This summary highlights information contained elsewhere in this Prospectus. Because it is a summary, it does not contain all of the information that you should consider before investing in the Offer Shares. You should read the entire Prospectus, including the section entitled "Risk Factors" and the financial statements and related notes to those statements as set forth in the accountants' report in Appendix I to this Prospectus, before you decide to invest in the Offer Shares.

In this Prospectus, unless the context otherwise requires, references to "we", "us", "our" and "the Group" and similar terms refer to the Company and the four operating entities, two of which are indirect wholly owned subsidiaries of the Company and two of which are entities with which the Company and the wholly owned subsidiaries have a series of contractual arrangements. See "Risk Factors—Risks Related to Our Structure" and "Our History and Structure—Structure Contracts".

OVERVIEW

We are a leading provider of Internet services and mobile value-added services in China, with the largest instant messaging ("IM") community in China. Our IM platform, branded QQ, allows users to communicate in real-time across the Internet, and mobile and fixed line telecommunications networks using various terminal devices. We have been able to leverage our large user community and the recognition of the QQ brand to attract Internet and mobile users to pay for our consumer-oriented Internet and mobile value-added services and products.

We believe that we have the largest IM community in China as measured by registered user accounts. As of March 31, 2004, we had 291.3 million registered IM user accounts. During the 16-day period ended March 31, 2004, the peak number of simultaneous online user accounts was 6.1 million, the average number of daily user hours was 64.7 million and the average number of messages sent daily was 848.8 million. We are also one of the leading mobile value-added service providers in China. For 2003, China Mobile recognized us as its "Best Performing Partner" for SMS services（短信業務合作夥伴最佳業績獎）on its Monternet platform.

We currently have three principal lines of business: Internet value-added services, mobile and telecommunications value-added services and online advertising.

We launched our basic online IM service in February 1999. Since then, our Internet services have evolved into a variety of value-added services for users, including various fee-based IM service packages, community services such as online dating, alumni club, electronic cards and email, and entertainment services such as casual games, avatars and massive multiple-player online games. Revenues from our Internet value-added services accounted for 31.3% of our total revenues in 2003 and 40.6% of our total revenues in the three months ended March 31, 2004.

We commercially launched our mobile IM service, Mobile QQ, in May 2000. Since then, our mobile and telecommunications value-added services have expanded to include mobile chat, IVR services, ringback tones, mobile music and pictures, mobile news and information content services, mobile games and other telecommunications value-added services. Revenues from our mobile and telecommunications value-added services accounted for 63.6% of our total revenues in 2003 and 55.5% of our total revenues in the three months ended March 31, 2004.

As our customer base has grown in recent years, we have been able to leverage the significant traffic in our community to market online advertising services to our corporate clients. Revenues from online advertising accounted for 4.5% of our total revenues in 2003 and 3.2% of our total revenues in the three months ended March 31, 2004.

In addition, we are making long-term investments building on our technical expertise to develop IM solutions targeted for enterprises in China. We launched our enterprise IM solution, RTX, in September 2003, and intend to grow this business over time.

Our Internet value-added services and mobile and telecommunications value-added services are offered through network platforms operated by the major telecommunications operators in China. We offer a platform for network operators to attract their subscribers to enjoy value-added telecommunications services, driving traffic on their networks and increasing their revenues. The operators bill and collect the fees from the end-users of our services, and in exchange, we share a portion of the fees with the operators.

As a result of strong customer acceptance, we have been able to offer a growing number of our value-added services on a monthly subscription fee basis since May 2000. We achieved profitability in 2001 and have been able to grow our profit since then. For the year ended December 31, 2003, our revenues and profit for the year were RMB735.0 million and RMB322.2 million, respectively, representing an annual growth rate of 179.4% and 129.0% from 2002, respectively. Subscription-based revenues accounted for over 75% of our total revenues in 2003. For the three months ended March 31, 2004, our revenues and profit for the period were RMB257.6 million and RMB107.3 million, respectively.

