
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult a stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Tencent Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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***Tencent* 腾讯**
TENCENT HOLDINGS LIMITED
騰訊控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 700)

DISCLOSEABLE AND CONNECTED TRANSACTION

**SUBSCRIPTION FOR SHARES TO BE ISSUED BY
DIGITAL SKY TECHNOLOGIES LIMITED**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**

CREDIT SUISSE 

A letter from the Board is set out on pages 4 to 11 of this circular. A letter from the Independent Board Committee is set out on 12 to 13 of this circular. A letter from Credit Suisse (Hong Kong) Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the independent shareholders of the Company, is set out on pages 14 to 24 of this circular.

28 April 2010

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Ancillary Agreements”	the ancillary agreements entered into in connection with the Subscription
“associate”	has the meaning ascribed to it under Rule 1.01 of the Listing Rules
“Board”	Board of Directors
“Class A Shares”	the Class A shares with par value of US\$0.01 each in the share capital of DST
“Class C Shares”	the Class C shares with par value of US\$0.01 each in the share capital of DST
“Closing”	the First Closing and/or the Second Closing (as the context requires)
“Company”	Tencent Holdings Limited, a limited liability company organized and existing under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“connected transaction”	has the meaning ascribed to it under the Listing Rules
“Credit Suisse”	Credit Suisse (Hong Kong) Limited, a licensed institution under the SFO for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
“Directors”	directors of the Company
“DST”	Digital Sky Technologies Limited, a company incorporated under the laws of the British Virgin Islands
“DST Board”	board of directors of DST
“Encumbrance”	any mortgage, charge, pledge, lien, assignment, hypothecation, security interest, title retention, encumbrance or any other security agreement or arrangement, or any agreement to create any of the above
“First Closing”	closing of the subscription for, and issue and allotment of, the First Shares
“First Shares”	has the meaning ascribed to it under the section headed “Consideration and Payment Terms” in this circular

DEFINITIONS

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“holding company”	has the meaning ascribed to it under the Listing Rules
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors
“Independent Financial Adviser”	Credit Suisse, the independent financial adviser to the Independent Board Committee in respect of the terms of the Subscription
“Investor”	TCH Amur Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company
“Latest Practicable Date”	26 April 2010, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“MIH China”	MIH China (BVI) Limited, a limited liability company incorporated in the British Virgin Islands, a substantial shareholder of the Company
“MIH Russia”	MIH Russia Internet B.V.
“Naspers”	Naspers Limited
“Naspers Group”	Naspers and its subsidiaries
“Ordinary Shares”	the ordinary shares with a par value of US\$0.01 each in the share capital of DST
“PRC”	People’s Republic of China
“Regulatory Authority”	any stock exchange (including the Stock Exchange) or any regulatory, governmental or antitrust body (including any tax authority)
“Second Closing”	closing of the subscription for, and issue and allotment of, the Second Shares
“Second Shares”	has the meaning ascribed to it under the section headed “Consideration and Payment Terms” in this circular

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for, and the issue and allotment of, up to 8,114 Ordinary Shares by the Investor pursuant to the Subscription Agreement
“Subscription Agreement”	the share subscription agreement dated 12 April 2010 entered into between the Investor and DST
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

In this circular, for reference purpose only and unless otherwise stated, US\$ has been translated into HK\$ at an exchange rate of US\$1.00 to HK\$7.76. Such translation shall not be construed as a representation that any amount in US\$ or HK\$ has been, could have been, or could be converted at the above rate or any other rates or at all.

LETTER FROM THE BOARD

Tencent 腾讯
TENCENT HOLDINGS LIMITED
騰訊控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 700)

Directors

Executive Directors:

Ma Huateng (*Chairman and Chief Executive Officer*)
Lau Chi Ping Martin
Zhang Zhidong

Non-Executive Directors:

Antonie Andries Roux
Charles St Leger Searle

Independent Non-Executive Directors:

Li Dong Sheng
Iain Ferguson Bruce
Ian Charles Stone

Registered office

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY 1-1111
Cayman Islands

**Head office and principal
place of business**

Tencent Building
Kejizhongyi Avenue
Hi-tech Park
Nanshan District
Shenzhen, 518057
The PRC

**Principal place of business in
Hong Kong**

Room 3002, 30th Floor
Far East Finance Centre
16 Harcourt Road
Hong Kong

28 April 2010

To the Shareholders

Dear Sir or Madam

DISCLOSEABLE AND CONNECTED TRANSACTION

**SUBSCRIPTION FOR SHARES TO BE ISSUED BY
DIGITAL SKY TECHNOLOGIES LIMITED**

INTRODUCTION

Reference is made to the announcement of the Company dated 12 April 2010, which discloses that on 12 April 2010, the Investor, a wholly-owned subsidiary of the Company, entered into the Subscription Agreement with DST. Pursuant to the Subscription Agreement, the Investor agreed to subscribe for, and DST agreed to issue and allot to the Investor, up to 8,114 Ordinary Shares for an aggregate consideration of up to US\$300,002,113 (approximately HK\$2.328 billion).

LETTER FROM THE BOARD

Upon completion of the subscription of all 8,114 Ordinary Shares, the Company would, through the Investor, hold approximately a 10.26% economic interest in DST.

The entering into of the Subscription Agreement constitutes a connected transaction and discloseable transaction of the Company under the Listing Rules.

The Independent Board Committee has been established to advise the independent shareholders of the Company as to whether the terms of the Subscription are on normal commercial terms and fair and reasonable, and whether the transactions contemplated under the Subscription Agreement are in the interests of the Company and the shareholders as a whole. Pursuant to the Listing Rules, Credit Suisse has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the independent shareholders of the Company in respect of such terms.

The purposes of this circular are:

- (i) to set out further details of the Subscription;
- (ii) to provide you with the letter of recommendation from the Independent Board Committee and the letter of advice from the Independent Financial Adviser, in respect of the Subscription; and
- (iii) to set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the independent shareholders in relation to the terms of the Subscription.

THE SUBSCRIPTION AGREEMENT

On 12 April 2010, the Investor, a wholly-owned subsidiary of the Company, and DST entered into the Subscription Agreement.

