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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)**

**CONNECTED TRANSACTION**  
**PURCHASE OF SHARES OF LEVEL UP**

The Board announces that on 19 January 2012, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement and the Option Letter Agreement with the Vendor.

Pursuant to the Sale and Purchase Agreement, the Purchaser has agreed to purchase from the Vendor 320,722 Shares of Level Up, representing 49% of its issued share capital as at the date of this announcement.

Pursuant to the Option Letter Agreement, the Vendor grants to the Purchaser an option to acquire such number of Shares that, together with the Shares acquired pursuant to the Sale and Purchase Agreement, will represent 67% of the issued share capital of Level up as of the date of the exercise of the option.

Upon or prior to closing of the transactions contemplated by the Sale and Purchase Agreement, the Vendor, Purchaser and Level Up shall enter into the Shareholders Agreement, which sets out the rights and obligations of the Parties relating to the management and operations of Level Up.

The Vendor currently holds 100% of the issued share capital of Level Up, and is a wholly-owned subsidiary of MIH B.V., which is a wholly-owned subsidiary of Naspers Limited. Naspers Limited is also the holding company of MIH China, a controlling shareholder of the Company. As such, under Chapter 14A of the Listing Rules, the Vendor is a connected person of the Company and entering into the Sale and Purchase Agreement, the Option Letter Agreement and the Shareholders Agreement constitute connected transactions. As the highest relevant percentage ratio prescribed under the Listing Rules exceeds 0.1% but is less than 5%, the connected transactions are exempt from independent shareholders' approval requirements but is subject to reporting and announcement requirements of the Listing Rules.

## **THE SALE AND PURCHASE AGREEMENT**

On 19 January 2012, the Purchaser and the Vendor entered into the Sale and Purchase Agreement.

### **Date of the Sale and Purchase Agreement**

19 January 2012

### **Parties**

- (1) the Purchaser; and
- (2) the Vendor

### **The Transaction**

Pursuant to the Sale and Purchase Agreement, the Purchaser has agreed to purchase from the Vendor 320,722 Shares of Level Up, representing 49% of its issued share capital as at the date of this announcement.

The Purchaser will pay the Vendor an aggregate purchase price of US\$26.95 million (approximately HK\$209.67 million) for the 320,722 Shares. The purchase price will be paid in cash and shall be satisfied by the internal resources of the Company.

The aggregate consideration of US\$26.95 million (approximately HK\$209.67 million) was determined after arm's length negotiations between the Parties with reference to factors such as Level Up's financial performance, market position and user traffic.

### **Conditions Precedent**

Closing of the transaction is subject to certain closing conditions having been fulfilled or waived in accordance with the terms of the Sale and Purchase Agreement, among others, including:

- (a) the Parties having carried out and attended to all the relevant corporate procedures in connection with the Sale and Purchase Agreement, the Option Letter Agreement and the Shareholders Agreement;
- (b) the Parties having obtained all necessary governmental approvals and consents, if any;
- (c) the Purchaser being reasonably satisfied with the results of its legal, financial and operational due diligence review of Level Up and its subsidiaries;

- (d) the warranties made by the Parties in the Sale and Purchase Agreement being true and correct as of closing, and the Parties having performed and complied with its agreements, obligations and conditions under the Sale and Purchase Agreement;
- (e) the Option Letter Agreement and the Shareholders Agreement having been entered into by the parties thereto;
- (f) an amended and restated articles of association of Level Up having been adopted;
- (g) no breach of the Sale and Purchase Agreement, the Option Letter Agreement or the Shareholders Agreement by the Parties;
- (h) no governmental authority or other person shall have challenged the transaction, and there being no law or regulation prohibiting or materially delaying the transaction; and
- (i) the Parties having agreed on a five-year business plan for Level Up and its subsidiaries.

### **Closing**

Subject to the satisfaction of the conditions precedents, closing shall take place on the sixtieth day after the date of the Sale and Purchase Agreement or on such other earlier date as the Parties may agree in writing.

