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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 TRANSACTION
RELATING TO TENCENT'S PARTICIPATION IN A CONSORTIUM
ACQUISITION OF A MAJORITY INTEREST IN SUPERCELL OY

The Board is pleased to announce that on 21 June 2016, the Consortium, which is formed in consultation with Supercell and currently wholly owned by the Company, has agreed to acquire a majority equity interest in Supercell through Buyer, the Consortium's wholly owned subsidiary. The terms of the Transaction are set out in the conditional Share Purchase Agreement entered into on 21 June 2016 among SoftBank Affiliates, certain Supercell Employee Shareholders and certain former employees of Supercell (collectively, as Sellers), Supercell, the Company (as guarantor) and Buyer. Under the terms of the conditional Share Purchase Agreement, Buyer will acquire from the Sellers their Supercell Vested Securities representing in total up to approximately 84.3% of Supercell's Securities. The aggregate consideration, payable in three installments, is currently expected to be approximately US\$8.6 billion.

Supercell is a private company incorporated in Finland and is a developer of mobile games for both tablets and smartphones on Apple's iOS and Google's Android operating systems. Since its founding in 2010, Supercell has brought four major games to market - Clash of Clans, Clash Royale, Boom Beach and Hay Day.

The Company, in consultation with Supercell, is currently in discussions with potential co-investors who have expressed interest in investing in the Consortium. Upon the potential co-investors joining the Consortium, the Company currently expects to maintain a 50% voting interest in the Consortium through financial instruments (some with redemption rights). In accordance with the provisions of the relevant International Accounting Standards, the Company would then account for dividend or distribution of profit, if any, from the Consortium as dividend income in its income statement. The Company's investment in the Consortium would not be consolidated or equity-accounted for by the Company.

The Company has provided to the Sellers a guarantee of Buyer's performance of all of its obligations under the Share Purchase Agreement including the payment of the full Purchase Price.

Terms of the Share Purchase Agreement provide that, among others:

- Buyer will acquire the Supercell Sale Securities; and
- Supercell's current management will maintain their operational independence and Supercell will continue to be based in Finland.

The Company and Supercell have entered into certain marketing and co-operation arrangements regarding the distribution in the PRC of games developed by Supercell. The Company, Consortium, Buyer and Supercell have also entered into a Shareholders' Agreement with Supercell Employee Shareholders.

The highest of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Company's total commitment (taking into account its guarantee and its funding of Buyer's obligations in relation to the Transaction) exceeds 5% and is lower than 25%. Accordingly, the Transaction constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

ABOUT SUPERCCELL

Supercell is a private company incorporated in Finland and is a developer of mobile games. Headquartered in Helsinki, Supercell has offices in San Francisco, Tokyo, Seoul and Beijing and employs approximately 190 employees. Its games are available for both tablets and smartphones on Apple's iOS and Google's Android operating systems. Since its founding in 2010, Supercell has brought four major games to market - Clash of Clans, Clash Royale, Boom Beach and Hay Day.

THE CONSORTIUM ACQUISITION

On 21 June 2016, SoftBank Affiliates, certain Supercell Employee Shareholders and certain former Supercell employees (collectively with other Supercell Employee Shareholders and former employees who are anticipated to become parties to the Share Purchase Agreement via joinder, as Sellers), Supercell, the Company (as guarantor) and Buyer, entered into the conditional Share Purchase Agreement. Pursuant to the terms and conditions of the Share Purchase Agreement, the Sellers will sell to Buyer their Supercell Vested Securities, which represent in total up to approximately 84.3% of Supercell's Securities for an aggregate Purchase Price, payable in three installments and is currently expected to be approximately US\$8.6 billion in cash.

At signing, Buyer will remain wholly owned by the Company through the Consortium. However, the Company, in consultation with Supercell, is currently in discussions with potential co-investors who have expressed interest in participating in the Consortium by investing into it before the Delayed Purchase Price Release Date. Upon the potential co-investors joining the Consortium, the Company currently expects to maintain a 50% voting interest in the Consortium through financial instruments (some with redemption rights). In accordance with the provisions of the relevant International Accounting Standards, the Company would then account for dividend or distribution of profit, if any, from the Consortium as dividend income in its income statement. The Company's investment in the Consortium would not be consolidated or equity-accounted for by the Company. The Company expects that no potential co-investors will acquire control over the Consortium, whether through voting rights, board seats or veto rights over strategic matters. Further announcement(s) in respect of any potential co-investors' participation in the Consortium will be made by the Company as and when required.

Supercell is a highly successful developer and publisher, well recognised in the mobile games industry with a demographically diverse audience of more than 100 million people playing its games every day. Since its inception, Supercell has achieved remarkable success with three of its games among the top 10 grossing mobile games in terms of global cumulative revenues for at least one year, according to App Annie. Its latest game, Clash Royale, has witnessed one of the most successful global launches in the history of mobile games. These multiple global hits across genres have evidenced Supercell's creativity and expertise in developing mobile games. Supercell's employees utilise a unique development process in which small teams are responsible for new game development and hold themselves to the highest of standards.