Date of the Agreement

12 April 2010

Parties

- (1) Investor, a wholly-owned subsidiary of the Company
- (2) DST

The Subscription

Pursuant to the Subscription Agreement, the Investor agreed to subscribe for, and DST agreed to issue and allot to the Investor, an aggregate of up to 8,114 Ordinary Shares for a total consideration of up to US\$300,002,113 (approximately HK\$2.328 billion). The Ordinary Shares will be issued and allotted to the Investor free and clear of any Encumbrance.

LETTER FROM THE BOARD

The share capital of DST consists of different classes of shares with various voting rights, each with a par value of US\$0.01. The Ordinary Shares are a separate class of shares, which rank *pari passu* with the Class A Shares of DST in terms of dividends, distributions and other economic rights. Each Class A Share has the right to 25 votes, while each Ordinary Share has the right to one vote. DST also has a class of Class C Shares with special economic rights attached to specified assets of DST but no voting rights. The Class C Shares, and the economic rights and the specified assets attached thereto, have been disregarded for the purposes of valuing DST for the proposed transaction.

Upon completion of the subscription of all 8,114 Ordinary Shares, the Company would, through the Investor, hold approximately (i) a 10.26% economic interest in DST (excluding the economic rights of the Class C Shares as discussed above); and (ii) 0.51% of the total voting power of DST.

Consideration and Payment Terms

The aggregate consideration of up to US\$300,002,113 (approximately HK\$2.328 billion) is payable in cash. The consideration was negotiated on an arm's length basis and was determined by, among other things, reference to a valuation model that the Company used to value DST. The valuation model values DST by comparing the price to earnings ratio of each of the key companies in which DST has invested with the price to earnings ratios of companies which engage in a business similar to that of DST.

The Company believes that the Subscription is a step for the Company to realize and benefit from the growth potential of the Russian market through the unique and leading position of DST in such market. In addition, the Subscription allows the Company to develop a long-term strategic partnership with DST and the companies in which it has invested, and allows the Company to explore further business cooperation with them. The Company has taken into account these factors when valuing DST.

The aggregate cash consideration of up to US\$300,002,113 (approximately HK\$2.328 billion) is payable by the Investor to DST in two installments in the following manner:

- (a) at the First Closing, a payment of US\$165,012,254 (approximately HK\$1.280 billion) in exchange for 4,463 Ordinary Shares (the "First Shares"); and
- (b) at the Second Closing, a payment of US\$134,989,859 (approximately HK\$1.048 billion) in exchange for the remaining 3,651 Ordinary Shares (the "Second Shares")

Closing and Closing Conditions

The First Closing is subject to certain closing conditions having been fulfilled or waived in accordance with the terms of the Subscription Agreement, including (among others):

- (a) DST having delivered to the Investor a certified copy of all corporate and shareholder approvals necessary for DST and its shareholders to effect the transaction;

LETTER FROM THE BOARD

- (b) the Investor having delivered to DST a certified copy of all corporate and shareholder approvals necessary for the Investor to effect the transaction;
- (c) there not being in effect any judgment, order, ruling or award of any court, arbitrator or other judicial authority or any governmental, administrative or regulatory authority restraining, enjoining or otherwise prohibiting or making illegal the consummation of the transactions contemplated by the Subscription Agreement;
- (d) no action, suit or legal, administrative, arbitration or other proceedings (including any notice of a claim or notice threatening such proceedings) having been outstanding which sought to challenge the consummation of the transactions contemplated by the Subscription Agreement;
- (e) the warranties provided by the parties to each other having been true and accurate as of the date of the Subscription Agreement and the date of the First Closing;
- (f) DST having performed and complied with all agreements, obligations and conditions contained in the Subscription Agreement that were required to be performed or complied with by it on or before the First Closing; and
- (g) the Investor having obtained all authorizations, approvals, consents, clearances or permits (if any) required from any Regulatory Authority having applicable jurisdiction.

As of the date of this circular, all the conditions above have been fulfilled or waived in accordance with the terms of the Subscription Agreement.

It is expected that the Second Closing will take place within approximately 30 days of the First Closing, subject to certain closing conditions having been fulfilled or waived in accordance with the Subscription Agreement, including (among others):

- (a) certain of the warranties provided by DST to the Investor shall be true and accurate as of the date of the Subscription Agreement and the date of the Second Closing;
- (b) DST shall have performed and complied with all agreements, obligations and conditions contained in the Subscription Agreement that are required to be performed or complied with by it on or before the Second Closing; and
- (c) no material adverse change has occurred.

Either DST or the Investor may terminate the Subscription Agreement (other than certain surviving provisions) if the closing conditions for the Second Closing have not been fulfilled or waived within 45 calendar days of the date of the First Closing.

INVESTORS' RIGHTS AGREEMENT AND OTHER INVESTOR RIGHTS

In connection with the Subscription, the Investor, DST and certain other shareholders of DST have or will enter into the Ancillary Agreements. DST has also amended its memorandum and articles of association.

LETTER FROM THE BOARD

Pursuant to the Ancillary Agreements and the memorandum and articles of association of DST:

- (a) the DST Board shall consist of directors nominated for appointment by certain of DST's other shareholders;
- (b) for so long as the Investor holds a specified number of Ordinary Shares, it shall have the right to nominate one observer to the DST Board, who shall generally have the right to attend and participate in all meetings of the DST Board (though not vote), and receive information and copies of all written resolutions circulated to the DST Board;
- (c) for so long as the Investor holds a specified number of Ordinary Shares, DST must generally obtain the prior written consent of the Investor (along with certain other shareholders of DST) before creating or issuing any new class of security other than the classes of securities currently in existence;
- (d) for so long as the Investor holds a specified number of Ordinary Shares, DST shall provide to the Investor certain financial information, including audited consolidated financial statements prepared in accordance with the International Financial Reporting Standards; and
- (e) the Investor, along with other shareholders of DST, generally enjoy (i) preemptive rights to purchase their pro rata portion of new share issuances; and (ii) rights of first refusal and co-sale with respect to share transfers.