In the opinion of our PRC counsel, our Group entities in the PRC have obtained and maintained all necessary approvals in relation to their establishment, and the conduct of their businesses and operations does not violate any relevant laws and regulations, subject to certain issues discussed in the sections entitled “Risk Factors—Regulatory Risks Related to Providing our Services and Products” and “Regulation—Applications by Tencent Computer”. Our PRC counsel is also of the opinion that no licenses, permits, approvals or other consents, other than those we have already obtained and the Internet Publishing Approval and the Imported Games Approval that Tencent Computer is in the process of obtaining, are required under existing PRC laws, rules and regulations to conduct our primary business activities.

Industry Overview

The telecommunications and Internet industries in China have experienced rapid growth in recent years. According to the MII, China currently has the largest number of fixed line phone users and the largest mobile subscriber base in the world. The number of fixed line phone users and mobile subscribers in China reached 263.3 million and 268.7 million, respectively, as of December 31, 2003. According to Datamonitor, the number of China’s fixed line subscribers is expected to grow at a compound annual rate of 8.6% from 2003 to 2007, reaching 366.3 million by 2007. According to Pyramid Research, the number of China’s mobile subscribers is expected to grow at a compound annual rate of 16.9% from 2003 to 2007, reaching 502.1 million by 2007.

According to CNNIC, China has the second largest Internet user base in the world, with a total of 79.5 million users as of December 31, 2003. The growth in China's Internet market is expected to be further fueled by the growth in broadband access, with the number of users growing by 163.6% in 2003. According to IDC, Internet users in China will reach approximately 154 million by 2007, representing a compounded annual growth rate of 18.0% since 2003. The large number of telecommunications and Internet users has accelerated the growing demand for value-added services in China. As a result, IM, online entertainment and other value-added services are becoming increasingly popular. According to IDC's Marco Polo Survey in 2003, China's Internet users were more willing to pay for online services than users in any other Asia-Pacific market.

The mobile value-added service market has also experienced rapid growth. Both China Mobile and China Unicom have launched mobile value-added service platforms that are the principal drivers behind the growth of this market. According to Pyramid Research, value-added service and SMS revenues are expected to grow at a compound annual rate of 43.3%, and GPRS revenues are expected to grow at 141.8% from 2002 to 2007. We believe that, as the mobile infrastructure further develops, mobile value-added services will continue to grow.

IM is one of the most popular and fastest growing Internet and mobile value-added services in China as it provides the ability for users to interact in real-time over the Internet and mobile networks. We believe IM is poised for growth in China as the number of Internet and telecommunication users in China continues to grow and the proliferation of value-added services will give IM service providers the opportunity to market an increasing number of fee-generating services to their users.

OUR STRENGTHS

We believe that we are well positioned to take advantage of the growth in usage of Internet and mobile and fixed line telecommunications, as well as the growing demand for innovative Internet and telecommunications value-added services, in China. Our key strengths include the following:

- large and active user base;
- distinctive community experience;
- compelling and creative value-added services;
- strong brand recognition; and
- strong strategic relationships with telecommunications operators and terminal device manufacturers in China.

OUR STRATEGIES

Our goal is to be the leading Internet and telecommunications value-added service provider in China. We have developed our IM platform into a comprehensive service platform that provides a portfolio of IM, value-added services and online entertainment to our large and growing community. To grow our business and maximize shareholder value, we will seek to:

- continue to expand our user base;

- deliver new services and products to enrich the QQ community experience;
- continue to strengthen our strategic relationships with telecommunications operators, device manufacturers and content providers; and
- develop real-time communications solutions for enterprises in China.

OUR CORPORATE STRUCTURE

PRC regulations currently limit foreign ownership of companies that provide telecommunications value-added services. Accordingly, our Internet and mobile value-added services and other telecommunications value-added services are provided by Tencent Computer and Shiji Kaixuan under contractual arrangements with the Company and its two wholly owned subsidiaries in the PRC, Tencent Technology and Shidai Zhaoyang Technology. Our Core Founders hold all of the equity interests in Tencent Computer and Shiji Kaixuan. Under various contractual arrangements, the Company is able to recognize and receive the economic benefit of the business and operations of Tencent Computer and Shiji Kaixuan. The agreements are designed to provide the Company, Tencent Technology and Shidai Zhaoyang Technology with effective control over, and (to the extent permitted by law) the right to acquire the equity interests in and/or assets of, Tencent Computer and Shiji Kaixuan. The Company has been advised by its PRC counsel that these contractual arrangements are in compliance with current PRC laws and regulations.

