Tencent Holdings Limited

Incorporated in the Cayman Islands with limited liability

騰 訊 控 股 有 限 公 司

於開曼群島註冊成立的有限公司

(Stock Code 股份代號 : 700)

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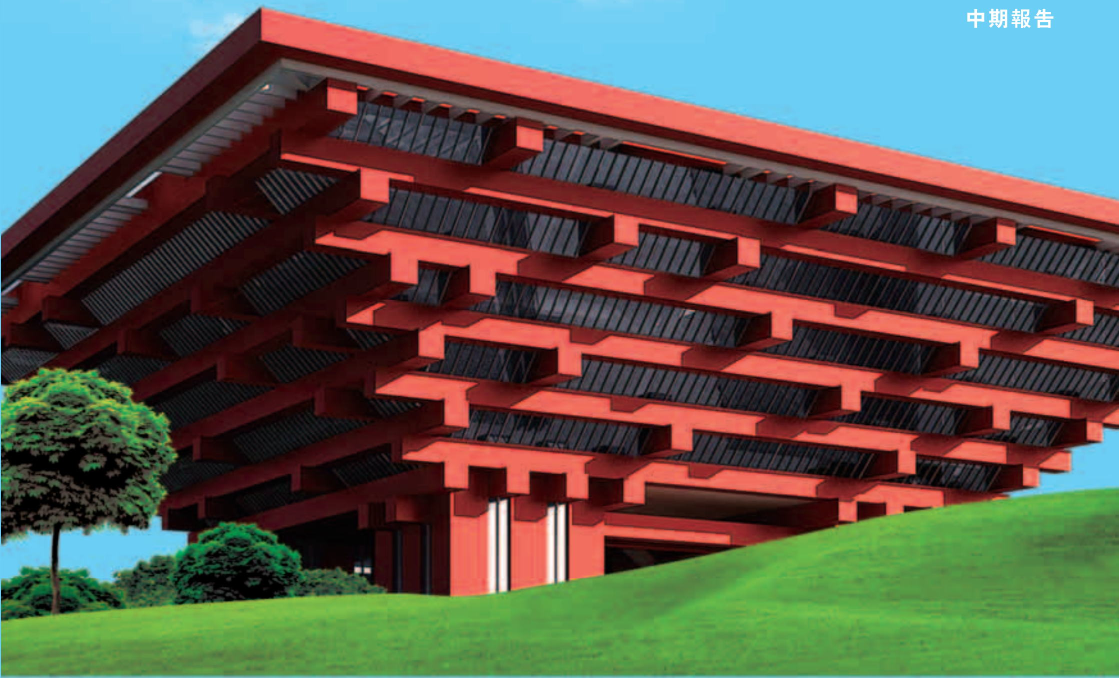

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Interim Report

The board of directors (the "Board") of Tencent Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three and six months ended 30 June 2010. These interim results have been reviewed by PricewaterhouseCoopers, the auditor of the Company (the "Auditor"), in accordance with International Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the International Auditing and Assurance Standards Board, and by the audit committee of the Company (the "Audit Committee"), comprising a majority of the independent non-executive directors of the Company.

Consolidated Statement of Financial Position

As at 30 June 2010

	Note	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
ASSETS			
Non-current assets			
Fixed assets	5	2,822,058	2,517,202
Construction in progress	5	179,678	105,771
Investment properties	5	67,613	68,025
Land use rights	5	232,248	35,296
Intangible assets	5	265,961	268,713
Investment in associates	6	799,982	477,622
Deferred income tax assets	21	272,708	301,016
Held-to-maturity investments	7	–	341,410
Available-for-sale financial assets	8	2,284,894	153,462
Prepayments, deposits and other assets	10	423,749	80,306
		7,348,891	4,348,823
Current assets			
Accounts receivable	9	1,710,749	1,229,436
Prepayments, deposits and other assets	10	401,819	373,642
Derivative financial instruments	11	17,578	–
Term deposits with initial term of over three months	12	7,422,082	5,310,168
Restricted cash	19(a)	1,214,493	200,000
Cash and cash equivalents	13	6,486,312	6,043,696
		17,253,033	13,156,942
Total assets		24,601,924	17,505,765

Consolidated Statement of Financial Position (Continued)

As at 30 June 2010

	Note	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	14	198	197
Share premium	14	1,352,114	1,244,425
Shares held for share award scheme	14	(236,114)	(123,767)
Share-based compensation reserve	14	924,309	703,563
Other reserves		90,238	(166,364)
Retained earnings		13,449,624	10,520,453
		15,580,369	12,178,507
Non-controlling interests		60,174	120,146
Total equity		15,640,543	12,298,653
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	21	481,517	369,983
Long-term payables	18	–	274,050
		481,517	644,033
Current liabilities			
Accounts payable	16	1,028,726	696,511
Other payables and accruals	17	1,994,316	1,626,051
Short-term bank borrowings	19	2,755,116	202,322
Current income tax liabilities		358,733	85,216
Other tax liabilities		173,308	216,978
Deferred revenue	20	2,169,665	1,736,001
		8,479,864	4,563,079
Total liabilities		8,961,381	5,207,112
Total equity and liabilities		24,601,924	17,505,765
Net current assets		8,773,169	8,593,863
Total assets less current liabilities		16,122,060	12,942,686

On behalf of the board of directors of the Company

Ma Huateng	**Zhang Zhidong**
Director	*Director*

The accompanying notes on pages 6 to 54 form an integral part of this interim financial information.

Consolidated Statement of Comprehensive Income

For the three and six months ended 30 June 2010

	Note	Unaudited Three months ended 30 June 2010 RMB'000	Unaudited Three months ended 30 June 2009 RMB'000	Unaudited Six months ended 30 June 2010 RMB'000	Unaudited Six months ended 30 June 2009 RMB'000
Revenues					
Internet value-added services		**3,581,976**	2,156,468	**6,969,353**	4,061,031
Mobile and telecommunications value-added services		**674,120**	470,003	**1,292,358**	909,548
Online advertising		**397,520**	243,044	**601,854**	389,607
Others		**15,564**	8,908	**31,675**	22,602
		4,669,180	2,878,423	**8,895,240**	5,382,788
Cost of revenues	24	**(1,482,939)**	(934,613)	**(2,811,294)**	(1,720,527)
Gross profit		**3,186,241**	1,943,810	**6,083,946**	3,662,261
Interest income	22	**54,005**	27,520	**111,196**	61,569
Other gains/(losses), net	23	**27,415**	(2,192)	**(7,860)**	(37,012)
Selling and marketing expenses	24	**(230,340)**	(114,587)	**(415,757)**	(212,692)
General and administrative expenses	24	**(665,961)**	(455,629)	**(1,251,727)**	(910,647)
Operating profit		**2,371,360**	1,398,922	**4,519,798**	2,563,479
Finance costs	25	**(2,976)**	(653)	**(4,534)**	(405)
Share of profit of associates		**11,334**	3,452	**24,247**	8,824
Profit before income tax		**2,379,718**	1,401,721	**4,539,511**	2,571,898
Income tax expense	26	**(448,525)**	(199,973)	**(805,900)**	(316,540)
Profit/Total comprehensive income for the period		**1,931,193**	1,201,748	**3,733,611**	2,255,358
Attributable to:					
Equity holders of the Company		**1,916,502**	1,192,410	**3,699,696**	2,227,850
Non-controlling interests		**14,691**	9,338	**33,915**	27,508
		1,931,193	1,201,748	**3,733,611**	2,255,358
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in RMB per share)					
- basic	27	**1.054**	0.662	**2.039**	1.239
- diluted	27	**1.031**	0.647	**1.990**	1.213

The accompanying notes on pages 6 to 54 form an integral part of this interim financial information.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Unaudited								
	Attributable to equity holders of the Company								
	Share capital RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000	Share-based compensation reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2010	197	1,244,425	(123,767)	703,563	(166,364)	10,520,453	12,178,507	120,146	12,298,653
Profit/Total comprehensive income for the period	–	–	–	–	–	3,699,696	3,699,696	33,915	3,733,611
Employee share option schemes:									
- value of employee services	–	–	–	62,689	–	–	62,689	–	62,689
- proceeds from shares issued	1	110,721	–	–	–	–	110,722	–	110,722
Employee share award scheme:									
- value of employee services	–	–	–	158,057	–	–	158,057	–	158,057
- shares purchased for share award scheme	–	–	(115,379)	–	–	–	(115,379)	–	(115,379)
- vesting of awarded shares	–	(3,032)	3,032	–	–	–	–	–	–
Profit appropriations to statutory reserves	–	–	–	–	6,083	(6,083)	–	–	–
Dividends	–	–	–	–	–	(639,264)	(639,264)	(62,792)	(702,056)
Reversal of liabilities in respect of put options granted to non-controlling interest owners	–	–	–	–	94,246	–	94,246	–	94,246
Acquisition of additional interests in a subsidiary (Note 29)	–	–	–	–	156,273	(125,178)	31,095	(31,095)	–
Balance at 30 June 2010	198	1,352,114	(236,114)	924,309	90,238	13,449,624	15,580,369	60,174	15,640,543
Balance at 1 January 2009	195	1,155,209	(21,809)	381,439	(433,038)	5,938,930	7,020,926	98,406	7,119,332
Profit/Total comprehensive income for the period	–	–	–	–	–	2,227,850	2,227,850	27,508	2,255,358
Employee share option schemes:									
- value of employee services	–	–	–	86,674	–	–	86,674	–	86,674
- proceeds from shares issued	1	82,813	–	–	–	–	82,814	–	82,814
Employee share award scheme:									
- value of employee services	–	–	–	17,026	–	–	17,026	–	17,026
- shares purchased for share award scheme	–	–	(24,423)	–	–	–	(24,423)	–	(24,423)
Repurchase and cancellation of shares	–	(74,570)	–	–	–	–	(74,570)	–	(74,570)
Profit appropriations to statutory reserves	–	–	–	–	1,417	(1,417)	–	–	–
Dividends	–	–	–	–	–	(554,604)	(554,604)	(23,020)	(577,624)
Balance at 30 June 2009	196	1,163,452	(46,232)	485,139	(431,621)	7,610,759	8,781,693	102,894	8,884,587

The accompanying notes on pages 6 to 54 form an integral part of this interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	Unaudited Six months ended 30 June 2010 RMB'000	2009 RMB'000
Net cash flows generated from operating activities	5,027,992	3,531,851
Net cash flows used in investing activities	(6,427,813)	(1,944,788)
Net cash flows from/(used in) financing activities	1,846,080	(593,803)
Net increase in cash and cash equivalents	446,259	993,260
Cash and cash equivalents at beginning of period	6,043,696	3,067,928
Exchange losses on cash and cash equivalents	(3,643)	(166)
Cash and cash equivalents at end of period	6,486,312	4,061,022
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	3,255,633	1,742,385
Short-term highly liquid investments with initial term of three months or less	3,230,679	2,318,637
	6,486,312	4,061,022

The accompanying notes on pages 6 to 54 form an integral part of this interim financial information.

Notes to the Interim Financial Information

1 General information

The Company was incorporated in the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY 1-1111, Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 16 June 2004.

The Company is an investment holding company. The Group is principally engaged in the provision of Internet value-added services, mobile and telecommunications value-added services and online advertising services to users in the People's Republic of China (the "PRC").

The consolidated statement of financial position as at 30 June 2010, the related consolidated statement of comprehensive income for the three and six months then ended, the consolidated statement of changes in equity, and the condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes (collectively defined as the "Interim Financial Information") of the Group have been approved by the Board on 11 August 2010.

This Interim Financial Information has not been audited.

2 Basis of preparation and presentation

The Interim Financial Information is prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board.

The Interim Financial Information should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2009 (the "2009 Financial Statements") as set out in the 2009 annual report of the Company dated 17 March 2010.

3 Significant accounting policies

Except as described below, the accounting policies and method of computation used in the preparation of the Interim Financial Information are consistent with those used in the 2009 Financial Statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and derivative financial instruments.

Taxes on income for the interim period are accrued using the tax rates that would be applicable to expected total annual earnings.

Assessment and adoption of new standards and amendments

The following new standards and amendments to existing standards have been published and are mandatory for the financial year beginning 1 January 2010.

(a) IAS 27 (Revised), "Consolidated and Separate Financial Statements". It requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. This is consistent with the Group's existing policy. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss.

The Group has applied this revised standard prospectively from 1 January 2010 and management have assessed that this revised standard does not have a significant impact on the Group's consolidated financial statements.

3 Significant accounting policies (Continued)

Assessment and adoption of new standards and amendments (Continued)

(b) IFRS 2 (Amendment), "Group Cash-settled Share-based Payment Transaction". In addition to incorporating IFRIC 8, "Scope of IFRS 2" and IFRIC 11, "IFRS 2 - Group and treasury share transactions", the amendments expand on the guidance in IFRIC 11 to address the accounting in the separate financial statements of a subsidiary when its suppliers/employees will receive cash payments from the parent that are linked to the price of the equity instruments of an entity in the group. The parent, and not the entity, has the obligation to deliver cash. The amendments state that the entity shall account for the transaction with its suppliers/employees as equity-settled, and recognise a corresponding increase in equity as a contribution from its parent. The subsidiary shall re-measure the cost of the transaction subsequently for any changes resulting from non-market vesting conditions not being met in accordance with paragraphs 19 to 21 in IFRS 2. This differs from the measurement of the transaction as cash-settled in the consolidated financial statements of the group.

The Group has applied this amendment from 1 January 2010 and management has assessed that this amendment has no significant impact on the Group's consolidated financial statements.

3 Significant accounting policies (Continued)

Assessment and adoption of new standards and amendments (Continued)

(c) IFRS 3 (Revised), "Business Combinations". The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

In addition, in relation to an acquisition achieved in stage or a step acquisition (i.e. there is a previously held equity interest when obtaining control), the IFRS 3 (revised) requires that the previously held interest is measured to fair value at the acquisition date and a gain or loss is recognised in the profit or loss, which is treated as if the previously held interest has been disposed of in return, along with the other consideration transferred, for the controlling interest in the acquired subsidiary.

The Group has applied this revised standard prospectively from 1 January 2010 and management has assessed that this revised standard has no significant impact on the Group's Interim Financial Information.

The following new standards, amendments and interpretations to existing standards have been published and are mandatory for the financial year beginning 1 January 2010, but are not currently relevant to the Group.

IAS 39 (Amendment)	Financial Instruments: Recognition and Measurement - Eligible Hedged Items
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRS 1 (Revised)	First-time Adoption of IFRSs
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters

4 Segment information

The chief operating decision-makers are executive directors of the Company. They review the Group's internal reporting in order to assess performance and allocate resources, and determine the operating segments based on these reports.