INFORMATION ON DST

DST was incorporated in the British Virgin Islands in 2005 and is the one of the largest Internet companies in the Russian-speaking and Eastern European markets, and one of the leading investment groups globally to exclusively focus on Internet-related companies. Its key properties include Forticom Group, the owner and operator of leading social networks in Russia/CIS (Odnoklassniki.ru) and Poland (Nasza-Klasa.pl); VKontakte, a leading social network in the Russian-speaking world; OE Investments, a holding company that owns a leading payment processing business in Russia; and Mail.ru, a leading web-portal in the Russian-speaking world. DST also holds stakes in global Internet companies such as Facebook and Zynga. DST is a privately held holding company backed in part by leading Russian and Western financial institutions.

According to the Company's valuation, DST is valued at approximately US\$2.625 billion (approximately HK\$20.370 billion) for the purposes of this transaction. The Company believes the valuation is justified based on the fast growth and leading market position of the companies in which DST has invested. In arriving at such valuation, the Company has taken into account, among other things, a valuation model that compares the price to earnings ratio of the key companies in which DST has invested with the price to earnings ratio of companies which engage in a business similar to that of DST.

LETTER FROM THE BOARD

REASONS FOR THE SUBSCRIPTION

The Company believes that the Russian Internet market is fast-growing with promising long-term growth potential, particularly as Internet and broadband usage in Russia is at a relatively low level at present when compared to other developed countries. The Company believes that the Russian-speaking market is a lucrative market for its Internet and Internet related businesses such as online advertising, social networking services, online gaming, which the Company believes are businesses that will grow rapidly in the coming years.

DST represents a unique investment opportunity for the Company in the Russian Internet market given DST's leading market position and deep understanding of such market. DST has significant stakes in a number of leading Internet companies in the Russian-speaking world, including Forticom Group, VKontakte and Mail.ru, which, on a combined basis, account for a significant amount of Internet traffic in the Russian-speaking market, targeting a potential audience of over 300 million people.

The Company believes that the Subscription is a step for the Company to realize and benefit from the growth potential of the Russian Internet market. It also aligns well with the Company's long-term strategy to cooperate with top local Internet companies in emerging markets through strategic investment and partnership, leveraging the Company's technical and operational know-how to deliver quality Internet products and services to users in those markets.

CONNECTED TRANSACTION

MIH China is a substantial shareholder of the Company. DST is the holding company of Mail.ru, and MIH Russia controls over 30% of the voting power at a general meeting of Mail.ru. MIH China and MIH Russia are both the subsidiaries of Naspers, a leading multinational media group. As a result, DST is a connected person of the Company. Accordingly, the entering into of the Subscription Agreement constitutes a connected transaction of the Company under the Listing Rules. As one of the relevant percentage ratios prescribed under Rule 14.07 of the Listing Rules exceeds 2.5%, the Subscription is subject to the approval of the independent shareholders of the Company.

In accordance with Rule 14A.45 of the Listing Rules, details of the connected transaction disclosed in this circular will be included in the Company's next published annual report and accounts.

Despite the fact that DST falls within the definition of an "associate" of MIH China under the Listing Rules, the Directors are of the view that MIH China does not have a "material interest" (within the meaning of Rule 2.16 of the Listing Rules) in the Subscription and it is able to vote on the resolution to approve the Subscription for the reasons set out below:

- i) the Subscription is an independent decision of the Company. Neither Naspers nor MIH China is a party to the Subscription or an associate of such party;
- ii) neither MIH China nor any of its associates (other than DST) has (a) any shareholding interest in DST; (b) any control over DST; and (c) any representation on the DST Board;

LETTER FROM THE BOARD

- iii) as a matter of fact, neither MIH China nor any of its associates (other than DST) is able to exert influence over the business, operations and financial conditions of DST, nor through its position take any advantage from a benefit conferred upon DST. DST operates completely independent of the Naspers Group;
- iv) DST is connected to Naspers and MIH China purely because of Mail.ru but the proceeds of the Subscription will not be injected into Mail.ru; and
- v) in terms of the importance of Mail.ru's to the Naspers Group, Naspers' proportionate financial interest in Mail.ru is insignificant when compared to the Naspers Group as a whole.

DISCLOSEABLE TRANSACTION

In addition, the Subscription also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules as one of the relevant percentage ratios prescribed under Rule 14.07 of the Listing Rules exceeds 5% but is less than 25%.

IMPLICATIONS UNDER THE LISTING RULES

As one of the relevant percentage ratios prescribed under Rule 14.07 of the Listing Rules exceeds 2.5% and the entering into of the Subscription Agreement constitutes a connected transaction of the Company under the Listing Rules, the Subscription is subject to the approval of the independent shareholders of the Company.

Despite the fact that MIH China is interested in the share capital of Mail.ru, as discussed above, MIH China does not have any material interest in the Subscription. In addition, to the knowledge of the Directors, having made reasonable enquiries, no other shareholder of the Company has any interest in the Subscription Agreement, the Ancillary Agreements and/or the Subscription, and no shareholder is required to abstain from voting for the approval of the Subscription.

Written approval has been obtained from a group of shareholders who, together, held approximately 50.07% in nominal value of the securities giving the right to attend and vote at the general meeting of the Company to approve the Subscription as at the date of this circular. These shareholders are (i) MIH China; (ii) Advance Data Services Limited (a company wholly-owned by Ma Huateng, an Executive Director, Chairman of the Board and the Chief Executive Officer of the Company); (iii) Best Update International Limited (a company wholly-owned by Zhang Zhidong, an Executive Director and the Chief Technology Officer of the Company); and (iv) Fat Yue Holdings Limited and Up Sky Management Limited (companies wholly-owned and controlled, respectively, by Chen Yidan, Chief Administration Officer of the Company), which held 630,240,380, 193,962,880, 68,250,000, 8,172,730 and 15,000,000 shares as at the date of this circular, respectively. The Company is of the view that these shareholders constitute a closely allied group of shareholders under Rule 14A.43 of the Listing Rules.

