

**For Immediate Release**

**TENCENT ANNOUNCES 2004 FOURTH QUARTER AND ANNUAL RESULTS  
Remarkable Platform Performance Presents Exciting Growth Opportunities**

Hong Kong, March 17, 2005 – 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 three months ended December 31 2004 and audited results for the year ended December 31 2004.

***Results Highlights for 2004:***

- Total revenues increased by 55.6% to RMB1,143.5 million (USD138.1 million) compared with the same period last year
- Revenues from Internet value-added services (IVAS) increased by 91.1% to RMB439.0 million (USD53.0 million)
- Revenues from mobile & telecommunications value-added services (MVAS) grew 37.2% to RMB641.2 million (USD77.4 million)
- Revenues from online advertising increased by 66.9% to RMB54.8 million (USD6.6 million)
- Net profits for the year increased by 38.6% to RMB446.7 million (USD53.9 million)
- The board of directors recommended a final dividend of HKD0.07 per share

***Results Highlights for the fourth quarter of 2004:***

- Total revenues were RMB314.5 million (USD38.0 million), an increase of 4.5% QoQ
- Revenues from IVAS were RMB125.1 million (USD15.1 million), an increase of 14.4% QoQ
- Revenues from MVAS were RMB168.7 million (USD20.4 million), a decrease of 2.9% QoQ
- Revenues from online advertising were RMB17.7 million (USD2.1 million), an increase of 10.9% QoQ
- Net profits were RMB118.1 million (USD14.3 million), an increase of 9.4% QoQ
- Peak simultaneous online users for Instant Messaging (IM) services recorded over 9.4 million, a growth of 29% QoQ. Peak simultaneous online users of QQ Game Portal broke a new record of over one million
- Total registered IM user accounts climbed to 370 million, representing a 4% growth QoQ. Active IM user accounts increased 13% QoQ to 135 million
- IVAS paying subscriptions were 8.3 million as of the end of 2004, increasing 23% QoQ
- MVAS paying subscriptions were 8.8 million as of the end of 2004, decreasing 30% QoQ. Substantially all of the decline in MVAS paying subscriptions was due to the discontinuation of the 161 Mobile Chat fee-sharing arrangement at the end of December 2004

Mr Ma Huateng, Chairman and CEO of Tencent, said, "We are very encouraged to see continued remarkable performance of our online platforms - QQ IM, QQ.com and QQ Game Portal. We are excited about the long-term growth potential of the Internet industry in China and will continue to invest in strengthening our online platforms and introduce innovative products and services to enrich user experience and monetize our vast user base."

## **Business Highlights**

Tencent's QQ IM platform continues to register strong growth. The peak simultaneous user accounts was 9.4 million in the fourth quarter, increasing 29% from the previous quarter. As of December 31, 2004, total active user accounts was 135 million, increasing 13% from the previous quarter.

Tencent has continued to benefit from the strong performance of its IVAS business, driven mainly by the growth in avatar business. Leveraging the success of our avatar business, the Company plans to expand its avatar business into a rich line of virtual identity products, including the new QQ Home and QQ Pet in 2005.

The Company has expanded its game offerings and achieved remarkable results. QQ Game Portal, the No.1 casual game portal in China, recorded over one million peak concurrent users in the fourth quarter. The Company soft-launched QQ Tang, its first advanced casual game, in late December for open beta testing and has received favorable response. The Company plans to launch QQ Fantasy, its first self-developed Massive Multi-player Online Game (MMOG), in the third quarter of 2005. The Company expects its online games will become an important revenue driver in the later part of the year.

During the fourth quarter, QQ.com registered strong growth in its traffic. According to Alexa.com, QQ.com was the 4th most popular portal in China, and the 13th most popular website in the world as of the end of 2004. The Company plans to capitalize on the strong traffic in its portal by further promoting advertising in QQ.com. In January 2005, Tencent entered into a strategic partnership with Google to use its search engine and sponsored advertising technology. Leveraging this partnership, Tencent intends to build search traffic in its portal and IM client.