SUMMARY HISTORICAL FINANCIAL INFORMATION

The following summary financial data of the Company as of and for the years ended December 31, 2001, 2002 and 2003 and as of and for the three months ended March 31, 2003 and 2004 have been extracted from the accountants' report set forth in Appendix I to this Prospectus. The summary financial data set forth below have been prepared in accordance with IFRS.

	Year ended December 31,			Three months ended March 31,	
	2001	2002	2003	2003	2004
	(RMB in thousands)				
Revenues:					
Internet value-added services	944	40,819	229,690	33,012	104,586
Mobile and telecommunications value-added services	37,960	198,818	467,369	84,297	142,817
Online advertising	7,735	19,188	32,841	6,818	8,215
Others	2,437	4,282	5,057	866	1,935
Total revenues	49,076	263,107	734,957	124,993	257,553
Cost of revenues	(18,044)	(71,674)	(229,548)	(36,339)	(87,368)
Gross profit	31,032	191,433	505,409	88,654	170,185
Other operating (expenses)/income, net	(82)	(242)	(1,226)	36	18
Selling and marketing expenses	(4,312)	(19,437)	(55,967)	(12,313)	(23,044)
General and administrative expenses	(16,297)	(28,860)	(112,011)	(16,652)	(34,074)
Profit from operations	10,341	142,894	336,205	59,725	113,085
Finance (expenses)/income, net	(125)	871	2,004	(257)	931
Profit before tax	10,216	143,765	338,209	59,468	114,016
Taxation	—	(3,058)	(16,013)	(2,123)	(6,712)
Profit for the year/period	10,216	140,707	322,196	57,345	107,304

	As of December 31,			As of March 31,	
	2001	2002	2003	2003	2004
	(RMB in thousands)				
Balance Sheet Data:					
Cash and cash equivalents	39,723	45,254	325,586	79,205	329,332
Total assets	65,542	213,666	575,716	270,967	642,416
Total shareholders' equity	48,324	197,950	471,957	244,961	550,326

During the periods set forth above, the Company derived substantially all of its revenues under a series of contractual arrangements among the Company, Tencent Technology, which is a wholly owned subsidiary of the Company, and Tencent Computer. Under those agreements, the Company is able to recognize and receive the economic benefit of the business and operations of Tencent Computer. The agreements are designed to provide the Company and Tencent Technology with effective control over, and (to the extent permitted by PRC law) the right to acquire the equity interests in and assets of, Tencent Computer. Based on such contractual arrangements, the Board of Directors has concluded that it is appropriate to consolidate the financial statements of Tencent Computer, notwithstanding the lack of share ownership, because in substance, the contractual arrangements give the Company control over Tencent Computer. The consolidation of Tencent Computer, as set out in the "Basis of consolidation" under "Principal accounting policies" in note 3 to the accountants' report set forth in Appendix I to this Prospectus, is in compliance with the requirements under IAS 27 of IFRS, which stipulate that a subsidiary can only be consolidated by its parent when the parent has control over the subsidiary. In January 2004, Shiji Kaixuan was established with similar contractual arrangements made with the Company and its financial statements have been consolidated by the Company as of and for the three months ended March 31, 2004.

SUMMARY HISTORICAL OPERATING INFORMATION

The following table sets forth certain operating statistics relating to our IM community and value-added services as of the dates and for the periods presented:

	For the 16-day period ended December 31,			For the 16-day period ended March 31,
	2001	2002	2003	2004
		(in millions)		
Registered IM user accounts (at end of period)	93.2	151.3	256.1	291.3
Active user accounts	43.8	54.4	81.5	97.1
Peak simultaneous online user accounts	1.9	2.9	4.8	6.1
Average daily user hours	18.3	28.6	51.4	64.7
Average daily messages (1)	413.9(2)	386.4	681.8	848.8
Fee-based Internet value-added service registered subscriptions (at end of period)	—	1.5	6.9	7.3
Fee-based mobile and telecommunications value-added service registered subscriptions (at end of period) (3)	1.4	5.6	13.1	12.8

Notes:

(1) Average daily messages include messages exchanged between PCs only and exclude messages exchanged with mobile handsets.