Accordingly, the Company has applied to the Stock Exchange pursuant to Rule 14A.43 of the Listing Rules for, and the Stock Exchange has granted, a waiver from the requirement for holding a general meeting of the shareholders to approve the Subscription.

LETTER FROM THE BOARD

INFORMATION ON THE GROUP

The Group is principally engaged in the provision of Internet and mobile value-added services and online advertising services to users in the PRC.

RECOMMENDATIONS

The Board (including the Independent Board Committee after taking into account of the advice of the Independent Financial Adviser) considers that the entering into of the Subscription is in the ordinary and usual course of business of the Company, that the terms of the Subscription are on normal commercial terms and fair and reasonable, and that the transactions contemplated under the Subscription Agreement are in the interests of the Company and the shareholders of the Company as a whole. Accordingly, the Board and the Independent Board Committee recommend the independent shareholders to vote in favour of the Subscription.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 12 to 13 of this circular, and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the independent Shareholders set out on pages 14 to 24 of this circular.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully
Ma Huateng
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Tencent 腾讯
TENCENT HOLDINGS LIMITED
騰訊控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 700)

28 April 2010

To the independent shareholders

Dear Sir or Madam

DISCLOSEABLE AND CONNECTED TRANSACTION

**SUBSCRIPTION FOR SHARES TO BE ISSUED BY
DIGITAL SKY TECHNOLOGIES LIMITED**

We refer to the circular issued by the Company to the shareholders of the Company, dated 28 April 2010 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein.

We have been appointed to form the Independent Board Committee to advise the independent shareholders as to whether, in our opinion, the terms of the Subscription are on normal commercial terms and are fair and reasonable, and whether the transactions contemplated under the Subscription Agreement are in the interests of the Company and the shareholders as a whole. Credit Suisse has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the independent shareholders in this respect.

We wish to draw your attention to the letter from the Board set out on pages 4 to 11 of the Circular, which contains details of the terms of the Subscription and the transactions contemplated thereby, and the letter from Credit Suisse set out on pages 14 to 24 of the Circular, which contains details of its advice in relation to the Subscription, together with the principal factors taken into consideration in arriving at such advice.

Having discussed with the management of the Company the reasons and the terms of the Subscription contemplated under the Subscription Agreement and the Ancillary Agreements, and having taken into account the advice of Credit Suisse, we are of the view that the entering into of the Subscription is in the ordinary and usual course of business of the Company, that the terms of the Subscription are on normal commercial terms and are fair and reasonable, and that the transactions

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

contemplated under the Subscription Agreement are in the interests of the Company and the shareholders as a whole. Our view related to fairness and reasonableness is necessarily based on information, facts and circumstances currently prevailing and subsisting. Accordingly, we recommend the independent shareholders to vote in favour of the Subscription.

Yours faithfully

For and on behalf of the Independent Board Committee

Li Dong Sheng

Independent

Non-Executive Director

Iain Ferguson Bruce

Independent

Non-Executive Director

Ian Charles Stone

Independent

Non-Executive Director

LETTER FROM CREDIT SUISSE

The following is the full text of a letter of advice from Credit Suisse to the Independent Board Committee and the independent shareholders for the purpose of inclusion in this circular.



Credit Suisse (Hong Kong) Limited
45/F Two Exchange Square
8 Connaught Place
Central
Hong Kong

28 April 2010

The Independent Board Committee
Tencent Holdings Limited
Room 3002, 30th Floor
Far East Finance Centre
16 Harcourt Road
Hong Kong

The independent shareholders

DISCLOSEABLE AND CONNECTED TRANSACTION

SUBSCRIPTION FOR SHARES TO BE ISSUED BY

DIGITAL SKY TECHNOLOGIES LIMITED

Dear Sirs,

INTRODUCTION

We refer to the Subscription Agreement, details of which are set out in the Company's circular dated 28 April 2010 (the "Circular"), which contains this letter. Terms defined in the Circular shall have the same meanings herein, unless the context otherwise requires.

Under the Listing Rules, the entering into of the Subscription Agreement constitutes a discloseable transaction and connected transaction of the Company and, pursuant to the provisions thereof, is subject to, among other things, approval by the independent shareholders at a general meeting.

The Company has obtained a written approval from a group of shareholders who, together, held approximately 50.07% in the nominal value of the securities giving the right to attend and vote at the general meeting of the Company to approve the Subscription as at the date of the Circular. These shareholders are (i) MIH China; (ii) Advance Data Services Limited (a company wholly-owned by Ma Huateng, an Executive Director, Chairman of the Board and the Chief Executive Officer of the

LETTER FROM CREDIT SUISSE

Company); (iii) Best Update International Limited (a company wholly-owned by Zhang Zhidong, an Executive Director and the Chief Technology Officer of the Company); and (iv) Fat Yue Holdings Limited and Up Sky Management Limited (companies wholly-owned and controlled, respectively, by Chen Yidan, Chief Administration Officer of the Company), which held 630,240,380, 193,962,880, 68,250,000, 8,172,730 and 15,000,000 shares as at the date of the Circular, respectively. The Company is of the view that these shareholders constitute a closely allied group of shareholders under Rule 14A.43 of the Listing Rules. Accordingly, the Company has applied to the Stock Exchange pursuant to Rule 14A.43 of the Listing Rules for, and the Stock Exchange has granted, a waiver from the requirement for holding a general meeting of the shareholders to approve the Subscription. Despite the fact that MIH China is interested in the share capital of Mail.ru, as the Company discussed on pages 9 and 10 of the Circular, MIH China does not have any material interest in the Subscription. In addition, to the knowledge of the Directors, having made reasonable enquiries, no other shareholder of the Company has any interest in the Subscription Agreement, and/or the Subscription, and no shareholder is required to abstain from voting for the approval of the Subscription.

We note that no general vote by the shareholders has been, or will be, undertaken in connection with the Subscription. The written approval from the group of shareholders in lieu of holding a general meeting was made without our recommendation or opinion.

