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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)

**UPDATE IN RELATION TO THE PROPOSED SPIN-OFF AND
SEPARATE LISTING OF
TENCENT MUSIC ENTERTAINMENT GROUP**

The Board is pleased to announce that Tencent Music filed a Registration Statement in respect of its ADSs with a price range between US\$13.00 (equivalent to approximately HK\$101.74) and US\$15.00 (equivalent to approximately HK\$117.39) with the SEC on 3 December 2018 (New York time). Subject to the final terms of an underwriting agreement to be entered into by Tencent Music, the Underwriters and the Selling Shareholders and market conditions, the Offering is expected to consist of an initial public offering of 41,029,829 new ADSs to be sold by Tencent Music and a sale of 40,970,171 ADSs by the Selling Shareholders. The Underwriters will also have the option to purchase up to an additional 12,300,000 ADSs to cover over-allotments. Each ADS will represent two Class A Shares.

DISTRIBUTION IN SPECIE

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 of a certain number of Distribution ADSs, by way of the Distribution in specie (subject to the consummation of the Proposed Spin-off and the satisfaction of applicable closing conditions). A non-qualifying Shareholder will not receive the Distribution ADSs, and subject to such non-qualifying Shareholder holding the required minimum number of Shares (such number to be determined in due course by the Company) on the relevant record date, will instead receive cash in lieu of the relevant number of Distribution ADSs to which he/she/it would otherwise have been entitled. Notice is hereby given under Rule 13.43 of the Listing Rules that a resolution is expected to be passed by a committee appointed by the Board on 13 December 2018 for the purpose of making a declaration of a conditional special dividend to be satisfied by way of the Distribution in specie. Details of the terms of the Distribution in specie have not yet been finalised as at the date of this announcement. It is currently expected that a further announcement on the terms of the Offering and the Distribution in specie will be made by the Company on or about 13 December 2018.

LISTING RULES IMPLICATIONS

The Proposed Spin-off will result in a reduction of the percentage shareholding of the Company in Tencent Music and constitute a deemed disposal on the part of the Company under Rule 14.29 of the Listing Rules. Since the highest percentage ratio set out in Rule 14.07 of the Listing Rules applicable to the Company will be less than 5%, the Proposed Spin-off will not constitute a notifiable transaction under the Listing Rules and will not require the Shareholders' approval under the Listing Rules.

Shareholders should note that the Distribution in specie is conditional upon completion of the Proposed Spin-off, which itself is conditional upon the satisfaction of certain conditions including, without limitation, market conditions, the NYSE granting approval for the listing of the ADSs and the other conditions set forth in the section "The Proposed Spin-off – Conditions to the Offering" below. 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. If the Proposed Spin-off does not proceed for any reason, the Distribution in specie will not be made. Shareholders and potential investors of the Company should therefore exercise caution when dealing in or investing in the securities of the Company.

Reference is made to the Company's announcement dated 8 July 2018 regarding the Proposed Spin-off.

THE PROPOSED SPIN-OFF

The Board is pleased to announce that Tencent Music filed a Registration Statement in respect of its ADSs with a price range with the SEC on 3 December 2018 (New York time). Tencent Music has also applied for the listing of its ADSs on the NYSE.

Subject to the final terms of an underwriting agreement to be entered into by Tencent Music, the Underwriters and the Selling Shareholders and market conditions, the Offering is expected to consist of:

- an initial public offering of 41,029,829 new ADSs to be sold by Tencent Music (representing approximately 2.51% of the issued share capital of Tencent Music, as enlarged by the issue of new Class A Shares (represented by the ADSs) under the Offering and assuming full subscription under the Concurrent Private Placement);
- a sale of 40,970,171 ADSs by the Selling Shareholders; and
- an over-allotment option, which may be exercised by the Underwriters, of up to 12,300,000 additional ADSs, such option to be granted by Tencent Music ("**Over-allotment Option**").