The Company has a successful track record of investing in and partnering with entrepreneurial game studios. The Company provides financial and strategic support to its partners including capital, game publishing expertise in the PRC, traffic, and data-driven insights. Leveraging the Company's market leadership, operational expertise and platform advantages in the PRC, the Board believes that the Transaction is highly synergistic with Supercell's capability to develop creative games for players globally.

The Board (including the independent non-executive directors of the Company) believes that the terms of the Share Purchase Agreement are on normal commercial terms and fair and reasonable, and the guarantee of Buyer's obligations under the Share Purchase Agreement is in the interests of the shareholders of the Company as a whole.

MANAGEMENT OF SUPERCCELL

The Company, Supercell Employee Shareholders and Buyer have agreed that Supercell's current management will maintain operational independence, subject to applicable regulatory requirements, following the completion of the Transaction and that Supercell will continue to be based in Finland. The Company, Consortium, Buyer, Supercell and Supercell Employee Shareholders have also entered into a Shareholders' Agreement governing the operations of Supercell. The Shareholders' Agreement will become effective on Closing and will provide certain minority protection rights to Supercell Employee Shareholders.

TRANSACTION PARTICULARS

Consideration

The Purchase Price was determined through an arm's length negotiation process, and is based on the historical performance of Supercell and its growth prospects, potential synergies to be derived from the business co-operation arrangement between Supercell and the Company (as further described below) and other relevant valuation benchmarks.

Approximately US\$4.1 billion of the Purchase Price (less any amount for Supercell Sale Securities subject to the Deferred Put Option, described below) will be paid by Buyer to the Sellers at Closing. Approximately US\$200 million of the Purchase Price will be paid out three years after Closing to the Sellers. Buyer will pay the remaining approximately US\$4.3 billion of the Purchase Price to the Sellers at the Delayed Purchase Price Release Date, subject to any adjustment based on the difference between the Net Cash Balance estimated prior to Closing and the Net Cash Balance at Closing, as determined in accordance with the Share Purchase Agreement.

The Purchase Price payable by Buyer is expected to be funded by Buyer with an investment by the Company through the Consortium of approximately US\$3 billion to US\$4 billion, and the remaining balance of the Purchase Price is expected to be financed by investments from potential co-investors into the Consortium and Buyer's bank borrowings. The final funding combination is subject to modification as required in the Consortium and through negotiations with financing sources.

In connection with the execution of the Share Purchase Agreement, the Company has provided to the Sellers a guarantee of Buyer's performance of all of its obligations under the Share Purchase Agreement, including the payment of the full Purchase Price and as required under the terms of the Shareholders' Agreement.

Completion of the Transaction is subject to the satisfaction of conditions precedent, including satisfactory competition clearances being obtained in various jurisdictions.

The Supercell Sale Securities to be acquired by Buyer will be subject to customary transfer restrictions.

The Buyer and the Company have agreed to introduce gradual liquidity and flexibility to Supercell Employee Shareholders by providing them the opportunity to sell certain of their Supercell Vested Securities for cash or continue holding those securities over the longer term. Under the terms of the Share Purchase Agreement, Supercell Employee Shareholders may choose to sell half of their Supercell Vested Securities along with the SoftBank Affiliates or defer the sale of certain of such securities as Deferred Put Securities in the medium to longer term under the Deferred Put Option. The purchase price for such Deferred Put Securities will be the higher of the Purchase Price and price primarily linked to Supercell's Non-GAAP EBITDA for the then most recently completed fiscal year. Supercell Employee Shareholders also have a right to sell to Buyer or the Company all their other Supercell Vested Securities over a longer period from Closing at a price primarily linked to Supercell's Non-GAAP EBITDA for the then most recently completed fiscal year.

Supercell has also entered into certain marketing and co-operation arrangements with the Company regarding the distribution in the PRC of games developed by Supercell.

The Board is of the view that the guarantee of Buyer's obligation is fair and reasonable.

INFORMATION RELATING TO THE COMPANY

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

INFORMATION RELATING TO SOFTBANK GROUP

SoftBank Group is a Japan-headquartered multinational telecommunications and Internet company, with operations in broadband, fixed-line telecommunications, e-commerce, Internet, technology services, finance, media and marketing, robotics, renewable energy and other businesses. The SoftBank Affiliates are subsidiaries of SoftBank Group and are engaged in investment activities.

FINANCIAL INFORMATION OF SUPERCCELL

Set out below are certain audited consolidated financial information of Supercell for the financial years ended 31 December 2014 and 31 December 2015, and as at 31 December 2015.