The Group has the following reportable segments for the three and six months ended 30 June 2010 and 2009:

– Internet value-added services;

– Mobile and telecommunications value-added services;

– Online advertising; and

– Others.

Other segments of the Group are mainly comprised of the provision of online payments services and trademark licensing.

The chief operating decision-makers assess the performance of the operating segments based on segment revenues and gross profit/(loss) of each operating segment. The selling and marketing expenses and general and administrative expenses are common costs incurred for the operating segments as a whole and therefore they are not included in the measure of the segments' profit that is used by the chief operating decision-makers as a basis for the purpose of resource allocation and assessment of segment performance. Income tax expense is also not allocated to individual operating segments.

There were no inter-segment sales during the three and six months ended 30 June 2010 and 2009. The revenues from external customers reported to the executive directors are measured in a manner consistent with that in the consolidated statement of comprehensive income.

Other information, together with segment information, provided to the chief operating decision-makers, is measured in a manner consistent with that in the Interim Financial Information.

4 Segment information (Continued)

The segment information provided to the executive directors for the reportable segments for the three and six months ended 30 June 2010 and 2009 is as follows:

	Unaudited Three months ended 30 June 2010				
	Internet value-added services RMB'000	Mobile and telecommu-nications value-added services RMB'000	Online advertising RMB'000	Others RMB'000	Total RMB'000
Segment revenues (revenues from external customers)	3,581,976	674,120	397,520	15,564	4,669,180
Gross profit/(loss)	2,481,944	432,026	280,092	(7,821)	3,186,241
Depreciation	86,361	8,737	4,718	3,346	103,162
Amortisation	13,385	–	–	–	13,385
Share of profit of associates	10,655	679	–	–	11,334

	Unaudited Three months ended 30 June 2009				
	Internet value-added services RMB'000	Mobile and telecommu-nications value-added services RMB'000	Online advertising RMB'000	Others RMB'000	Total RMB'000
Segment revenues (revenues from external customers)	2,156,468	470,003	243,044	8,908	2,878,423
Gross profit/(loss)	1,491,313	290,422	169,621	(7,546)	1,943,810
Depreciation	28,021	3,786	1,279	1,369	34,455
Amortisation	16,915	–	–	–	16,915
Share of profit of associates	2,415	1,037	–	–	3,452

4 Segment information (Continued)

	Unaudited Six months ended 30 June 2010				
	Internet value-added services RMB'000	Mobile and telecommu-nications value-added services RMB'000	Online advertising RMB'000	Others RMB'000	Total RMB'000
Segment revenues (revenues from external customers)	6,969,353	1,292,358	601,854	31,675	8,895,240
Gross profit/(loss)	4,856,393	828,918	413,483	(14,848)	6,083,946
Depreciation	153,935	15,224	8,266	6,000	183,425
Amortisation	30,677	–	–	–	30,677
Share of profit of associates	20,361	3,886	–	–	24,247

	Unaudited Six months ended 30 June 2009				
	Internet value-added services RMB'000	Mobile and telecommu-nications value-added services RMB'000	Online advertising RMB'000	Others RMB'000	Total RMB'000
Segment revenues (revenues from external customers)	4,061,031	909,548	389,607	22,602	5,382,788
Gross profit/(loss)	2,851,252	560,907	264,183	(14,081)	3,662,261
Depreciation	53,614	7,576	2,415	2,509	66,114
Amortisation	40,611	–	–	–	40,611
Share of profit of associates	3,899	4,925	–	–	8,824

4 Segment information (Continued)

The reconciliation of operating profit to profit before tax is shown in the consolidated statement of comprehensive income.

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC. The revenues from external customers in the PRC for the three and six months ended 30 June 2010 were RMB4,663,410,000 and RMB8,888,116,000, respectively (for the three and six months ended 30 June 2009: RMB2,877,346,000 and RMB5,380,502,000, respectively), and the revenues from external customers in other countries and territories were RMB5,770,000 and RMB7,124,000, respectively (for the three and six months ended 30 June 2009: RMB1,077,000 and RMB2,286,000, respectively).

As at 30 June 2010, the totals of non-current assets other than financial instruments and deferred income tax assets located in the PRC and other countries were RMB3,694,119,000 and RMB673,421,000, respectively (31 December 2009: RMB3,007,274,000 and RMB465,355,000, respectively).

All the revenues derived from any one single external customer were less than 10% of the Group's total revenues for the three and six months ended 30 June 2010.

5 Fixed assets, construction in progress, investment properties, land use rights and intangible assets

	Fixed assets RMB'000	Construction in progress RMB'000	Investment properties RMB'000	Land use rights RMB'000	Intangible assets RMB'000
Net book amount at 1 January 2010	2,517,202	105,771	68,025	35,296	268,713
Additions	565,792	107,925	247	198,318	60,343
Transfer	34,018	(34,018)	–	–	–
Disposals	(362)	–	–	–	–
Depreciation/Amortisation charge	(294,592)	–	(659)	(1,366)	(63,095)
Net book amount at 30 June 2010	2,822,058	179,678	67,613	232,248	265,961

Non-financial assets that have an indefinite life are not subject to amortisation, but are tested for impairment annually at year-end (31 December) or whenever there is any indication of impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable.

There was no indication of impairment for non-financial assets during the six months ended 30 June 2010.

6 Investment in associates

	Unaudited 30 June 2010 RMB'000	Unaudited 30 June 2009 RMB'000
At beginning of period	**477,622**	302,712
Additions	**271,304**	12,893
Transfer from available-for-sale financial assets	**26,809**	–
Share of profit of associates	**24,247**	8,824
At end of period	**799,982**	324,429

During the six months ended 30 June 2010, the Group acquired equity interests ranging from 22.5% to 40.0% in four companies principally engaged in online games development and operations which are based in the PRC, Southeast Asia and the United States. The Group also acquired additional equity interests in two investees, which principally engaged in online games operations and mobile games operations in the United States and East Asia, respectively. These two investees were initially accounted for as available-for-sale financial assets and then became associates of the Company upon the aforementioned additional investments.

As at 30 June 2010, the investment in associates mainly represented equity interests held in online games companies in East Asia, Southeast Asia and the United States.

7 Held-to-maturity investments

As at 31 December 2009, the held-to-maturity investments represented a USD principal protected note with a principal amount of USD50,000,000. The note offers interest at a fixed annual rate and will mature in 2013. During the six months ended 30 June 2010, the Group has early redeemed this investment.

8 Available-for-sale financial assets

	Unaudited 30 June 2010 RMB'000	Unaudited 30 June 2009 RMB'000
At beginning of period	153,462	86,180
Additions	2,158,241	2,907
Transfer to investment in associates	(26,809)	–
At end of period	2,284,894	89,087

On 12 April 2010, the Group and Digital Sky Technologies Limited ("DST") entered into a share subscription agreement, pursuant to which the Group agrees to subscribe for, and DST agrees to issue and allot to the Group, an aggregate of up to 8,114 ordinary shares of DST for a total cash consideration up to USD300,002,000 (approximately RMB2,047,904,000). After completion of the transaction, the Group held approximately a 10.3% economic interest in DST and 0.5% of the total voting power of DST.

DST was founded in 2005 and is one of the largest Internet companies in the Russian-speaking and Eastern European markets. It is also one of the leading global investment groups primarily focused on Internet-related companies.

As at 30 June 2010, in addition to the above investment, the available-for-sale financial assets mainly included equity interests ranging from 8.3% to 14.6% in three online game companies operating in East Asia.

The directors of the Company have considered that the carrying amounts of the available-for-sale financial assets approximated to their fair value as at 30 June 2010.

9 Accounts receivable

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
0 - 30 days	981,461	690,858
31 - 60 days	215,196	173,331
61 - 90 days	152,200	112,752
Over 90 days but less than a year	361,892	252,495
	1,710,749	1,229,436

All accounts receivable are denominated in RMB.

Receivable balances as at 30 June 2010 mainly represented amounts due from telecommunication operators, including China Mobile, China Unicom, China Telecom and their respective branches, subsidiaries and affiliates, as well as online advertising customers located in the PRC.

While there are no contractual requirements for telecommunication operators to pay amounts owed to the Group within a specified period of time, these customers usually settle the amounts due by them within a period of 30 to 120 days. Online advertising customers are usually granted a credit period of 90 days after full execution of the contracted advertisement orders.

The directors of the Company have considered that the carrying amounts of the receivable balances approximated to their fair value as at 30 June 2010.

10 Prepayments, deposits and other assets

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Included in non-current assets:		
Prepayment for land use rights (Note (a))	258,237	–
Loan to a related party (Note (b))	–	54,700
Non-current portion of royalty fees for online games	–	25,606
Prepayment for online game licenses	165,512	–
	423,749	80,306
Included in current assets:		
Current portion of royalty fees for online games	60,585	35,460
Prepaid expenses	131,170	95,404
Prepayment for online game licenses	–	73,860
Rental deposits and other deposits	27,334	14,448
Interest receivables	62,619	53,450
Refundable value-added tax	42,055	57,052
Others	78,056	43,968
	401,819	373,642
	825,568	453,948

10 Prepayments, deposits and other assets (Continued)

Notes:

(a) During the six months ended 30 June 2010, the Group entered into an agreement to purchase land use rights to certain lands located in Beijing, the PRC for office building use. The total cash consideration is approximately RMB430,395,000, of which RMB258,237,000 has been paid before 30 June 2010 in accordance with the payment terms of the agreement.

(b) The amount represented the outstanding balance of a loan due from Shenzhen Shijiaqi Investment Company Limited ("Shijiaqi"), a limited liability company incorporated in the PRC and wholly owned by Mr Zhang Yan, a director of Shenzhen Domain Computer Network Company Limited ("Shenzhen Domain"), a non-wholly owned subsidiary of the Company as at 31 December 2009. Such loan had been fully settled as at 30 June 2010.

As at 30 June 2010, the carrying amounts of the prepayments, deposits and other assets approximated to their fair value.

Deposits and other receivables (excluding prepaid expenses, prepayment for online game licenses, royalty fees for online games and prepayment for land use rights) are neither past due nor impaired. Their recoverability is assessed by reference to debtors' credit status.

11 Derivative financial instruments

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Foreign exchange forward contracts - held for trading	17,578	–

During the six months ended 30 June 2010, the Group entered into foreign exchange forward contracts with several banks to buy USD230,000,000, which is the aggregate principal amount of unsecured USD-denominated bank borrowings (details disclosed in Note 19(b)), for the purpose of managing our foreign currency exposure related to these borrowings. These forward contracts will mature within one year, and they will be settled at the difference between the forward rates stated in the contracts and the spot rates at the maturity dates, multiplied by the notional amounts of the face value of the contracts.

12 Term deposits with initial term of over three months

As at 30 June 2010, term deposits with initial terms of over three months of approximately RMB115,012,000 (31 December 2009: RMB187,483,000) were denominated in USD.

13 Cash and cash equivalents

As at 30 June 2010, cash and cash equivalents of approximately RMB413,609,000 and RMB98,614,000 were denominated in USD and HKD, respectively (31 December 2009: RMB358,586,000 and RMB202,224,000, respectively).

14 Share capital, share premium, shares held for share award scheme and share-based compensation reserve

As at 30 June 2010, the total authorised number of ordinary shares was 10,000,000,000 shares (31 December 2009: 10,000,000,000 shares) with par value of HKD0.0001 per share (31 December 2009: HKD0.0001 per share).

As at 30 June 2010, all issued shares were fully paid.

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000	Share-based compensation reserve RMB'000	Total RMB'000
At 1 January 2009	1,796,513,053	195	1,155,209	(21,809)	381,439	1,515,034
Employee share option schemes:						
– value of employee services	–	–	–	–	86,674	86,674
– number of shares issued and proceeds received	10,007,785	1	82,813	–	–	82,814
Employee share award scheme:						
– value of employee services	–	–	–	–	17,026	17,026
– shares purchased for share award scheme	–	–	–	(24,423)	–	(24,423)
– cancellation of shares pursuant to share award scheme	(132,080)	–	–	–	–	–
Repurchase and cancellation of shares	(1,922,000)	–	(74,570)	–	–	(74,570)
At 30 June 2009	1,804,466,758	196	1,163,452	(46,232)	485,139	1,602,555
At 1 January 2010	1,818,890,059	197	1,244,425	(123,767)	703,563	1,824,418
Employee share option schemes:						
– value of employee services	–	–	–	–	62,689	62,689
– number of shares issued and proceeds received (Note (i))	11,001,575	1	110,721	–	–	110,722
Employee share award scheme:						
– value of employee services	–	–	–	–	158,057	158,057
– shares purchased for share award scheme (Note (ii))	–	–	–	(115,379)	–	(115,379)
– vesting of awarded shares (Note (iii))	–	–	(3,032)	3,032	–	–
At 30 June 2010	1,829,891,634	198	1,352,114	(236,114)	924,309	2,040,507

14 Share capital, share premium, shares held for share award scheme and share-based compensation reserve (Continued)

As at 30 June 2010, the total number of issued ordinary shares of the Company was 1,829,891,634 shares (31 December 2009: 1,818,890,059 shares), which included 11,136,807 shares (31 December 2009: 10,411,434 shares) held under the share award scheme (Note 15(b)).

Notes:

(i) During the six months ended 30 June 2010, a total of 9,932,675 Post-IPO options with exercise prices ranging from HKD3.6650 to HKD60.5900 were exercised. In addition, a total of 1,068,900 Pre-IPO options with exercise prices ranging from USD0.0497 to USD0.4396 were exercised.

(ii) During the six months ended 30 June 2010, an independent trustee (the "Trustee") appointed for managing the share award scheme acquired 814,283 shares of the Company in the open market (Note 15(b)). The total amount paid was HKD131,250,000 (equivalent to approximately RMB115,379,000) and has been deducted from shareholder's equity.

(iii) During the six months ended 30 June 2010, the Trustee transferred 88,910 shares (during the six months ended 30 June 2009: Nil) to the awardees upon vesting of the awarded shares.

15 Share option and share award schemes

(a) Share option schemes

The Company has adopted several share option schemes for the purpose of providing incentives and rewards to its directors, executives or officers, employees, consultants and other eligible persons:

(i) Pre-IPO Share Option Scheme (the "Pre-IPO Option Scheme")

On 27 July 2001, the Company adopted the Pre-IPO Option Scheme. As at the listing of the Company on 16 June 2004, all options under the Pre-IPO Option Scheme had been granted.

(ii) Post-IPO Share Option Scheme I (the "Post-IPO Option Scheme I")

On 24 March 2004, the Company adopted the Post-IPO Option Scheme I. This was terminated upon the adoption of the Post-IPO Share Option Scheme II (the "Post-IPO Option Scheme II") as mentioned below.

