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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

The Board wishes to announce that on 17 June 2008, the Company entered into (a) the Licence Agreement with MIH India Global Internet; and (b) the Option Agreement with MIH India Holdings and MIH India Global Internet.

Pursuant to the Licence Agreement, the Company agreed to grant to MIH India Global Internet an irrevocable, perpetual and royalty-free licence to use and to authorize end users to use the Licensed Materials in the India Territory.

Pursuant to the Option Agreement, MIH India Global Internet agreed to grant an irrevocable option to the Company to subscribe up to the total number of the Option Shares at the Exercise Price. If the Company exercises the Option in full, the Company shall subscribe Shares which result in the Company owning 50% shareholding of MIH India Global Internet minus one Share. Simultaneously with the closing of each tranche of the Option, the Company shall (a) purchase the Pro Rata Loans from the other shareholders of MIH India Global Internet on a pro rata basis, based on the relative amounts of Shareholder Loans extended to MIH India Global Internet by each such other shareholder as at the relevant closing date of the relevant tranche of the Option; and (b) be assigned the Proportional Existing Loan at no cost.

Upon closing of the first tranche of the Option, the Parties shall enter into the Shareholders' Agreement which sets out the rights and obligations of shareholders of MIH India Global Internet relating to transfer of Shares and the Shareholder Loans and the management and operations of MIH India Global Internet and its subsidiaries.

MIH India Holdings and MIH India Global Internet are wholly owned subsidiaries of Naspers Limited, the holding company of MIH China, a substantial shareholder of the Company; and hence MIH India Holdings and MIH India Global Internet are connected persons of the Company within the meaning of the Listing Rules. The entering into of the Licence Agreement, the Option Agreement and the Shareholders' Agreement therefore constitute connected transactions for the Company under the Listing Rules. As one of the relevant percentage ratios (as defined in the Listing Rules) for the Option Agreement exceeds 0.1% but is less than 2.5%, the connected transaction pursuant to the Option Agreement is exempt from the independent shareholders' approval requirement but is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

THE LICENCE AGREEMENT

On 17 June 2008, MIH India Global Internet and the Company entered into the Licence Agreement.

Date of the Agreement

17 June 2008

Parties

- (1) MIH India Global Internet, a wholly owned subsidiary of Naspers Limited, the holding company of MIH China which in turn is a substantial shareholder of the Company
- (2) the Company

The Licence

Pursuant to the Licence Agreement, the Company granted to MIH India Global Internet an irrevocable, perpetual and royalty-free licence to use and to authorize end users to use the Licensed Materials in the India Territory.

The grant of the licence under the Licence Agreement is at nil consideration. By entering into the Licence Agreement, the Company is granted the Option pursuant to the Option Agreement. Accordingly, the Directors considered the entering into of the Licence Agreement is on normal commercial terms.

The licenses granted by the Company to MIH India Global Internet and its subsidiaries shall be exclusive to MIH India Global Internet and its subsidiaries in the India Territory during the Exclusive Period and the parties agree that during the Exclusive Period, the Company shall not, and shall ensure that the Group shall not,

directly or indirectly, use nor license any of the Licensed Materials in the India Territory. Upon termination of the Exclusive Period, the license granted by the Company shall continue perpetually on the same terms except that it shall be non-exclusive to MIH India Global Internet and its subsidiaries in the India Territory.

Exclusive Period = (a) the seven (7) year period after the date of the Licence Agreement subject to certain ownership requirements as set out in the definition of the “Exclusive Period” in the definitions section; and

(b) such period after the period referred to in (a) above when the Company and/or its Affiliates own at least 30% (or such other percentage as may be mutually agreed between the Company and MIH India Holdings) of the total number of issued Shares

THE OPTION AGREEMENT

On 17 June 2008, MIH India Holdings, MIH India Global Internet and the Company entered into the Option Agreement.