We have been appointed to act as the Independent Financial Adviser to advise the Independent Board Committee and the independent shareholders in respect of the terms of the Subscription and the transactions contemplated under the Subscription Agreement from a financial point of view. This letter has been prepared and delivered for the purpose of assisting the Independent Board Committee in its duty to evaluate the above mentioned aspects and for no other reasons or purposes.

In formulating our opinion, we have reviewed, among other things, the Circular, the information and financial projections based on information provided by DST, its subsidiaries and its affiliates (the “Target Group”) to the management of the Group, and have also relied on the guidance and consent of the management of the Group in respect of such information and financial projections. In arriving at our opinion, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was publicly available or was furnished to us by, or on behalf of, the management of the Group and/or the Target Group or otherwise reviewed by us (which information includes, without limitation, the information cited herein), and we have not assumed any responsibility or liability thereof, nor have we conducted independent legal due diligence or due diligence investigation of the business, assets, liabilities, properties, operations, conditions (financial and otherwise), results of operations, contingent liabilities, material agreements and prospects of the Target Group. With regards to the independent evaluation of the Target Group, we have conducted independent business and financial due diligence on the Target Group and its key Main Operations which informed our view of the financial projections and assumptions that were used to perform the discounted cash flow analysis. We have further considered the views of the Board as stated in the “Letter from the Board” that (i) the terms of the Subscription are on normal commercial terms and fair and reasonable; (ii) the Aggregate Consideration (as defined below) was negotiated on an arm’s length basis and was determined by, among other things, reference to a valuation model that the Company used to value DST. The valuation model values DST by comparing the price to earnings ratio of each of the key companies in which DST has invested with the price to earnings ratios of companies which engage in a business similar to that of DST; (iii) the transactions contemplated under the

LETTER FROM CREDIT SUISSE

Subscription Agreement are in the interests of the Company and the shareholders of the Company as a whole; and (iv) the Board recommends the independent shareholders to vote in favour of the Subscription. We have been advised by the Directors that no material facts have been omitted from the information and representations provided in and referred to in the Circular and we have no reasons to believe that any material information has been withheld, or doubt the truth or accuracy of the information provided.

We have also assumed that the Subscription Agreement is enforceable against each of the parties thereto in accordance with its terms and that each of the parties will perform, and will be able to perform, its respective contractual obligations thereunder, and as otherwise described in the Circular, in full when due. We have further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the transactions contemplated by the Subscription Agreement will be obtained without any adverse effect on the Company or on the contemplated benefits of the transactions contemplated by the Subscription Agreement. We have not conducted any valuation or appraisal of any assets or liabilities, nor have any such valuations or appraisals been provided to us. In relying on financial analyses and forecasts provided to us, we have assumed that they have been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by the management of the Company and of the Target Group as to the expected future results of operations and the financial condition of the Target Group to which such analyses or forecasts relate.

Our opinion is necessarily based on the legal and regulatory environment, economic market and other conditions as in effect on, and the information made available to us as at, the date hereof. It should be understood that subsequent developments (including any material deviations from the financial analyses and forecasts provided to us) may affect and/or change this opinion and that we do not have any obligation to update, revise or reaffirm this opinion.

Our opinion is also subject to the following qualifications:

- (a) We are instructed as the Independent Financial Adviser to the Independent Board Committee in relation to the Subscription. As such, the scope of our review, and consequentially, our opinion, is limited by reference to the financial aspects of the Subscription and does not include any statement or opinion as to the legal aspects or otherwise of the Subscription;
- (b) We do not express any opinion or statement as to whether any similar terms or transactions akin to the terms proposed for the Subscription are or might be available from any independent third parties, nor as to whether any independent third parties might offer similar or better terms for a similar transaction;
- (c) It is not possible to confirm whether or not the Subscription is in the interests of each individual independent shareholder and each independent shareholder should consider his/her/its vote (or other decision) on the merits or otherwise of the Subscription in its own circumstances and from its own point of view having regard to all the circumstances (and not only the financial perspectives offered in this letter) as well as his/her/its own investment objectives;

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- (d) In preparing this letter and in giving any opinion or advice, we have only had regard to the Subscription in isolation, and not in connection with any other business plan or strategy, past or present with regard to the Company or the Target Group as a whole, nor have we viewed these as part of a series of other transactions or arrangements;
- (e) We express no opinion as to whether the Subscription will be completed nor whether it will be successful;
- (f) Nothing contained in this letter should be construed as us expressing any view as to the trading price or market trends of any securities of the Company at any particular time;
- (g) Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any securities of the Company; and
- (h) We were not requested to and did not provide advice concerning the structure, the specific amount of the consideration, the timing, pricing, size, feasibility or any other aspects of the Subscription, or to provide services other than the delivery of this opinion. We did not participate in negotiations with respect to the terms of the Subscription.

We will receive a fee from the Company for the delivery of this opinion.

FACTORS AND REASONS

In arriving at our opinion, we have taken into consideration each of the principal factors and reasons set out below. Our conclusions are based on the results of all analyses taken as a whole.

1. Transaction overview

On 12 April 2010, the Board announced that the Investor, a wholly-owned subsidiary of the Company, entered into the Subscription Agreement with DST. Pursuant to the Subscription Agreement, the Investor agreed to subscribe for, and DST agreed to issue and allot to the Investor, up to 8,114 Ordinary Shares for an aggregate consideration of up to US\$300,002,113 (approximately HK\$2.328 billion) (the “Aggregate Consideration”), payable in cash. The Aggregate Consideration will be payable by the Investor to DST in two installments as set out on page 6 of the Circular. The Ordinary Shares will be issued and allotted to the Investor free and clear of any Encumbrance.

The share capital of DST consists of different classes of shares with various voting rights, each with a par value of US\$0.01. The Ordinary Shares are a separate class of shares, which rank *pari passu* with the Class A Shares of DST in terms of dividends, distributions and other economic rights. Each Class A Share has the right to 25 votes, while each Ordinary Share has the right to one vote. DST also has a class of Class C Shares with special economic rights attached to specified assets of DST but no voting rights. The Class C Shares, and the economic rights and the specific assets attached thereto, have been disregarded for the purposes of valuing DST for the proposed transaction.

