email: [janeyip@tencent.com](mailto:janeyip@tencent.com)

## 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	
	2Q2009	1Q2009	2Q2009	2Q2008
<b>Revenues</b>	<b>2,878,423</b>	<b>2,504,365</b>	<b>2,878,423</b>	<b>1,599,778</b>
Internet VAS	2,156,468	1,904,563	2,156,468	1,037,042
Mobile & Telecom VAS	470,003	439,545	470,003	338,311
Online Advertising	243,044	146,563	243,044	222,790
Others	8,908	13,694	8,908	1,635
<b>Cost of revenues</b>	<b>(934,613)</b>	<b>(785,914)</b>	<b>(934,613)</b>	<b>(453,069)</b>
<b>Gross profit</b>	<b>1,943,810</b>	<b>1,718,451</b>	<b>1,943,810</b>	<b>1,146,709</b>
<i>Gross margin</i>	<b>67.5%</b>	<b>68.6%</b>	<b>67.5%</b>	<b>71.7%</b>
Other gains /(losses), net	25,328	(771)	25,328	25,855
S&M expenses	(114,587)	(98,105)	(114,587)	(100,212)
G&A expenses	(455,629)	(455,018)	(455,629)	(307,059)
<b>Operating profit</b>	<b>1,398,922</b>	<b>1,164,557</b>	<b>1,398,922</b>	<b>765,293</b>
<i>Operating margin</i>	<b>48.6%</b>	<b>46.5%</b>	<b>48.6%</b>	<b>47.8%</b>
Finance (costs)/income	(653)	248	(653)	(40,918)
Share of profit of associates	3,452	5,372	3,452	(1,558)
Profit before income tax	1,401,721	1,170,177	1,401,721	722,817
Income tax expense	(199,973)	(116,567)	(199,973)	(70,618)
<b>Profit /total comprehensive income for the period</b>	<b>1,201,748</b>	<b>1,053,610</b>	<b>1,201,748</b>	<b>652,199</b>
<i>Net margin</i>	<b>41.8%</b>	<b>42.1%</b>	<b>41.8%</b>	<b>40.8%</b>
<b>Attributable to:</b>				
Equity holders of the Company	1,192,410	1,035,440	1,192,410	643,979
Minority interests	9,338	18,170	9,338	8,220
<b>Earnings per share</b>				
- basic (RMB)	0.662	0.577	0.662	0.359
- diluted (RMB)	0.647	0.566	0.647	0.349

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In RMB '000 (unless otherwise stated)

Unaudited

	30 June 2009	31 March 2009
<b>ASSETS</b>		
<b>Non-current assets</b>		
Fixed assets	1,703,614	1,347,998
Construction in progress	554,982	825,702
Investment properties	32,034	32,212
Leasehold land and land use rights	35,671	35,859
Intangible assets	316,682	339,170
Investment in associates	324,429	320,633
Deferred income tax assets	302,599	318,016
Held-to-maturity investments	341,595	-
Available-for-sale financial assets	89,087	87,037
Prepayments, deposits and other receivables	93,129	124,363
	<b>3,793,822</b>	<b>3,430,990</b>
<b>Current assets</b>		
Inventories	1,378	2,294
Accounts receivable	1,194,668	1,103,997
Prepayments, deposits and other receivables	410,800	374,498
Financial assets held for trading	-	329,866
Term deposits with initial term of over three months	3,380,260	2,464,401
Cash and cash equivalents	4,061,022	3,803,523
	<b>9,048,128</b>	<b>8,078,579</b>
<b>Total Assets</b>	<b>12,841,950</b>	<b>11,509,569</b>
<b>EQUITY</b>		
<b>Equity attributable to the Company's equity holders</b>		
Share capital	196	195
Share premium	1,163,452	1,106,830
Shares held for share award scheme	(46,232)	(27,692)
Share-based compensation reserve	485,139	431,006
Other reserves	(431,621)	(433,038)
Retained earnings	7,610,759	6,974,370
	<b>8,781,693</b>	<b>8,051,671</b>
<b>Minority interests in equity</b>	<b>102,894</b>	<b>116,576</b>
<b>Total Equity</b>	<b>8,884,587</b>	<b>8,168,247</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Deferred income tax liabilities	73,365	73,757
Long-term payables	553,429	566,269
	<b>626,794</b>	<b>640,026</b>
<b>Current liabilities</b>		
Accounts payable	637,101	438,820
Other payables and accruals	1,115,966	886,882
Current income tax liabilities	148,274	126,902
Other tax liabilities	112,566	132,081
Deferred revenue	1,316,662	1,116,611
	<b>3,330,569</b>	<b>2,701,296</b>
<b>Total Liabilities</b>	<b>3,957,363</b>	<b>3,341,322</b>
<b>Total Equity and Liabilities</b>	<b>12,841,950</b>	<b>11,509,569</b>