Date of the Agreement

17 June 2008

Parties

- (1) MIH India Holdings, a wholly owned subsidiary of Naspers Limited, the holding company of MIH China which in turn is a substantial shareholder of the Company
- (2) MIH India Global Internet, also a wholly owned subsidiary of Naspers Limited, the holding company of MIH China which in turn is a substantial shareholder of the Company
- (3) the Company

The Option

Pursuant to the Option Agreement, MIH India Global Internet granted to the Company an irrevocable option to subscribe for new Shares up to the total number of the Option Shares. The Company shall have the right but not the obligation to exercise the Option in tranches. The exercise of the Option is at the Company's sole discretion. If the Company exercises the Option in full, the Company shall subscribe Shares which result in the Company owning 50% shareholding of MIH India Global Internet minus one Share.

$$\begin{array}{rcccl} \text{Exercise Price payable by} & & \text{Equity} & & \text{Tencent} \\ \text{the Company for} & = & \text{Funding} & \times & \text{Funding} \\ \text{the Subscribed Shares} & & \text{Amount} & & \text{Amount} \\ & & & & \text{Relevant} \\ & & & & \text{Proportion} \end{array} -$$

Essentially, the Exercise Price is the subscription money payable by the Company for the Subscribed Shares. The Exercise Price is determined based on the percentage of equity to be subscribed and the equity funding contributed to MIH India Global Internet by all shareholders less the equity funding contributed by the Company.

The Equity Funding Amount is the total amount of funding contributed to MIH India Global Internet and its subsidiaries by all shareholders of MIH India Global Internet by way of equity or capital contribution less (a) fees or payments (if any) that any of MIH India Global Internet and/or its subsidiaries has paid to the shareholders of MIH India Global Internet and (b) dividends paid by MIH India Global Internet and its subsidiaries to shareholders of MIH India Global Internet, each calculated from 1 September 2007 up to and including the closing date of the relevant tranche of the Option.

The Relevant Proportion is a fraction the numerator of which is the total number of Shares issued to the Company immediately after the closing date of the relevant tranche of the Option and the denominator of which is the total number of issued Shares immediately prior to the closing date of such tranche of the Option.

The accounting treatment on MIH India Global Internet shall depend on the equity interest in MIH India Global Internet to be held by the Company upon exercise of the Option. If the Company holds less than 20% equity interests in MIH India Global Internet, MIH India Global Internet shall be considered an investee company. If the Company holds 20% or more equity interests in MIH India Global Internet, MIH India Global Internet shall be an associated company of the Company.

Simultaneously with the closing of each tranche of the Option, the Company shall (a) purchase the Pro Rata Loans from the other shareholders of MIH India Global

Internet on a pro rata basis, based on the relative amounts of Shareholder Loans extended to MIH India Global Internet by each such other shareholder as of the relevant closing date of the relevant tranche of the Option; and (b) be assigned the Proportional Existing Loan at no cost. The Shareholder Loan Purchase Price shall be dollar for dollar of the full value (including principal and interest accrued thereon) of the Pro Rata Loans.

Based on the unaudited consolidated financial statements of MIH India Global Internet, as at 31 March 2008, the consolidated total assets of MIH India Global Internet were approximately INR320.82 million (equivalent to approximately RMB52.82 million) and the net liability of MIH India Global Internet amounted to INR741.58 million (equivalent to approximately RMB122.10 million). The unaudited consolidated net loss of MIH India Global Internet (after taxation and extraordinary items) for the years ended 31 March 2008 and 31 March 2007 were approximately INR585.45 million (equivalent to approximately RMB96.40 million) and INR196.88 million (equivalent to approximately RMB32.42 million), respectively and the unaudited consolidated net loss of MIH India Global Internet (before taxation and extraordinary items) for the years ended 31 March 2008 and 31 March 2007 were approximately INR582.26 million (equivalent to approximately RMB95.87 million) and INR195.05 million (equivalent to approximately RMB32.12 million), respectively.

No cost is paid or payable by the Company to acquire the Option. Pursuant to the Option Agreement, the Company intends, in its sole discretion, to invest US\$7.5 million (equivalent to approximately RMB52.05 million) in MIH India Global Internet during a three-year period commencing on the date of the Option Agreement. The investment of US\$7.5 million shall include the purchase cost of the Pro Rata Loans. The investment of US\$7.5 million shall be satisfied by cash generated by the operations of the Group. The amount of US\$7.5 million is an estimate investment amount which the Company has budgeted for as its initial investment in MIH India Global Internet. The amount is determined based on the Company's initial investment plan for the Indian venture, the proposed shareholders' arrangement with MIH India Holdings in relation to rights as shareholders of MIH India Global Internet and results of the Company's due diligence and feasibility studies of MIH India Global Internet and the Indian Internet portal market. The Company may elect to make further additional investments in MIH India Global Internet over the term of the Option. Further announcements will be made when the Company plans to invest more than US\$7.5 million in MIH India Global Internet or any one of the relevant percentage ratios (as defined in the Listing Rules) for the Option Agreement shall exceed 2.5% upon such further intended investment and such further investments, which shall be connected transactions pursuant to the Option Agreement, shall be subject to the reporting and announcement requirements and/or the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Exercise Price and the Shareholder Loan Purchase Price were determined after arm's length negotiations between the Parties.

