**Supplemental Listing Document**

If you are in any doubt as to any aspect of this document, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, accountant or other professional adviser.

Application has been made to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for permission to deal in and for quotation of the Certificates (as defined below). The SGX-ST takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of SG Issuer, Société Générale, the Certificates, or the Company (as defined below).

**2,700,000 European Style Cash Settled Short Certificates**

**relating to the ordinary shares of Tencent Holdings Limited**

**with a Daily Leverage of -5x**

**issued by**

**SG Issuer**

**(Incorporated in Luxembourg with limited liability)**

**unconditionally and irrevocably guaranteed by**

**Société Générale**

**Issue Price: S$2.20 per Certificate**

This document is published for the purpose of obtaining a listing of all the above certificates (the "**Certificates**") to be issued by SG Issuer (the "**Issuer**") unconditionally and irrevocably guaranteed by Société Générale (the "**Guarantor**"), and is supplemental to and should be read in conjunction with a base listing document dated 21 June 2018 including such further base listing documents as may be issued from time to time (the "**Base Listing Document**"), as supplemented by an addendum to the Base Listing Document dated 5 November 2018 (the "**Addendum**"), for the purpose of giving information with regard to the Issuer, the Guarantor and the Certificates. Information relating to the Company (as defined below) is contained in this document.

This document does not constitute or form part of any offer, or invitation, to subscribe for or to sell, or solicitation of any offer to subscribe for or to purchase, Certificates or other securities of the Issuer, nor is it calculated to invite, nor does it permit the making of, offers by the public to subscribe for or purchase for cash or other consideration the Certificates or other securities of the Issuer.

Restrictions have been imposed on offers and sales of the Certificates and on distributions of documents relating thereto in Singapore, Hong Kong, the European Economic Area, the United Kingdom and the United States (see "Placing and Sale" contained herein).

Investors are warned that the price of the Certificates may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. The price of the Certificates also depends on the supply and demand for the Certificates in the market and the price at which the Certificates is trading at any time may differ from the underlying valuation of the Certificates because of market inefficiencies. It is not possible to predict the secondary market for the Certificates. Although the Issuer, the Guarantor and/or any of their affiliates may from time to time purchase the Certificates or sell additional Certificates on the market, the Issuer, the Guarantor and/or any of their affiliates are not obliged to do so. Investors should also note that there are leveraged risks because the Certificates integrate an inverse leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock (as defined below) and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock.

The Certificates are classified as capital markets products other than prescribed capital markets products[1] and Specified Investment Products (SIPs)[2], and may only be sold to retail investors with enhanced safeguards, including an assessment of such investors' investment knowledge or experience.

The Certificates constitute general unsecured obligations of the Issuer and of no other person, and the guarantee dated 21 June 2018 (the "**Guarantee**") and entered into by the Guarantor constitutes general unsecured obligations of the Guarantor and of no other person, and if you purchase the Certificates, you are relying upon the creditworthiness of the Issuer and the Guarantor and have no rights under the Certificates against any other person.

Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. It is expected that dealings in the Certificates will commence on or about 7 November 2018.

As of the date hereof, the Guarantor's long term credit rating by S&P Global Ratings is A, and by Moody's Investors Service, Inc. is A1.

The Issuer is regulated by the Luxembourg Commission de Surveillance du Secteur Financier on a consolidated basis and the Guarantor is regulated by, *inter alia*, the Autorité des Marchés Financiers, the Autorité de Contrôle Prudentiel et de Résolution and the European Central Bank.

5 November 2018

[1] As defined in the Securities and Futures (Capital Markets Products) Regulations 2018.
[2] As defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products.

Subject as set out below, the Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this document, the Base Listing Document and the Addendum in relation to themselves and the Certificates. To the best of the knowledge and belief of the Issuer and the Guarantor (each of which has taken all reasonable care to ensure that such is the case), the information contained in this document, the Base Listing Document and the Addendum for which they accept responsibility (subject as set out below in respect of the information contained herein with regard to the Company) is in accordance with the facts and does not omit anything likely to affect the import of such information. The information with regard to the Company as set out herein is extracted from publicly available information. The Issuer and the Guarantor accept responsibility only for the accurate reproduction of such information. No further or other responsibility or liability in respect of such information is accepted by the Issuer and the Guarantor.

No person has been authorised to give any information or to make any representation other than those contained in this document in connection with the offering of the Certificates, and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer or the Guarantor. Neither the delivery of this document nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer, the Guarantor or their respective subsidiaries and associates since the date hereof.

This document does not constitute an offer or invitation by or on behalf of the Issuer or the Guarantor to purchase or subscribe for any of the Certificates. The distribution of this document and the offering of the Certificates may, in certain jurisdictions, be restricted by law. The Issuer and the Guarantor require persons into whose possession this document comes to inform themselves of and observe all such restrictions. In particular, the Certificates and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended or any state securities law, and trading in the Certificates has not been approved by the United States Commodity Futures Trading Commission (the "**CFTC**") under the United States Commodity Exchange Act of 1936, as amended. Accordingly, Certificates, or interests thereon, may not at any time be offered, sold, resold, traded, pledged, exercised, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, nor may any U.S. person at any time trade or maintain a position in the Certificates. In addition, in the absence of relief from the CFTC, offers, sales, re-sales, trades, pledges, exercises, redemptions, transfers or deliveries of Certificates, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing commodities trading. Consequently, any offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised. A further description of certain restrictions on offering and sale of the Certificates and distribution of this document is given in the section headed "Placing and Sale" contained herein.

The SGX-ST has made no assessment of, nor taken any responsibility for, the financial soundness of the Issuer or the Guarantor or the merits of investing in the Certificates, nor have they verified the accuracy or the truthfulness of statements made or opinions expressed in this document.

The Issuer, the Guarantor and/or any of their affiliates may repurchase Certificates at any time on or after the date of issue and any Certificates so repurchased may be offered from time to time in one or more transactions in the over-the-counter market or otherwise at prevailing market prices or in negotiated transactions, at the discretion of the Issuer, the Guarantor and/or any of their affiliates. Investors should not therefore make any assumption as to the number of Certificates in issue at any time.

References in this document to the "**Conditions**" shall mean references to the Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities contained in the Addendum. Terms not defined herein shall have the meanings ascribed thereto in the Conditions.

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## RISK FACTORS

The following are risk factors relating to the Certificates:

(a) investment in Certificates involves substantial risks including market risk, liquidity risk, and the risk that the Issuer and/or the Guarantor will be unable to satisfy its/their obligations under the Certificates. Investors should ensure that they understand the nature of all these risks before making a decision to invest in the Certificates. You should consider carefully whether Certificates are suitable for you in light of your experience, objectives, financial position and other relevant circumstances. Certificates are not suitable for inexperienced investors;

(b) the Certificates constitute general unsecured obligations of the Issuer and of no other person, and the Guarantee constitutes general unsecured obligations of the Guarantor and of no other person. In particular, it should be noted that the Issuer issues a large number of financial instruments, including Certificates, on a global basis and, at any given time, the financial instruments outstanding may be substantial. If you purchase the Certificates, you are relying upon the creditworthiness of the Issuer and the Guarantor and have no rights under the Certificates against any other person;

(c) since the Certificates relate to the price of the Underlying Stock, certain events relating to the Underlying Stock may cause adverse movements in the value and the price of the Underlying Stock, as a result of which, the Certificate Holders (as defined in the Conditions of the Certificates) may, in extreme circumstances, sustain a significant loss of their investment if the price of the Underlying Stock has risen sharply on the Expiry Date;

(d) due to their nature, the Certificates can be volatile instruments and may be subject to considerable fluctuations in value. The price of the Certificates may fall in value as rapidly as it may rise due to, including but not limited to, variations in the frequency and magnitude of the changes in the price of the Underlying Stock, the time remaining to expiry, the currency exchange rates and the creditworthiness of the Issuer and the Guarantor;

(e) if, whilst any of the Certificates remain unexercised, trading in the Underlying Stock is suspended or halted on the relevant stock exchange, trading in the Certificates will be suspended for a similar period;

(f) as indicated in the Conditions of the Certificates and herein, a Certificate Holder must tender a specified number of Certificates at any one time in order to exercise. Thus, Certificate Holders with fewer than the specified minimum number of Certificates in a particular series will either have to sell their Certificates or purchase additional Certificates, incurring transactions costs in each case, in order to realise their investment;

(g) investors should note that in the event of there being a Market Disruption Event (as defined in the Conditions) determination or payment of the Cash Settlement Amount (as defined in the Conditions) may be delayed, all as more fully described in the Conditions;

(h) certain events relating to the Underlying Stock require or, as the case may be, permit the Issuer to make certain adjustments or amendments to the Conditions. Investors may refer to the Conditions 4 and 6 on pages 27 to 31 and the examples and illustrations of adjustments set out in the "Information relating to the European Style Cash Settled Short Certificates on Single Equities" section of this document for more information;

(i) the Certificates are only exercisable on the Expiry Date and may not be exercised by Certificate Holders prior to such Expiry Date. Accordingly, if on the Expiry Date the Cash Settlement Amount is zero, a Certificate Holder will lose the value of his investment;

(j) the total return on an investment in any Certificate may be affected by the Hedging Fee Factor (as defined below), Management Fee (as defined below) and Gap Premium (as defined below);

(k) investors holding their position overnight should note that they would be required to bear the annualised cost which consists of the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Inverse Strategy (as described below) including the Stock Borrowing Cost (as defined below) and Rebalancing Cost (as defined below);

(l) investors should note that there may be an exchange rate risk relating to the Certificates where the Cash Settlement Amount is converted from a foreign currency into Singapore dollars.

Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets. These forces are, in turn, affected by factors such as international balances of payments and other economic and financial conditions, government intervention in currency markets and currency trading speculation. Fluctuations in foreign exchange rates, foreign political and economic developments, and the imposition of exchange controls or other foreign governmental laws or restrictions applicable to such investments may affect the foreign currency market price and the exchange rate-adjusted equivalent price of the Certificates. Fluctuations in the exchange rate of any one currency may be offset by fluctuations in the exchange rate of other relevant currencies;

(m) investors should note that there are leveraged risks because the Certificates integrate an inverse leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock;

(n) when held for longer than a day, the performance of the Certificates could be more or less than the leverage factor that is embedded within the Certificates. The performance of the Certificates each day is locked in, and any subsequent returns are based on what was achieved the previous day. This process, referred to as compounding, may lead to a performance difference from 5 times the inverse performance of the Underlying Stock over a period longer than one day. This difference may be amplified in a volatile market with a sideway trend, where market movements are not clear in direction, whereby investors may sustain substantial losses;

(o) investors should note that the Air Bag Mechanism (as defined below) reduces the impact on the Leverage Inverse Strategy if the Underlying Stock rises further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to fall after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses;

(p) there is no assurance that the Air Bag Mechanism will prevent investors from losing the entire value of their investment, in the event of (i) an overnight increase in the Underlying Stock, where there is a 20% or greater gap between the previous day closing price and the opening price of the Underlying Stock the following day, as the Air Bag Mechanism will only be triggered when market opens the following day or (ii) a sharp intraday increase in the price of the Underlying Stock of 20% or greater (comparative to the previous closing price of the Underlying Stock or the previous observed price in case of an air bag previously on the same day) during the Observation Period. Investors may refer to pages 46 to 47 of this document for more information;

(q) certain events may, pursuant to the terms and conditions of the Certificates, trigger (i) the implementation of methods of adjustment or (ii) the early termination of the Certificates. The Issuer will give the investors reasonable notice of any early termination. If the Issuer terminates the Certificates early, then the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of the Certificate less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. The performance of this commitment shall depend on (i) general market conditions and (ii) the liquidity conditions of the underlying instrument(s) and, as the case may be, of any other hedging transactions. Investors should note that the amount repaid by the Issuer may be less than the amount initially invested. Investors may refer to the Condition 13 on pages 33 to 35 of this document for more information;

(r) there is no assurance that an active trading market for the Certificates will sustain throughout the life of the Certificates, or if it does sustain, it may be due to market making on the part of the Designated Market Maker. The Issuer acting through its Designated Market Maker may be the only market participant buying and selling the Certificates. Therefore, the secondary market for the Certificates may be limited and you may not be able to realise the value of the Certificates. Do note that the bid-ask spread increases with illiquidity;

(s) in the ordinary course of their business, including without limitation, in connection with the Issuer or its appointed designated market maker's market making activities, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may effect transactions for their own account or for the account of their customers and hold long or short positions in the Underlying Stock. In addition, in connection with the offering of any Certificates, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may enter into one or more hedging transactions with respect to the Underlying Stock. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Issuer, the Guarantor and any of their respective subsidiaries and affiliates, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may enter into transactions in the Underlying Stock which may affect the market price, liquidity or value of the Certificates and which may affect the interests of Certificate Holders;

(t) various potential and actual conflicts of interest may arise from the overall activities of the Issuer, the Guarantor and/or any of their subsidiaries and affiliates.

The Issuer, the Guarantor and any of their subsidiaries and affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and investment and other activities for their own account or the account of others. In addition, the Issuer, the Guarantor and any of their subsidiaries and affiliates, in connection with their other business activities, may possess or acquire material information about the Underlying Stock. Such activities and information may involve or otherwise affect issuers of the Underlying Stock in a manner that may cause consequences adverse to the Certificate Holders or otherwise create conflicts of interests in connection with the issue of Certificates by the Issuer. Such actions and conflicts may include, without limitation, the exercise of voting power, the purchase and sale of securities, financial advisory relationships and exercise of creditor rights. The Issuer, the Guarantor and any of their subsidiaries and affiliates have no obligation to disclose such information about the Underlying Stock or such activities. The Issuer, the Guarantor and any of their subsidiaries and affiliates and their officers and directors may engage in any such activities without regard to the issue of Certificates by the Issuer or the effect that such activities may directly or indirectly have on any Certificate;

(u) legal considerations which may restrict the possibility of certain investments:

Some investors' investment activities are subject to specific laws and regulations or laws and regulations currently being considered by various authorities. All potential investors must consult their own legal advisers to check whether and to what extent (i) they can legally purchase the Certificates (ii) the Certificates can be used as collateral security for various forms of borrowing (iii) if other restrictions apply to the purchase of Certificates or their use as collateral security. Financial institutions must consult their legal advisers or regulators to determine the appropriate treatment of the Certificates under any applicable risk-based capital or similar rules;

(v) the credit rating of the Guarantor is an assessment of its ability to pay obligations, including those on the Certificates. Consequently, actual or anticipated declines in the credit rating of the Guarantor may affect the market value of the Certificates;

(w) the Certificates are linked to the Underlying Stock and subject to the risk that the price of the Underlying Stock may rise. The following is a list of some of the significant risks associated with the Underlying Stock:

- Historical performance of the Underlying Stock does not give an indication of future performance of the Underlying Stock. It is impossible to predict whether the price of the Underlying Stock will fall or rise over the term of the Certificates; and
- The price of the Underlying Stock may be affected by the economic, financial and political events in one or more jurisdictions, including the stock exchange(s) or quotation system(s) on which the Underlying Stock may be traded;

(x) the value of the Certificates depends on the Leverage Inverse Strategy performance built in the Certificate. The Calculation Agent will make the Leverage Inverse Strategy last closing level and a calculation tool available to the investors on a website;

(y) two or more risk factors may simultaneously have an effect on the value of a Certificate such that the effect of any individual risk factor may not be predicted. No assurance can be given as to the effect any combination of risk factors may have on the value of a Certificate;

(z) as the Certificates are represented by a global warrant certificate which will be deposited with The Central Depository (Pte) Limited ("**CDP**"):

(i) investors should note that no definitive certificate will be issued in relation to the Certificates;

(ii) there will be no register of Certificate Holders and each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates by way of interest (to the extent of such number) in the global warrant certificate in respect of those Certificates represented thereby shall be treated as the holder of such number of Certificates;

(iii) investors will need to rely on any statements received from their brokers/custodians as evidence of their interest in the Certificates; and

(iv) notices to such Certificate Holders will be published on the web-site of the SGX-ST. Investors will need to check the web-site of the SGX-ST regularly and/or rely on their brokers/custodians to obtain such notices;

(aa) the US Foreign Account Tax Compliance Act ("**FATCA**") withholding risk:

FATCA generally imposes a 30 per cent. withholding tax on certain U.S.-source payments to certain non-US persons that do provide certification of their compliance with IRS rules to disclose the identity of their US owners and account holders (if any) or establish a basis for exemption for such disclosure. The Issuer is subject to FATCA and, as a result, is required to obtain certification from investors that they have complied with FATCA disclosure requirements or have established a basis for exemption from FATCA. If an investor does not provide us with such certification, the Issuer and the Guarantor could be required to withhold U.S. tax on U.S.-source income (if any) paid pursuant to the Certificates. In certain cases, the Issuer could be required to close an account of an investor who does not comply with the FATCA certification procedures.

FATCA IS PARTICULARLY COMPLEX. EACH INVESTOR SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO DETERMINE HOW THIS LEGISLATION MIGHT AFFECT EACH INVESTOR IN ITS PARTICULAR CIRCUMSTANCES;

(bb) U.S. withholding tax

U.S. Treasury regulations issued under Section 871(m) of the U.S. Internal Revenue Code of 1986 ("**Section 871(m) Regulations**") generally impose a 30% withholding tax on dividend equivalents paid or deemed paid to a non-United States holder as defined pursuant to Section 871(m) Regulations (a "**Non-U.S. Holder**") with respect to certain financial instruments linked to U.S. equities or indices that include U.S. equities ("**U.S. Underlying Equities**"). The 30% withholding tax on dividend equivalents paid or deemed paid to Non-U.S. Holders may be reduced by an applicable tax treaty, eligible for credit against other U.S. tax liabilities or refunded, provided that the beneficial owner claims a credit or refund from the United States Internal Revenue Service ("**IRS**") in a timely manner, but the Issuer makes no assessment as to whether any such tax credits will be available to Non-U.S. Holders.

Specifically, Section 871(m) Regulations will generally apply to Certificates the pricing date of which occurs from 1 January 2017 and that substantially replicate the economic performance of one or more U.S. Underlying Equity(ies) as determined by the Issuer on the date for such Certificates as of which the expected delta of the product is determined by the Issuer (such date being the "pricing date") based on tests in accordance with the applicable Section 871(m) Regulations (for the purposes of the Notice, such Certificates are deemed "delta-one" instruments) ("**Specified Certificates**"). If one or more of the U.S. Underlying Equities are expected to pay dividends during the term of the Specified Certificates, withholding generally will still be required even if the Specified Certificate does not provide for payments explicitly linked to dividends. Even where a Certificate is a Specified Certificate, no tax should be imposed under Section 871(m) as long as either (1) no dividend is paid with respect to any U.S. Underlying Equity during the term of the Certificates or (2) both (x) no additional amount is paid to the holder of a Certificate in respect of any such dividend and (y) as estimated by the Issuer (with the meaning of Treas. Reg. § 1.871-15(i)(2)(iii)) at the time of issuance the amount of all such dividends will be zero (Zero Estimated Dividends Certificates). In such case, the Issuer will estimate the amount of dividends to be paid with respect to U.S. Underlying Equities for all periods during the term of the Certificates to be zero and will not make any adjustments for dividends, including extraordinary dividends, that are taxable as dividend for U.S. federal income tax purposes, and thus there should be no tax imposed under section 871(m) on the Certificates even if one or more dividends are paid with respect to a U.S. Underlying Equity.