(2) Average daily messages for the 16-day period ended December 31, 2001 include messages derived from our online advertising. In subsequent periods, average daily messages exclude those advertising messages.

(3) Includes registered subscriptions for services provided directly by us or through mobile operators.

RISK FACTORS

We believe that there are risks involved in our operations and the Offering. The risks can be broadly categorized into the following:

- risks related to our business;
- risks related to our structure;
- regulatory risks related to providing our services and products;
- general risks related to conducting business in China; and
- risks related to the Offering.

A detailed discussion of the risk factors are set forth in “Risk Factors”. The following is a list of the risk factors:

Risks Related to Our Business

- Our business plan is based on a new business model that may not be successful, and we may not be successful in implementing our future business strategies.

- If Tencent Computer and Shiji Kaixuan are unable to maintain existing, and establish new, arrangements with mobile and other telecommunications operators, our business will suffer.
- As we depend on mobile operators to maintain accurate records concerning the fees paid by customers for mobile value-added services and our portion of those fees, and we have had to make estimates on occasion as to what revenues we should record in this regard, any errors in this process could adversely affect our results of operations.
- Our revenues will be adversely impacted if mobile or other telecommunications operators refuse to pay, or delay payment of, fees to Tencent Computer or Shiji Kaixuan.
- Tencent Computer's and Shiji Kaixuan's ability to provide value-added mobile services and products could be constrained if network operators insist on exclusivity provisions and Tencent Computer or Shiji Kaixuan, as the case may be, is deemed not to be in compliance with such provisions.
- If business conditions of mobile operators deteriorate, our business operations and financial condition may be materially and adversely affected.
- We operate in a very competitive market.
- If we are unable to maintain existing, and establish new, arrangements with device manufacturers, our business could suffer.
- Our business depends on the continuing contributions of our key executives and employees, and our business may be severely disrupted if we lose their services.
- Because our operating history is limited and the revenues and income potential of our businesses is unproven, we cannot predict whether we will meet internal or external expectations of future performance.
- If we are unable to develop or source popular content and applications, our business could suffer.
- If we fail to maintain our brand recognition, we may face difficulty in obtaining new business partners and consumers, and our business may be harmed.
- If we fail to develop successfully and introduce new services and products, or adopt new technologies, our competitive position and ability to generate revenues from value-added Internet and telecommunications services and products may be harmed.
- We rely on online advertising sales for a portion of our revenues, but the Internet has not been proven as a widely accepted medium for advertising.
- We may not be able to prevent unauthorized parties from using our intellectual property, which may harm our business and expose us to litigation.
- We may be exposed to infringement claims by third parties, which, if successful, could cause us to pay significant damage awards.
- Rapid growth and a rapidly changing operating environment strain our limited resources.

- We may be held liable to third parties for information displayed on, retrieved from or linked to our websites or for information delivered or shared through our services.
- Online communications among our users may lead to personal conflicts, which could damage our reputation, lead to government investigation and have a material and adverse effect on our business.
- Privacy concerns or inaccurate information may harm our reputation and prevent us from selling demographically targeted advertising in the future which could make our advertising space less attractive to advertisers.
- Unexpected network interruption caused by system failures or computer viruses may reduce visitor traffic, reduce revenues and harm our reputation.
- We are vulnerable to natural disasters and other events, as we only have limited backup systems.
- Concerns about the security of our transaction systems and confidentiality of information on the Internet and mobile telecommunications networks may reduce use of our network and impede our growth.
- Online payment systems in China are at an early stage of development and may restrict our ability to expand our online services business.
- The continued growth of the value-added telecommunications market and the Internet market in China depends on the continued investment in the fixed line and mobile telecommunications infrastructure.
- We may need additional capital, and we may not be able to obtain it.
- Future acquisitions may have an adverse effect on our ability to manage our business.
- We have limited insurance coverage.
- We may not be able to pay dividends in accordance with our currently proposed dividend policy.
- In the future, we may not be able to achieve the revenue growth that we have been able to achieve in the past three years.
- If the number of dropped messages increase due to deterioration of mobile operators' networks, our revenues could be materially and adversely affected.
- The failure of telecommunications network operators to provide us with bandwidth and server custody and of our suppliers to provide content as expected could hurt our business.
- Deterioration in our relationships with, or financial difficulties encountered by, major operators may hurt our business.

