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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 TRANSACTIONS:
SUPPLEMENTAL AGREEMENT TO
(1) PROVISION OF FINANCIAL ASSISTANCE
(2) PUT OPTION AGREEMENT**

Reference is made to the announcement of the Company dated 5 August 2008.

The Board wishes to announce that Shiji Kaixuan, Zhang Yan, and Shijiaqi, a limited liability company incorporated in the PRC and wholly owned by Zhang Yan, entered into the Supplemental Agreement revising the Loan Agreement and the Put Option Agreement on 21 April 2009.

Pursuant to the Supplemental Agreement, Shiji Kaixuan acknowledged that Zhang Yan has conditionally agreed to transfer his 29% equity interests in SZ Domain to Shijiaqi. As a result of the transfer, all rights, obligations of Zhang Yan under the Loan Agreement and the Put Option Agreement shall be transferred to or taken up by Shijiaqi. Zhang Yan and Shijiaqi shall be jointly liable for all the obligations due to Shiji Kaixuan under the Loan Agreement and the Put Option Agreement.

On the basis that (a) Zhang Yan is a director and substantial shareholder of SZ Domain, a subsidiary of Shiji Kaixuan; (b) through Structure Contracts, Shiji Kaixuan is accounted for as a subsidiary of the Company; and (c) Shijiaqi is a company wholly owned by Zhang Yan, Zhang Yan and Shijiaqi are connected persons of the Company and Shiji Kaixuan is part of the Group. As a result, the transactions contemplated in the Supplemental Agreement constitute connected transactions for the Company.

As certain relevant percentage ratios (as defined in the Listing Rules) for the Supplemental Agreement exceed 0.1% but are less than 2.5%, the connected transactions contemplated in the Supplemental Agreement are, pursuant to Rule 14A.66 and Rule 14A.32 of the Listing Rules, exempt from the independent shareholders' approval requirement but are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 5 August 2008.

In such announcement, it was provided that in November 2005, the Company via Shiji Kaixuan, a subsidiary of the Company through Structure Contracts, acquired 19.9% equity interests in SZ Domain for a consideration of RMB29.9 million. Subsequently, Shiji Kaixuan invested an additional RMB106.3 million to acquire an additional 40.1% equity interests in SZ Domain and the Company via Shiji Kaixuan now holds 60% equity interests in SZ Domain.

On 5 August 2008, Shiji Kaixuan entered into (a) the Loan Agreement; and (b) the Put Option Agreement, with Zhang Yan, a founder, CEO, director and substantial shareholder of SZ Domain, with an aim to promote the long term development of SZ Domain.

THE SUPPLEMENTAL AGREEMENT

On 21 April 2009, Shiji Kaixuan, Zhang Yan and Shijiaqi entered into the Supplemental Agreement. Certain terms of the Supplemental Agreement are summarized below:

Date : 21 April 2009

Parties to the Supplemental Agreement : (1) Shiji Kaixuan
(2) Zhang Yan
(3) Shijiaqi, a limited liability company incorporated in the PRC and wholly owned by Zhang Yan

- Purpose : To acknowledge Zhang Yan's transfer of his 29% equity interests in SZ Domain to Shijiaqi, which is wholly-owned by Zhang Yan and will take up all rights, obligations of Zhang Yan under the Loan Agreement and the Put Option Agreement after the transfer. Zhang Yan and Shijiaqi however shall be jointly liable for all the obligations due to Shiji Kaixuan under the Loan Agreement and the Put Option Agreement.
- Repayment of loan : Under the Supplemental Agreement, Zhang Yan and Shijiaqi undertake to Shiji Kaixuan that all dividends / distribution received from SZ Domain shall be used to repay the outstanding principal and related interest of the loan due to Shiji Kaixuan.
- Security : the 15.6% equity interests acquired by Shijiaqi (being the 15.6% of equity interests acquired by Zhang Yan in August 2008 and as disclosed in the announcement of the Company dated 5 August 2008) shall continue to be pledged to Shiji Kaixuan as security for the loan
- Outstanding amount : as at 15 April 2009, the outstanding amount of the principal and the related interests due to Shiji Kaixuan was RMB76.8 million
- Terms of the Loan Agreement : other than the changes contemplated under the Supplemental Agreement, all terms of the Loan Agreement are unchanged and are as disclosed in the announcement of the Company dated 5 August 2008

The following table shows the shareholding of SZ Domain before and after completion of the transfer of 29% equity interests in SZ Domain from Zhang Yan to Shijiaqi:

Shareholders	Shareholding before transfer	Shareholding after transfer
Shiji Kaixuan	60%	60%
Zhang Yan	29%	0%
Shijiaqi	0%	29%
Employee Restricted Stock Unit held by the Trustee	11%	11%

REASONS FOR THE TRANSACTION

In relation to the transfer of equity interests of SZ Domain from Zhang Yan to Shijiaqi, Zhang Yan is required to seek consent from Shiji Kaixuan. In light of the outstanding loan due from Zhang Yan to Shiji Kaixuan, Shiji Kaixuan would provide its consent for the transfer upon receipt of the undertakings by Zhang Yan and Shijiaqi to repay the outstanding principal and related interest of the loan as expedient as possible. Accordingly, Shiji Kaixuan has consented on the basis that, under the Supplemental Agreement, Zhang Yan and Shijiaqi undertake to Shiji Kaixuan that all dividends / distribution received from SZ Domain shall be used to repay the outstanding principal and related interest of the loan due to Shiji Kaixuan.