Each ADS will represent two Class A Shares.

Offer Price

The initial public offering price of each ADS is expected to be between US\$13.00 (equivalent to approximately HK\$101.74) and US\$15.00 (equivalent to approximately HK\$117.39). Based on the current price range, the equity valuation on a diluted basis using the treasury stock method of Tencent Music will, immediately upon completion of the Offering, be between approximately US\$22.0 billion (equivalent to approximately HK\$172.2 billion) and US\$25.4 billion (equivalent to approximately HK\$198.8 billion) (assuming the Over-allotment Option is fully exercised and full subscription under the Concurrent Private Placement).

It is expected that Tencent Music and the Underwriters will determine the final offer price and enter into an underwriting agreement in respect of the Offering on or about 11 December 2018 (New York time).

Conditions to the Offering

The Offering is conditional upon, among other things, the following:

- the Registration Statement being declared effective by the SEC and the NYSE granting approval for the listing of the ADSs; and
- the entering into by Tencent Music, the Underwriters and the Selling Shareholders, of an underwriting agreement for the initial purchase by the Underwriters of the number of ADSs to be specified therein, the satisfaction of certain conditions to closing set forth in the underwriting agreement and the underwriting agreement not being terminated in accordance with its terms or otherwise.

If these or any other applicable conditions are not fulfilled or waived (if applicable) prior to the dates and times to be specified, the Offering and thus the Proposed Spin-off will lapse and a notice will be published by the Company as soon as practicable after such lapse.

INFORMATION ON THE GROUP AND THE SPIN-OFF GROUP

The Group principally provides value-added services and online advertising services to users mainly in the People's Republic of China.

Tencent Music is the largest online music entertainment platform in the Mainland China, operating the top four music mobile apps in terms of mobile monthly active users in the third quarter of 2018. Its platform comprises its online music, online karaoke and music-centric live streaming services, supported by its content offerings, technology and data. Tencent Music is an all-in-one music entertainment destination that allows users to seamlessly engage with music in many ways, including discovering, listening, singing, watching, performing and socialising.

REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF

The Board believes that the separate listing of Tencent Music will be beneficial to both the Company and Tencent Music for the following reasons:

- (i) the Proposed Spin-off substantively separates the online music entertainment 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 Spin-off Group separately and to make their investment decisions accordingly;
- (ii) the Proposed Spin-off will enhance the profile of the Spin-off Group amongst its users, content partners and other business partners and enhance the ability of the Spin-off Group to recruit talents;
- (iii) the Proposed Spin-off could better reflect the value of the Spin-off 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 Spin-off Group separately and distinctly from those of the Retained Group;
- (iv) as a separate listed entity, Tencent Music will have its own separate management structure focusing on the online music entertainment business while the management of the 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 Tencent Music thereby enabling it to raise the capital required to finance future expansion without reliance on the Company; and
- (vi) as Tencent Music 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 music entertainment business through consolidation of the Spin-off Group's accounts.

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 of a certain number of Distribution ADSs, by way of the Distribution in specie (subject to the consummation of the Proposed Spin-off and the satisfaction of applicable closing conditions). A non-qualifying Shareholder will not receive the Distribution ADSs, and subject to such non-qualifying Shareholder holding the required minimum number of Shares (such number to be determined in due course by the Company) on the relevant record date, will instead receive cash in lieu of the relevant number of Distribution ADSs to which he/she/it would otherwise have been entitled. Notice is hereby given under Rule 13.43 of the Listing Rules that a resolution is expected to be passed by a committee appointed by the Board on 13 December 2018 for the purpose of making a declaration of a conditional special dividend to be satisfied by way of the Distribution in specie.

Details of the terms of the Distribution in specie have not yet been finalised as at the date of this announcement. It is currently expected that a further announcement on the terms of the Offering and the Distribution in specie will be made by the Company on or about 13 December 2018.