Certificates linked to U.S. Underlying Equities which the Issuer has determined not to be a Specified Certificate will not be subject to withholding tax under Section 871(m) Regulations. In withholding this tax, the Issuer will regularly apply the general tax rate of 30% to the payments subject to U.S. provisions (or amounts deemed payments) without regard to any applicable treaty rate. Therefore, in such cases, an investor's individual tax situation will not be taken into account.

The Issuer has determined that generally Certificates should not be "delta-one" transactions within the meaning of the relevant notices and, therefore, should not be Specified Certificates subject to withholding tax under Section 871(m) Regulations. Investors are advised that the Issuer's determination is binding on all Non-U.S. Holders of the Certificates, but it is not binding on the IRS and the IRS may therefore disagree with the Issuer's determination.

The rules of Section 871(m) Regulations require complex calculations in respect of the instruments that include U.S. Underlying Equities and application of these rules to a specific issue of Certificates may be uncertain. **Consequently the IRS may determine they are to be applied even if the Issuer initially assumed the rules would not apply. There is a risk in such case that holders of the Certificates are subject to withholding tax ex post.**

As neither the Issuer nor the withholding agent will be required to gross up any amounts withheld in connection with a Specified Certificate, holders will receive smaller payments in such case than they would have received without withholding tax being imposed.

**Investors should consult their tax adviser regarding the potential application of Section 871(m) Regulations to their investment in the Certificates; and**

(cc) risk factors relating to the BRRD

*French law and European legislation regarding the resolution of financial institutions may require the write-down or conversion to equity of the Certificates or other resolution measures if the Issuer or the Guarantor is deemed to meet the conditions for resolution*

Directive 2014/59/EU of the European Parliament and of the Council of the European Union dated 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (the "**BRRD**") entered into force on 2 July 2014. As a Directive, the BRRD is not directly applicable in France and had to be transposed into national legislation. The French ordonnance No. 2015-1024 of 20 August 2015 transposed the BRRD into French law and amended the French Code monétaire et financier for this purpose. The French ordonnance has been ratified by law no. 2016-1691 dated 9 December 2016 (Loi n°2016-1691 du 9 décembre 2016 relative à la transparence, à la lutte contre la corruption et à la modernisation de la vie économique) which also incorporates provisions which clarify the implementation of the BRRD.

The stated aim of the BRRD and Regulation (EU) No. 806/2014 of the European Parliament and of the Council of the European Union of 15 July 2014 (the "**SRM Regulation**") is to provide for the establishment of an EU-wide framework for the recovery and resolution of credit institutions, investment firms, certain financial institutions and certain holding companies (each a relevant entity). The regime provided for by the BRRD is, among other things, stated to be needed to provide the authority designated by each EU Member State (the "**Resolution Authority**") with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing relevant entity so as to ensure the continuity of the relevant entity's critical financial and economic functions while minimising the impact of a relevant entity's failure on the economy and financial system (including taxpayers' exposure to losses).

Under the SRM Regulation a centralised power of resolution is established and entrusted to the Single Resolution Board (the "**SRB"**) and to the national resolution authorities.

The powers provided to the Resolution Authority in the BRRD and the SRM Regulation include write-down/conversion powers to ensure that capital instruments (including subordinated debt instruments) and eligible liabilities (including senior debt instruments if junior instruments prove insufficient to absorb all losses) absorb losses of the issuing relevant entity under resolution in accordance with a set order of priority (the "**Bail-in Tool**").

The conditions for resolution under the French Code monétaire et financier implementing the BRRD are deemed to be met when: (i) the Resolution Authority or the relevant supervisory authority determines that the relevant entity is failing or is likely to fail, (ii) there is no reasonable prospect that any measure other than a resolution measure would prevent the failure within a reasonable timeframe, and (iii) a resolution measure is necessary for the achievement of the resolution objectives (in particular, ensuring the continuity of critical functions, avoiding a significant adverse effect on the financial system, protecting public funds by minimising reliance on extraordinary public financial support, and protecting client funds and assets) and winding up of the relevant entity under normal insolvency proceedings would not meet those resolution objectives to the same extent.

The Resolution Authority could also, independently of a resolution measure or in combination with a resolution measure where the conditions for resolution are met, write-down or convert capital instruments (including subordinated debt instruments) into equity when it determines that the relevant entity or its group will no longer be viable unless such write down or conversion power is exercised or when the relevant entity requires extraordinary public financial support (except when extraordinary public financial support is provided in the form defined in Article L. 613-48 III, 3° of the French Code monétaire et financier).

The Bail-in Tool or the exercise of write-down/conversion powers by the Resolution Authority with respect to capital instruments (including subordinated debt instruments) could result in the full (i.e., to zero) or partial write-down or conversion of the Certificates into ordinary shares or other instruments of ownership, or the variation of the terms of the Certificates (for example, the maturity and/or interest payable may be altered and/or a temporary suspension of payments may be ordered). Extraordinary public financial support should only be used as a last resort after having assessed and applied, to the maximum extent practicable, the resolutions measures, including the Bail-in Tool. In addition, if the Issuer's or the Guarantor's financial condition deteriorates, the existence of the Bail-in Tool could cause the market price or value of the Certificates to decline more rapidly than would be the case in the absence of such power.

In addition to the Bail-in Tool, the BRRD provides the Resolution Authority with broader powers to implement other resolution measures with respect to relevant entities that meet the conditions for resolution, which may include (without limitation) the sale of the relevant entity's business, the creation of a bridge institution, the separation of assets, the replacement or substitution of the institution as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments), removing management, appointing an interim administrator, and discontinuing the listing and admission to trading of financial instruments.

Before taking a resolution measure or exercising the power to write down or convert relevant capital instruments, the Resolution Authority must ensure that a fair, prudent and realistic valuation of the assets and liabilities of the institution is carried out by a person independent from any public authority.

Since 1 January 2016, French credit institutions (such as the Issuer and the Guarantor) have to meet, at all times, a minimum requirement for own funds and eligible liabilities ("**MREL**") pursuant to Article L. 613-44 of the French Code monétaire et financier. The MREL, which is expressed as a percentage of the total liabilities and own funds of the institution, aims at avoiding institutions to structure their liabilities in a manner that impedes the effectiveness of the Bail-in Tool. From January 2019, G-SIBs (global systemically important banks) such as the Issuer and the Guarantor will also have to comply with the total loss absorbing capacity (TLAC) requirements.

In accordance with the provisions of the SRM Regulation, when applicable, the SRB, has replaced the national resolution authorities designated under the BRRD with respect to all aspects relating to the decision-making process and the national resolution authorities designated under the BRRD continue to carry out activities relating to the implementation of resolution schemes adopted by the SRB. The provisions relating to the cooperation between the SRB and the national resolution authorities for the preparation of the banks' resolution plans have applied since 1 January 2015 and the SRM has been fully operational since 1 January 2016.

The application of any resolution measure under the French BRRD implementing provisions or any suggestion of such application with respect to the Issuer, the Guarantor or the Group could materially adversely affect the rights of Certificate Holders, the price or value of an investment in the Certificates and/or the ability of the Issuer or the Guarantor to satisfy its obligations under the Certificates, and as a result investors may lose their entire investment.

Moreover, if the Issuer's or the Guarantor's financial condition deteriorates, the existence of the Bail-in Tool or the exercise of write-down/conversion powers by the Resolution Authority independently of a resolution measure with respect to capital instruments (including subordinated debt instruments) or in combination with a resolution measure when it determines that the institution or its group will no longer be viable could cause the market price or value of the Certificates to decline more rapidly than would be the case in the absence of such powers.

*Implementation of BRRD in Luxembourg*

The BRRD was implemented by the Luxembourg act dated 18 December 2015 (the "**BRR Act 2015**"). Under the BRR Act 2015, the competent authority is the CSSF and the resolution authority is the CSSF acting as Resolution Council (le Conseil de *résolution*).

The BRR Act 2015 provides for certain resolution measures, including the power to impose in certain circumstances a suspension of activities. Any suspension of activities can, to the extent determined by the CSSF, result in the partial or complete suspension of the performance of agreements entered into by a Luxembourg incorporated credit institution or investment firm. The BRR Act 2015 also grants the power to the Resolution Council to take a number of resolution measures including (i) a forced sale of a Luxembourg incorporated credit institution or investment firm (sale of business), (ii) the establishment of a bridge institution or, (iii) the forced transfer of all or part of the assets, rights or obligations of a Luxembourg incorporated credit institution or investment firm (asset separation) and (iv) the application of the general bail-in tool. The powers set out in the BRR Act 2015 will impact how credit institutions, investment firms or relevant financial institutions (such as SG Issuer) established in Luxembourg, are managed as well as, in certain circumstances, the rights of creditors.

If the general bail-in tool and the statutory write-down and conversion power become applicable to SG Issuer, the Certificates may be subject to write-down or conversion into equity (ordinary shares or other instrument of ownership) on any application of the bail-in tool, which may result in such Certificates' holders losing some or all of their investment (notably, the amount of the outstanding may be reduced, including to zero). Subject to certain conditions, the terms of the obligations owed under the Certificates may also be varied by the Resolution Council (e.g. as to maturity, interest and interest payment dates). The exercise of any power under the BRR Act 2015 or any suggestion of such exercise could materially adversely affect the rights of the holders of the Certificates, the price or value of their investment in any Certificates and/or the ability of SG Issuer to satisfy its obligations under any Certificate.