Risks Related to Our Structure

- There is no assurance that the contractual arrangements that the Company and the WFOEs have entered into with Tencent Computer and Shiji Kaixuan are in compliance with PRC laws and regulations.

- Due to regulatory limitations, the Company conducts some of its business in China through entities in which neither the Company nor the WFOEs have any direct ownership interest. These arrangements may not be as effective in providing control as direct ownership.
- If Tencent Computer or Shiji Kaixuan fails to comply with, or refuses to renew, our contractual arrangements with them, our business would be disrupted and our revenues could decrease significantly.
- Our plan to establish a FITE may not proceed smoothly or at all or may lead to unanticipated costs and disruption to our business.
- The preferential tax treatment currently enjoyed by the WFOEs, Tencent Computer and Shiji Kaixuan may be challenged or revoked in the future, and the recognition of revenues outlined in our intra-group contracts could be challenged by the tax authorities.
- The Company's current Shareholders, whose interest may be different from that of the public Shareholders, will have certain influence over the adoption of Shareholder resolutions after the Offering.

Regulatory Risks Related to Providing Our Services and Products

- We may be adversely affected by complexity, uncertainties and changes in regulation of Internet and value-added telecommunications service companies.
- If we fail to obtain or maintain all required licenses, permits and approvals or if we are required to take actions that are time-consuming or costly, our business operations may be materially and adversely affected.
- If we fail to obtain approval to import online games, or if any of our previous activities with respect to online games is deemed to be in violation of PRC law or regulations, our business and prospects may be materially and adversely affected.
- If some of our online games business activities are deemed to be in violation of law in the future, we may have to modify our online games business model, which could have a material and adverse effect on our business and results of operations.
- We may be subject to liability for prohibited content displayed on, retrieved from or linked to our websites or transmitted by means of our services.
- We may have to register our encryption software with the regulatory authorities, and if they request that we change our encryption software, our business operations could be disrupted as we develop or license replacement software.

General Risks Related to Conducting Business in China

- Adverse changes in political and economic policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could reduce the demand for our services and adversely affect our business and results of operations.

- A slow-down of the Chinese economy may slow down our growth and profitability.
- Our subsidiaries in the PRC are subject to restrictions on paying dividends to us.
- Currency fluctuations may adversely affect our business. If the Renminbi were to decline in value, our revenues in US dollar terms would decline.
- Restrictions on currency exchange may limit our ability to receive and use our revenues effectively.
- Uncertainties with respect to the PRC legal system and administrative actions could adversely affect us.
- Risks related to Severe Acute Respiratory Syndrome and other outbreaks.

Risks Related to the Offering

- Because there has been no prior public market for the Shares, the liquidity and market price of the Offer Shares may be volatile.
- As the Offer Price is substantially higher than the net tangible book value per Share, you will incur immediate and substantial dilution.
- Sales, or perceived sales, of substantial amounts of Shares in the public market after the Offering could adversely affect the prevailing market price of our Shares.
- Facts and statistics in this Prospectus relating to the Chinese economy and the Internet and telecommunications industries in China may be inaccurate.
- Forward-looking statements contained in this Prospectus are subject to risks and uncertainties.

DIVIDEND POLICY

The Company currently intends to pay annual cash dividends of not less than 10% of our consolidated profit attributable to shareholders for the applicable year. However, the determination to pay such dividends will be made at the discretion of our Board of Directors and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Board of Directors deems relevant. The payment of dividends may be limited by legal restrictions and by financing agreements that we may enter into in the future.

