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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)

**PROPOSED SPIN-OFF AND SEPARATE LISTING
OF CHINA LITERATURE LIMITED
ON THE MAIN BOARD OF THE STOCK
EXCHANGE OF HONG KONG LIMITED**

This announcement is made pursuant to Part XIVA of the SFO, PN15 and Rule 13.09(2)(a) of the Listing Rules.

The Board is pleased to announce that the Company intends to spin-off China Literature by way of a separate listing of the China Literature Shares on the Main Board of the Stock Exchange. The Company submitted a spin-off proposal to the Stock Exchange pursuant to PN15 in relation to the Proposed Spin-off and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off.

On 30 June 2017, China Literature, through its Joint Sponsors, submitted a listing application form (Form A1) to the Stock Exchange to apply for the listing of, and permission to deal in, the China Literature Shares on the Main Board of the Stock Exchange.

It is currently proposed that the Proposed Spin-off will be effected by way of the Global Offering of the China Literature Shares, comprising the Hong Kong Public Offering and the International Offering (including the preferential offering), which in aggregate amount to 15% of the enlarged issued share capital of China Literature immediately following completion of the Global Offering (before the exercise of any over-allotment option which may be granted to the underwriters of the Global Offering).

Upon completion of the Proposed Spin-off, the Company will indirectly hold not less than 50% of the shareholdings in China Literature and therefore China Literature will remain as a subsidiary of the Company.

In accordance with the requirements of PN15, the Board proposes to give due regard to the interests of the Shareholders by providing qualifying Shareholders with an assured entitlement to the China Literature Shares by way of a preferential application for the China Literature Shares in the Global Offering, if the Proposed Spin-off proceeds.

Details in respect of the Proposed Spin-off, including the size and structure of the Global Offering, the extent of the decrease in shareholding percentage of the Company in China Literature and the assured entitlement to the China Literature Shares to be provided by the Company to the Shareholders, have not yet been finalised. It is expected that the Proposed Spin-off, if materialises, will be structured such that the highest percentage ratio set out in Rule 14.07 of the Listing Rules applicable to the Company will be less than 5%. As such, the Proposed Spin-off is not expected to constitute a notifiable transaction under the Listing Rules and is not expected to require the Shareholders' approval under the Listing Rules.

The Proposed Spin-off is subject to, among other things, the obtaining of an approval from the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the China Literature Shares, and the final decisions of the Board and of the board of directors of China Literature. Shareholders and potential investors of the Company should be aware that there is no assurance that the Proposed Spin-off will take place or as to when it may take place. Shareholders and potential investors of the Company should therefore exercise caution when dealing in or investing in the securities of the Company.

Further announcement(s) will be made by the Company in relation to the Proposed Spin-off as and when appropriate.

INTRODUCTION

This announcement is made pursuant to Part XIVA of the SFO, PN15 and Rule 13.09(2)(a) of the Listing Rules.

The Board is pleased to announce that the Company intends to spin-off China Literature by way of a separate listing of the China Literature Shares on the Main Board of the Stock Exchange. The Company submitted a spin-off proposal to the Stock Exchange pursuant to PN15 in relation to the Proposed Spin-off and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off.

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INFORMATION ON CHINA LITERATURE AND THE COMPANY

The Company, through its subsidiaries, principally provides value-added services and online advertising services to users mainly in the People's Republic of China.

China Literature was incorporated in the Cayman Islands on 22 April 2013. As at the date of this announcement, the Company's wholly owned subsidiaries held in aggregate approximately 65.38% of the shareholdings directly in China Literature. In addition, as at the date of this announcement, (i) one of the Company's wholly owned subsidiaries holds approximately 48.9% shareholdings in a corporate shareholder of China Literature, which in turn directly holds approximately 6.16% of China Literature's shareholdings; and (ii) one of the Company's wholly owned subsidiaries is one of the limited partners in a limited partnership fund which directly holds approximately 6.28% of China Literature's shareholdings. The China Literature

Group principally operates online literature platforms that connect writers, readers and content adaptation partners and generates revenues by monetising its vast literary content. The principal businesses of the China Literature Group comprise (i) online reading; (ii) intellectual property operations, mainly comprising copyright licensing for adaptation of its literary works sourced from its online community into films, television and web series, PC and mobile games and animation; and (iii) physical book business.

Following the completion of the Proposed Spin-off, the Retained Group will continue to engage in its existing principal businesses of provisions of value-added services and online advertising services, other than online literature business which would predominantly be operated by the China Literature Group.

PROPOSED SPIN-OFF

It is currently proposed that the Proposed Spin-off will be effected by way of the Global Offering of the China Literature Shares, comprising the Hong Kong Public Offering and the International Offering (including the preferential offering, as explained in the paragraph headed “Assured Entitlement” below), which in aggregate amount to 15% of the enlarged issued share capital of China Literature immediately following completion of the Global Offering (before the exercise of any over-allotment option which may be granted to the underwriters of the Global Offering).