15 Share option and share award schemes (Continued)

(a) Share option schemes (Continued)

(iii) Post-IPO Option Scheme II

On 16 May 2007, the Company adopted the Post-IPO Option Scheme II. Pursuant to the Post-IPO Option Scheme II, the Board may, at its discretion, grant options to any eligible person to subscribe for shares in the Company. The Post-IPO Option Scheme II shall be valid and effective for a period of ten years commencing on its date of adoption.

The maximum number of shares in respect of which options may be granted under the Post-IPO Option Scheme II shall not exceed 88,903,654 shares, 5% of the issued shares as at the date of shareholders' approval of this scheme (the "Scheme Mandate Limit A"). Options lapsed in accordance with the terms of the Post-IPO Option Scheme II shall not be counted for the purpose of calculating the 5% limit. The Company may refresh the Scheme Mandate Limit A by an ordinary resolution of the shareholders passed in a general meeting, provided that the Scheme Mandate Limit A so refreshed shall not exceed 5% of the issued shares as at the date the shareholders approve the refreshing of such Scheme Mandate Limit A. Options previously granted under any existing schemes (including options outstanding, cancelled, or lapsed in accordance with the relevant scheme rules or exercised options) shall not be counted for the purpose of calculating the limit as refreshed. Options granted under the Post-IPO Option Scheme II will expire after the last day of the seven-year period after the date of grant of options (subject to early termination as set out in the terms of the Post-IPO Option Scheme II).

(iv) Post-IPO Share Option Scheme III (the "Post-IPO Option Scheme III")

On 13 May 2009, the Company adopted the Post-IPO Option Scheme III. Pursuant to the Post-IPO Option Scheme III, the Board may, at its discretion, grant options to any eligible person (any senior executive or senior officer, director of any member of the Group or any invested entity and any consultant, advisor or agent of any member of the Board) to subscribe for shares in the Company. The Post-IPO Option Scheme III shall be valid and effective for a period of ten years commencing on its date of adoption.

15 Share option and share award schemes (Continued)

(a) Share option schemes (Continued)

(iv) Post-IPO Share Option Scheme III (the "Post-IPO Option Scheme III") (Continued)

The maximum number of shares in respect of which options may be granted under the Post-IPO Option Scheme III shall not exceed 36,018,666 shares, 2% of the issued shares as at the date of shareholders' approval of this scheme (the "Scheme Mandate Limit B"). Options lapsed in accordance with the terms of the Post-IPO Option Scheme III shall not be counted for the purpose of calculating the 2% limit. The Company may refresh the Scheme Mandate Limit B by an ordinary resolution of the shareholders passed in a general meeting, provided that the Scheme Mandate Limit B so refreshed shall not exceed 2% of the issued shares as at the date the shareholders approve the refreshing of such Scheme Mandate Limit B. Options previously granted under any existing schemes (including options outstanding, cancelled, or lapsed in accordance with the relevant scheme rules or exercised options) shall not be counted for the purpose of calculating the limit as refreshed. Options granted under the Post-IPO Option Scheme III will expire after the last day of the ten-year period after the date of grant of options (subject to early termination as set out in the terms of the Post-IPO Option Scheme III).

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Option Scheme II, the Post-IPO Option Scheme III and any other share option schemes of the Company must not in aggregate exceed 30% of issued shares from time to time.

The maximum number of shares (issued and to be issued) in respect of which options may be granted under the Post-IPO Option Scheme II, the Post-IPO Option Scheme III and any other share option schemes of the Company (whether exercised, cancelled or outstanding) to any eligible person in any 12-month period shall not exceed 1% of the issued shares from time to time unless such grant has been duly approved by an ordinary resolution of the shareholders in a general meeting at which the relevant eligible person and his associates are abstained from voting. In calculating the aforesaid limit of 1%, options that have lapsed shall not be counted.

15 Share option and share award schemes (Continued)

(a) Share option schemes (Continued)

(1) Movements in share options

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Pre-IPO Option Scheme		Post-IPO Option Scheme I		Post-IPO Option Scheme II		Post-IPO Option Scheme III		Total
	Average exercise price	No. of options	Average exercise price	No. of options	Average exercise price	No. of options	Average exercise price	No. of options	No. of options
At 1 January 2009	USD0.0964	4,124,083	HKD10.4762	37,615,536	HKD41.2330	28,715,506	—	—	70,455,125
Granted	—	—	—	—	HKD48.0100	380,000	—	—	380,000
Exercised	USD0.1435	(1,375,675)	HKD8.1223	(7,860,636)	HKD37.0514	(771,474)	—	—	(10,007,785)
Lapsed	USD0.0497	(254,080)	HKD8.8487	(329,029)	HKD48.3206	(346,393)	—	—	(929,502)
At 30 June 2009	USD0.0752	2,494,328	HKD11.1232	29,425,871	HKD41.3526	27,977,639	—	—	59,897,838
Currently exercisable as at 30 June 2009	USD0.0752	2,494,328	HKD9.4056	14,952,621	HKD37.0696	2,504,950	—	—	19,951,899
At 1 January 2010	**USD0.0812**	**1,865,068**	**HKD11.5050**	**24,941,918**	**HKD45.1756**	**28,991,419**	**—**	**—**	**55,798,405**
Granted	**—**	**—**	**—**	**—**	**HKD158.5000**	**750,000**	**HKD158.5000**	**1,000,000**	**1,750,000**
Exercised	**USD0.0732**	**(1,068,900)**	**HKD9.5604**	**(8,964,204)**	**HKD40.9064**	**(968,471)**	**—**	**—**	**(11,001,575)**
Lapsed	**—**	**—**	**HKD17.9514**	**(210,202)**	**HKD55.1520**	**(148,226)**	**—**	**—**	**(358,428)**
At 30 June 2010	**USD0.0920**	**796,168**	**HKD12.5246**	**15,767,512**	**HKD48.2376**	**28,624,722**	**HKD158.5000**	**1,000,000**	**46,188,402**
Currently exercisable as at 30 June 2010	**USD0.0920**	**796,168**	**HKD10.5815**	**12,450,172**	**HKD39.1929**	**5,215,620**	**—**	**—**	**18,461,960**

15 Share option and share award schemes (Continued)

(a) Share option schemes (Continued)

(1) Movements in share options (Continued)

During the six months ended 30 June 2010, 1,000,000 share options (during the six months ended 30 June 2009: Nil) were granted to an executive director of the Company.

As a result of options exercised during the six months ended 30 June 2010, 11,001,575 ordinary shares (during the six months ended 30 June 2009: 10,007,785 ordinary shares) were issued (Note 14). The weighted average price of the shares at the time these options were exercised was HKD159.30 (equivalent to approximately RMB139.56) per share (for the six months ended 30 June 2009: HKD64.87 per share).

15 Share option and share award schemes (Continued)

(a) Share option schemes (Continued)

(2) Outstanding share options

Details of the expiry dates, exercise prices and the respective numbers of share options which remained outstanding as at 30 June 2010 and 31 December 2009 are as follows:

Expiry Date	Range of exercise price	30 June 2010	31 December 2009
31 December 2011	USD0.0497	681,900	1,660,300
(Pre-IPO Option Scheme)	USD0.1967-USD0.4396	114,268	204,768
		796,168	1,865,068
10 years commencing from the adoption date of 24 March 2004			
(Post-IPO Option	HKD3.6650-HKD8.3500	7,092,334	13,237,120
Scheme I)	HKD11.5500-HKD25.2600	8,675,178	11,704,798
		15,767,512	24,941,918
7 years commencing from			
date of grant of options	HKD31.7500-HKD43.5000	15,069,851	15,589,627
(Post-IPO Option	HKD45.5000-HKD90.3000	12,540,171	13,137,092
Scheme II)	HKD128.4000-HKD158.5000	1,014,700	264,700
		28,624,722	28,991,419
10 years commencing from date of grant of options (Post-IPO Option Scheme III)	HKD158.5000	1,000,000	–
		46,188,402	55,798,405

15 Share option and share award schemes (Continued)

(a) Share option schemes (Continued)

(3) Fair values of options

The directors have used the Black-Scholes option pricing model (the "BS Model") to determine the total fair value of the options granted, which is to be expensed over the vesting period. Significant judgement on parameters, such as risk free rate, dividend yield and expected volatility, is required to be made by the directors in applying the BS Model.

The fair value of the options granted to employees, together with the parameters used, during the period from 1 January 2009 to 30 June 2010 is as follows:

Date of grant	Fair value of options	No. of options granted	Exercise price	Closing share price at date of grant	Risk free rate (Note (i))	Dividend yield (Note (ii))	Expected volatility (Note (iii))	Exercisable date
17/2/2009	HKD6,613,000	380,000	HKD48.01	HKD45.75	1.45%	0.71%	54.0%	Based on grant date (Note (iv))
10/7/2009	HKD92,727,000	2,307,450	HKD90.30	HKD90.30	2.14%	0.71%	53.4%	Based on grant date: 393,950 options (Note (iv)), 1,162,250 options (Note (v)) and 751,250 options (Note (vi))
24/9/2009	HKD748,000	14,700	HKD128.40	HKD128.40	2.21%	0.71%	53.0%	Based on grant date (Note (iv))
24/11/2009	HKD16,827,000	250,000	HKD146.58	HKD145.10	1.92%	0.71%	52.7%	Based on grant date (Note (vi))
24/3/2010	HKD55,365,000	750,000	HKD158.50	HKD158.30	2.35%	0.63%	52.1%	Based on grant date: 25,000 options (Note (v)), 500,000 options (Note (vii)) and 225,000 options (Note (viii))
24/3/2010	HKD83,898,000	1,000,000	HKD158.50	HKD158.30	2.73%	0.63%	52.1%	Based on grant date (Note (ix))

15 Share option and share award schemes (Continued)

(a) Share option schemes (Continued)

(3) Fair values of options (Continued)

Notes:

(i) The risk free rate was determined based on the yield to maturity of Hong Kong Government Bonds with maturity in December 2015, June 2016, December 2016, June 2017, or December 2019 as at the date of valuation.

(ii) Dividend yield is estimated based on the Company's historical dividend yield.

(iii) Volatility, measured as the standard deviation of expected share price returns, is determined based on the average daily trading price volatility of the shares of the Company.

(iv) The first 20% of the option can be exercised one year after the grant date, and then each 20% of the total options will become exercisable in each subsequent year.

(v) The first 20% of the option can be exercised two years after the grant date, and then each 20% of the total options will become exercisable in each subsequent year.

(vi) The first 20% of the option can be exercised three years after the grant date, and then each 20% of the total options will become exercisable in each subsequent year, except the last 20% of the total options which will become exercisable in the eleventh month after the fourth 20% of the total options become exercisable.

(vii) The first 50% of the option can be exercised four years after the grant date, and then the remaining 50% of the total options will become exercisable in the subsequent year.

(viii) The first one-third of the option can be exercised four years after the grant date, and then each one-third of the total options will become exercisable in each subsequent year.

(ix) The first 25% of the option can be exercised five years after the grant date, and then each 25% of the total options will become exercisable in each subsequent year.

15 Share option and share award schemes (Continued)

(b) Share award scheme

On 13 December 2007, the Company adopted a share award scheme (the "Share Scheme"), which was subsequently amended on 31 January 2008 and 13 May 2009. The Board may, at its absolute discretion, select any eligible person (the "Awarded Person(s)") to participate in the Share Scheme.

Pursuant to the Share Scheme, ordinary shares of the Company will be acquired by the Trustee at the cost of the Company or shares will be allotted to the Trustee under general mandates granted or to be granted by shareholders of the Company at general meetings from time to time. These shares will be held in trust for the Awarded Persons by the Trustee until the end of each vesting period. Vested shares will be transferred at no cost to the Awarded Persons. The Awarded Persons are not entitled to the dividends on the awarded shares not yet transferred to them.

Unless it is early terminated by the Board, the Share Scheme shall be valid and effective for a term of fifteen years commencing on the adoption date according to the amendment on 13 May 2009.

The number of shares to be awarded under the Share Scheme throughout its duration shall not exceed 2% of the issued share capital of the Company as at the adoption date. The maximum number of shares which may be awarded to an Awarded Person under the Share Scheme shall not exceed 1% of the issued share capital of the Company as at the adoption date.

15 Share option and share award schemes (Continued)

(b) Share award scheme (Continued)

(1) Movements in shares held for the Share Scheme and awarded shares, and the fair value of awarded shares

Movements in the number of shares held for the Share Scheme and awarded shares for the six months ended 30 June 2010 and 2009 are as follows:

	Shares held for the Share Scheme	Awarded shares
At 1 January 2009	132,160	1,349,450
Purchased	383,100	–
Granted	(145,700)	145,700
Cancelled	(132,080)	–
At 30 June 2009	237,480	1,495,150
Currently exercisable as at 30 June 2009		13,542
At 1 January 2010	**10**	**10,411,424**
Purchased (Note 14(ii))	**814,283**	**–**
Granted	**(802,293)**	**802,293**
Vested	**–**	**(88,910)**
At 30 June 2010	**12,000**	**11,124,807**
Currently exercisable as at 30 June 2010		**206,959**

Note:

During the six months ended 30 June 2010, no awarded shares (during the six months ended 30 June 2009: Nil) were granted to any director of the Company.

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the grant date. The expected dividends during the vesting period have been taken into account when assessing the fair value of the awarded shares.