Due to the "clean-up" of inactive accounts related to MISC integration, MVAS business of the Company declined 2.9% from the previous quarter. The termination of 161 Mobile Chat fee-sharing arrangement with China Mobile will negatively impact revenues from this segment starting from the first quarter of 2005. In addition, MMS revenues will also see some pressure in the first quarter of 2005 because of the change in billing policy of that service. The Company will strive to lessen such negative impact by actively promoting its Mobile QQ and other existing services, enriching its 2.5G offerings and taking advantage of the growth potential of the PHS market.

To further strengthen its email product offering, the Company agreed to acquire the developer of Foxmail, a leading email client software in China, in March 2005. The Company plans to leverage the technology and technical personnel acquired in the transaction to enhance its QQ email client, and to launch a compelling web mail service later this year.

## **Outlook**

Tencent believes the Internet and mobile & telecommunications value-added service market

in China offers exciting long-term opportunities for the Company. During 2004, the number of Internet and mobile users in China continued to grow. Despite the large user base, the market is still at a nascent stage of development from a revenue generation perspective, and accordingly, the market is susceptible to short-term volatilities and uncertainties. For example, the mobile value-added services segment in China has seen a number of changes in 2004 that caused a negative impact to value-added service providers in general.

However, as Chinese consumers become more affluent and more experienced in the Internet, and as new technology, applications and services are introduced, the high secular growth trend in the Internet and mobile & telecommunications value-added service market will remain over the long-term. Tencent is committed to making investments in research and development, content, servers and bandwidth as well as marketing to strengthen its leading position and prepare the Company for the significant opportunities ahead.

### **About Tencent Holdings Limited**

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, under the stock code 700. For more information, please visit our corporate website at [www.tencent.com](http://www.tencent.com).

*\*Tencent currently offers three IM products – QQ, TM and RTX. QQ is a consumer IM communication product which offers a variety of entertainment and community features. TM is for professional IM communications in a business environment. RTX offers an IM package solution that allows an enterprise to operate and manage its own internal IM network.*

Issued by: **Tencent Holdings Limited**

Sue So	Tel: (86) 755 8376 9522	<a href="mailto:sueso@staff.tencent.com">sueso@staff.tencent.com</a>
Boris Dong	Tel: (86) 755 86013366 ext 7516	<a href="mailto:borisdong@tencent.com">borisdong@tencent.com</a>

#### **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

In '000 RMB (unless otherwise stated)

	4Q2004	3Q2004	2004	2003
<b>Revenues</b>	<b>314,481</b>	<b>300,986</b>	<b>1,143,533</b>	<b>734,957</b>
Internet VAS	125,149	109,393	439,041	229,690
Mobile & Telecom VAS	168,664	173,655	641,190	467,369
Online Advertising	17,744	15,995	54,801	32,841
Others	2,924	1,943	8,501	5,057
<b>COPS</b>	<b>(114,037)</b>	<b>(114,652)</b>	<b>(416,216)</b>	<b>(229,548)</b>
<b>Gross Margin</b>	<b>200,444</b>	<b>186,334</b>	<b>727,317</b>	<b>505,409</b>
Other operating income/(exp), net	9,564	1,457	11,039	(1,226)
S&M expenses	(31,501)	(27,472)	(108,482)	(55,967)
G&A expenses	(58,019)	(49,647)	(170,050)	(112,011)
<b>Operating profit</b>	<b>120,488</b>	<b>110,672</b>	<b>459,824</b>	<b>336,205</b>
Finance income, net	4,053	3,425	9,412	2,004
Profit before taxation	124,541	114,097	469,236	338,209
Taxation	(6,407)	(6,122)	(22,534)	(16,013)
<b>Net profit</b>	<b>118,134</b>	<b>107,975</b>	<b>446,702</b>	<b>322,196</b>
<b>Earnings per share</b>				
- basic (RMB)	0.067	0.062	0.293	0.244
- diluted (RMB)	0.065	0.060	0.287	0.244
<b>Gross margin</b>	<b>63.7%</b>	<b>61.9%</b>	<b>63.6%</b>	<b>68.8%</b>
<b>Net margin</b>	<b>37.6%</b>	<b>35.9%</b>	<b>39.1%</b>	<b>43.8%</b>