Regulation (EU) no. 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of significant credit institutions and financial groups, in the framework of a Single Resolution Mechanism and a Single Resolution Fund, established a centralised power of resolution and entrusted to a Single Resolution Board and to the national resolution authorities of participating EU Member States (including Luxembourg and the CSSF through the Resolution Council). Since 1 January 2015, the Single Resolution Board works in close cooperation with the Resolution Council, in particular in relation to the elaboration of resolution planning, and has assumed full resolution powers since 1 January 2016.

## TERMS AND CONDITIONS OF THE CERTIFICATES

*The following are the terms and conditions of the Certificates and should be read in conjunction with, and are qualified by reference to, the other information set out in this document, the Base Listing Document and the Addendum.*

The Conditions are set out in the section headed "Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities" in the Addendum. For the purposes of the Conditions, the following terms shall have the following meanings:

| | |
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| Certificates: | 2,700,000 European Style Cash Settled Short Certificates relating to the ordinary shares of Tencent Holdings Limited (the **"Underlying Stock"**) |
| Company: | Tencent Holdings Limited (RIC: 0700.HK) |
| Underlying Price[3] and Source: | HK$292.40 (Reuters) |
| Calculation Agent: | Société Générale |
| Strike Level: | Zero |
| Daily Leverage: | -5x (within the Leverage Inverse Strategy as described below) |
| Notional Amount per Certificate: | SGD 2.20 |
| Management Fee (p.a.)[4]: | 0.40% |
| Gap Premium (p.a.)[5]: | 4.60%, is a hedging cost against extreme market movements overnight. |
| Stock Borrowing Cost[6]: | The annualised costs for borrowing stocks in order to take an inverse exposure on the Underlying Stock. |
| Rebalancing Cost[6]: | The transaction costs (if applicable), computed as a function of leverage and daily inverse performance of the Underlying Stock. |
| Launch Date: | 31 October 2018 |
| Closing Date: | 5 November 2018 |
| Expected Listing Date: | 7 November 2018 |

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[3] These figures are calculated as at, and based on information available to the Issuer on or about 5 November 2018. The Issuer is not obliged, and undertakes no responsibility to any person, to update or inform any person of any changes to the figures after 5 November 2018.

[4] Please note that the Management Fee is calculated on a 360-day basis and may be increased up to a maximum of 3% p.a. on giving one month's notice to investors. Any increase in the Management Fee will be announced on the SGXNET. Please refer to "Fees and Charges" below for further details of the fees and charges payable and the maximum of such fees as well as other ongoing expenses that may be borne by the Certificates.

[5] Please note that the Gap Premium is calculated on a 360-day basis.

[6] These costs are embedded within the Leverage Inverse Strategy. Please note that the Stock Borrowing Cost may be changed on giving 5 Business Days' notice to investors. Any change in the Stock Borrowing Cost will be announced on the SGXNET.

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| Last Trading Date: | The date falling 5 Business Days immediately preceding the Expiry Date, currently being 28 October 2021 |
| Expiry Date: | 5 November 2021 (if the Expiry Date is not a Business Day, then the Expiry Date shall fall on the preceding Business Day and subject to adjustment of the Valuation Date upon the occurrence of Market Disruption Events as set out in the Conditions of the Certificates) |
| Board Lot: | 100 Certificates |
| Valuation Date: | 3 November 2021 or if such day is not an Exchange Business Day, the immediately preceding Exchange Business Day. |
| Exercise: | The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates. |
| Cash Settlement Amount: | In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:<br><br>Closing Level multiplied by the Notional Amount per Certificate<br><br>Please refer to the "Information relating to the European Style Cash Settled Short Certificates on Single Equities" section on pages 38 to 52 of this document for examples and illustrations of the calculation of the Cash Settlement Amount. |
| Hedging Fee Factor: | In respect of each Certificate, shall be an amount calculated as: Product (for t from 1 to Valuation Date) of (1 – Management Fee x (ACT (t-1;t) ÷ 360)) x (1 – Gap Premium (t-1) x (ACT (t-1;t) ÷ 360)), where:<br><br>"**t**" refers to "**Observation Date**" which means each Underlying Stock Business Day from (and including) the Underlying Stock Business Day immediately preceding the Expected Listing Date to the Valuation Date; and |

ACT (t-1;t) means the number of calendar days between the Underlying Stock Business Day immediately preceding the Observation Date (which is “t-1”) (included) and the Observation Date (which is “t”) (excluded).

An “**Underlying Stock Business Day**” is a day on which The Stock Exchange of Hong Kong Limited (the “**HKEX**”) is open for dealings in Hong Kong during its normal trading hours and banks are open for business in Hong Kong.

Please refer to the “Information relating to the European Style Cash Settled Short Certificates on Single Equities” section on pages 38 to 52 of this document for examples and illustrations of the calculation of the Hedging Fee Factor.

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| Closing Level: | In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to: $$\left(\frac{\text{Final Reference Level} \times \text{Final Exchange Rate}}{\text{Initial Reference Level} \times \text{Initial Exchange Rate}} - \text{Strike Level}\right) \times \text{Hedging Fee Factor}$$ |
| Initial Reference Level: | 1,000 |
| Final Reference Level: | The closing level of the Leverage Inverse Strategy (as described below) on the Valuation Date<br><br>The calculation of the closing level of the Leverage Inverse Strategy is set out in the “Specific Definitions relating to the Leverage Inverse Strategy” section on pages 19 to 22 below. |
| Initial Exchange Rate[3]: | 0.1757 |
| Final Exchange Rate: | The rate for the conversion of HKD to SGD as at 5:00pm (Singapore Time) on the Valuation Date as shown on Reuters, provided that if the Reuters service ceases to display such information, as determined by the Issuer by reference to such source(s) as the Issuer may reasonably determine to be appropriate at such a time. |
| Air Bag Mechanism: | The “**Air Bag Mechanism**” refers to the mechanism built in the Leverage Inverse Strategy and which is designed to reduce the Leverage Inverse Strategy exposure to the Underlying Stock during extreme market conditions. If the Underlying Stock rises by 15% or more (“**Air Bag Trigger Price**”) during the trading day (which represents approximately 75% loss after a 5 times inverse leverage), the Air Bag Mechanism is triggered and the Leverage Inverse Strategy is adjusted intra-day. The Air Bag Mechanism reduces the impact on the Leverage Inverse Strategy if the Underlying Stock rises further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to fall after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses.<br><br>Trading of Certificates is suspended for at least 30 minutes after the Air Bag is triggered. |

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| | The Leverage Inverse Strategy is floored at 0 and the Certificates cannot be valued below zero.<br><br>Please refer to the "Extraordinary Strategy Adjustment for Performance Reasons ("Air Bag Mechanism")" section on pages 20 to 22 below and the "Description of Air Bag Mechanism" section on pages 44 to 45 of this document for further information of the Air Bag Mechanism. |
| Underlying Stock Currency: | Hong Kong Dollar ("**HKD**") |
| Settlement Currency: | Singapore Dollar ("**SGD**") |
| Exercise Expenses: | Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates. |
| Relevant Stock Exchange for the Certificates: | The Singapore Exchange Securities Trading Limited ("**SGX-ST**") |
| Relevant Stock Exchange for the Underlying Stock: | HKEX |
| Business Day and Exchange Business Day: | A "**Business Day**" is a day on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore.<br><br>An "**Exchange Business Day**" is a day on which the SGX-ST and the HKEX are open for dealings in Singapore and Hong Kong respectively during its normal trading hours and banks are open for business in Singapore and Hong Kong. |
| Warrant Agent: | The Central Depository (Pte) Limited ("**CDP**") |
| Clearing System: | CDP |
| Fees and Charges: | Normal transaction and brokerage fees shall apply to the trading of the Certificates on the SGX-ST. Investors should note that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred. Investors who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, investors should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time.<br><br>Investors holding position overnight would also be required to bear the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Inverse Strategy including the Stock Borrowing Cost and Rebalancing Cost. The Management Fee may be increased up to a maximum of 3% p.a. on giving one month's notice to investors in accordance with the terms and conditions of |

the Certificates. Any increase in the Management Fee will be announced on the SGXNET.

Further Information: Please refer to the website at dlc.socgen.com for more information on the theoretical closing price of the Certificates on the previous trading day, the closing price of the Underlying Stock on the previous trading day, the Air Bag Trigger Price for each trading day and the Management Fee and Gap Premium.

## Specific Definitions relating to the Leverage Inverse Strategy

### ***Description of the Leverage Inverse Strategy***

The Leverage Inverse Strategy is designed to track a 5 times daily leveraged inverse exposure to the Underlying Stock.

At the end of each trading day of the Underlying Stock, the exposure of the Leverage Inverse Strategy to the Underlying Stock is reset within the Leverage Inverse Strategy in order to retain a daily leverage of 5 times the inverse performance of the Underlying Stock (excluding costs) regardless of the performance of the Underlying Stock on the preceding day. This mechanism is referred to as the Daily Reset.

The Leverage Inverse Strategy incorporates an air bag mechanism which is designed to reduce exposure to the Underlying Stock during extreme market conditions, as further described below.

### ***Leverage Inverse Strategy Formula***

$\mathbf{LSL_t}$ means, for any Observation Date(t), the Leverage Inverse Strategy Closing Level as of such day (t).