15 Share option and share award schemes (Continued)

(b) Share award scheme (Continued)

(1) Movements in shares held for the Share Scheme and awarded shares, and the fair value of awarded shares (Continued)

The fair value of the awarded shares and their exercisable dates during the period from 1 January 2009 to 30 June 2010 are as follows:

Date of grant	Total value of shares at grant date	No. of shares granted	Market price at grant date	Exercisable date (Note (i))
23/1/2009	HKD5,341,000	120,700	HKD44.25	Based on grant date: 60,700 shares (Note (ii)), 35,000 shares (Note (iv)) and 25,000 shares (Note (v))
17/2/2009	HKD1,144,000	25,000	HKD45.75	Based on grant date (Note (ii))
10/7/2009	HKD772,599,000	8,555,910	HKD90.30	Based on grant date: 4,746,045 shares (Note (ii)), 3,456,575 shares (Note (iii)), 41,600 shares (Note (iv)), 196,690 shares (Note (vii)), 15,000 shares (Note (viii)), 35,000 shares (Note (ix)), 35,000 shares (Note (x)) and 30,000 shares (Note (xi))
22/9/2009	HKD23,916,000	186,840	HKD128.00	Based on grant date: 146,020 shares (Note (ii)) and 40,820 shares (Note (iii))
24/11/2009	HKD24,725,000	170,400	HKD145.10	Based on grant date: 38,650 shares (Note (ii)), 23,750 shares (Note (iii)), 8,000 shares (Note (v)) and 100,000 shares (Note (vii))
15/12/2009	HKD21,870,000	135,500	HKD161.40	Based on grant date: 116,500 shares (Note (ii)), 16,500 shares (Note (iii)) and 2,500 shares (Note (vii))

15 Share option and share award schemes (Continued)

(b) Share award scheme (Continued)

(1) Movements in shares held for the Share Scheme and awarded shares, and the fair value of awarded shares (Continued)

Date of grant	Total value of shares at grant date	No. of shares granted	Market price at grant date	Exercisable date (Note (i))
08/1/2010	HKD7,656,000	45,600	HKD167.90	Based on grant date: 36,850 shares (Note (ii)) and 8,750 shares (Note (iii))
24/3/2010	HKD29,618,000	187,100	HKD158.30	Based on grant date: 15,100 shares (Note (v)), 70,500 shares (Note (ii)), 11,500 shares (Note (iii)) and 90,000 shares (Note (vi))
9/4/2010	HKD56,668,000	351,100	HKD161.40	Based on grant date: 115,500 shares (Note (xii)), 229,800 shares (Note (ii)) and 5,800 shares (Note (iii))
13/5/2010	HKD27,965,000	175,993	HKD158.90	Based on grant date: 25,000 shares (Note (xiii)), 10,500 shares (Note (iv)), 100,000 (Note (viii)), 37,993 (Note (ii)) and 2,500 shares (Note (iii))
2/6/2010	HKD6,452,000	42,500	HKD151.80	Based on grant date: 10,000 shares (Note (iv)), 29,000 shares (Note (ii)) and 3,500 shares (Note (iii))

Notes:

(i) Notwithstanding the exercisable dates, the awarded shares shall only be vested upon the Awarded Person serving a written notice to the Company requesting for transfer of such awarded shares.

(ii) The first 20% of these awarded shares will be exercisable one year after the grant date, and then each 20% of the total awarded shares will be exercisable in each subsequent year.

15 Share option and share award schemes (Continued)

(b) Share award scheme (Continued)

(1) Movements in shares held for the Share Scheme and awarded shares, and the fair value of awarded shares (Continued)

(iii) The first 20% of these awarded shares will be exercisable two years after the grant date, and then each 20% of the total awarded shares will be exercisable in each subsequent year.

(iv) The first one-third of these awarded shares will be exercisable one year after the grant date, and then each one-third of the total awarded shares will be exercisable in each subsequent year.

(v) The first 50% of these awarded shares will be exercisable one year after the grant date, and then the remaining 50% of the total awarded shares will be exercisable in the subsequent year.

(vi) The first one-third of these awarded shares will be exercisable four years after the grant date, and then each one-third of the total awarded shares will be exercisable in each subsequent year.

(vii) The first 20% of these awarded shares will be exercisable three years after the grant date, and then each 20% of the total awarded shares will be exercisable in each subsequent year.

(viii) The first 25% of these awarded shares will be exercisable one year after the grant date, and then each 25% of the total awarded shares will be exercisable in each subsequent year.

(ix) The first 50% of these awarded shares can become exercisable from 31 December 2009, and then the remaining 50% of the total awarded shares will become exercisable in the subsequent year.

(x) The first 50% of these awarded shares can become exercisable from 31 December 2010, and then the remaining 50% of the total awarded shares will become exercisable in the subsequent year.

(xi) The first 50% of these awarded shares can become exercisable from 31 December 2011, and then the remaining 50% of the total awarded shares will become exercisable in the subsequent year.

(xii) 66,000 shares of these awarded shares can become exercisable 3 months after the grant date, and then the remaining of the total awarded shares will become exercisable 15 months after the grant date.

(xiii) The first 50% of these awarded shares can become exercisable 3 months after the grant date, and then the remaining 50% of the total awarded shares will become exercisable 15 months after the grant date.

15 Share option and share award schemes (Continued)

(b) Share award scheme (Continued)

(2) Outstanding awarded shares

Details of the expiry dates, fair value and the respective numbers of awarded shares which remained outstanding as at 30 June 2010 and 31 December 2009 are as follows:

Market price at grant date	Number of shares 30 June 2010	Number of shares 31 December 2009
HKD44.25 – HKD90.30	**9,829,774**	9,918,684
HKD128.00 – HKD167.90	**1,295,033**	492,740
	11,124,807	10,411,424

(c) Expected retention rate of grantees

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of the option and awarded share vesting period ("expected retention rate of grantees") in order to determine the amount of share-based compensation expenses charged to the income statement. As at 30 June 2010, the expected retention rate of grantees was assessed to be 91% (31 December 2009: 91%).

16 Accounts payable

Accounts payable and their ageing analysis are as follows:

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
0 - 30 days	**555,754**	493,013
31 - 60 days	**178,760**	72,554
61 - 90 days	**135,965**	82,525
Over 90 days but less than a year	**158,247**	48,419
	1,028,726	696,511

17 Other payables and accruals

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Staff costs and welfare accruals	820,598	846,349
Marketing and administrative expenses accruals	390,819	267,417
Payables for running royalty fee	–	50,657
Prepayments received from customers	72,070	71,936
Bank deposits from customer-to-customer business	489,206	265,136
Professional fees accruals	23,670	18,111
Others	197,953	106,445
	1,994,316	1,626,051

18 Long-term payables

As at 31 December 2009, the long-term payables mainly represented a financial liability arising from certain put options granted to non-controlling interest owners of Shenzhen Domain ("SZ Domain Holders"). In 2008, the Group granted put options to the SZ Domain Holders for selling their 40% equity interests (out of which 29% equity interests are held by Shijiaqi) in Shenzhen Domain to the Group, upon certain conditions were met (the "Option Equity Interests").

As the Group did not have the unconditional right to avoid delivering cash under the put option agreement, the Group had previously recognised the relevant financial liability at an amount equal to the present value of the estimated future cash outflow when it was required to acquire the Option Equity Interests. The directors of the Company also considered that the risk and reward for these equity interests would only be transferred to the Group upon the option was exercised. Accordingly, the initial recognition of the liabilities had been reflected as a debit made to the equity attributable to the Company's equity holders.

At 31 December 2009, the put option liabilities recognised by the Group on the Option Equity Interests were approximately RMB248,444,000.

18 Long-term payables (Continued)

In April 2010, the Group entered into certain agreements to acquire the exercisable Option Equity Interests (representing approximately 32% of equity interests in Shenzhen Domain) from the holders at a total consideration of RMB154,198,000 (Note 29). As a result, the original put option agreement was terminated and the directors of the Company revised the relevant put option liabilities to RMB154,198,000 and the difference was charged as a credit to equity. Such liabilities had been fully settled as at 30 June 2010.

19 Short-term bank borrowings

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Secured (Note (a))	**1,193,209**	202,322
Unsecured (Note (b))	**1,561,907**	–
	2,755,116	202,322

19 Short-term bank borrowings (Continued)

Notes:

(a) The bank borrowings as at 30 June 2010 were denominated in USD and secured by a pledge of restricted cash of RMB1,214,493,000. The aggregate principal amount of the bank borrowings was USD178,412,000 and the interest rates were fixed at 1.06% to 2.99% per annum. The borrowings will be repaid in full in USD within one year. Concurrently, foreign exchange forward contracts were arranged with the same borrowing banks as at the respective borrowing dates in order to enable the Group to purchase the required amount of USD with RMB at predetermined rates for settling the principal amount of the borrowings plus related interest upon the loan due dates. The bank borrowings and the foreign exchange forward contracts are deemed as linked transactions and accordingly, the bank borrowings have effectively been accounted for as borrowings denominated in RMB.

These bank borrowings and the forward contracts were transacted on the belief that, despite the associated interest expenses, the Group would benefit from the interest income from the restricted cash and the fixed exchange gains arising from the bank borrowings which are calculated as the difference between the forward rate stated in the contracts and the respective spot rates at the borrowing dates.

(b) The unsecured bank borrowings as at 30 June 2010 were also denominated in USD. The aggregate principal amount was USD 230,000,000 and the interest rates were fixed at 1.63% to 1.90% per annum. In addition, the Group entered into foreign forward contracts to purchase the required amount of USD with RMB at predetermined rates for settling the principal amount of the borrowings upon the due dates (Note 11). However, the Group transacted with different banks for the bank loans and the forward contracts, and the Group did not adopt hedge accounting. As a result, these bank borrowings and relevant foreign forward contracts were accounted for separately (i.e. these bank borrowings were accounted for as USD-denominated bank borrowings and stated at amortised cost, while the forward contracts were accounted for as derivative financial instruments stated at fair value with their gains or losses recorded in "other gains/(losses), net" of consolidated statement of comprehensive income).

The fair value of the short-term bank borrowings approximated to their carrying amounts as at 30 June 2010.

20 Deferred revenue

Deferred revenue mainly represented service fees prepaid by customers for certain Internet and mobile value-added services of which the related services had not been rendered as at 30 June 2010. It also included customer loyalty incentives offered by the Group to its customers which were valued at their respective fair value.

21 Deferred income taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using the tax rates which are expected to apply at the time of reversal of the temporary differences.

The movements in the deferred income tax account were as follows:

	Unaudited 30 June 2010 RMB'000	Unaudited 30 June 2009 RMB'000
At beginning of period	**(68,967)**	255,796
Debit to income statement	**(139,842)**	(26,562)
At end of period	**(208,809)**	229,234

The movements of deferred income tax assets were as follows:

	RMB'000 (Note)
At 1 January 2009	334,164
Charge to income statement	(31,565)
At 30 June 2009	302,599
At 1 January 2010	**301,016**
Charge to income statement	**(28,308)**
At 30 June 2010	**272,708**

21 Deferred income taxes (Continued)

Note:

The deferred income tax assets recognised are related to the temporary differences arising from certain intra-group software and technology sales/transfer transactions enacted. The credits to the income taxes represent the tax impact of originating temporary differences arising from these software sales and technology transfer, while the charge to income statement represents the tax impact of the reversal of the temporary differences as a result of the amortisation of the costs of these software and technology.

The movements of deferred income tax liabilities were as follows:

	Intangible assets acquired in business combination at fair value RMB'000	Withholding tax on earnings anticipated to be remitted by PRC subsidiaries RMB'000 (Note)	Total RMB'000
At 1 January 2009	(28,368)	(50,000)	(78,368)
Credit to profit or loss relating to origination of temporary differences	5,003	–	5,003
At 30 June 2009	(23,365)	(50,000)	(73,365)
At 1 January 2010	**(19,983)**	**(350,000)**	**(369,983)**
Credit/(charge) to profit or loss relating to origination of temporary differences	**3,466**	**(115,000)**	**(111,534)**
At 30 June 2010	**(16,517)**	**(465,000)**	**(481,517)**

21 Deferred income taxes (Continued)

Note:

According to applicable PRC tax regulations, withholding tax will be levied on the dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 (Note 26(a) (iv)).

As at 30 June 2010, the Group has accrued the relevant deferred income tax liabilities of RMB465,000,000 (31 December 2009: RMB350,000,000) in respect of earnings anticipated to be remitted by certain PRC subsidiaries in the foreseeable future.

22 Interest income

Interest income mainly represented interest income from bank deposits, including current deposits, term deposits with initial term of three months or less and term deposits with initial term of over three months, and investment income from held-to-maturity investments.

23 Other gains/(losses), net

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Fair value gains on financial assets held for trading	–	11,929	–	11,929
Gains from derivative financial instruments (Note 11)	17,578	–	17,578	–
Government subsidies	12,871	17,039	13,534	20,580
Donation to a charity fund established by the Group	–	(25,000)	(40,000)	(55,000)
Others	(3,034)	(6,160)	1,028	(14,521)
	27,415	(2,192)	(7,860)	(37,012)

24 Expenses by nature

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Employee benefit expenses (Note)	750,851	467,386	1,395,899	947,335
Mobile and telecom charges and bandwidth and server custody fees	515,081	395,204	990,204	751,429
Content costs and agency fees	634,080	349,689	1,191,954	573,519
Depreciation of fixed assets (Note)	159,761	94,003	294,592	181,435
Promotion and advertising expenses	132,767	49,730	237,324	95,643
Travelling and entertainment expenses	30,728	26,559	52,864	51,409
Operating lease rentals in respect of office buildings	21,497	24,335	40,549	48,814
Amortisation of intangible assets	30,184	31,196	63,095	69,193
Other expenses	104,291	66,727	212,297	125,089
Total cost of revenues, selling and marketing expenses and general and administrative expenses	2,379,240	1,504,829	4,478,778	2,843,866

Note:

Research and development expenses were RMB407,154,000 and RMB758,430,000 for the three and six months ended 30 June 2010, respectively (for the three and six months ended 30 June 2009: RMB264,582,000 and RMB535,855,000, respectively). The expenses included employee benefit expenses of RMB340,684,000 and depreciation of fixed assets of RMB48,840,000 for the three months ended 30 June 2010 (for the three months ended 30 June 2009: RMB201,278,000 and RMB56,276,000, respectively) and employee benefit expenses of RMB626,250,000 and depreciation of fixed assets of RMB97,509,000 for the six months ended 30 June 2010 (for the six months ended 30 June 2009: RMB414,564,000 and RMB109,357,000, respectively).

The Group did not capitalise any research and development expenses for the three and six months ended 30 June 2010 (for the three and six months ended 30 June 2009: Nil).

25 Finance costs

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Interest expenses	5,450	–	5,450	–
Exchange (gains)/losses	(2,474)	653	(916)	405
	2,976	653	4,534	405

Interest expenses arose from the bank borrowings mentioned in Note 19(b).

26 Tax expenses

(a) Income tax

Income tax expense is recognised based on management's best knowledge of the income tax rates expected for the financial year.

(i) Cayman Islands and British Virgin Islands profits tax

The Group has not been subject to any taxation in these jurisdictions for the three and six months ended 30 June 2010 and 2009.

(ii) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group had no assessable profit arising in Hong Kong for the three and six months ended 30 June 2010 and 2009.

26 Tax expenses (Continued)

(a) Income tax (Continued)

(iii) PRC corporate income tax ("CIT")

CIT is provided on the assessable income of entities within the Group incorporated in the PRC, calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances.

Pursuant to the PRC Corporate Income Tax Law passed by the Tenth National People's Congress on 16 March 2007 ("CIT Law"), the CIT for domestic and foreign enterprises has been unified at 25%, effective 1 January 2008.

The CIT Law also provides a five-year transitional period starting from its effective date for those enterprises which were established before the date of promulgation of the CIT Law and which were entitled to preferential income tax rates under the then effective tax laws or regulations. Pursuant to the "Circular to Implementation of the Transitional Preferential Policies for the Corporate Income Tax", the transitional income tax rates for the Group's subsidiaries established in the Shenzhen Special Economic Zone or the Beijing High Technology Zone before 16 March 2007 are 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012, respectively. Other tax preferential treatments such as reduction of 50% in income tax rate shall be based on the above transitional income tax rates for the respective years.