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Upon completion of the subscription of all the 8,114 Ordinary Shares, the Company would, through the Investor, hold approximately (i) a 10.26% economic interest in DST (excluding the economic rights of the Class C Shares as discussed above); and (ii) 0.51% of the total voting power of DST.

2. Information on DST

The information on DST set out below has been extracted from page 8 of the Circular.

DST was incorporated in the British Virgin Islands in 2005 and is the one of the largest Internet companies in the Russian-speaking and Eastern European markets, and one of the leading investment groups globally to exclusively focus on Internet-related companies. Its key properties include Forticom Group, the owner and operator of leading social networks in Russia/CIS (Odnoklassniki.ru) and Poland (Nasza-Klasa.pl); VKontakte, a leading social network in the Russian-speaking world; OE Investments, a holding company that owns a leading payment processing business in Russia; and Mail.ru, a leading web-portal in the Russian-speaking world. DST also holds stakes in global Internet companies such as Facebook and Zynga. DST is a privately held holding company backed in part by leading Russian and Western financial institutions.

3. Rationale for the Subscription

The reasons for the Subscription set out below have been extracted from page 9 of the Circular.

The Company believes that the Russian Internet market is fast-growing with promising long-term growth potential, particularly as Internet and broadband usage in Russia is at a relatively low level at present when compared to other developed countries. The Company believes that the Russian-speaking market is a lucrative market for its Internet and Internet related businesses such as online advertising, social networking services, online gaming, which the Company believes are businesses that will grow rapidly in the coming years.

DST represents a unique investment opportunity for the Company in the Russian Internet market given DST's leading market position and deep understanding of such market. DST has significant stakes in a number of leading Internet companies in the Russian-speaking world, including Forticom Group, VKontakte and Mail.ru, which, on a combined basis, account for a significant amount of Internet traffic in the Russian-speaking market, targeting a potential audience of over 300 million people.

The Company believes that the Subscription is a step for the Company to realize and benefit from the growth potential of the Russian Internet market. It also aligns well with the Company's long-term strategy to cooperate with top local Internet companies in emerging markets through strategic investment and partnership, leveraging the Company's technical and operational know-how to deliver quality Internet products and services to users in those markets.

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4. Basis of the Aggregate Consideration

As set out in page 8 of the Circular, according to the Company's valuation, DST is valued at approximately US\$2.625 billion (approximately HK\$20.370 billion) for the purposes of this transaction.

As stated in the "Letter from the Board", the Board considers that (i) the terms of the Subscription are on normal commercial terms and fair and reasonable; (ii) the Aggregate Consideration was negotiated on an arm's length basis and was determined by, among other things, reference to a valuation model that the Company used to value DST. The valuation model values DST by comparing the price to earnings ratio of each of the key companies in which DST has invested with the price to earnings ratios of companies which engage in a business similar to that of DST; (iii) the transactions contemplated under the Subscription Agreement are in the interests of the Company and the shareholders of the Company as a whole; and (iv) the Board recommends the independent shareholders to vote in favour of the Subscription.

5. Valuation of the Target Group

We have analyzed the Aggregate Consideration by comparing with the implied aggregate equity valuation range of DST estimated using the sum-of-the-parts valuation methodology, which involves comparing the implied equity valuation range for the following business components of the Target Group:

- (a) 5 key, individual businesses of the Target Group, namely Mail.ru, Forticom, VKontakte, OE Investments and Odnoklassniki (the "Main Operations");
- (b) The international assets of the Target Group, namely Facebook and Zynga (the "International Assets");
- (c) Other specific assets of the Target Group (the "Other Assets"); and
- (d) Implied after-tax management fee incurred by DST (the "Parent-level Management Fee").

In evaluating the equity valuation range for each of the above business components of DST, we have applied the following valuation methodologies:

- (i) Main Operations: We have applied two valuation methodologies in evaluating the Main Operations that are commonly used by investment professionals when estimating the value of a business operation or a company: (i-i) the discounted cash flow ("DCF") analysis; and (i-ii) the selected company trading analysis.
- (ii) International Assets: We have relied on the historical investment cost by the Target Group, adjusted for an estimated mark-up in value over time, in evaluating the International Assets as such assets represent minority investments by the Target Group, and no further financial information was provided by the Company in relation to the International Assets.

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- (iii) Other Assets: We have applied a P/E multiple (as defined below) to the estimated net income of each of the Other Assets projected for the year ending 31 December 2010 in evaluating the Other Assets, as this was the only information provided by the Company in relation to the Other Assets.
- (iv) Parent-level Management Fee: We have applied a P/E multiple range based on the weighted average of the P/E multiples selected for the Main Operations to the estimated after-tax management fee to be incurred by DST for the year ending 31 December 2010 to estimate the total negative impact of the Parent-level Management Fee on the implied aggregate equity valuation range of DST.

(i-i) **Discounted cash flow analysis**

We have used the DCF analysis as the primary valuation methodology for each of the Main Operations as in our view it explicitly accounts for the future financial and operating performance of each of the individual businesses of the Main Operations. The methodology takes into consideration the current and future anticipated change in the market in which each of the Main Operations operates in, as well as the Target Group's long-term business plan and strategy, its cost structure, capital expenditure requirements and weighted average cost of capital.

Our DCF analysis reflects the business plans and financial projections, including key assumptions and operating data, of the Main Operations, and other relevant information provided by the Target Group and judged by the Company, as well as our discussions with the Target Group and its representatives. We have reviewed such information of the Main Operations and the Target Group in the context of the overall conditions of the market in which the Main Operations and the Target Group operate. Specifically, our DCF analysis is based on the projected unlevered free cash flows of each of the Main Operations that are drawn from the projected income statements and balance sheet statements as provided by the Target Group, and judged and adjusted by the Company.