Subject to the occurrence of an Intraday Restrike Event, the **Leverage Inverse Strategy Closing Level** as of such Observation Date(t) is calculated in accordance with the following formulae:

On Observation Date(1):

$\mathrm{LSL_1} = 1000$

On each subsequent Observation Date(t):

$$\mathrm{LSL_t} = \mathrm{Max}\left[\mathrm{LSL_{t-1}} \times \left(1 + \mathrm{LR_{t-1,t}} - \mathrm{FC_{t-1,t}} - \mathrm{SB_{t-1,t}} - \mathrm{RC_{t-1,t}}\right), 0\right]$$

$\mathbf{LR_{t-1,t}}$ means the Leveraged Return of the Underlying Stock between Observation Date(t-1) and Observation Date(t) closing prices, calculated as follows:

$$\mathrm{LR_{t\text{-}1,t}} = \mathrm{Leverage} \times \left(\frac{\mathrm{S_t}}{\mathrm{S_{t\text{-}1}} \times \mathrm{Rfactor_t}} - 1\right)$$

$\mathbf{FC_{t-1,t}}$ means, the Funding Cost between Observation Date(t-1) (included) and Observation Date(t) (excluded) calculated as follows :

$$\mathrm{FC_{t-1,t}} = (\mathrm{Leverage} - 1) \times \frac{\mathrm{Rate_{t-1}} \times \mathrm{ACT}(t-1,t)}{\mathrm{DayCountBasisRate}}$$

$\mathbf{SB_{t-1,t}}$ means the Stock Borrowing Cost between Observation Date(t-1) (included) and

Observation Date(t) (excluded) calculated as follows :

$$\mathrm{SB}_{t-1,t} = -\mathrm{Leverage} \times \frac{\mathrm{CB} \times \mathrm{ACT}(t-1,t)}{\mathrm{DayCountBasisRate}}$$

**CB** means the Cost of Borrowing applicable that is equal to :0.02

$\mathbf{RC_{t-1,t}}$ means the Rebalancing Cost of the Leverage Inverse Strategy on Observation Date (t), calculated as follows :

$$\mathrm{RC}_{t-1,t} = \mathrm{Leverage} \times (\mathrm{Leverage} - 1) \times \left(\left|\frac{S_t}{S_{t-1} \times Rfactor_t} - 1\right|\right) \times \mathrm{TC}$$

**TC** means the Transaction Costs applicable (including Stamp Duty) that are equal to :

0.10%

**Leverage** -5

$\mathbf{S_t}$ means, in respect of each Observation Date(t), the Closing Price of the Underlying Stock as of such Observation Date(t), subject to the adjustments and provisions of the Conditions.

$\mathbf{Rate_t}$ means, in respect of each Observation Date(t), the Overnight HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC HIHKDOND= or any successor page.

$\mathbf{Rfactor_t}$ means, in the event Observation Date (t) is an ex-dividend date of the Underlying Stock, an amount determined by the Calculation Agent, subject to the adjustments and provisions of the Conditions, according to the following formula :

$$Rfactor_t = 1 - \frac{Div_t}{\mathbf{S_{t-1}}}$$

where

$Div_t$ is the dividend to be paid out in respect of the Underlying Stock and the relevant ex-dividend date which shall be considered gross of any applicable withholding taxes.

**ACT(t-1,t)** ACT (t-1;t) means the number of calendar days between the Underlying Stock Business Day immediately preceding the Observation Date (which is “t-1”) (included) and the Observation Date (which is “t”) (excluded).

**DayCount BasisRate** 365

***Extraordinary Strategy Adjustment for Performance Reasons (“Air Bag Mechanism”)***

**Extraordinary Strategy Adjustment for Performance Reasons** If the Calculation Agent determines that an Intraday Restrike Event has occurred during an Observation Date(t) (the **Intraday Restrike Date,** noted hereafter **IRD**), an adjustment (an **Extraordinary Strategy Adjustment for Performance Reasons**) shall take place during such Observation Date(t) in accordance with the following provisions.

(1) Provided the last Intraday Restrike Observation Period as of such Intraday Restrike Date does not end on the TimeReferenceClosing, the Leverage Inverse Strategy Closing Level on the Intraday Restrike Date $(\mathrm{LSL}_{\mathrm{IRD}})$ should be computed as follows :

$$\mathrm{LSL}_{\mathrm{IRD}} = \mathrm{Max}\left[\mathrm{ILSL}_{\mathrm{IR(n)}} \times \left(1 + \mathrm{ILR}_{\mathrm{IR(n),IR(C)}} - \mathrm{IRC}_{\mathrm{IR(n),IR(C)}}\right), 0\right]$$

(2) If the last Intraday Restrike Event Observation Period on the relevant Intraday Restrike Date ends on the TimeReferenceClosing:

$$\mathrm{LSL}_{\mathrm{IRD}} = \mathrm{Max}\left[\mathrm{ILSL}_{\mathrm{IR(n)}}, 0\right]$$

**$\mathbf{ILSL_{IR(k)}}$**

means, in respect of IR(k), the Intraday Leverage Inverse Strategy Level in accordance with the following provisions :

(1) for k = 1 :

$$\mathrm{ILSL}_{\mathrm{IR(1)}} = \mathrm{Max}\left[\mathrm{LSL}_{\mathrm{IRD\text{-}1}} \times \left(1 + \mathrm{ILR}_{\mathrm{IR(0),IR(1)}} - \mathrm{FC}_{\mathrm{IRD\text{-}1,IRD}} - \mathrm{SB}_{\mathrm{IRD\text{-}1,IRD}} - \mathrm{IRC}_{\mathrm{IR(0),IR(1)}}\right), 0\right]$$

(2) for k > 1 :

$$\mathrm{ILSL}_{\mathrm{IR(k)}} = \mathrm{Max}\left[\mathrm{ILSL}_{\mathrm{IR(k-1)}} \times \left(1 + \mathrm{ILR}_{\mathrm{IR(k-1),IR(k)}} - \mathrm{IRC}_{\mathrm{IR(k-1),IR(k)}}\right), 0\right]$$

**$\mathbf{ILR_{IR(k-1),IR(k)}}$**

means the Intraday Leveraged Return between IR(k-1) and IR(k), calculated as follows :

$$\mathrm{ILR}_{\mathrm{IR(k-1),IR(k)}} = \mathrm{Leverage} \times \left(\frac{\mathrm{IS}_{\mathrm{IR(k)}}}{\mathrm{IS}_{\mathrm{IR(k-1)}}} - 1\right)$$

**$\mathbf{IRC_{IR(k-1),IR(k)}}$**

means the Intraday Rebalancing Cost of the Leverage Inverse Strategy in respect of IR(k) on a given Intraday Restrike Date, calculated as follows :

$$\mathrm{IRC}_{\mathrm{IR(k-1),IR(k)}} = \mathrm{Leverage} \times (\mathrm{Leverage} - 1) \times \left(\left|\frac{\mathrm{IS}_{\mathrm{IR(k)}}}{\mathrm{IS}_{\mathrm{IR(k-1)}} \times \mathrm{Rfactor}_t} - 1\right|\right) \times \mathrm{TC}$$

**$\mathbf{IS_{IR(k)}}$**

means the Underlying Stock Price in respect of IR(k) computed as follows :

(1) for k=0

$$\mathrm{iS}_{\mathrm{IR(0)}} = \mathrm{S}_{\mathrm{IRD-1}} \times \mathrm{Rfactor}_{\mathrm{IRD}}$$

(2) for k=1 to n

means in respect of IR(k), the lowest price of the Underlying Stock during the respective Intraday Restrike Observation Period

(3) with respect to IR(C)

$$\mathrm{iS}_{\mathrm{IR(C)}} = \mathrm{S}_{\mathrm{IRD}}$$

In each case, subject to the adjustments and provisions of the Conditions.

**IR(k)**

For k=0, means the scheduled close for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on the Observation Date immediately preceding the relevant Intraday Restrike Date;

For k=1 to n, means the $k^{th}$ Intraday Restrike Event on the relevant Intraday Restrike Date.

**IR(C)** means the scheduled close for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on the relevant Intraday Restrike Date.

**n** means the number of Intraday Restrike Events that occurred on the relevant Intraday Restrike Date.

**Intraday Restrike Event** means in respect of an Observation Date(t) :
(1) provided no Intraday Restrike Event has previously occurred on such Observation Date (t), the increase at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price $\mathbf{iS_{IR(0)}}$ as of such Calculation Time.
(2) if k Intraday Restrike Events have occurred on the relevant Intraday Restrike Date, the increase at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price $\mathbf{iS_{IR(k)}}$ as of such Calculation Time.

**Calculation Time** means any time between the TimeReferenceOpening and the TimeReferenceClosing, provided that the relevant data is available to enable the Calculation Agent to determine the Leverage Inverse Strategy Level.

**TimeReferenceOpening** means the scheduled opening time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).

**TimeReferenceClosing** means the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).

**Intraday Restrike Event Observation Period** means in respect of an Intraday Restrike Event, the period starting on and excluding the Intraday Restrike Event Time and finishing on and including the sooner between (1) the time falling 15 minutes after the Intraday Restrike Event Time and (2) the TimeReferenceClosing.
Where, during such period, the Calculation Agent determines that (1) the trading in the Underlying Stock is disrupted or subject to suspension or limitation or (2) the Relevant Stock Exchange for the Underlying Stock is not open for continuous trading, the Intraday Restrike Event Observation Period will be extended to the extent necessary until (1) the trading in the Underlying Stock is no longer disrupted, suspended or limited and (2) the Relevant Stock Exchange for the Underlying Stock is open for continuous trading.

**Intraday Restrike Event Time** means in respect of an Intraday Restrike Event, the Calculation Time on which such event occurs.