In 2008, six subsidiaries of the Group were approved as High/New Technology Enterprise, and accordingly, they were subject to a reduced preferential CIT rate of 15% according to the CIT Law. With such status, the above mentioned transitional income tax rates for the period from 2008 to 2010 are no longer applicable to them.

In addition, according to relevant tax circulars issued by PRC tax authorities, certain subsidiaries of the Company are exempt from CIT for two or three years, in either case followed by a 50% reduction in the applicable tax rate for the next three years ("CIT Preferential Holiday"). The CIT Preferential Holiday commences either from the first year of commercial operations or from the first year of profitable operation after offsetting tax losses from prior years.

26 Tax expenses (Continued)

(a) Income tax (Continued)

(iv) PRC withholding tax

According to applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are subject to a 10% withholding tax. If a foreign investor is incorporated in Hong Kong and meets the conditions or requirements under the double taxation arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced to 5% from 10%.

The income tax charges of the Group for the three and six months ended 30 June 2010 and 2009 are analysed as follows:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
PRC current tax	356,083	184,948	666,058	289,978
Deferred tax	92,442	15,025	139,842	26,562
	448,525	199,973	805,900	316,540

26 Tax expenses (Continued)

(a) Income tax (Continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of 22% for the three and six months ended 30 June 2010 (for the three and six months ended 30 June 2009: 20%), the tax rate of the major subsidiaries of the Company before preferential tax treatments. The difference is analysed as follows:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Profit before income tax	2,379,718	1,401,721	4,539,511	2,571,898
Less: Share of profit of associates	(11,334)	(3,452)	(24,247)	(8,824)
	2,368,384	1,398,269	4,515,264	2,563,074
Tax calculated at a tax rate of 22% (for the three and six months ended 30 June 2009: 20%)	521,044	279,654	993,358	512,615
Effects of different tax rates available to different companies of the Group	(61,617)	(29,390)	(165,428)	(69,957)
Effects of tax holiday on assessable profit of subsidiaries	(110,978)	(92,624)	(204,515)	(198,832)
Income not subject to tax	(5,258)	–	(5,258)	–
Expenses not deductible for tax purposes	31,692	28,372	49,916	39,304
Withholding tax on the earnings anticipated to be remitted by PRC subsidiaries (Note 21)	80,000	–	115,000	–
(Utilisation of previously unrecognised deferred income tax assets)/Unrecognised deferred income tax assets	(6,358)	13,961	22,827	33,410
Tax charge	448,525	199,973	805,900	316,540

26 Tax expenses (Continued)

(b) Value-added tax, business tax and related taxes

The operations of the Group are also subject to the following taxes in the PRC:

Category	Tax rate	Basis of levy
Value-added tax ("VAT")	(i) 17%	Sales value of goods sold, offsetting by VAT on purchases
	(ii) 3%	Sales value of goods sold
Business tax ("BT")	3-5%	Services fee income
City construction tax	1%	Net VAT and BT payable amount
Educational surcharge	3%	Net VAT and BT payable amount

27 Earnings per share

(a) Basic

Basic earnings per share ("EPS") is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2010	2009	**2010**	2009
Profit attributable to equity holders of the Company for the period (RMB'000)	**1,916,502**	1,192,410	**3,699,696**	2,227,850
Weighted average number of ordinary shares in issue (thousand shares)	**1,817,677**	1,800,959	**1,814,795**	1,798,190
Basic EPS (RMB per share)	**1.054**	0.662	**2.039**	1.239

27 Earnings per share (Continued)

(b) Diluted

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options and awarded shares granted by the Company (collectively forming the denominator for computing the diluted EPS). No adjustment is made to earnings (numerator).

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2010	2009	2010	2009
Profit attributable to equity holders of the Company for the period (RMB'000)	1,916,502	1,192,410	3,699,696	2,227,850
Weighted average number of ordinary shares in issue (thousand shares)	1,817,677	1,800,959	1,814,795	1,798,190
Adjustments for share options (thousand shares)	34,494	39,797	37,619	38,246
Adjustments for awarded shares (thousand shares)	6,522	825	6,632	638
Weighted average number of ordinary shares for the calculation of diluted EPS (thousand shares)	1,858,693	1,841,581	1,859,046	1,837,074
Diluted EPS (RMB per share)	1.031	0.647	1.990	1.213

28 Dividend

A final dividend in respect of the year ended 31 December 2009 of HKD0.40 per share (2008: HKD0.25 per share and a special dividend of HKD0.10 per share) was proposed pursuant to a resolution passed by the Board on 17 March 2010 and approved by shareholders in the annual general meeting on 12 May 2010. Such dividend, totalling approximately HKD727,180,000 (equivalent to RMB639,264,000) (total dividend for 2008: HKD629,802,000 (equivalent to RMB554,604,000)), had been paid as at 30 June 2010.

The Board did not propose any interim dividend.

29 Transactions with non-controlling interest owners of a subsidiary

As mentioned in Note 18, in April 2010, the Group entered into agreements to acquire the exercisable Option Equity Interests in Shenzhen Domain from the SZ Domain Holders (the "Transaction"). After the Transaction, Shenzhen Domain became a wholly owned subsidiary of the Company.

Carrying amount of the non-controlling interests acquired and the excess of the consideration paid recognised within equity as a result of the Transaction are as follows:

	RMB'000
Carrying amount of non-controlling interests acquired	31,095
Consideration paid to non-controlling interests	(154,198)
Excess of consideration paid recognised within equity	(123,103)

29 Transactions with non-controlling interest owners of a subsidiary (Continued)

The effect of the Transaction on the equity attributable to the Company's equity holders during the three and six months ended 30 June 2010 is summarised as follows:

	Three months ended 30 June 2010 RMB'000	Six months ended 30 June 2010 RMB'000
Total comprehensive income for the period attributable to the equity holders of the Company	1,916,502	3,699,696
Effect of the Transaction on equity	(123,103)	(123,103)
Total comprehensive income for the period attributable to equity holders of the Company after taking consideration of the Transaction	1,793,399	3,576,593

30 Contingencies

The Group had no other material contingent liabilities outstanding as at 30 June 2010.

31 Commitments

(a) Capital commitments

Capital commitments as at 30 June 2010 and 31 December 2009 are analysed as follows:

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Contracted:		
Construction of buildings	**326,153**	36,215
Purchase of other fixed assets	**114,624**	55,606
Capital investment in investees	**49,845**	14,335
	490,622	106,156
Authorised but not contracted:		
Construction of buildings	**399,996**	247,001
Capital investment in an investee	**27,164**	19,802
	427,160	266,803
	917,782	372,959

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings are as follows:

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Contracted:		
Not later than one year	**103,415**	67,893
Later than one year but not later than five years	**229,534**	86,730
Later than five years	**3,048**	3,242
	335,997	157,865

31 Commitments (Continued)

(c) Other commitments

The future aggregate minimum payments under non-cancellable bandwidth and server custody leases and online game licensing agreements are as follows:

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Contracted:		
Not later than one year	**1,124,728**	357,632
Later than one year but not later than five years	**1,993,508**	171,230
	3,118,236	528,862

32 Related parties transactions

Save as disclosed in Note 15(a)(1) and Note 18, there were no other material related parties' transactions during the three and six months ended 30 June 2010.

33 Subsequent events

(a) Grant of awarded shares and share options

On 5 July 2010, the Board resolved to grant 3,732,295 awarded shares to 1,465 Awarded Persons, of which 3,662,975 awarded shares are made available by way of allotment of new shares of the Company. In addition, the Board also resolved on 5 July 2010 to grant 1,933,350 options to eligible persons under the Post-IPO Option Scheme II.

(b) Repurchase of shares

In July 2010, the Company repurchased 2,624,000 shares from the Stock Exchange. The total amount paid (before expenses) for the repurchased shares was approximately HKD354,764,000, which will be deducted from shareholders' equity when these shares are cancelled.

34 Seasonality

Certain Internet value-added services are subject to seasonal fluctuations as the users (especially students) are more active during winter holiday (the first quarter of the year) and summer holiday (mainly the third quarter of the year). Our online advertising business is also subject to seasonal fluctuations as advertisers usually reduce their advertising spending around the Chinese New Year holiday period (the first quarter of the year).

Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF
TENCENT HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 1 to 54, which comprises the consolidated statement of financial position of Tencent Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2010 and the related consolidated statements of comprehensive income for the three and six months then ended, the consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes (collectively defined as the "Interim Financial Information"). The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this Interim Financial Information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with International Standard on Review Engagement 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not properly prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 11 August 2010

Operating Information

The following table sets forth certain operating statistics relating to our Internet platforms and value-added services as at the dates and for the periods presented:

	As at 30 June 2010	As at 31 March 2010	Percentage change
	(in millions)		
Active IM user accounts	**612.5**	568.6	7.7%
Peak simultaneous online IM user accounts (for the quarter)	**109.4**	105.3	3.9%
Average daily IM user hours (for the last 15/16 days of the quarter)	**1,713.8**	1,546.7	10.8%
Active Qzone user accounts	**458.5**	428.0	7.1%
Peak simultaneous online QQ Game user accounts (for the quarter)	**6.2**	6.8	-8.8%
Fee-based Internet value-added services registered subscriptions	**63.2**	59.9	5.5%
Fee-based mobile and telecommunications value-added services registered subscriptions	**24.1**	23.3	3.4%

In the second quarter of 2010, the number of active users and peak simultaneous online user accounts for our IM platform recorded healthy growth. With the commencement of summer holiday for students towards the end of the quarter, as well as the increasing usage of our IM service on mobile devices, the growth of average daily user hours was higher than that of active users. Qzone's active user base further expanded during the quarter as our new social networking services ("SNS") applications gained popularity and as we launched promotional activities. Peak simultaneous online user accounts for QQ Game decreased, primarily due to fewer in-game promotions compared to the previous quarter and cannibalisation from social games. For our Internet value-added services, registered subscriptions increased, mainly driven by growth in QQ Membership and Qzone. Registered subscriptions to our mobile and telecommunications value-added services also increased, fueled by organic growth of our bundled SMS packages.

Financial Performance Highlights

First Half of 2010

The following table sets forth the comparative figures for the first half of 2010 and the first half of 2009:

	Unaudited Six months ended 30 June 2010 RMB'000	30 June 2009 RMB'000
Revenues	**8,895,240**	5,382,788
Cost of revenues	**(2,811,294)**	(1,720,527)
Gross profit	**6,083,946**	3,662,261
Interest income	**111,196**	61,569
Other losses, net	**(7,860)**	(37,012)
Selling and marketing expenses	**(415,757)**	(212,692)
General and administrative expenses	**(1,251,727)**	(910,647)
Operating profit	**4,519,798**	2,563,479
Finance costs	**(4,534)**	(405)
Share of profit of associates	**24,247**	8,824
Profit before income tax	**4,539,511**	2,571,898
Income tax expense	**(805,900)**	(316,540)
Profit/Total comprehensive income for the period	**3,733,611**	2,255,358
Attributable to:		
Equity holders of the Company	**3,699,696**	2,227,850
Non-controlling interests	**33,915**	27,508
	3,733,611	2,255,358

First Half of 2010 (Continued)

Revenues. Revenues increased by 65.3% to RMB8,895.2 million for the first half of 2010 from RMB5,382.8 million for the first half of 2009.

	Unaudited Six months ended			
	30 June 2010		30 June 2009	
	Amount	**% of total revenues**	Amount	% of total revenues
	(RMB in thousands, except percentages)			
Internet value-added services	**6,969,353**	**78.3%**	4,061,031	75.5%
Mobile and telecommunications value-added services	**1,292,358**	**14.5%**	909,548	16.9%
Online advertising	**601,854**	**6.8%**	389,607	7.2%
Others	**31,675**	**0.4%**	22,602	0.4%
Total revenues	**8,895,240**	**100.0%**	5,382,788	100.0%

Cost of revenues. Cost of revenues increased by 63.4% to RMB2,811.3 million for the first half of 2010 from RMB1,720.5 million for the first half of 2009.

	Unaudited Six months ended			
	30 June 2010		30 June 2009	
	Amount	**% of segment revenues**	Amount	% of segment revenues
	(RMB in thousands, except percentages)			
Internet value-added services	**2,112,960**	**30.3%**	1,209,779	29.8%
Mobile and telecommunications value-added services	**463,440**	**35.9%**	348,641	38.3%
Online advertising	**188,371**	**31.3%**	125,424	32.2%
Others	**46,523**	**146.9%**	36,683	162.3%
Total cost of revenues	**2,811,294**		1,720,527	

Second Quarter of 2010

Unaudited consolidated revenues for the second quarter of 2010 were RMB4,669.2 million, an increase of 62.2% over the same period in 2009 and an increase of 10.5% from the first quarter of 2010.

Revenues from our Internet value-added services for the second quarter of 2010 were RMB3,582.0 million, an increase of 66.1% over the same period in 2009 and an increase of 5.7% from the first quarter of 2010.

Revenues from our mobile and telecommunications value-added services for the second quarter of 2010 were RMB674.1 million, an increase of 43.4% over the same period in 2009 and an increase of 9.0% from the first quarter of 2010.

Revenues from our online advertising business for the second quarter of 2010 were RMB397.5 million, an increase of 63.6% over the same period in 2009 and an increase of 94.5% from the first quarter of 2010.

Cost of revenues for the second quarter of 2010 was RMB1,482.9 million, an increase of 58.7% over the same period in 2009 and an increase of 11.6% from the first quarter of 2010.

Selling and marketing expenses for the second quarter of 2010 were RMB230.3 million, an increase of 101.0% over the same period in 2009 and an increase of 24.2% from the first quarter of 2010.

General and administrative expenses for the second quarter of 2010 were RMB666.0 million, an increase of 46.2% over the same period in 2009 and an increase of 13.7% from the first quarter of 2010.

Operating profit for the second quarter of 2010 was RMB2,371.4 million, representing an increase of 69.5% over the same period in 2009 and an increase of 10.4% from the first quarter of 2010. As a percentage of revenues, operating profit represented 50.8% for the second quarter of 2010, compared to 48.6% for the same period of 2009 and 50.8% for the first quarter of 2010.

Second Quarter of 2010 (Continued)

Profit for the second quarter of 2010 was RMB1,931.2 million, representing an increase of 60.7% over the same period in 2009 and an increase of 7.1% from the first quarter of 2010. As a percentage of revenues, profit for the period represented 41.4% for the second quarter of 2010, compared to 41.8% for the same period of 2009 and 42.7% for the first quarter of 2010.

Profit attributable to equity holders of the Company for the second quarter of 2010 was RMB1,916.5 million, an increase of 60.7% over the same period in 2009 and an increase of 7.5% from the first quarter of 2010.