The implied equity valuation range of DST based on the aggregate of the equity valuation range by our DCF analysis of each of the Main Operations, as well as the estimated equity valuation for the International Assets and Other Assets, adjusted by the Parent-level Management Fee, indicates that the Aggregate Consideration of up to US\$300,002,113 for the Subscription, representing approximately (i) a 10.26% economic interest in DST (excluding the economic rights of the Class C Shares as discussed above); and (ii) 0.51% of the total voting power of DST, is within the implied equity valuation range for 100% of the total issued share capital (based on economic interest) of DST. Our valuation range reflects our DCF analyses of the financial projections based on information provided by the Target Group to the management of the Group, as well as the guidance and consent of the management of the Group in respect of such financial projections and information.

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(i-ii) Selected company trading analysis

We have carried out a selected company trading analysis for each of the Main Operations using price/earnings (“P/E”) multiples of selected companies in the Internet sector and related industries. We have considered the P/E multiple for the following selected companies (the “Selected Companies”) for each of the Main Operations:

- (a) Mail.ru: Tencent Holdings Limited, NHN Corp., Netease.com Inc., Sohu.com Inc., Daum Communications Corp., Yahoo! Inc., Yahoo Japan Corp. and SINA Corp.
- (b) Forticom: DeNA Co. Ltd., Gree Inc., mixi Inc., Tencent Holdings Limited and NHN Corp.
- (c) VKontakte: DeNA Co. Ltd., Gree Inc., mixi Inc., Tencent Holdings Limited and NHN Corp.
- (d) OE Investments: Visa Inc., MasterCard Inc., Global Payments Inc., Total System Services Inc., VeriFone Holdings Inc., CyberSource Corp., Euronet Worldwide Inc. and ACI Worldwide Inc.
- (e) Odnoklassniki: DeNA Co. Ltd., Gree Inc., mixi Inc., Tencent Holdings Limited and NHN Corp.

We have chosen the Selected Companies after reviewing publicly available information and taking into consideration the business model, exposure to the market, size, growth profile and profitability of each of the Main Operations.

Based on the P/E multiples of the respective Selected Companies derived for each of the Main Operations, we have determined a selected P/E multiple range for each of the Main Operations, as set out in the table below, and applied the selected P/E multiple range to the respective 31 December 2010 and 31 December 2011 year ending projected net income for each of the Main Operations, as provided by the Target Group, and judged and adjusted by the Company. The implied equity valuation range of DST based on the aggregate of the equity valuation range by our selected company trading analysis of each of the Main Operations, as well as the estimated equity valuation for the International Assets and Other Assets, adjusted by the Parent-level Management Fee, indicates that the Aggregate Consideration of up to US\$300,002,113 for the Subscription, representing approximately (i) a 10.26% economic interest in DST (excluding the economic rights of the Class C Shares as discussed above); and (ii) 0.51% of the total voting power of DST, is considered within the implied equity valuation range when

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compared to the aggregate implied equity valuation range for 100% of the total issued share capital (based on economic interest) of DST derived based on selected company trading analysis for each of the Main Operations.

	P/E multiple range ⁽¹⁾			
	2010E		2011E	
	<i>Low end</i>	<i>High end</i>	<i>Low end</i>	<i>High end</i>
Mail.ru Selected Companies	25.0x	30.0x	20.0x	25.0x
Forticom Selected Companies	30.0x	35.0x	25.0x	30.0x
Vkontakte Selected Companies	30.0x	35.0x	25.0x	30.0x
OE Investments Selected Companies	19.0x	23.0x	16.0x	19.0x
Odnoklassniki Selected Companies	30.0x	35.0x	25.0x	30.0x

(1) Stock price as of the Latest Practicable Date. Projected earnings per share from published equity analyst research.

(i-iii) Selected transaction analysis

Selected transaction analysis should be viewed in the context of factors that include market dynamics, competitive differences and significance of stake acquired. However, given the terms of the Subscription, upon completion of the subscription of all the 8,114 Ordinary Shares, the Company would, through the Investor, hold approximately (i) a 10.26% economic interest in DST (excluding the economic rights of the Class C Shares as discussed above); and (ii) 0.51% of the total voting power of DST, and would not result in a change of control in DST, we view that the control premiums and implied transaction multiples from precedent transactions in the Internet sector and related industries are not directly applicable when evaluating the Subscription.

6. Closing Conditions of the Subscription

We note that the Subscription is conditional upon the satisfaction or waiver (as the case may be) of the closing conditions set out in pages 6 and 7 of the Circular.

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SUMMARY

After considering all of the principal factors and reasons listed above, we draw your attention to the following key factors in arriving at our opinion:

- (a) The views of the Board that the terms of the Subscription are on normal commercial terms and fair and reasonable, and that the transactions contemplated under the Subscription Agreement are in the interests of the Company and the shareholders of the Company as a whole;
- (b) The Board's representation that the Aggregate Consideration was negotiated on an arm's length basis and was determined by, among other things, reference to a valuation model that the Company used to value DST. The valuation model values DST by comparing the price to earnings ratio of each of the key companies in which DST has invested with the price to earnings ratios of companies which engage in a business similar to that of DST;
- (c) The Board's recommendation to the independent shareholders to vote in favour of the Subscription; and
- (d) The Aggregate Consideration: (i) is within the range of the aggregate equity values implied by the DCF analysis for each of the Main Operations; and (ii) implies a reasonable valuation when compared to an aggregate implied equity valuation range for 100% of the total issued share capital (based on economic interest) of DST derived based on selected company trading analysis for each of the Main Operations.

OPINION

Based on the above, we consider that (i) the entering into of the Subscription is in the ordinary and usual course of business of the Company; and (ii) the terms of the Subscription are on normal commercial terms. Furthermore, we consider the terms of the Subscription to be fair and reasonable so far as the independent shareholders are concerned, and are in the interests of the Company and the shareholders as a whole.

As set out in the "Introduction" section above, the Company has obtained a written approval from a group of shareholders in lieu of holding a general meeting. Accordingly, the Company has applied to the Stock Exchange pursuant to Rule 14A.43 of the Listing Rules for, and the Stock Exchange has granted, a waiver from the requirement for holding a general meeting of the shareholders to approve the Subscription. As a result, no general vote by the shareholders has or will be undertaken. The written approval from the group of shareholders in lieu of holding a general meeting was made without our recommendation or opinion. However, were a general meeting to be held and a vote undertaken subsequent to the date hereof, we would advise the Independent Board Committee to recommend, and we ourselves would recommend, that the independent shareholders vote in favour of the resolution(s) in relation to the Subscription.