*The Conditions set out in the section headed "Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities" in the Addendum are set out below. This section is qualified in its entirety by reference to the detailed information appearing elsewhere in this document which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions set out below, replace or modify the relevant Conditions for the purpose of the Certificates.*

## TERMS AND CONDITIONS OF

## THE EUROPEAN STYLE CASH SETTLED LONG/SHORT CERTIFICATES ON SINGLE EQUITIES

### 1. Form, Status and Guarantee, Transfer and Title

(a) *Form*. The Certificates (which expression shall, unless the context otherwise requires, include any further certificates issued pursuant to Condition 11) are issued subject to and with the benefit of:-

(i) a master instrument by way of deed poll (the "**Master Instrument**") dated 21 June 2018, made by SG Issuer (the "**Issuer**") and Société Générale (the "**Guarantor**"); and

(ii) a warrant agent agreement (the "**Master Warrant Agent Agreement**" or "**Warrant Agent Agreement**") dated any time before or on the Closing Date, made between the Issuer and the Warrant Agent for the Certificates.

Copies of the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement are available for inspection at the specified office of the Warrant Agent.

The holders of the Certificates (the "**Certificate Holders**") are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement.

(b) *Status and Guarantee*. The Certificates constitute direct, general and unsecured obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions). The Certificates provide for cash settlement on exercise. The Certificates do not entitle Certificate Holders to the delivery of any Underlying Stock, are not secured by the Underlying Stock and do not entitle Certificate Holders to any interest in any Underlying Stock.

The due and punctual payment of any amounts due by the Issuer in respect of the Certificates issued by the Issuer is unconditionally and irrevocably guaranteed by the Guarantor as provided in the Guarantee (each such amount payable under the Guarantee, a "**Guarantee Obligation**").

The Guarantee Obligations will constitute direct, unconditional, unsecured and unsubordinated obligations of the Guarantor ranking as senior preferred obligations as provided for in Article L. 613-30-3 I 3° of the French Code *Monétaire et Financier* (the "**Code**").

Such Guarantee Obligations rank and will rank equally and rateably without any preference or priority among themselves and:

(i) *pari passu* with all other direct, unconditional, unsecured and unsubordinated obligations of the Guarantor outstanding as of the date of the entry into force of the law no. 2016-1691 (the “**Law**”) on 11 December 2016;

(ii) *pari passu* with all other present or future direct, unconditional, unsecured and senior preferred obligations (as provided for in Article L. 613-30-3 I 3° of the Code) of the Guarantor issued after the dat of the entry into force of the Law on 11 December 2016;

(iii) junior to all present or future claims of the Guarantor benefiting from the statutorily preferred exceptions; and

(iv) senior to all present and future senior non-preferred obligations (as provided for in Article L.613-30-3 I 4° of the Code) of the Guarantor.

In the event of the failure of the Issuer to promptly perform its obligations to any Certificate Holder under the terms of the Certificates, such Certificate Holder may, but is not obliged to, give written notice to the Guarantor at Société Générale, Tour Société Générale, 75886 Paris Cedex 18, France marked for the attention of SEGL/JUR/OMF - Market Transactions & Financing.

(c) Transfer. The Certificates are represented by a global warrant certificate (“**Global Warrant**”) which will be deposited with The Central Depository (Pte) Limited (“**CDP**”). Certificates in definitive form will not be issued. Transfers of Certificates may be effected only in Board Lots or integral multiples thereof. All transactions in (including transfers of) Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records maintained by CDP.

(d) *Title*. Each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates shall be treated by the Issuer, the Guarantor and the Warrant Agent as the holder and absolute owner of such number of Certificates, notwithstanding any notice to the contrary. The expression “**Certificate Holder**” shall be construed accordingly.

(e) *Bail-In*. By the acquisition of Certificates, each Certificate Holder (which, for the purposes of this Condition, includes any current or future holder of a beneficial interest in the Certificates) acknowledges, accepts, consents and agrees:

(i) to be bound by the effect of the exercise of the Bail-In Power (as defined below) by the Relevant Resolution Authority (as defined below) or the Regulator (as defined below), which may include and result in any of the following, or some combination thereof:

(A) the reduction of all, or a portion, of the Amounts Due (as defined below), on a permanent basis;

(B) the conversion of all, or a portion, of the Amounts Due into shares, other securities or other obligations of the Issuer or another person (and the issue to the Certificate Holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the Conditions of the Certificates, in which case the Certificate Holder agrees to accept in lieu of its rights under the Certificates any such shares, other securities or other obligations of the Issuer or another person;

(C) the cancellation of the Certificates; and/or

(D) the amendment or alteration of the expiration of the Certificates or amendment of the amounts payable on the Certificates, or the date on which the amounts become payable, including by suspending payment for a temporary period; and

(ii) that the terms of the Certificates are subject to, and may be varied, if necessary, to give effect to, the exercise of the Bail-In Power by the Relevant Resolution Authority or the Regulator.

"**Amounts Due**" means any amounts due by the Issuer under the Certificates.

"**Bail-In Power**" means any power existing from time to time under any laws, regulations, rules or requirements in effect in France, relating to the transposition of Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended from time to time, the "**BRRD**"), including without limitation pursuant to French decree-law No. 2015-1024 dated 20 August 2015 (*Ordonnance portant diverses dispositions d'adaptation de la législation au droit de l'Union européenne en matière financière*) (as amended from time to time, the "**20 August 2015 Decree Law**"), Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 (as amended from time to time, the "**Single Resolution Mechanism Regulation**"), or otherwise arising under French law, and in each case the instructions, rules and standards created thereunder, pursuant to which the obligations of a Regulated Entity (or an affiliate of such Regulated Entity) can be reduced (in part or in whole), cancelled, suspended, transferred, varied or otherwise modified in any way, or securities of a Regulated Entity (or an affiliate of such Regulated Entity) can be converted into shares, other securities, or other obligations of such Regulated Entity or any other person, whether in connection with the implementation of a bail-in tool following placement in resolution or otherwise.

"**Regulated Entity**" means any entity referred to in Section I of Article L.613-34 of the French *Code monétaire et financier* as modified by the 20 August 2015 Decree Law, which includes certain credit institutions, investment firms, and certain of their parent or holding companies established in France.

"**Relevant Resolution Authority**" means the *Autorité de contrôle prudentiel et de résolution* (the ACPR), the Single Resolution Board established pursuant to the Single Resolution Mechanism Regulation, and/or any other authority entitled to exercise or participate in the exercise of any Bail-in Power from time to time (including the Council of the European Union and the European Commission when acting pursuant to Article 18 of the Single Resolution Mechanism Regulation).

"**Regulator**" means the European Central Bank and any successor or replacement thereto, or other authority having primary responsibility for the prudential oversight and supervision of the Issuer.

No repayment or payment of the Amounts Due will become due and payable or be paid after the exercise of the Bail-in Power by the Relevant Resolution Authority or the Regulator with respect to the Issuer unless, at the time such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be permitted to be made by the Issuer under the laws and regulations in effect in France and the European Union applicable to the Issuer or other members of its group.

Upon the exercise of any Bail-in Power by the Relevant Resolution Authority or the Regulator with respect to the Certificates, the Issuer will provide a written notice to the Certificate Holders in accordance with Condition 9 as soon as practicable regarding such exercise of the Bail-in Power. Any delay or failure by the Issuer to give notice shall not affect the validity and enforceability of the Bail-in Power nor the effects on the Certificates described above.

Neither a cancellation of the Certificates, a reduction, in part or in full, of the Amounts Due, the conversion thereof into another security or obligation of the Issuer or another person, as a result of the exercise of the Bail-in Power by the Relevant Resolution Authority or the Regulator with respect to the Issuer, nor the exercise of any Bail-in Power by the Relevant Resolution Authority or the Regulator with respect to the Certificates will be an event of default or otherwise constitute non-performance of a contractual obligation, or entitle the Certificate Holder to any remedies (including equitable remedies) which are hereby expressly waived.

If the Relevant Resolution Authority or the Regulator exercises the Bail-in Power with respect to less than the total Amounts Due, unless otherwise instructed by the Issuer or the Relevant Resolution Authority or the Regulator, any cancellation, write-off or conversion made in respect of the Certificates pursuant to the Bail-in Power will be made on a pro-rata basis.

The matters set forth in this Condition shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer and each Certificate Holder. No expenses necessary for the procedures under this Condition, including, but not limited to, those incurred by the Issuer, shall be borne by any Certificate Holder.

## 2. Certificate Rights and Exercise Expenses

(a) *Certificate Rights*. Every Certificate entitles each Certificate Holder, upon due exercise and on compliance with Condition 4, to payment by the Issuer of the Cash Settlement Amount (as defined below) (if any) in the manner set out in Condition 4.

The "**Cash Settlement Amount**", in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to the Closing Level multiplied by the Notional Amount per Certificate.

The "**Closing Level**", in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:

$$\left(\frac{\text{Final Reference Level} \times \text{Final Exchange Rate}}{\text{Initial Reference Level} \times \text{Initial Exchange Rate}} - \text{Strike Level}\right) \times \text{Hedging Fee Factor}$$

If the Issuer determines, in its sole discretion, that on the Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Exchange Business Day on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Exchange Business Days immediately following the original date that, but for the Market Disruption Event, would have been a Valuation Date. In that case:-

(i) that fifth Exchange Business Day shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and

(ii) the Issuer shall determine the Final Reference Level on the basis of its good faith estimate of the Final Reference Level that would have prevailed on that fifth Exchange Business Day but for the Market Disruption Event.