Second Quarter of 2010 Compared to First Quarter of 2010

The following table sets forth the comparative figures for the second quarter of 2010 and the first quarter of 2010:

	Unaudited Three months ended 30 June 2010 RMB'000	Unaudited Three months ended 31 March 2010 RMB'000
Revenues	**4,669,180**	4,226,060
Cost of revenues	**(1,482,939)**	(1,328,355)
Gross profit	**3,186,241**	2,897,705
Interest income	**54,005**	57,191
Other gains/(losses), net	**27,415**	(35,275)
Selling and marketing expenses	**(230,340)**	(185,417)
General and administrative expenses	**(665,961)**	(585,766)
Operating profit	**2,371,360**	2,148,438
Finance costs	**(2,976)**	(1,558)
Share of profit of associates	**11,334**	12,913
Profit before income tax	**2,379,718**	2,159,793
Income tax expense	**(448,525)**	(357,375)
Profit/Total comprehensive income for the period	**1,931,193**	1,802,418
Attributable to:		
Equity holders of the Company	**1,916,502**	1,783,194
Non-controlling interests	**14,691**	19,224
	1,931,193	1,802,418

Second Quarter of 2010 Compared to First Quarter of 2010 (Continued)

Revenues. Revenues increased by 10.5% to RMB4,669.2 million for the second quarter of 2010 from RMB4,226.1 million for the first quarter of 2010. The following table sets forth our revenues by line of business for the second quarter of 2010 and the first quarter of 2010:

	Unaudited Three months ended			
	30 June 2010		31 March 2010	
	Amount	% of total revenues	Amount	% of total revenues
	(RMB in thousands, except percentages)			
Internet value-added services	3,581,976	76.7%	3,387,377	80.2%
Mobile and telecommunications value-added services	674,120	14.4%	618,238	14.6%
Online advertising	397,520	8.5%	204,334	4.8%
Others	15,564	0.4%	16,111	0.4%
Total revenues	4,669,180	100.0%	4,226,060	100.0%

– Revenues from our Internet value-added services increased by 5.7% to RMB3,582.0 million for the second quarter of 2010 from RMB3,387.4 million for the first quarter of 2010. Online gaming revenues increased by 5.9% to RMB2,142.7 million despite weaker seasonality. This was mainly driven by increased monetisation of Cross Fire, as well as revenue contribution from recently launched MMOGs. Revenues from our community value-added services increased by 5.5% to RMB1,439.3 million. QQ Membership benefited from growth in monthly subscriptions, largely due to enriched online and offline privileges. Revenues from Qzone increased with improved user loyalty and stickiness, mainly fueled by enhancements in bundled privileges relating to social games. Revenues from QQ Show also increased as we continued to enhance user value and experience of the product.

Second Quarter of 2010 Compared to First Quarter of 2010 (Continued)

– Revenues from our mobile and telecommunications value-added services increased by 9.0% to RMB674.1 million for the second quarter of 2010 from RMB618.2 million for the first quarter of 2010. This was primarily driven by growth in the user base of our bundled SMS packages as we enhanced privileges and features. Revenues from mobile social games also increased.

– Revenues from our online advertising business increased by 94.5% to RMB397.5 million for the second quarter of 2010 from RMB204.3 million for the first quarter of 2010. This primarily reflected favourable seasonality in the second quarter, as well as our focus on leveraging major events, including the World Cup and the World Expo, to generate business opportunities.

Cost of revenues. Cost of revenues increased by 11.6% to RMB1,482.9 million for the second quarter of 2010 from RMB1,328.4 million for the first quarter of 2010. This mainly reflected an increase in sharing costs, bandwidth and server custody fees, staff costs and equipment depreciation. As a percentage of revenues, cost of revenues increased to 31.8% for the second quarter of 2010 from 31.4% for the first quarter of 2010. The following table sets forth our cost of revenues by line of business for the second quarter of 2010 and the first quarter of 2010:

	Unaudited Three months ended			
	30 June 2010		31 March 2010	
	Amount	% of segment revenues	Amount	% of segment revenues
	(RMB in thousands, except percentages)			
Internet value-added services	1,100,032	30.7%	1,012,928	29.9%
Mobile and telecommunications value-added services	242,094	35.9%	221,346	35.8%
Online advertising	117,428	29.5%	70,943	34.7%
Others	23,385	150.3%	23,138	143.6%
Total cost of revenues	1,482,939		1,328,355	

Second Quarter of 2010 Compared to First Quarter of 2010 (Continued)

– Cost of revenues for our Internet value-added services increased by 8.6% to RMB1,100.0 million for the second quarter of 2010 from RMB1,012.9 million for the first quarter of 2010. This was primarily due to an increase in sharing costs as a result of revenue growth from our licensed games. Other costs, including bandwidth and server custody fees and equipment depreciation, also increased as our business expanded.

– Cost of revenues for our mobile and telecommunications value-added services increased by 9.4% to RMB242.1 million for the second quarter of 2010 from RMB221.3 million for the first quarter of 2010. This was mainly driven by the increase in staff costs and telecommunications operators' revenue share.

– Cost of revenues for our online advertising business increased by 65.5% to RMB117.4 million for the second quarter of 2010 from RMB70.9 million for the first quarter of 2010. This was mainly due to an increase in sales commissions paid to advertising agencies as a result of the growth in our advertising revenues.

Other gains/(losses), net. Other gains, net of RMB27.4 million were recorded for the second quarter of 2010, compared to other losses, net of RMB35.3 million for the first quarter of 2010. The change was mainly the result of the fact that no donation was made to the Tencent Charity Fund in the second quarter, whereas RMB40.0 million was contributed to the fund in the previous quarter. It also reflected an increase in government subsidies and recognition of gain on foreign exchange forward contracts, which we entered into for the purpose of managing our foreign currency exposure related to our USD-denominated bank borrowings.

Selling and marketing expenses. Selling and marketing expenses increased by 24.2% to RMB230.3 million for the second quarter of 2010 from RMB185.4 million for the first quarter of 2010. This was mainly driven by an increase in our brand investments, including advertising campaigns for the World Cup and the World Expo. As a percentage of revenues, selling and marketing expenses increased to 4.9% for the second quarter of 2010 from 4.4% for the first quarter of 2010.

Second Quarter of 2010 Compared to First Quarter of 2010 (Continued)

General and administrative expenses. General and administrative expenses increased by 13.7% to RMB666.0 million for the second quarter of 2010 from RMB585.8 million for the first quarter of 2010. This was primarily due to the expansion of our research and development team in support of our growth strategy. Other staff costs also increased as our business scale grew. As a percentage of revenues, general and administrative expenses increased to 14.3% for the second quarter of 2010 from 13.9% for the first quarter of 2010.

Income tax expense. Income tax expense increased by 25.5% to RMB448.5 million for the second quarter of 2010 from RMB357.4 million for the first quarter of 2010. The increase primarily reflected higher profit before tax and an increase in deferred income tax liabilities recognised in respect of withholding taxes applicable on unremitted retained earnings expected to be paid by our PRC subsidiaries to their overseas parent companies. Additional tax expense was also provided during the quarter upon the finalisation of our enterprise income tax assessment for 2009.

Profit for the period. Profit for the period increased by 7.1% to RMB1,931.2 million for the second quarter of 2010 from RMB1,802.4 million for the first quarter of 2010. Net margin was 41.4% for the second quarter of 2010 compared to 42.7% for the first quarter of 2010.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 7.5% to RMB1,916.5 million for the second quarter of 2010 from RMB1,783.2 million for the first quarter of 2010.

Second Quarter of 2010 Compared to Second Quarter of 2009

The following table sets forth the comparative figures for the second quarter of 2010 and the second quarter of 2009:

	Unaudited Three months ended 30 June 2010 RMB'000	30 June 2009 RMB'000
Revenues	4,669,180	2,878,423
Cost of revenues	(1,482,939)	(934,613)
Gross profit	3,186,241	1,943,810
Interest income	54,005	27,520
Other gains/(losses), net	27,415	(2,192)
Selling and marketing expenses	(230,340)	(114,587)
General and administrative expenses	(665,961)	(455,629)
Operating profit	2,371,360	1,398,922
Finance costs	(2,976)	(653)
Share of profit of associates	11,334	3,452
Profit before income tax	2,379,718	1,401,721
Income tax expense	(448,525)	(199,973)
Profit/Total comprehensive income for the period	1,931,193	1,201,748
Attributable to:		
Equity holders of the Company	1,916,502	1,192,410
Non-controlling interests	14,691	9,338
	1,931,193	1,201,748

Second Quarter of 2010 Compared to Second Quarter of 2009 (Continued)

Revenues. Revenues increased by 62.2% to RMB4,669.2 million for the second quarter of 2010 from RMB2,878.4 million for the second quarter of 2009. The following table sets forth our revenues by line of business for the second quarter of 2010 and the second quarter of 2009:

	Unaudited Three months ended			
	30 June 2010		30 June 2009	
	Amount	**% of total revenues**	Amount	% of total revenues
	(RMB in thousands, except percentages)			
Internet value-added services	**3,581,976**	**76.7%**	2,156,468	74.9%
Mobile and telecommunications value-added services	**674,120**	**14.4%**	470,003	16.3%
Online advertising	**397,520**	**8.5%**	243,044	8.5%
Others	**15,564**	**0.4%**	8,908	0.3%
Total revenues	**4,669,180**	**100.0%**	2,878,423	100.0%

– Revenues from our Internet value-added services increased by 66.1% to RMB3,582.0 million for the second quarter of 2010 from RMB2,156.5 million for the second quarter of 2009. Our online gaming revenues increased by 72.7% to RMB2,142.7 million, primarily driven by increased popularity of our major advanced casual games and MMOGs. The increase was also attributable to the revenue contribution from our recently launched MMOGs. The increase was partially offset by a decline in revenues from more mature MMOGs. Revenues from our community value-added services increased by 57.2% to RMB1,439.3 million. Qzone registered significant growth in revenues as our SNS applications enhanced user activity and engagement as well as stimulated growth of monthly subscriptions. Revenues from QQ Membership grew as a result of improved user loyalty and stickiness, driven by enhancements in online and offline privileges as well as value-added functions. Revenues from QQ Show increased as a result of growth in monthly subscriptions driven by enhanced features and user value.

Second Quarter of 2010 Compared to Second Quarter of 2009 (Continued)

- Revenues from our mobile and telecommunications value-added services increased by 43.4% to RMB674.1 million for the second quarter of 2010 from RMB470.0 million for the second quarter of 2009. This was mainly attributable to growth in revenues from our bundled SMS packages as we added more privileges and features and enhanced user experience. It also reflected growth in revenues from mobile social games. The increase was partly offset by lower revenues from WAP services due to the suspension of WAP billing by China Mobile since 30 November 2009 as well as a decline in revenues from legacy mobile voice value-added services.

- Revenues from our online advertising business increased by 63.6% to RMB397.5 million for the second quarter of 2010 from RMB243.0 million for the second quarter of 2009. The increase mainly reflected enhanced market recognition of the strengths of our Internet platforms among advertisers, as well as our focus on leveraging major events, including the World Cup and the World Expo, to generate business opportunities. Search-based advertising revenues decreased as we transitioned into our self-developed search engine in the second half of last year.

Second Quarter of 2010 Compared to Second Quarter of 2009 (Continued)

Cost of revenues. Cost of revenues increased by 58.7% to RMB1,482.9 million for the second quarter of 2010 from RMB934.6 million for the second quarter of 2009. This primarily reflected an increase in sharing costs, staff costs, telecommunications operators' revenue share as well as equipment depreciation. As a percentage of revenues, cost of revenues decreased to 31.8% for the second quarter of 2010 from 32.5% for the second quarter of 2009. The following table sets forth our cost of revenues by line of business for the second quarter of 2010 and the second quarter of 2009:

	Unaudited Three months ended			
	30 June 2010		30 June 2009	
	Amount	% of segment revenues	Amount	% of segment revenues
	(RMB in thousands, except percentages)			
Internet value-added services	1,100,032	30.7%	665,155	30.8%
Mobile and telecommunications value-added services	242,094	35.9%	179,581	38.2%
Online advertising	117,428	29.5%	73,423	30.2%
Others	23,385	150.3%	16,454	184.7%
Total cost of revenues	1,482,939		934,613	

– Cost of revenues for our Internet value-added services increased by 65.4% to RMB1,100.0 million for the second quarter of 2010 from RMB665.2 million for the second quarter of 2009. This was mainly the result of the growth in sharing costs due to increased revenues from our licensed games. Other costs, including staff costs and equipment depreciation, also increased as our business grew.

– Cost of revenues for our mobile and telecommunications value-added services increased by 34.8% to RMB242.1 million for the second quarter of 2010 from RMB179.6 million for the second quarter of 2009. This was primarily driven by an increase in telecommunications operators' revenue share due to growth in revenues. Staff costs also increased.

Second Quarter of 2010 Compared to Second Quarter of 2009 (Continued)

– Cost of revenues for our online advertising business increased by 59.9% to RMB117.4 million for the second quarter of 2010 from RMB73.4 million for the second quarter of 2009. This was primarily due to an increase in sales commissions paid to advertising agencies and staff costs as our business scale expanded.

Other gains/(losses), net. Other gains, net of RMB27.4 million were recorded for the second quarter of 2010, compared to other losses, net of RMB2.2 million for the second quarter of 2009. The change was mainly due to the fact that no donation was made to the Tencent Charity Fund in the second quarter of 2010, whereas RMB25.0 million was contributed to the fund in the second quarter of 2009. The change also reflected recognition of gain on foreign exchange forward contracts, which we entered into for the purpose of managing our foreign currency exposure related to our USD-denominated bank borrowings, during the second quarter of 2010. The aforementioned factors were partly offset by a reduction in fair value gains on financial assets held for trading and government subsidies.

Selling and marketing expenses. Selling and marketing expenses increased by 101.0% to RMB230.3 million for the second quarter of 2010 from RMB114.6 million for the second quarter of 2009. This was primarily driven by an increase in our brand investments, including advertising campaigns for the World Cup and the World Expo, and the promotion of our online games. Staff costs also increased as our business scale expanded. As a percentage of revenues, selling and marketing expenses increased to 4.9% for the second quarter of 2010 from 4.0% for the second quarter of 2009.

General and administrative expenses. General and administrative expenses increased by 46.2% to RMB666.0 million for the second quarter of 2010 from RMB455.6 million for the second quarter of 2009. This mainly reflected an expansion of our research and development team in support of our growth strategy. Staff costs also increased due to the growth of our business. As a percentage of revenues, general and administrative expenses decreased to 14.3% for the second quarter of 2010 from 15.8% for the second quarter of 2009.