Upon completion of the Proposed Spin-off, the Company will indirectly hold not less than 50% of the shareholdings in China Literature and therefore China Literature will remain as a subsidiary of the Company.

REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF

The Board considers that the Proposed Spin-off will be beneficial to both the Company and China Literature for the following reasons:

- (i) the Proposed Spin-off substantively separates the online literature business from the other businesses of the Group, thereby enabling investors and financiers to appraise the strategies, risks and returns of the respective businesses of the Retained Group and the China Literature Group separately and to make their investment decisions accordingly;

- (ii) the Proposed Spin-off will enhance the profile of the China Literature Group amongst its readers, writers and other business partners (including content adaptation partners) and enhance the ability of the China Literature Group to recruit talents;
- (iii) the Proposed Spin-off could better reflect the value of the China Literature Group on its own merits and increase its operational and financial transparency through which investors would be able to appraise and assess performance and potential of the China Literature Group separately and distinctly from those of the Retained Group;
- (iv) as a separate listed entity, China Literature will have its own separate management structure focusing on the online literature business while the management of Company will be able to focus on the businesses of the Retained Group;
- (v) the Proposed Spin-off will provide a separate fund raising platform for China Literature thereby enabling it to raise the capital required to finance future expansion without reliance on the Company; and
- (vi) as China Literature is expected to remain as a subsidiary of the Company upon completion of the Proposed Spin-off, the Company will continue to benefit from any potential upside in the online literature business through consolidation of the China Literature Group's accounts and receipt of dividend distributions of China Literature.

ASSURED ENTITLEMENT

In accordance with the requirements of PN15, the Board proposes to give due regard to the interests of the Shareholders by providing qualifying Shareholders with an assured entitlement to the China Literature Shares by way of a preferential application for the China Literature Shares in the Global Offering, if the Proposed Spin-off proceeds. Details of such assured entitlement have not yet been finalised. The Company will make further announcement(s) in this regard as and when appropriate.

LISTING RULES IMPLICATIONS

Details in respect of the Proposed Spin-off, including the size and structure of the Global Offering, the extent of the decrease in shareholding percentage of the Company in China Literature and the assured entitlement to the China Literature Shares to be provided by the Company to the Shareholders, have not yet been finalised. It is expected that the Proposed Spin-off, if materialises, will be structured such that the highest percentage ratio set out in Rule 14.07 of the Listing Rules applicable to the Company will be less than 5%. As such, the Proposed Spin-off is not expected to constitute a notifiable transaction under the Listing Rules and is not expected to require the Shareholders' approval under the Listing Rules.

GENERAL

A redacted version of the application proof of China Literature's listing document submitted to the Stock Exchange is expected to be available for download on the Stock Exchange's website at <http://www.hkexnews.hk/APP/SEHKAPPMainIndex.htm>.

The Proposed Spin-off is subject to, among other things, the obtaining of an approval from the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the China Literature Shares, and the final decisions of the Board and of the board of directors of China Literature. Shareholders and potential investors of the Company should be aware that there is no assurance that the Proposed Spin-off will take place or as to when it may take place. Shareholders and potential investors of the Company should therefore exercise caution when dealing in or investing in the securities of the Company.

Further announcement(s) will be made by the Company in relation to the Proposed Spin-off as and when appropriate.

DEFINITION

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

Term	Definition
“Board”	the board of directors of the Company
“China Literature”	China Literature Limited (formerly known as China Reading Limited), an exempted company incorporated in the Cayman Islands with limited liability

“China Literature Group”	China Literature and its subsidiaries
“China Literature Shares”	ordinary shares with a par value of US\$0.0001 each in the share capital of China Literature
“Company”	Tencent Holdings Limited, a limited liability company organised and existing under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Group”	the Company and its subsidiaries (including the China Literature Group)
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Public Offering”	the offer of the China Literature Shares for subscription by the public in Hong Kong
“International Offering”	the placing of the China Literature Shares to professional and institutional investors (which is expected to include a preferential offering of the China Literature Shares to qualifying Shareholders in compliance with the Listing Rules)
“Joint Sponsors”	Morgan Stanley Asia Limited, Merrill Lynch Far East Limited and Credit Suisse (Hong Kong) Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PN15”	Practice Note 15 of the Listing Rules
“Proposed Spin-off”	the proposed spin-off of China Literature by way of a separate listing of the China Literature Shares on the Main Board of the Stock Exchange
“Retained Group”	the Group excluding the China Literature Group

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

By Order of the Board
Ma Huateng
Chairman

30 June 2017

As at the date of this announcement, the directors of the Company are:

Executive Directors:

Ma Huateng and Lau Chi Ping Martin;

Non-Executive Directors:

Jacobus Petrus (Koos) Bekker and Charles St Leger Searle; and

Independent Non-Executive Directors:

Li Dong Sheng, Iain Ferguson Bruce, Ian Charles Stone and Yang Siu Shun.