USE OF PROCEEDS

The net proceeds to the Company from the Offering (after deduction of underwriting fees and commissions and estimated expenses payable by us in relation to the Offering, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$3.235 per Share, being the mid-point of the indicative offer price range of HK$2.77 to HK$3.70 per Share) are estimated to be approximately HK$1,258 million (and HK$1,454 million, if the Over-allotment Option is exercised in full).

We have not currently identified any specific use of proceeds and have not approved any specific plans. We may use the net proceeds from the Offering to pursue and finance new strategic initiatives and to organically grow and expand the existing business. Assuming we receive the estimated net proceeds of approximately HK$1,258 million described above, we may allocate:

- around HK$818 million to pursue and finance new strategic initiatives in the real-time communications, entertainment and Internet sectors generally, including potential strategic acquisitions that we may pursue in the future;
- around HK$252 million to organically grow and expand the existing business; and
- the remaining portion of the net proceeds to fund working capital and other general corporate purposes.

The additional net proceeds of approximately HK$196 million that we would receive if the Over-allotment Option is exercised in full may be used as additional working capital. The possible allocation of use of proceeds may change in light of our evolving business needs and conditions and management requirements.

OFFER STATISTICS

	Based on an Offer Price of HK$2.77 per Share	Based on an Offer Price of HK$3.70 per Share
Market capitalization (1)	HK$4,655 million	HK$6,218 million
Pro forma 2003 basic earnings per Share (2)	HK$ 0.17	HK$ 0.17
Price/earnings multiple based on 2003 earnings (3)	15.9 times	21.2 times
Prospective 2004 basic earnings per Share (4)	HK$ 0.25	HK$ 0.25
Prospective price/earnings multiple based on 2004 forecast earnings (5)	11.1 times	14.8 times
Pro forma net tangible asset value per Share (6)	HK$ 0.95	HK$ 1.17

Notes:

(1) The calculation of market capitalization is based on 1,680,641,260 Shares expected to be in issue immediately after completion of the Offering but takes no account of any Shares which may be issued upon exercise of the Over-allotment Option or of the options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme or which may be issued or repurchased by us under the Issue Mandate or the Repurchase Mandate.

(2) The pro forma 2003 basic earnings per Share are calculated by dividing the historical net profit of the Group for the year ended December 31, 2003 by the weighted average number of Shares outstanding during 2003 adjusted retrospectively as if the effect of the share splits mentioned in notes 24(g) and 24(i) of the Accountants' Report and the Shares to be issued under the Offering (taking no account for any Shares which may be issued upon the exercise of the Over-allotment Option and any options which have been granted under the Pre-IPO Share Option Scheme) had both taken place on January 1, 2003.

(3) The calculation of the price/earnings multiple based on 2003 earnings, on a pro forma basis, is based on the pro forma 2003 basic earnings per Share (stated in (2)) at the respective offer prices of HK$2.77 per Share and HK$3.70 per Share assuming that the Over-allotment Option and options which have been granted under the Pre-IPO Share Option Scheme are not exercised.

(4) The prospective 2004 basic earnings per Share are calculated by dividing the forecast net profit of the Group for the year ending December 31, 2004 of RMB444 million by the weighted average number of Shares expected to be outstanding during 2004 as if the Offering (taking no account for any Shares which may be issued upon the exercise of the Over-allotment Option and any options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme) had taken place on January 1, 2004.

(5) The calculation of the prospective price/earnings multiple based on 2004 forecast earnings, on a pro forma basis, is based on the prospective 2004 basic earnings per Share (stated in (4)) at the respective offer prices of HK$2.77 per Share and HK$3.70 per Share assuming that the Over-allotment Option and options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme are not exercised.

(6) The pro forma net tangible asset value per Share has been arrived at after making the adjustments referred to in the section entitled "Financial Information—Unaudited Pro forma Net Tangible Assets" and on the basis of a total of 1,680,641,260 Shares expected to be in issue following the completion of the Offering, but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or of the options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme or which may be issued or repurchased by us under the Issue Mandate or the Repurchase Mandate. If the Over-allotment Option is exercised in full or in part and/or if any Shares are issued under the Pre-IPO Share Option Scheme or under the Share Option Scheme, the adjusted net tangible assets value per Share may increase/decrease.