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This letter is provided to the Independent Board Committee and the independent shareholders in connection with and for the purposes of their evaluation of the Subscription. The opinion contained in this letter is intended to provide only one of the bases on which (if a general meeting was to be held) the Independent Board Committee may make its recommendation to the independent shareholders on how to vote, and on which the independent shareholders may decide how to vote, in respect of the Subscription. This letter may not be disclosed, referred or communicated (in whole or in part) to any third party for any purpose whatsoever, except with our prior written approval. This letter may be reproduced in full in the Circular, but may not otherwise be disclosed, extracted or referred to publicly in any manner without our prior written approval.

Yours faithfully,
For and on behalf of
Credit Suisse (Hong Kong) Limited
Joseph D. Gallagher
Managing Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

A. Shareholding Interests of Directors

As at the Latest Practicable Date, 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 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 Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) 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 (<i>Note 1</i>)	209,892,880	11.48%
	Short position	Corporate (<i>Note 1</i>)	25,480,000	1.39%
Zhang Zhidong	Long position	Corporate (<i>Note 2</i>)	68,250,000	3.73%
Lau Chi Ping Martin	Long position	Personal	11,003,600 (<i>Note 3</i>)	0.60%
Li Dong Sheng	Long position	Personal	100,000 (<i>Note 4</i>)	0.005%
Iain Ferguson Bruce	Long position	Personal	100,000 (<i>Note 5</i>)	0.005%
Ian Charles Stone	Long position	Personal	60,000 (<i>Note 4</i>)	0.003%

Notes:

1. These shares are held by Advance Data Services Limited, a BVI company wholly owned by Ma Huateng.
2. These shares are held by Best Update International Limited, a BVI 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 Share Option Scheme adopted in March 2004 (the “Post-IPO Option Scheme I”), the Post-IPO Share Option Scheme adopted in May 2007 and the Post-IPO Share Option Scheme adopted in May 2009.
4. The interest represents the underlying shares in respect of the Share options granted pursuant to the Post-IPO Option Scheme I.
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.

(ii) *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 and their associates, had interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations as at the Latest Practicable Date.

B. Substantial Shareholders

As at the Latest Practicable Date, 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 of the Company

Name of shareholder	Long/Short position	Nature of interest	Number of shares held	Percentage of issued share capital
MIH China (BVI) Limited	Long position	Corporate (<i>Note 1</i>)	630,240,380	34.47%
Advance Data Services Limited	Long position	Corporate (<i>Note 2</i>)	209,892,880	11.48%
	Short position	Corporate (<i>Note 2</i>)	25,480,000	1.39%
ABSA Bank Limited	Long position	Corporate (<i>Note 3</i>)	185,000,000	10.12%

Notes:

1. As MIH China 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 China, 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 in the section headed "Disclosure of Interests — A. Shareholding Interests of Directors" in this appendix.
3. As ABSA Bank Limited has a security interest in 185,000,000 shares, which are held by MIH China, 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.

Save as disclosed above, the Company had not been notified of any other person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, 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.

3. DIRECTORS' SERVICE CONTRACTS

Each of Messrs Ma Huateng and Zhang Zhidong has entered into a service contract with the Company for a term of three years from 25 March 2010. The term of each service contract can be extended by agreement between the Company and the relevant Director. The Company may terminate the contracts by three months' written notice at any time, subject to paying the Director his salary for the shorter of six months and a portion of his annual bonus for the year in which termination occurred pro rata to the portion of the year before the termination became effective.

Mr Lau Chi Ping Martin has entered into a service contract with the Company for a term of three years from 3 February 2008. Mr Lau is entitled to an annual bonus based on the performance of the Company in an amount to be determined by the remuneration committee. Mr Lau is entitled to participate in all employee benefit plans, programs and arrangements of the Company.

Save as disclosed above, none of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation, as at the Latest Practicable Date.

4. COMPETING INTERESTS

As at Latest Practicable Date, none of the Directors or their respective associates (as defined under Rule 14A.11(4) of the Listing Rules) had, either directly or indirectly, an interest in a business which causes or may cause any significant competition with the business of the Group or any other conflict of interest with the Group.

5. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the Latest Practicable Date.

6. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2009 (being the date to which the latest published audited accounts of the Company were made up), been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2009 (being the date to which the latest published audited accounts of the Company were made up).

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this circular or have given opinions, letters or advice contained in this circular:

Name	Qualification
Credit Suisse (Hong Kong) Limited	Licensed institution under the SFO for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO

Credit Suisse has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name, in the form and context in which it appears.

As at the Latest Practicable Date, Credit Suisse was beneficially interested in less than 2% of the issued share capital of the Company. It has not had any interest, either direct or indirect, in the assets which have been acquired, or disposed of, by or leased to the Company or any member of the Group since 31 December 2009 (being the date to which the latest published audited accounts of the Company were made up).

9. GENERAL

- (a) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY 1-1111, Cayman Islands.
- (b) The head office and principal place of business of the Company is Tencent Building, Kejizhongyi Avenue, Hi-tech Park, Nanshan District, Shenzhen, 518057, the PRC.
- (c) The branch registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (d) The company secretary of the Company is Lau Suk Yi, who is an associate member of the Hong Kong Institute of Company Secretaries.
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any business day (that is a day (other than a Saturday or Sunday) on which banks are open for general business in Hong Kong) at the Company's principal place of business in Hong Kong at Room 3002, 30th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong from the date of this circular up to 14 May 2010 (both dates inclusive):

- (a) the Subscription Agreement;
- (b) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 12 to 13 of this circular;
- (c) the letter of advice from Credit Suisse, the text of which is set out on pages 14 to 24 of this circular;
- (d) the written consent of the expert referred to in the section headed "Experts and Consents" in this appendix; and
- (e) a copy of each of the director's service contracts that the Company has entered into with Ma Huateng, Zhang Zhidong and Lau Chi Ping Martin.