### **Termination**

Either Party may terminate the Sale and Purchase Agreement (i) by mutual consent; or (ii) if any of the closing conditions has not been fulfilled by the ninetieth day from the date of the Sale and Purchase Agreement.

### **THE OPTION LETTER AGREEMENT**

On 19 January 2012, the Purchaser and the Vendor entered into the Option Letter Agreement.

### **Date of the Option Letter Agreement**

19 January 2012

## **Parties**

- (1) the Purchaser; and
- (2) the Vendor

## **Option**

Pursuant to the Option Letter Agreement, the Vendor grants to the Purchaser an option to acquire such number of Shares that, together with the Shares acquired pursuant to the Sale and Purchase Agreement, will represent 67% of the issued share capital of Level Up as of the date of the exercise of the option. The Purchaser may exercise the option at any time during a two-year period after the closing of the Sale and Purchase Agreement by giving a written notice to the Vendor. The purchase price shall be an amount equal to the sum of (i) US\$9.9 million and (ii) an amount equal to the interest that would accrue on US\$9.9 million over the period from the closing date of the Sale and Purchase Agreement to the date of the exercise of the option at a simple interest rate per annum equal to the three-month LIBOR applicable on the closing date of the Sale and Purchase Agreement plus 1%, on the basis of a 365-day year and the actual number of days elapsed. The Company will make further announcement for exercising the option if required under the Listing Rules.

## **THE SHAREHOLDERS AGREEMENT**

Upon or prior to closing of the transaction under the Sale and Purchase Agreement, the Parties and Level Up shall enter into the Shareholders Agreement, which sets out the rights and obligations of the Parties relating to the management and operations of Level Up before and after the exercise of the option under the Option Letter Agreement by the Purchaser, including without limitation:

- (a) the composition and voting procedures and rules of its board of directors;
- (b) power of shareholders;
- (c) appointment of its senior executives by the Purchaser and the Vendor respectively; and
- (d) the Purchaser and the Vendor's pre-emptive rights with respect to new issuances of Shares by Level Up, and rights of first refusal with respect to proposed transfers of Shares.

## INFORMATION REGARDING LEVEL UP

Level Up is a company incorporated in Singapore with limited liability. Before closing, Level Up is wholly-owned by the Vendor. The Vendor purchased 100% of the issued share capital of Level Up for a consideration of US\$51.43 million (approximately HK\$400.13 million) in November 2010 from Level Up's shareholders at that time. The principal business of Level Up is investment holding and, through its operating subsidiaries and affiliates in Brazil and the Philippines and through its joint venture in the U.S., it engages in online game publishing and game magazine publication.

Level Up operates in various growing and developing markets, and necessary investments have been made to facilitate Level Up maintaining and expanding its market position. Based on its unaudited consolidated financial statements, as at 30 November 2011, the consolidated total assets of Level Up were approximately US\$32.3 million (approximately HK\$251.3 million) and net assets were approximately US\$19.0 million (approximately HK\$147.8 million).

The table below shows the audited consolidated net profit before and after tax and extraordinary items of Level Up prepared in accordance with Singapore Financial Reporting Standards for the preceding two financial years:

	<b>For the financial year ended 31 December</b>	
	<b>2010</b>	<b>2009</b>
	<i>(US\$'000)</i>	<i>(US\$'000)</i>
Consolidated Net Profit before tax and extraordinary items	2,662	1,907
Consolidated Net Profit after tax and extraordinary items	3,775	1,379

Based on its unaudited consolidated financial statements, Level Up recorded a net profit on a consolidated basis under Singapore Financial Reporting Standards for the first eleven months of 2011.

## REASONS FOR THE TRANSACTION

Level Up is one of the leading game publishers and operators in Brazil and the Philippines. With over nine years of operating experience, Level Up has a solid understanding of the local industry and its customers. The Company believes that the investment in Level Up aligns well with the Company's long term strategy to cooperate with leading local Internet companies in emerging markets through strategic investment and partnership and that Level Up has the potential to be a good local partner.