Second Quarter of 2010 Compared to Second Quarter of 2009 (Continued)

Income tax expense. We recorded income tax expense of RMB448.5 million for the second quarter of 2010 compared to RMB200.0 million for the second quarter of 2009. The change primarily reflected growth in profit before tax and an increase in deferred income tax liabilities recognised in respect of withholding taxes applicable on unremitted retained earnings expected to be paid by our PRC subsidiaries to their overseas parent companies. It also reflected higher tax rates for certain subsidiaries.

Profit for the period. Profit for the period increased by 60.7% to RMB1,931.2 million for the second quarter of 2010 from RMB1,201.7 million for the second quarter of 2009. Net margin was 41.4% for the second quarter of 2010 compared to 41.8% for the second quarter of 2009.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 60.7% to RMB1,916.5 million for the second quarter of 2010 from RMB1,192.4 million for the second quarter of 2009.

Liquidity and Financial Resources

As at 30 June 2010 and 31 March 2010, we had the following major financial resources in the form of cash and investments:

	Unaudited 30 June 2010 RMB'000	31 March 2010 RMB'000
Cash and cash equivalents	6,486,312	6,795,966
Term deposits with initial term of over three months	7,422,082	6,673,010
Held-to-maturity investments	–	341,315
Total	13,908,394	13,810,291

Note:

The above table excludes RMB1,214.5 million of restricted deposits pledged as part of a USD178.4 million short-term bank borrowing arrangement, as such deposits are scheduled to offset the borrowed amount at the maturity of the loan.

As at 30 June 2010, RMB627.2 million of our financial assets were held in deposits and investments denominated in non-RMB currencies. Since there are no cost-effective hedges against the fluctuation of RMB and no effective manner to generally convert a significant amount of non-RMB currencies into RMB, which is not a freely exchangeable currency, there is a risk that we may experience a loss as a result of any foreign currency exchange rate fluctuations in connection with our deposits and investments.

Our short-term bank borrowings were denominated in USD and amounted to RMB2,755.1 million as at 30 June 2010, of which RMB1,193.2 million was secured by RMB1,214.5 million of restricted deposits as mentioned in the note above and RMB1,561.9 million was unsecured. The borrowings were incurred for the purpose of managing the allocation of our onshore and offshore working capital. We had strong financial resources and cash flow generated from operating activities to meet these obligations.

Business Review and Outlook

In the second quarter of 2010, we achieved solid financial and operating performance, riding on the growth of our Internet platforms. Our Internet value-added services ("IVAS") registered revenue growth, mainly driven by increased monetisation of Cross Fire, contributions from our recently launched online games and growth of our community value-added services. Our mobile and telecommunications value-added services ("MVAS") experienced a healthy revenue increase as well, largely due to an expansion of the user base of our bundled SMS packages. Our online advertising business grew significantly during the quarter, mainly due to favourable seasonality and our successful leveraging of major events, including the World Cup and the World Expo, to generate advertising opportunities. Looking into the third quarter of 2010, we expect online games within our IVAS business to benefit from positive seasonality due to summer school holidays. However, the year-on-year growth rate of the overall IVAS business is expected to slow down compared to the previous year as it already has reached a relatively larger revenue base. For MVAS, the regulatory environment is still uncertain. For example, a new rule that requires service providers to conduct double confirmation plus reminder services for monthly subscriptions has been announced recently. In addition, competition on the mobile Internet front will continue to intensify. On the other hand, business models in the industry remain underdeveloped as mobile Internet in China is still in a relatively early stage of development.

IM Platform

The quarter saw a steady growth in the user base of our core IM platform, with active user accounts and peak concurrent user accounts ("PCU") increasing to 612.5 million and 109.4 million respectively. User activeness also increased, mainly due to growing usage of our IM services on mobile devices. We expect that going forward mobile Internet will become an increasingly important driver for the expansion of our IM user base as a result of the fast growing mobile Internet user base in China. On the other hand, as the growth of our current major social games is slowing down, the contribution from SNS applications to our IM user growth will decrease.

QQ.com

QQ.com has continued to enhance its market recognition and media influence in the second quarter, leveraging coverage and sponsorship related to the World Cup and the World Expo, as well as our brand advertising campaigns for these two major events.

For the World Cup, QQ.com offered a wide range of compelling content, including video clips for all matches and interviews with popular players, experts and professionals. In addition, we leveraged the integration between QQ.com and other platforms of Tencent, such as IM and Qzone, to deliver an innovative and interactive World Cup experience to users. A major TV advertising campaign for the World Cup was also launched to increase awareness of our services and reinforce our brand position. As a result of such efforts, QQ.com was ranked number one among major portals in China, in terms of traffic generated and user satisfaction for the event, according to the surveys by ComScore and Tsinghua University respectively. For the World Expo, as the exclusive Internet service sponsor of the event, we are responsible for the development, operation and maintenance of the official website, as well as the overall operation of the Online World Expo which, for the first time in the history of the Expo, allows people from all over the world to experience the Expo over the Internet. We have also introduced different products and campaigns to enhance public awareness and participation, including our Expo channel which provides comprehensive coverage of the event. Going forward, we will leverage the positive impact we made in these major events to further enhance the position of QQ.com as a mainstream media platform in China.

Internet Value-added Services

Our community value-added services registered growth in the second quarter. For QQ Membership, monthly subscription increased with improved user loyalty and stickiness. This reflected our continued efforts in enriching online and offline privileges associated with IM, online games, lifestyle services and e-commerce to increase user value. For SNS, active user accounts of Qzone increased to 458.5 million at the end of the second quarter of 2010, a growth of 7.1% compared to the previous quarter. This was primarily driven by the launch of promotional activities related to the fifth anniversary of Qzone. We also enhanced the attractiveness of our monthly subscription service by bundling more privileges related to SNS applications. In addition, we have enriched our offerings by introducing new third-party applications on Qzone and Xiaoyou, and commencing closed beta testing of QQ Restaurant, a self-developed social game which integrates with QQ Farm and QQ Ranch. As we have already accumulated a large user base of social games over the previous quarters, we expect the positive impact of SNS applications to the active user base of Qzone will lessen over time. For QQ Show, monthly subscription continued to grow during the quarter as we increased marketing activities to promote the awareness of QQ Show among QQ users.

Our online game business registered modest growth during the second quarter. This was mainly driven by increased monetisation of Cross Fire as we launched new game items. Our recently launched game titles, namely Dragon Power, a hardcore 2D MMOG, and World of Fantasy, a self-developed MMOG, also contributed to the growth in revenues. QQ Game experienced modest growth in revenues during the quarter, although its PCU declined to 6.2 million due to fewer in-game promotions compared to the previous quarter and cannibalisation from social games. For Dungeon and Fighter, PCU and revenues declined slightly as a result of bot-fighting and weaker seasonality. Looking ahead, with slowing industry growth, intensifying competition and increasing sophistication of gamers, the success rate and extent of success for new game titles may decrease. In view of such challenges, we are extending the development process of our new games to upgrade content and quality. As a result, we are delaying QQ Xian Xia Zhuan to the end of 2010 or early 2011, and Feng Shen Ji to 2011. On the other hand, we believe that the online game industry will see more regulations as it becomes a significant component of China's cultural and entertainment industry. While some of these regulations might have impact on our business, the additional regulations should foster a healthier industry environment over the longer term.

Mobile and Telecommunications Value-added Services

Our MVAS business registered healthy growth during the quarter as we enriched the privileges and features of our bundled SMS packages, and as the popularity of our mobile social games increased. Our WAP portal experienced an increase in traffic as a result of growth in the overall market and our efforts to improve its content and user experience. To position ourselves for growth opportunities in the mobile Internet sector, we have been extending our PC-based services to mobile platforms and customising our applications for a larger variety of mobile devices.

Online Advertising

In the second quarter of 2010, our online advertising business benefited from positive seasonality. We also focused on leveraging our Internet platforms and major events, including the World Cup and the World Expo, to generate advertising opportunities. As a result, our revenues and client base registered significant growth during the quarter, demonstrating increased market recognition of the strengths of our Internet platforms and our media influence. We believe that with the investments in our brand and major events, we are better positioned to exploit the growth opportunities in China's advertising market over the long term.

Directors' Interests in Securities

As at 30 June 2010, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or are deemed to have taken, under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

(A) Long and Short Positions in the Shares and Underlying Shares of the Company

Name of director	Long/short position	Nature of interest	Number of shares/underlying shares held	Percentage of issued share capital
Ma Huateng	Long position	Corporate (Note 1)	204,892,880	11.20%
	Short position	Corporate (Note 1)	20,480,000	1.12%
Zhang Zhidong	Long position	Corporate (Note 2)	67,250,000	3.68%
Lau Chi Ping Martin	Long position	Personal (Note 3)	11,003,600	0.60%
Li Dong Sheng	Long position	Personal (Note 4)	100,000	0.005%
Iain Ferguson Bruce	Long position	Personal (Note 5)	100,000	0.005%
Ian Charles Stone	Long position	Personal (Note 4)	60,000	0.003%

(A) Long and Short Positions in the Shares and Underlying Shares of the Company (Continued)

Notes:

1. These shares are held by Advance Data Services Limited, a British Virgin Islands company wholly owned by Ma Huateng.

2. These shares are held by Best Update International Limited, a British Virgin Islands company wholly owned by Zhang Zhidong.

3. The interest comprises 4,403,600 shares and 6,600,000 underlying shares in respect of the share options granted pursuant to the Post-IPO Option Scheme I, the Post-IPO Option Scheme II and the Post-IPO Option Scheme III. Details of the share options granted to the directors are set out below under "Share Option Schemes".

4. The interest represents the underlying shares in respect of the share options granted pursuant to the Post-IPO Option Scheme I. Details of the share options granted to the directors are set out below under "Share Option Schemes".

5. The interest comprises 40,000 shares and 60,000 underlying shares in respect of the share options granted pursuant to Post-IPO Option Scheme I. Details of the share options granted to the directors are set out below under "Share Option Schemes".

Directors' Interests in Securities (Continued)

(B) Long Position in the Shares of Associated Corporations

Name of director	Name of associated corporation	Nature of interest	Number of shares and class of shares held	Percentage of issued share capital
Ma Huateng	Shenzhen Tencent Computer Systems Company Limited ("Tencent Computer")	Personal	RMB10,857,140 (registered capital)	54.29%
	Shenzhen Shiji Kaixuan Technology Company Limited ("Shiji Kaixuan")	Personal	RMB5,971,427 (registered capital)	54.29%
Zhang Zhidong	Tencent Computer	Personal	RMB4,571,420 (registered capital)	22.86%
	Shiji Kaixuan	Personal	RMB2,514,281 (registered capital)	22.86%

Save as disclosed above, none of the directors or chief executive of the Company and their associates, had interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations as at 30 June 2010.

Share Option Schemes

The Company has adopted four share option schemes, namely, the Pre-IPO Option Scheme, the Post-IPO Option Scheme I, the Post-IPO Option Scheme II and Post-IPO Option Scheme III, under which the directors may, at their discretion, grant options to employees, including any directors, of the Company or its subsidiaries to subscribe for shares in the Company, subject to the terms and conditions stipulated therein. No further options will be granted under the Pre-IPO Option Scheme and the Post-IPO Option Scheme I. Movements of the options under the Pre-IPO Option Scheme, the Post-IPO Option Scheme I, the Post-IPO Option Scheme II and the Post-IPO Option Scheme III are detailed in Note 15 to the Interim Financial Information as included in this interim report.

As at 30 June 2010, there were a total of 6,820,000 outstanding share options granted to the directors of the Company, details of which are as follows:

Name of director	Date of grant	Exercise price (HKD)	Number of share options As at 1 January 2010	Granted during the period	Exercised during the period	As at 30 June 2010	Exercise Period
Lau Chi Ping Martin	3 February 2005	4.80	703,600	–	703,600	–	3 February 2006 to 23 March 2014 (Note 1)
	20 December 2005	8.35	2,000,000	–	2,000,000	–	20 December 2006 to 23 March 2014 (Note 1)
	23 March 2006	11.55	1,500,000	–	1,500,000	–	23 March 2007 to 23 March 2014 (Note 1)
	4 April 2007	25.26	1,000,000	–	400,000	600,000	4 April 2008 to 23 March 2014 (Note 2)
	5 July 2007	33.05	2,000,000	–	–	2,000,000	5 July 2009 to 4 July 2014 (Note 3)
	5 July 2007	33.05	3,000,000	–	–	3,000,000	5 July 2010 to 4 July 2014 (Note 4)
	24 March 2010 (Note 6)	158.50	–	1,000,000	–	1,000,000	24 March 2015 to 23 March 2020 (Note 5)
	Total:		10,203,600	1,000,000	4,603,600	6,600,000	
Li Dong Sheng	4 April 2007	25.26	100,000	–	–	100,000	4 April 2008 to 23 March 2014 (Note 2)
Iain Ferguson Bruce	4 April 2007	25.26	80,000	–	20,000	60,000	4 April 2008 to 23 March 2014 (Note 2)
Ian Charles Stone	4 April 2007	25.26	60,000	–	–	60,000	4 April 2008 to 23 March 2014 (Note 2)
	Grand Total:		10,443,600	1,000,000	4,623,600	6,820,000	

Notes:

1. For options granted with exercisable date determined based on the grant date of options, the first 25% of the option can be exercised one year after the grant date, and 25% each of the total options will become exercisable in each subsequent year.

2. For options granted with exercisable date determined based on the grant date of options, the first 20% of the option can be exercised one year after the grant date, and 20% each of the total options will become exercisable in each subsequent year.

3. For options granted with exercisable date determined based on the grant date of options, the first 20% of the option can be exercised two years after the grant date, and 20% each of the total options will become exercisable in each subsequent year.

4. For options granted with exercisable date determined based on the grant date of options, the first 20% of the option can be exercised three years after the grant date, and 20% each of the total options will become exercisable in each subsequent year, except the last 20% of the total options which will become exercisable in the eleventh month after the fourth 20% of the total options become exercisable.

5. For options granted with exercisable date determined based on the grant date of options, the first 25% of the option can be exercised five years after the grant date, and 25% each of the total options will become exercisable in each subsequent year.

6. The closing price immediately before the date on which the options were granted on 24 March 2010 was HKD158.20.

7. The weighted average closing prices immediately before the dates on which the options were exercised by each of the directors were as follows:

Name of director	Weighted average closing price (HKD)
Lau Chi Ping Martin	154.83
Iain Ferguson Bruce	170.80

8. No options were cancelled or lapsed during the period.

Share Award Scheme

On 13 December 2007 (the "Adoption Date"), the Board adopted the Share Scheme in which eligible persons (including any director) of the Group will be entitled to participate. Unless early terminated by the Board, the Share Scheme shall be valid and effective for a term of 15 years commencing on the Adoption Date. The maximum number of shares which can be awarded under the Share Scheme and to an Awarded Person are limited to 2% (i.e. 35,755,232 shares) and 1% (i.e. 17,877,616 shares) of the issued share capital of the Company as at the Adoption Date, respectively.