Shareholders should note that the Distribution in specie is conditional upon completion of the Proposed Spin-off, which itself is conditional upon the satisfaction of certain conditions including, without limitation, market conditions, the NYSE granting approval for the listing of the ADSs and the other conditions set forth in the section “The Proposed Spin-off – Conditions to the Offering” above. The Proposed Spin-off may or may not proceed. If the Proposed Spin-off does not proceed for any reason, the Distribution in specie will not be made.

LISTING RULES IMPLICATIONS

The Proposed Spin-off will result in a reduction of the percentage shareholding of the Company in Tencent Music and constitute a deemed disposal on the part of the Company under Rule 14.29 of the Listing Rules. Since the highest percentage ratio set out in Rule 14.07 of the Listing Rules applicable to the Company will be less than 5%, the Proposed Spin-off will not constitute a notifiable transaction under the Listing Rules and will not require the Shareholders’ approval under the Listing Rules.

GENERAL

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. If the Proposed Spin-off does not proceed for any reason, the Distribution in specie will not be made. Shareholders and potential investors of the Company should therefore exercise caution when dealing in or investing in the securities of the Company.

DEFINITION

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

| Term | Definition |
|--------------------------------|---|
| “ADS(s)” | American depositary shares to be issued pursuant to a deposit agreement between Tencent Music and The Bank of New York Mellon, each representing two Class A Shares in Tencent Music, which are expected to be listed on the NYSE |
| “Board” | the board of Directors |
| “Class A Share(s)” | Class A ordinary share(s) with par value of US\$0.000083 each of Tencent Music (each Class A Share is entitled to one vote) |
| “Company” | Tencent Holdings Limited, a limited liability company organised and existing under the laws of the Cayman Islands and whose Shares are listed on the Stock Exchange |
| “Concurrent Private Placement” | the concurrent purchase by the Company (at and subject to the completion of the Offering) of a certain number of Class A Shares with an aggregate value of up to HK\$250 million, calculated based on the initial public offering price per ADS |
| “Director(s)” | director(s) of the Company |
| “Distribution ADS(s)” | the ADS(s) to be distributed to qualifying Shareholders pursuant to the Distribution in specie |

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| “Distribution in specie” | the proposed special dividend of the Company, to be satisfied by the distribution in specie of ADSs to qualifying Shareholders (together with a cash alternative election) |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “NYSE” | the New York Stock Exchange |
| “Offering” | the proposed initial public offering of ADSs and the sale of ADSs by the Selling Shareholders in connection with the Proposed Spin-off |
| “PN15” | Practice Note 15 of the Listing Rules |
| “Proposed Spin-off” | the proposed spin-off listing of the Company’s majority-owned online music entertainment business operated by Tencent Music involving the Offering and the proposed separate listing of the ADSs on the NYSE |
| “Registration Statement” | the Registration Statement on Form F-1 filed by Tencent Music with the SEC in connection with the Offering |
| “Retained Group” | the Group, excluding the Spin-off Group following completion of the Offering |
| “SEC” | the United States Securities and Exchange Commission |
| “Securities Act” | the United States Securities Act of 1933, as amended |
| “Selling Shareholders” | the shareholders of Tencent Music who proposed to sell certain number of ADSs through the Registration Statement in connection with the Proposed Spin-off |

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| “Share(s)” | ordinary share(s) of HK\$0.00002 each in the share capital of the Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time) |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Spin-off Group” | Tencent Music and its subsidiaries |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Tencent Music” | Tencent Music Entertainment Group, an exempted limited liability company incorporated in the Cayman Islands |
| “Underwriters” | the underwriters to the Offering |
| “US\$” | the United States dollars, the lawful currency of the United States of America |
| “%” | per cent |

For illustrative purpose of this announcement, US\$1 = HK\$7.8259.

By Order of the Board
Ma Huateng
Chairman

3 December 2018

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.