As a strategic partner with local market expertise and extensive experience in Brazil and the Philippines, Level Up would help the Company identify further opportunities in the online game sector in those specific markets.

The Board (including the independent non-executive directors) considers that the terms of the Sale and Purchase Agreement, the Option Letter Agreement and the Shareholders Agreement are on normal commercial terms and fair and reasonable, and the transactions contemplated under the above agreements are in the interests of the Company and its shareholders as a whole. None of the directors of the Company, other than Mr. Antonie Andries Roux and Mr. Charles St Leger Searle who have abstained from voting on the relevant Board resolutions, has any material interest in the transaction contemplated under the above agreements.

### **CONNECTED TRANSACTION**

The Vendor is a wholly-owned subsidiary of MIH B.V., which is a wholly-owned subsidiary of Naspers Limited, the holding company of MIH China, which is a controlling shareholder of the Company. As such, under Chapter 14A of the Listing Rules, the Vendor is a connected person of the Company and entering into the Sale and Purchase Agreement, the Option Letter Agreement and the Shareholders Agreement constitute connected transactions of the Company.

As the highest relevant percentage ratio prescribed under Rule 14.07 of the Listing Rules exceeds 0.1% but is less than 5%, the connected transactions pursuant to the Sale and Purchase Agreement, the Option Letter Agreement and the Shareholders Agreement are exempt from independent shareholders' approval requirements but are subject to the reporting and announcement requirements of the Listing Rules. In accordance with Rule 14A.45 of the Listing Rules, relevant details of the transactions as disclosed in this announcement will be included in the Company's next published annual report and accounts. The Company will make further announcement for exercising the option if required under the Listing Rules.

### **GENERAL**

The Company and its subsidiaries are principally engaged in the provision of Internet and mobile value-added services and online advertising services to users in the PRC.

## DEFINITIONS

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

<b>Term</b>	<b>Meaning</b>
“Board”	the board of directors of the Company
“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
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“holding company”	has the meaning ascribed to it under the Listing Rules
“Hong Kong”	the Hong Kong Special Administrative Region, the PRC
“Level Up”	Level Up! International Holdings Pte. Ltd., a private company limited by shares incorporated under the laws of Singapore
“LIBOR”	the London Interbank Offered Rate
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MIH B.V.”	Myriad International Holdings B.V., a private limited liability company incorporated under the laws of the Netherlands
“MIH China”	MIH China (BVI) Limited, a limited liability company organized and existing under the laws of the British Virgin islands, and a controlling shareholder of the Company
“Option Letter Agreement”	the Option Letter Agreement dated 19 January 2012 entered into between the Purchaser and the Vendor
“Parties”	the Purchaser and the Vendor

“PRC”	the People’s Republic of China
“Purchaser”	Aceville Pte. Ltd., a private company with limited liability incorporated under the laws of Singapore and a wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the Sale and Purchase Agreement dated 19 January 2012 entered into between the Purchaser and the Vendor
“Share(s)”	the ordinary shares of Level Up
“Shareholders Agreement”	the shareholders’ agreement to be entered into by the Purchaser, the Vendor and Level Up upon or prior to the closing of the transaction contemplated under the Sale and Purchase Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“U.S.”	the United States of America
“US\$”	the U.S. dollar, the lawful currency of the U.S.
“Vendor”	MIH LatAm Holdings B.V., a private company with limited liability incorporated under the laws of the Netherlands
“%”	per cent

In this announcement, for reference purpose only, the conversion of US\$ into HK\$ is calculated by using an exchange rate of US\$1.00 to HK\$7.78.

By order of the Board  
**Ma Huateng**  
*Chairman*

19 January 2012

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

*Executive Directors: Ma Huateng, Lau Chi Ping Martin and Zhang Zhidong;  
Non-Executive Directors: Antonie Andries Roux and Charles St Leger Searle; and  
Independent Non-Executive Directors: Li Dong Sheng, Iain Ferguson Bruce and Ian Charles Stone.*