	For the year ended 31 December 2015 <i>(in EUR1,000)</i>	For the year ended 31 December 2014 <i>(in EUR1,000)</i>
Profit before taxation	879,807	544,871
Profit after taxation	693,336	426,408
	As at 31 December 2015 <i>(in EUR1,000)</i>	
Total Assets	1,790,179	
Net Assets	816,145	

IMPLICATIONS UNDER THE LISTING RULES

The highest of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Company's total commitment (taking into account its guarantee and its funding of Buyer's obligations in relation to the Transaction) exceeds 5% and is lower than 25%. Accordingly, the Transaction constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL

Completion of the Transaction is subject to the satisfaction of conditions precedent including satisfactory competition clearances being obtained in various jurisdictions. There is no assurance that the Transaction and or the identification of potential co-investors will take place or as to when it may take place. Shareholders and potential investors in the Company should therefore exercise caution when dealing in the securities of the Company.

To the best of the Board's knowledge, information and belief having made all reasonable enquiry, Supercell, SoftBank Group and SoftBank Affiliates and each of their ultimate beneficial owners (including with respect to Supercell, Supercell Employee Shareholders and former Supercell employees) are third parties independent of and not connected with the Company and its connected persons.

DEFINITION

In this announcement, the following terms have the meanings set out below unless the context requires otherwise:

Term	Definition
“Board”	the board of directors of the Company
“Buyer”	a company established under the laws of Luxembourg and wholly owned by the Consortium
“Closing”	the closing of the Transaction, which is expected to take place four business days following the date on which all the conditions in the Share Purchase Agreement are satisfied or waived
“Company” or “Tencent”	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
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Consortium”	the consortium company established under the laws of Luxembourg formed for the purpose of investing in Buyer and currently wholly owned by the Company

“Deferred Put Option”	put option available for Supercell Employee Shareholders to defer the sale of certain of their respective Supercell Vested Securities under the Share Purchase Agreement and the right instead to sell to the Buyer such Deferred Put Securities over three years from the second anniversary of Closing under the terms of the Share Purchase Agreement
“Deferred Put Securities”	certain of the Supercell Sale Securities held by a participating Supercell Employee Shareholder, which will be sold under the Deferred Put Option
“Delayed Purchase Price Release Date”	a date that is no more than 90 days after Closing
“EUR”	Euro, the lawful currency of the Eurozone
“Group”	the Company and its subsidiaries
“Incentive Securities”	collectively, Options and RSUs
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Net Cash Balance”	generally, the amount of Supercell’s cash and cash equivalent, cash like items, net of any declared but unpaid dividend, taxes withheld but not yet remitted in connection with any paid dividend, and debt or debt like items at the relevant time; and as adjusted after Closing
“Non-GAAP EBITDA”	audited EBITDA under IFRS at the relevant time adjusted for share-based compensation expenses, change in deferred revenue, change in deferred commissions and other items as negotiated between the Company, SoftBank Group and certain Supercell Employee Shareholders
“Options”	options to acquire Supercell Shares
“PRC”	the People’s Republic of China
“Purchase Price”	approximately US\$8.6 billion
“RSUs”	restricted share units of Supercell

“Sellers”	SoftBank Affiliates, certain Supercell Employee Shareholders and certain former Supercell employees, and other Supercell Employee Shareholders and former employees who are anticipated to become parties to the Share Purchase Agreement via joinder
“Share Purchase Agreement”	the conditional Share Purchase Agreement dated 21 June 2016 and entered into among the Company, Buyer, the Sellers and Supercell
“Shareholders’ Agreement”	the shareholders’ agreement entered into among Supercell Employee Shareholders, Consortium, the Company, Buyer and Supercell
“SoftBank Affiliates”	SoftBank Group Capital Limited and Kahon 3 Oy
“SoftBank Group”	SoftBank Group Corp.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supercell Employee Shareholders”	the management and employees shareholders of Supercell
“Supercell Sale Securities”	collectively, (i) all of the Supercell Vested Securities held by SoftBank Affiliates (representing in the aggregate approximately 72.2% of Supercell’s Securities); (ii) all of the Supercell Vested Securities held via philanthropic trusts affiliated with certain key Supercell Employee Shareholders; (iii) all of the Supercell Vested Securities held by certain former Supercell employees; and (iv) up to 50% of the Supercell Vested Securities held by Supercell Employee Shareholders
“Supercell Shares”	ordinary shares in the capital of Supercell
“Supercell Vested Securities”	vested ordinary shares in the capital of Supercell and vested Incentive Securities
“Supercell’s Securities”	collectively, the (i) Supercell Vested Securities; (ii) Supercell Shares issuable upon the exercise or settlement of unvested Incentive Securities; and (iii) RSUs available for grant pursuant to Supercell’s current equity incentive plans

“Supercell”	Supercell Oy, a private company incorporated in Finland
“Transaction”	the transaction contemplated in the Share Purchase Agreement
“US\$”	United States dollar, the lawful currency of the United States of America

By Order of the Board
Ma Huateng
Chairman

21 June 2016

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 and Ian Charles Stone.