CLOSING

Closing of the subscription and issue of any Subscribed Shares, the sale and purchase of the Pro Rata Loans and the assignment of the Proportional Existing Loan is subject to:

- (a) the Parties having carried out and attended to all the relevant corporate procedures in order to complete the subscription of the Subscribed Shares, the sale of the Pro Rata Loans and the assignment of the Proportional Existing Loan;
- (b) the Parties having obtained all necessary governmental approvals and consents for the subscription of the Subscribed Shares, the sale of the Pro Rata Loans and the assignment of the Proportional Existing Loan; and
- (c) in case of the closing of the first tranche of the Option, the Parties entering into the Shareholders' Agreement and MIH India Global Internet having adopted amended and restated memorandum and articles of association of MIH India Global Internet that fully reflect the provisions of the Shareholders' Agreement.

SHAREHOLDERS' AGREEMENT

Upon closing of the first tranche of the Option, the Parties shall enter into the Shareholders' Agreement. The Shareholders' Agreement sets out the rights and obligations of shareholders of MIH India Global Internet relating to transfer of Shares and the Shareholder Loans and the management and operations of MIH India Global Internet and its subsidiaries.

Pursuant to the terms of the Shareholders' Agreement, a shareholder of MIH India Global Internet shall have, among other things, (a) right of first refusal; (b) tag along rights; and (c) last offer right, with respect to transfer of Shares. Each shareholder of MIH India Global Internet shall also have the right to nominate directors in proportion to its pro rata shareholding in MIH India Global Internet. The Company, upon becoming a shareholder of MIH India Global Internet, shall have certain veto rights, including, among others, veto rights relating to (i) amending the constitutional documents; (ii) changing the auditor; (iii) changing the principal accounting policies; (iv) causing voluntary liquidation or winding up proceedings; and (v) changing the principal business, of MIH India Global Internet.

CONNECTED TRANSACTIONS

MIH India Holdings and MIH India Global Internet are wholly owned subsidiaries of Naspers Limited, the holding company of MIH China, a substantial shareholder of the Company; and hence MIH India Holdings and MIH India Global Internet are connected persons of the Company within the meaning of the Listing Rules. The entering into of the Licence Agreement, the Option Agreement and the Shareholders' Agreement therefore constitute connected transactions for the Company under the Listing Rules.

The percentage ratios (as defined in the Listing Rules) for the transactions contemplated under the Licence Agreement and the Shareholders' Agreement are less than 0.1%, in accordance with Rule 14A.31(2) of the Listing Rules, these connected transactions are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one of the relevant percentage ratios (as defined in the Listing Rules) for the Option Agreement exceeds 0.1% but is less than 2.5%, the connected transaction pursuant to the Option Agreement is exempt from the independent shareholders' approval requirement but is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules. In accordance with Rule 14A.32 of the Listing Rules, details of the transaction are disclosed in this announcement and will be included in the Company's next published annual report and accounts.

REASONS FOR THE TRANSACTIONS

The Group has been focusing its business in PRC since its inception. The Group is to exploring opportunities in international markets for expansion. The international expansion centers on emerging countries with fast growing Internet usage, which may develop in a way that bears some resemblance to the PRC market. India has emerged as an international market which has similar traits as the PRC market.

Naspers Limited, the holding company of MIH China, a substantial shareholder of the Company, has through its subsidiaries invested in the Indian market. Further details of the Indian operation of Naspers Limited are set out in the section headed "General" below. The strategic licensing and investment relationship which involves the entering into of the Licence Agreement, the Option Agreement and the Shareholders' Agreement between the Company and subsidiaries of Naspers Limited provides the Group with an opportunity to participate in the growth of the Indian online service markets. The Group and subsidiaries of Naspers Limited have worked together on other projects and the Board considers that the previous experience of working together successfully made MIH India Global Internet a suitable vehicle for participating in the Indian online service market.