Pursuant to the Share Scheme, the Board shall select the eligible persons for participation in the Share Scheme and determine the number of shares to be awarded ("Awarded Shares"). Shares will be acquired by an independent trustee at the cost of the Company or shares will be allotted to the independent trustee under the general mandate granted or to be granted by the shareholders of the Company at general meetings from time to time and be held in trust for the Awarded Persons, excluding the directors and substantial shareholders of the Group, until the end of each vesting period.

Vested shares will be transferred at no cost to the Awarded Persons. The Company shall comply with the relevant Listing Rules when granting the Awarded Shares. If awards are made to directors or substantial shareholders of the Group, such awards shall constitute connected transaction under Chapter 14A of the Listing Rules and the Company shall comply with the relevant requirements under the Listing Rules.

Awarded Shares and the related income derived therefrom are subject to a vesting scale to be determined by the Board at the date of the grant of the award. Vesting of the Awarded Shares will be conditional on the Awarded Person satisfying all vesting conditions specified by the Board at the time of making the award until and on each of the relevant vesting dates and his/her execution of the relevant documents to effect the transfer from the trustee.

During the six months ended 30 June 2010, a total of 802,293 Awarded Shares were granted and no Awarded Share was granted to the directors of the Company. Details of the movements in the Share Scheme during the six months ended 30 June 2010 are set out in Note 15 to the Interim Financial Information as included in this interim report.

Information of Directors

Pursuant to rule 13.51B(1) of the Listing Rules, the amount of director's emoluments of each of the following director, except the two non-executive directors, has been changed during the period of this interim report and the detailed changes are shown under the biographical details of each director, if applicable, as follows:

Ma Huateng, age 38, is an executive director, Chairman of the Board and Chief Executive Officer of the Company. Mr Ma has overall responsibilities for strategic planning and positioning and management of the Group. Mr Ma is one of the core founders and has been employed by the Group since 1999. Prior to his current employment, Mr Ma was in charge of research and development for Internet paging system development at China Motion Telecom Development Limited, a supplier of telecommunications services and products in China. Mr Ma is a member of the 5th Shenzhen Municipal People's Congress. Mr Ma has a Bachelor of Science degree specialising in Computer & its Application obtained in 1993 from Shenzhen University and more than 15 years of experience in the telecommunications and Internet industries. He is also a director of Advance Data Services Limited which has interest in the shares of the Company. Mr Ma is entitled to an annual base salary of RMB 3,536,500 (before tax) in 2010 which was covered by the service contract with the Company and the basis of determining his emoluments including the base salary, bonus as set out in the service contract remained the same.

Lau Chi Ping Martin, age 37, is an executive director with effect from 21 March 2007. Mr Lau was appointed as the President of the Company in February 2006 to assist Mr Ma Huateng, Chairman of the Board and Chief Executive Officer, in managing the day-to-day operation of the Company. In February 2005, he joined the Company as the Chief Strategy and Investment Officer of the Company, and was responsible for corporate strategies, investment, merger and acquisitions and investor relations. Prior to joining the Company, Mr Lau was an Executive Director at Goldman Sachs (Asia) LLC's investment banking division and the Chief Operating Officer of its Telecom, Media and Technology Group. Prior to that, he worked at Mckinsey & Company, Inc. as a management consultant. He has over 13 years' experience in IPO, merger and acquisitions and management consulting. Mr Lau received a Bachelor of Science Degree in Electrical Engineering from the University of Michigan, a Master of Science Degree in Electrical Engineering from Stanford University and a MBA from Kellogg Graduate School of Management, Northwestern University. Mr Lau is currently a non-executive director of Yingli Green Energy Holding Company Limited, a China-based vertically integrated photovoltaic product manufacturer that is listed on the New York Stock Exchange. Mr Lau is entitled to an annual base salary of USD 476,100 (before tax) in 2010 which was covered by the current service contract with the Company and the basis of determining his emoluments including the base salary, bonus as set out in the service contract remained the same.

Zhang Zhidong, age 38, is an executive director and Chief Technology Officer of the Company. Mr Zhang has overall responsibilities for the development of our proprietary technologies, including the basic IM platform and massive-scale online application systems. Mr Zhang is one of the core founders and has been employed by the Group since 1999. Prior to his current employment, Mr Zhang worked at Liming Network Group focusing on software and network application systems research and development. Mr Zhang has a Bachelor of Science degree specialising in Computer & its Application obtained in 1993 from Shenzhen University and a Master's degree in Computer Application and System Structure from South China University of Technology obtained in 1996. Mr Zhang has more than 13 years of experience in the telecommunications and Internet industries. He is also a director of Best Update International Limited which has interest in the shares of the Company. Mr Zhang is entitled to an annual base salary of RMB 2,583,000 (before tax) in 2010 which was covered by the current service contract with the Company and the basis of determining his emoluments including the base salary, bonus as set out in the service contract remained the same.

Antonie Andries Roux, age 52, has been a non-executive director since 10 December 2002. Mr Roux is currently Chief Executive Officer of Internet Operations for the MIH group companies, a position he has held since 2002. Mr Roux joined the Naspers group in 1979 and was a founding member of M-Net in 1985. In 1997, he was appointed Chief Executive Officer of M-Web South Africa. Currently, Mr Roux serves on the boards of directors of a number of companies that are subsidiaries of or associated companies with MIH. Mr Roux has more than 31 years of experience in the telecommunications industry. Mr Roux as a non-executive director is not entitled to any director's fee or emoluments.

Charles St Leger Searle, age 46, has been a non-executive director since 5 June 2001. Mr Searle is currently the Chief Investment Officer of MIH Internet group companies. Prior to joining the MIH group companies, he held various corporate finance positions at Cable & Wireless plc and Hong Kong Telecom. Prior to joining Cable & Wireless plc, he was a senior corporate finance manager at Deloitte & Touche in London and Sydney. Currently, Mr Searle serves on the boards of directors of a number of companies that are subsidiaries of or associated companies with MIH. Mr Searle graduated from the University of Cape Town in 1987 with a Bachelor of Commerce degree and is a member of the Institute of Chartered Accountants in Australia (1992). Mr Searle has more than 16 years of experience in the telecommunications and Internet industries. Mr Searle as a non-executive director is not entitled to any director's fee or emoluments.

Li Dong Sheng, age 54, has been an independent non-executive director since April 2004. Mr Li is the Chairman and CEO of TCL Corporation, the Chairman of the Hong Kong listed TCL Multimedia Technology Holdings Limited and the Chairman of the Hong Kong listed TCL Communication Technology Holdings Limited, all of which produce consumer electronic products. Mr Li graduated from South China University of Technology in 1982 with a Bachelor degree in radio technology and has more than 15 years of experience in the information technology field. Mr Li is entitled to a director's fee of HKD450,000 per annum for the year 2010, which is determined with reference to his duties and responsibilities with the Company.

Iain Ferguson Bruce, age 69, has been an independent non-executive director since April 2004. Mr Bruce joined KPMG in Hong Kong in 1964 and was elected to its partnership in 1971. He was the Senior Partner of KPMG from 1991 until his retirement in 1996 and served as Chairman of KPMG Asia Pacific from 1993 to 1997. Since 1964, Mr Bruce has been a member of the Institute of Chartered Accountants of Scotland and is a fellow of the Hong Kong Institute of Certified Public Accountants, with over 45 years' experience in the accounting profession. He is also a fellow of The Hong Kong Institute of Directors and a member of The Hong Kong Securities Institute. Mr Bruce is currently an independent non-executive director of Paul Y. Engineering Group Limited, a construction and engineering services company, Sands China Ltd., an operator of integrated resorts and casinos, Vitasoy International Holdings Limited, a beverage manufacturing company, and Wing On Company International Limited, a department store operating and real property investment company; all of these companies are publicly listed companies in Hong Kong. Mr Bruce is also a non-executive director of Noble Group Limited, a commodity trading company that is publicly listed in Singapore, of China Medical Technologies, Inc., a China-based medical device company that is listed on NASDAQ, and of Yingli Green Energy Holding Company Limited, a China-based vertically integrated photovoltaic product manufacturer that is listed on the New York Stock Exchange. Mr Bruce is a steward of The Hong Kong Jockey Club, an independent non-executive director of Citibank (Hong Kong) Limited and is the Chairman of KCS Limited. Mr Bruce is entitled to a director's fee of HKD700,000 per annum for the year 2010, which is determined with reference to his duties and responsibilities with the Company.

Ian Charles Stone, age 59, has been an independent non-executive director since April 2004. Mr Stone is currently the Managing Director of International Projects for PCCW Limited. Mr Stone has more than 39 years of experience in the telecom and mobile industries. He was the Chief Executive Officer of SmarTone between 1999 and 2001. Prior to joining SmarTone, he was Senior Adviser to First Pacific / PLDT of the First Pacific Group, Chief Operations Officer of Piltel, Managing Director of Pacific Link and Executive Director of Asialink, the regional telecom investment arm of First Pacific, respectively. Mr Stone has also held senior positions at Cable & Wireless plc and Hong Kong Telecom. Mr Stone is entitled to a director's fee of HKD450,000 per annum for the year 2010, which is determined with reference to his duties and responsibilities with the Company.

Substantial Shareholders

As at 30 June 2010, the following persons, other than the directors or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company:

Long and Short Positions in the Shares or Underlying Shares of the Company

Name of shareholder	Long/short position	Nature of interest/Capacity	Number of shares/underlying shares held	Percentage of issued share capital
MIH China (BVI) Limited	Long position	Corporate (Note 1)	630,240,380	34.44%
Advance Data Services Limited	Long position	Corporate (Note 2)	204,892,880	11.20%
	Short position	Corporate (Note 2)	20,480,000	1.12%
ABSA Bank Limited	Long position	Corporate (Note 3)	185,000,000	10.11%
JPMorgan Chase & Co.	Long position	Beneficial owner	5,655,577	
		Investment manager	34,888,700	
		Custodian corporation/ Approved lending agent	51,354,694	
		Total (Note 4(i)):	91,898,971	5.02%
	Short position	Beneficial owner (Note 4(ii))	4,577,557	0.25%

Notes:

1. As MIH China (BVI) Limited ("MIH") is wholly owned by Naspers Limited through its intermediary companies MIH (Mauritius) Limited and MIH Holdings Limited. Naspers Limited, MIH (Mauritius) Limited and MIH Holdings Limited are deemed to be interested in the same block of 630,240,380 shares under Part XV of the SFO. Out of the 630,240,380 shares held by MIH, 185,000,000 shares are pledged to ABSA Bank Limited, as referenced in Note 3 below.

2. As Advance Data Services Limited is wholly owned by Ma Huateng, Mr Ma has interest in these shares as disclosed under the section of "Directors' Interests in Securities".

Substantial Shareholders (Continued)

Notes: (Continued)

3. As ABSA Bank Limited has a security interest in 185,000,000 shares, which are held by MIH, and ABSA Bank Limited is wholly owned by Barclays Bank PLC through its intermediary company ABSA Group Limited, Barclays Bank PLC and ABSA Group Limited are deemed to be interested in the same block of 185,000,000 shares under Part XV of the SFO.

4. (i) Such long position includes derivative interests in 513,260 underlying shares of the Company of which 100 underlying shares are derived from listed and physically settled derivatives and 513,160 underlying shares are derived from unlisted and physically settled derivatives. It also includes 51,354,694 shares in lending pool.

   (ii) Such short position includes derivative interests in 1,376,704 underlying shares of the Company of which 47,480 shares are derived from listed and cash settled derivatives, 1,029,224 underlying shares are derived from unlisted and physically settled derivatives and 300,000 underlying shares are derived from unlisted and cash settled derivatives.

Save as disclosed above, the Company had not been notified of any other persons (other than a director or chief executive of the Company) who, as at 30 June 2010, had an interest or short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO.

Employee and Remuneration Policies

As at 30 June 2010, the Group had 8,687 employees (30 June 2009: 6,421), most of whom are based in Shenzhen, the PRC. The number of employees employed by the Group varies from time to time depending on need and employees are remunerated based on industry practice.

The remuneration policy and package of the Group's employees are periodically reviewed. Apart from pension funds and in-house training programmes, discretionary bonuses, share awards and share options may be awarded to employees according to the assessment of individual performance.

The total remuneration cost (including capitalised remuneration cost) incurred by the Group for the six months ended 30 June 2010 was RMB1,397.0 million (for the six months ended 30 June 2009: RMB950.2 million).

Purchase, Sale or Redemption of the Company's Listed Securities

Save as disclosed in this interim report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2010.

Audit Committee

The Audit Committee, which is comprised of two independent non-executive directors and one non-executive director of the Company, has reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters. The Audit Committee, together with the Auditor, has reviewed the Group's unaudited Interim Financial Information for the three and six months ended 30 June 2010.

Adoption of Code of Conduct regarding Directors' Securities Transactions

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Appendix 10 - Model Code for Securities Transactions by Directors of Listed Companies under the Listing Rules. The directors of the Company have complied with such code of conduct throughout the accounting periods covered by this interim report.

Compliance with the Code on Corporate Governance Practices

Code provision A.4.2 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules provides that "Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years". According to the articles of association of the Company ("Articles of Association"), one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation, provided that the chairman of the Board shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. In compliance with the provisions in the Articles of Association, in the annual general meeting of the Company held in May 2010 (the "2010 AGM"), two directors retired and were re-elected and the re-election of Mr Lau Chi Ping Martin, who was re-elected in 2007, was not considered in the 2010 AGM and his re-election will be considered in subsequent annual general meeting. Code provision A.4.2 regarding the retirement by rotation at least once every three years was deviated.

The Board considered that the continuing compliance with the existing provision of retirement and re-election in the Articles of Association, which have been in operation for several years, shall not have a material impact on the operation of the Company as a whole. Notwithstanding the above, the Board will review the current provisions in the Articles of Association from time to time and shall make necessary amendments at the appropriate time.

Save as disclosed above and those disclosed in the 2009 annual report of the Company, which was the position as at 31 December 2009, none of the directors of the Company is aware of any information which would reasonably indicate that the Company has not, for any part of the six months ended 30 June 2010, complied with the code provisions of Appendix 14 to the Listing Rules.

As to the deviation from code provisions A.2.1 and A.4.2 of Appendix 14 to the Listing Rules, the Board will continue to review the current structure from time to time and shall make necessary changes when appropriate and inform the shareholders accordingly.

Appreciation

On behalf of the Board, I would like to thank our employees for their valuable contributions and remarkable efforts, which enabled the Company to gain a better position in a competitive market full of challenges and uncertainties, as well as the support of the stakeholders for their continuing trust and confidence in our Group.

By Order of the Board
Ma Huateng
Chairman

Hong Kong, 11 August 2010

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