"**Market Disruption Event**" means the occurrence or existence on the Valuation Date of (i) any suspension of trading on the Relevant Stock Exchange of the Underlying Stock requested by the Company if that suspension is, in the determination of the Issuer, material, (ii) any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the Relevant Stock Exchange or any act of God, war, riot, public disorder, explosion, terrorism or otherwise) on the Relevant Stock Exchange in the Underlying Stock if that suspension or limitation is, in the determination of the Issuer, material, or (iii) the closing of the Relevant Stock Exchange or a disruption to trading on the Relevant Stock Exchange if that disruption is, in the determination of the Issuer, material as a result of the occurrence of any act of God, war, riot, public disorder, explosion or terrorism.

(b) *Exercise Expenses*. Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates (the "**Exercise Expenses**"). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount in accordance with Condition 4. Notwithstanding the foregoing, the Certificate Holders shall account to the Issuer on demand for any Exercise Expenses to the extent that they were not or could not be deducted from the Cash Settlement Amount prior to the date of payment of the Cash Settlement Amount to the Certificate Holders in accordance with Condition 4.

(c) No Rights. The purchase of Certificates does not confer on the Certificate Holders any right (whether in respect of voting, dividend or other distributions in respect of the Underlying Stock or otherwise) which the holder of an Underlying Stock may have.

**3. Expiry Date**

Unless automatically exercised in accordance with Condition 4(b), the Certificates shall be deemed to expire at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day (as defined below), the immediately preceding Business Day.

**4. Exercise of Certificates**

(a) *Exercise*. Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in accordance with Condition 4(b).

(b) *Automatic Exercise*. Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) below. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a

Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.

(c) *Settlement*. In respect of Certificates which are automatically exercised in accordance with Condition 4(b), the Issuer will pay to the relevant Certificate Holder the Cash Settlement Amount (if any) in the Settlement Currency. The aggregate Cash Settlement Amount (less any Exercise Expenses) shall be despatched as soon as practicable and no later than five Business Days following the Expiry Date by way of crossed cheque or other payment in immediately available funds drawn in favour of the Certificate Holder only (or, in the case of joint Certificate Holders, the first-named Certificate Holder) appearing in the records maintained by CDP. Any payment made pursuant to this Condition 4(c) shall be delivered at the risk and expense of the Certificate Holder and posted to the Certificate Holder's address appearing in the records maintained by CDP (or, in the case of joint Certificate Holders, to the address of the first-named Certificate Holder appearing in the records maintained by CDP). If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

(d) *CDP not liable*. CDP shall not be liable to any Certificate Holder with respect to any action taken or omitted to be taken by the Issuer or the Warrant Agent in connection with the exercise of the Certificates or otherwise pursuant to or in connection with these Conditions.

(e) *Business Day*. In these Conditions, a "**Business Day**" shall be a day on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore.

## 5. Warrant Agent

(a) *Warrant Agent*. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Warrant Agent and to appoint another Warrant Agent provided that it will at all times maintain a Warrant Agent which, so long as the Certificates are listed on the SGX-ST, shall be in Singapore. Notice of any such termination or appointment and of any change in the specified office of the Warrant Agent will be given to the Certificate Holders in accordance with Condition 9.

(b) *Agent of Issuer*. The Warrant Agent will be acting as agent of the Issuer and will not assume any obligation or duty to or any relationship of agency or trust for the Certificate Holders. All determinations and calculations by the Warrant Agent under these Conditions shall (save in the case of manifest error) be final and binding on the Issuer and the Certificate Holders.

## 6. Adjustments

(a) *Potential Adjustment Event*. Following the declaration by a Company of the terms of any Potential Adjustment Event (as defined below), the Issuer will determine whether such Potential Adjustment Event has a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock and, if so, will (i) make the corresponding adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate to account for that dilutive or concentrative or other effect, and (ii) determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an exchange on which options or futures contracts on the Underlying Stock are traded.

(b) *Definitions*. "**Potential Adjustment Event**" means any of the following:

(i) a subdivision, consolidation, reclassification or other restructuring of the Underlying Stock (excluding a Merger Event) or a free distribution or dividend of any such Underlying Stock to existing holders by way of bonus, capitalisation or similar issue;

(ii) a distribution or dividend to existing holders of the Underlying Stock of (1) such Underlying Stock, or (2) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Company equally or proportionately with such payments to holders of such Underlying Stock, or (3) share capital or other securities of another issuer acquired by the Company as a result of a "spin-off" or other similar transaction, or (4) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price as determined by the Issuer;

(iii) an extraordinary dividend;

(iv) a call by the Company in respect of the Underlying Stock that is not fully paid;

(v) a repurchase by the Company of the Underlying Stock whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;

(vi) with respect to a Company an event that results in any shareholder rights pursuant to a shareholder rights agreement or other plan or arrangement of the type commonly referred to as a "poison pill" being distributed, or becoming separated from shares of common stock or other shares of the capital stock of such Company (provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights); or

(vii) any other event that may have, in the opinion of the Issuer, a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock.

(c) *Merger Event, Tender Offer, Nationalisation and Insolvency*. If a Merger Event, Tender Offer, Nationalisation or Insolvency occurs in relation to the Underlying Stock, the Issuer may take any action described below:

(i) determine the appropriate adjustment, if any, to be made to any one or more of the Conditions to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of the Merger Event, Tender Offer, Nationalisation or Insolvency made by an options exchange to options on the Underlying Stock traded on that options exchange;

(ii) cancel the Certificates by giving notice to the Certificate Holders in accordance with Condition 9. If the Certificates are so cancelled, the Issuer will pay an amount to each Certificate Holder in respect of each Certificate held by such Certificate Holder which amount shall be the fair market value of a Certificate taking into account the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, less the cost to the Issuer and/or any of its affiliates of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its reasonable discretion. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9; or

(iii) following any adjustment to the settlement terms of options on the Underlying Stock on such exchange(s) or trading system(s) or quotation system(s) as the Issuer in its reasonable discretion shall select (the "**Option Reference Source**") make a corresponding adjustment to any one or more of the Conditions, which adjustment will be effective as of the date determined by the Issuer to be the effective date of the corresponding adjustment made by the Option Reference Source. If options on the Underlying Stock are not traded on the Option Reference Source, the Issuer will make such adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate, with reference to the rules and precedents (if any) set by the Option Reference Source, to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, that in the determination of the Issuer would have given rise to an adjustment by the Option Reference Source if such options were so traded.

Once the Issuer determines that its proposed course of action in connection with a Merger Event, Tender Offer, Nationalisation or Insolvency, it shall give notice to the Certificate Holders in accordance with Condition 9 stating the occurrence of the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, giving details thereof and the action proposed to be taken in relation thereto. Certificate Holders should be aware that due to the nature of such events, the Issuer will not make an immediate determination of its proposed course of action or adjustment upon the announcement or occurrence of a Merger Event, Tender Offer, Nationalisation or Insolvency.

(d) *Definitions*. "**Insolvency**" means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Company (i) all the Underlying Stock of that Company is required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Underlying Stock of that Company become legally prohibited from transferring them. "**Merger Date**" means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Issuer. "**Merger Event**" means, in respect of the Underlying Stock, any (i) reclassification or change of such Underlying Stock that results in a transfer of or an irrevocable commitment to transfer all of such Underlying Stock outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of a Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Company is the continuing entity and which does not result in reclassification or change of all of such Underlying Stock outstanding), (iii) takeover offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlying Stock of the Company that results in a transfer of or an irrevocable commitment to transfer all such Underlying Stock (other than such Underlying Stock owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Company or its subsidiaries with or into another entity in which the Company is the continuing entity and which does not result in a reclassification or change of all such Underlying Stock outstanding but results in the outstanding Underlying Stock (other than Underlying Stock owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent.

of the outstanding Underlying Stock immediately following such event, in each case if the Merger Date is on or before the Valuation Date. "**Nationalisation**" means that all the Underlying Stock or all or substantially all of the assets of a Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof. "**Tender Offer**" means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Company, as determined by the Issuer, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Issuer deems relevant.

(e) *Other Adjustments*. Except as provided in this Condition 6 and Conditions 10 and 12, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole discretion and without any obligation whatsoever) to make such adjustments and amendments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion (and notwithstanding any prior adjustment made pursuant to the above) should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such adjustment or, as the case may be, amendment provided that such adjustment or, as the case may be, amendment is considered by the Issuer not to be materially prejudicial to the Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such adjustment or amendment in any particular jurisdiction).

(f) *Notice of Adjustments*. All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Certificate Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 9.

**7. Purchases**

The Issuer, the Guarantor or any of their respective subsidiaries may at any time purchase Certificates at any price in the open market or by tender or by private treaty. Any Certificates so purchased may be held or resold or surrendered for cancellation.

**8. Meetings of Certificate Holders; Modification**

(a) *Meetings of Certificate Holders*. The Master Warrant Agent Agreement or Warrant Agent Agreement contains provisions for convening meetings of the Certificate Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Warrant Agent Agreement or Warrant Agent Agreement) of a modification of the provisions of the Certificates or of the Master Warrant Agent Agreement or Warrant Agent Agreement.

At least 21 days' notice (exclusive of the day on which the notice is given and of the day on which the meeting is held) specifying the date, time and place of the meeting shall be given to the Certificate Holders.

Such a meeting may be convened by the Issuer or by Certificate Holders holding not less than ten per cent. of the Certificates for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Certificates for the time being remaining unexercised, or at any adjourned meeting, two or more persons being or representing Certificate Holders whatever the number of Certificates so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Certificate Holders who, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Certificate Holders shall be binding on all the Certificate Holders whether or not they are present at the meeting. Resolutions can be passed in writing if passed unanimously.