The Board (including the independent non-executive Directors) believes that the terms of the Licence Agreement, the Option Agreement and the Shareholders' Agreement are on normal commercial terms and fair and reasonable and the transactions contemplated under the Licence Agreement, the Option Agreement and the Shareholders' Agreement are in the interests of 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.

MIH India Holdings is an investment holding company. Its investments include, among others, interests in MIH India Global Internet. MIH India Holdings is the sole shareholder of MIH India Global Internet. MIH India Global Internet is also an investment holding company. Its investments include, among others, interests in ibibo Web Private Limited. Ibibo Web Private Limited is a wholly owned subsidiary of MIH India Global Internet. The principal activity of ibibo Web Private Limited is the provision of online services to users in the India Territory. Ibibo Web Private Limited currently has three core Internet portals, namely ibibo.com, OneFamily.com and Dwaar.com. In 2007, ibibo.com was ranked 24 in India by Comscore based on number of visitors.

DEFINITIONS

Term	Meaning
“Affiliate” of a person	any person directly or indirectly controlling, controlled by or under common control with the subject person
“Board”	board of Directors
“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
“Directors”	directors of the Company

“Equity Funding Amount”	the total amount of funding contributed to MIH India Global Internet and its subsidiaries by all shareholders of MIH India Global Internet by way of equity or capital contribution less (a) any fees that any of MIH India Global Internet and/or its subsidiaries has paid to the shareholders of MIH India Global Internet and (b) dividends paid by MIH India Global Internet and its subsidiaries to shareholders of MIH India Global Internet, each calculated from 1 September 2007 up to and including the closing date of the relevant tranche of the Option
“Exclusive Period”	<p>means:</p> <p>(a) the seven (7) year period after the date of the Licence Agreement; provided that if during the first five (5) years after the date of the Licence Agreement MIH India Holdings and/or its Affiliates cease to own at least 50% (or such other percentage as may be mutually agreed between MIH India Holdings and the Company) of the total number of issued Shares and if during the two (2) years after such five (5) year period MIH India Holdings and/or its Affiliates and/or the Company and/or its Affiliates together cease to own at least 50% (or such other percentage as may be mutually agreed between MIH India Holdings and the Company) of the total number of issued Shares, then the “Exclusive Period” shall terminate as and when the cessation of such ownership occurs; and</p> <p>(b) such period after the period referred to in (a) above when the Company and/or its Affiliates own at least 30% (or such other percentage as may be mutually agreed between the Company and MIH India Holdings) of the total number of issued Shares</p>
“Exercise Price”	shall equal to the Equity Funding Amount multiplied by the Relevant Proportion minus the Tencent Funding Amount
“Existing Loan”	the total amounts provided by MIH India Holdings or its Affiliates to MIH India Global Internet and/or its subsidiaries prior to 1 September 2007

“Group”	the Company and its subsidiaries
“India Territory”	the territory of the Republic of India
“INR”	Indian Rupee, the lawful currency of the Republic of India
“Licence Agreement”	the licence agreement dated 17 June 2008 entered into between MIH India Global Internet and the Company in relation to a licence granted by the Company to MIH India Global Internet to use the Licensed Materials in the India Territory
“Licensed Materials”	shall include, among others, (a) certain software applications of the Group; (b) certain content of the Group owned by the Group which is relevant or useful to MIH India Global Internet; and (c) certain trademarks held by the Group
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“MIH India Global Internet”	MIH India Global Internet Limited, a limited liability company organised and existing under the laws of Mauritius and a wholly owned subsidiary of MIH India Holdings
“MIH India Holdings”	MIH India Holdings Limited, a limited liability company organised and existing under the laws of Mauritius and a wholly owned subsidiary of Naspers Limited
“MIH China”	MIH China (BVI) Limited, a limited liability company incorporated in the British Virgin Islands, a substantial shareholder of the Company and an indirect wholly owned subsidiary of Naspers Limited
“Naspers Limited”	Naspers Limited, a limited liability company incorporated in the Republic of South Africa, the shares of which are listed on the JSE Securities Exchange South Africa and the London Stock Exchange
“Option(s)”	the option(s) to subscribe for new Shares up to the total number of the Option Shares