The Board (including the independent non-executive Directors) believes that the terms of the Supplemental Agreement are on normal commercial terms and are fair and reasonable as the terms of the Supplemental Agreement, though not in the ordinary and usual course of business of the Group, are on terms favourable to the Company. In view of the above reasons, the Board (including the independent non-executive Directors) considers that the entering into the Supplemental Agreement is in the interests of the Company and the shareholders of the Company as a whole.

GENERAL

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

Zhang Yan is a founder, CEO, director and substantial shareholder of SZ Domain. He is interested in 29% of the entire equity interest of SZ Domain. He has played and will continue to play an important role in the success of SZ Domain.

Shijiaqi is a limited liability company incorporated in the PRC wholly owned by Zhang Yan. Shijiaqi is an investment holding company.

SZ Domain is a subsidiary of Shiji Kaixuan and the Company. SZ Domain is engaged in the development and provision of online games, in particular MMOGs. QQ Huaxia, one of the MMOGs developed and introduced by SZ Domain, is very well received by the online game community. As at the date of this announcement, it is held as to 60% by Shiji Kaixuan and as to 29% by Zhang Yan.

On the basis that (a) Zhang Yan is a director and substantial shareholder of SZ Domain, a subsidiary of Shiji Kaixuan; (b) through Structure Contracts, Shiji Kaixuan is accounted for as a subsidiary of the Company; and (c) Shijiaqi is a company wholly owned by Zhang Yan, Zhang Yan and Shijiaqi are connected persons of the Company and Shiji Kaixuan is part of the Group. As a result, the transactions contemplated in the Supplemental Agreement constitute connected transactions for the Company.

As certain relevant percentage ratios (as defined in the Listing Rules) for the Supplemental Agreement exceed 0.1% but are less than 2.5%, the connected transactions contemplated in the Supplemental Agreement are, pursuant to Rule 14A.66 and Rule 14A.32 of the Listing Rules, exempt from the independent shareholders' approval requirement but are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

Term	Meaning
“Board”	board of Directors;
“CEO”	chief executive officer;
“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(s)”	has the meaning ascribed to it under the Listing Rules;
“Directors”	directors of the Company;
“Employee Restricted Stock Unit”	the 11% equity interests in SZ Domain, which had been / will be granted to certain employees of SZ Domain, held by the Trustee;
“Group”	the Company and its subsidiaries;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;

“Loan Agreement”	the loan agreement dated 5 August 2008 entered into between Shiji Kaixuan as lender and Zhang Yan as borrower in relation to a loan in the sum of RMB73.1 million at a fixed interest rate of 7.47% per annum;
“MMOG” or “MMOGs”	massive multiplayer online game(s);
“Option Price”	means a price based on a valuation which is six times the adjusted net profit of SZ Domain for the preceding fiscal year;
“Option Shares”	all the shares of SZ Domain held by Zhang Yan and the Trustee;
“Parties”	Shiji Kaixuan and Zhang Yan, being the parties to the Loan Agreement and the Put Option Agreement;
“PRC”	People’s Republic of China;
“Put Option”	the option which requires Shiji Kaixuan to purchase the Option Shares at the Option Price;
“Put Option Agreement”	the put option agreement dated 5 August 2008 entered into between the Parties in relation to the Put Option;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shiji Kaixuan”	Shenzhen Shiji Kaixuan Technology Company Limited (深圳市世紀凱旋科技有限公司), a limited liability company established in the PRC and through Structure Contracts is accounted for as a subsidiary of the Company;
“Shijiaqi”	Shenzhen Shijiaqi Investment Company Limited (深圳市世佳琦投資有限公司), a limited liability company incorporated in the PRC and wholly owned by Zhang Yan;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Structure Contracts”	contracts that are designed to provide the Company with effective control over and (to the extent permitted by PRC law) the right to acquire equity interests in and / or assets of Shiji Kaixuan;

“subsidiary”	has the meaning ascribed to it under the Listing Rules;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules;
“Supplemental Agreement”	the agreement entered into between Shiji Kaixuan, Zhang Yan and Shijiaqi on 21 April 2009;
“SZ Domain”	Shenzhen Domain Computer Network Company Limited (深圳市網域計算機網絡有限公司), a limited liability company established in the PRC and a subsidiary of Shiji Kaixuan and the Company. As at the date of this announcement, it is held as to 60% by Shiji Kaixuan and as to 29% by Zhang Yan;
“Trustee”	the trustee appointed by SZ Domain for the administration of the Employee Restricted Stock Unit;
“Zhang Yan”	Zhang Yan (張岩), a founder, CEO, director and substantial shareholder of SZ Domain; and
“%”	per cent.

By Order of the Board
Ma Huateng
Chairman

21 April 2009

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.