“Option Agreement” the option agreement dated 17 June 2008 entered into between the Parties in relation to an option to subscribe up to the total number of the Option Shares at the Exercise Price

“Option Shares” means, assuming there is no third party shareholder of MIH India Global Internet, the total number of issued Shares held by MIH India Holdings and its Affiliates as at the relevant exercise date minus one Share (as at the date of this announcement, MIH India Global Internet has an issued share capital of US\$10,000 comprised of 10,000 Shares of par value US\$1.00 each, accordingly the number of Option Shares as at the date of this announcement is 9,999 Shares)

“Parties” MIH India Global Internet, MIH India Holdings and the Company, being the parties to the Option Agreement and the Shareholders’ Agreement

“PRC” People’s Republic of China

“Proportional Existing Loan” = Existing Loan X $\frac{\text{Shares issued to the Company}}{\text{Shares issued to the Company and MIH India Holdings}}$ – Existing Loan already assigned to the Company

i.e. in respect of each closing date of the relevant tranche of the Option, means the number equal to (a) the Existing Loan multiplied by a fraction, the numerator of which is the total number of Shares issued to the Company or its Affiliates up to and immediately after such closing and the denominator of which is the total number of Shares issued to the Company or its Affiliates and MIH India Holdings or its Affiliates immediately after such closing less (b) the aggregate amount of all Existing Loan assigned to the Company or its Affiliates prior to such closing date

“Pro Rata Loans” = Shareholder Loans X $\frac{\text{Shares issued to the Company}}{\text{total number of Shares issued}}$ – Shareholder Loans extended or assigned to the Company

i.e. in respect of each closing date of the relevant tranche of the Option, means the number equal to (a) the total amount of Shareholder Loans as at such closing date multiplied by a fraction, the numerator of which is the total number of Shares issued to the Company or its Affiliates up to and immediately after such closing and the denominator of which is the total number of Shares issued by MIH India Global Internet immediately after such closing less (b) the aggregate amount of all Shareholder Loans extended to MIH India Global Internet by the Company or its Affiliates as at such closing date and the amount of Shareholder Loans assigned to the Company or its Affiliates prior to such closing date

“Relevant Proportion”	a fraction the numerator of which is the total number of Shares issued to the Company immediately after the closing date of the relevant tranche of the Option and the denominator of which is the total number of issued Shares immediately prior to the closing date of such tranche of the Option
“RMB”	Reminbi, the lawful currency of the PRC
“Share(s)”	share(s) of MIH India Global Internet of par value US\$1.00 each
“Shareholder Loan Purchase Price”	the consideration for the Shareholder Loans which shall be dollar for dollar of the full value (including principal and interest accrued thereon) of the Pro Rata Loans
“Shareholder Loans”	all loans and advances made by a shareholder of MIH India Global Internet to MIH India Global Internet and/or its subsidiaries, including principal, interest and all other amounts accrued thereunder, except for the Existing Loan and which remains outstanding and which are subject to assignment upon transfer of Shares
“Shareholders’ Agreement”	the shareholders’ agreement of MIH India Global Internet to be entered into between the Parties at the closing of the first tranche of the Option
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscribed Shares”	those Option Shares subscribed by the Company in any given tranche of exercise of the Option
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Tencent Funding Amount”	the total amount of funding contributed to MIH India Global Internet and its subsidiaries by the Company or its Affiliates by way of equity contribution less (a) any fees that any of MIH India Global Internet and/or its subsidiaries has paid to the Company and (b) dividends paid by MIH India Global Internet and its subsidiaries to the Company, each calculated from 1 September 2007 up to the closing date of the relevant tranche of the Option
“US\$”	United States dollar, the lawful currency of the United States of America

In this announcement, for reference purpose only and unless otherwise stated, the conversion of US\$ into RMB is calculated by using an exchange rate of US\$1.00 to RMB6.9402 and the conversion of INR into RMB is calculated by using an exchange rate of INR100 to RMB16.4655.

By Order of the Board
Ma Huateng
Chairman

17 June 2008

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.