(b) *Modification*. The Issuer may, without the consent of the Certificate Holders, effect (i) any modification of the provisions of the Certificates or the Master Instrument which is not materially prejudicial to the interests of the Certificate Holders or (ii) any modification of the provisions of the Certificates or the Master Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of Singapore law. Any such modification shall be binding on the Certificate Holders and shall be notified to them by the Warrant Agent before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 9.

**9. Notices**

(a) *Documents.* All cheques and other documents required or permitted by these Conditions to be sent to a Certificate Holder or to which a Certificate Holder is entitled or which the Issuer shall have agreed to deliver to a Certificate Holder may be delivered by hand or sent by post addressed to the Certificate Holder at his address appearing in the records maintained by CDP or, in the case of joint Certificate Holders, addressed to the joint holder first named at his address appearing in the records maintained by CDP, and airmail post shall be used if that address is not in Singapore. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Certificate Holder.

(b) *Notices.* All notices to Certificate Holders will be validly given if published in English on the web-site of the SGX-ST. Such notices shall be deemed to have been given on the date of the first such publication. If publication on the web-site of the SGX-ST is not practicable, notice will be given in such other manner as the Issuer may determine. The Issuer shall, at least one month prior to the expiry of any Certificate, give notice of the date of expiry of such Certificate in the manner prescribed above.

**10. Liquidation**

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Certificates will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law. In the event of the voluntary liquidation of the Company, the Issuer shall make such adjustments or amendments as it reasonably believes are appropriate in the circumstances.

**11. Further Issues**

The Issuer shall be at liberty from time to time, without the consent of the Certificate Holders, to create and issue further certificates so as to form a single series with the Certificates, subject to the approval of the SGX-ST.

**12. Delisting**

(a) Delisting. If at any time, the Underlying Stock ceases to be listed on the Relevant Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the Certificates as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Certificate Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Certificate Holder or the tax or other consequences that may result in any particular jurisdiction).

(b) Issuer's Determination. The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Certificate Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Certificate Holders in accordance with Condition 9 as soon as practicable after they are determined.

**13. Early Termination**

(a) *Early Termination for Illegality and Force Majeure, etc.* If the Issuer determines that a Regulatory Event (as defined below) has occurred and, for reasons beyond its control, the performance of its obligations under the Certificates has become illegal or impractical in whole or in part for any reason, or the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the Certificates for any reason, the Issuer may in its discretion and without obligation terminate the Certificates early in accordance with Condition 13(c).

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

For the purposes of this Condition:

"**Regulatory Event**" means, following the occurrence of a Change in Law (as defined below) with respect to the Issuer and/or Société Générale as Guarantor or in any other capacity (including without limitation as hedging counterparty of the Issuer, market maker of the Certificates or direct or indirect shareholder or sponsor of the Issuer) or any of its affiliates involved in the issuer of the Certificates (hereafter the "**Relevant Affiliates**" and each of the Issuer, Société Générale and the Relevant Affiliates, a "**Relevant Entity**") that, after the Certificates have been issued, (i) any Relevant Entity would incur a materially increased (as compared with circumstances existing prior to such event) amount of tax, duty, liability, penalty, expense, fee, cost or regulatory capital charge however defined or collateral requirements for performing its obligations under the Certificates or hedging the Issuer's obligations under the Certificates, including, without limitation, due to clearing requirements of, or the absence of, clearing of the transactions entered into in connection with the issue of, or hedging the Issuer's obligation under, the Certificates, (ii) it is or will become for any Relevant Entity impracticable, impossible (in each case, after using commercially reasonable efforts), unlawful, illegal or otherwise prohibited or contrary, in whole or in part, under any law, regulation, rule, judgement, order or directive of any governmental, administrative or judicial authority, or power, applicable to such Relevant Entity (a) to hold, acquire, issue, reissue, substitute, maintain, settle, or as the case may be, guarantee, the Certificates, (b) to acquire, hold, sponsor or dispose of any asset(s) (or any interest thereof) of any other transaction(s) such Relevant Entity may use in connection with the issue of the Certificates or to hedge the Issuer's obligations under the Certificates, (c) to perform obligations in connection with, the Certificates or any contractual arrangement entered into between the Issuer and Société Générale or any Relevant Affiliate (including without limitation to hedge the Issuer's obligations under the Certificates) or (d) to hold, acquire, maintain, increase, substitute or redeem all or a substantial part of its direct or indirect shareholding in the Issuer's capital or the capital of any Relevant Affiliate or to directly or indirectly sponsor the Issuer or any Relevant Affiliate, or (iii) there is or may be a material adverse effect on a Relevant Entity in connection with the issue of the Certificates.

"**Change in law**" means (i) the adoption, enactment, promulgation, execution or ratification of any applicable new law, regulation or rule (including, without limitation, any applicable tax law, regulation or rule) after the Certificates have been issued, (ii) the implementation or application of any applicable law, regulation or rule (including, without limitation, any applicable tax law, regulation or rule) already in force when the Certificates have been issued but in respect of which the manner of its implementation or application was not known or unclear at the time, or (iii) the change of any applicable law, regulation or rule existing when the Certificates are issued, or the change in the interpretation or application or practice relating thereto, existing when the Certificates are issued of any applicable law, regulation or rule, by any competent court, tribunal, regulatory authority or any other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any additional or alternative court, tribunal, authority or entity, to that existing when the Certificates are issued).

(b) *Early Termination for other reasons.* The Issuer reserves the right (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to terminate the Certificates in accordance with Condition 13(c) where an event or events occur which it believes in its sole discretion should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such termination provided that such termination (i) is considered by the Issuer not to be materially prejudicial to the interests of Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such termination in any particular jurisdiction); or (ii) is otherwise considered by the Issuer to be appropriate and such termination is approved by the SGX-ST.

(c) *Termination*. If the Issuer terminates the Certificates early, then the Issuer will give notice to the Certificate Holders in accordance with Condition 9. The Issuer will, if and to the extent permitted by applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of a Certificate notwithstanding such illegality or impracticality less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the

Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9.

**14. Governing Law**

The Certificates, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement will be governed by and construed in accordance with Singapore law. The Issuer and the Guarantor and each Certificate Holder (by its purchase of the Certificates) shall be deemed to have submitted for all purposes in connection with the Certificates, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement to the non-exclusive jurisdiction of the courts of Singapore. The Guarantee shall be governed by and construed in accordance with Singapore law.

**15. Prescription**

Claims against the Issuer for payment of any amount in respect of the Certificates will become void unless made within six years of the Expiry Date and, thereafter, any sums payable in respect of such Certificates shall be forfeited and shall revert to the Issuer.

**16. Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore**

Unless otherwise provided in the Global Warrant, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement, a person who is not a party to any contracts made pursuant to the Global Warrant, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement has no rights under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore to enforce any terms of such contracts. Except as expressly provided herein, the consent of any third party is not required for any subsequent agreement by the parties hereto to amend or vary (including any release or compromise of any liability) or terminate such contracts.

## SUMMARY OF THE ISSUE

*The following is a summary of the issue and should be read in conjunction with, and is qualified by reference to, the other information set out in this document, the Base Listing Document and the Addendum. Terms used in this Summary are defined in the Conditions.*

| | |
|---|---|
| Issuer: | SG Issuer |
| Company: | Tencent Holdings Limited |
| The Certificates: | European Style Cash Settled Short Certificates relating to the Underlying Stock |
| Number: | 2,700,000 Certificates |
| Form: | The Certificates will be issued subject to, and with the benefit of, a master instrument by way of deed poll dated 21 June 2018 (the "**Master Instrument**") and executed by the Issuer and the Guarantor and a master warrant agent agreement dated 29 May 2017 (the "**Master Warrant Agent Agreement**") and made between the Issuer, the Guarantor and the Warrant Agent. |
| Cash Settlement Amount: | In respect of each Certificate, is the amount (if positive) equal to:<br><br>Notional Amount per Certificate x Closing Level |
| Denominations: | Certificates are represented by a global warrant in respect of all the Certificates. |
| Exercise: | The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders will not be required to deliver an exercise notice. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates will be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates. |
| Exercise and Trading Currency: | SGD |
| Board Lot: | 100 Certificates |

| | |
|---|---|
| Transfers of Certificates: | Certificates may only be transferred in Board Lots (or integral multiples thereof). All transfers in Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records of CDP. |
| Listing: | Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. Issue of the Certificates is conditional on such listing being granted. It is expected that dealings in the Certificates on the SGX-ST will commence on or about 7 November 2018. |
| Governing Law: | The laws of Singapore |
| Warrant Agent: | The Central Depository (Pte) Limited<br>11 North Buona Vista Drive<br>#06-07 The Metropolis Tower 2<br>Singapore 138589 |
| Further Issues: | Further issues which will form a single series with the Certificates will be permitted, subject to the approval of the SGX-ST. |

The above summary is a qualified in its entirety by reference to the detailed information appearing elsewhere in this document, the Base Listing Document and the Addendum.

## INFORMATION RELATING TO THE EUROPEAN STYLE CASH SETTLED SHORT CERTIFICATES ON SINGLE EQUITIES

### What are European Style Cash Settled Short Certificates on Single Equities?

European style cash settled short certificates on single equities (the "**Certificates**") are structured products relating to the Underlying Stock and the return on a Certificate is linked to the performance of the Leverage Inverse Strategy.

### A) Cash Settlement Amount Payable upon the Exercise of the Certificates at Expiry

Upon the exercise of the Certificates at expiry, the Certificate Holders would be paid a Cash Settlement Amount in respect of each Certificate.

The Cash Settlement Amount, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to the Closing Level multiplied by the Notional Amount per Certificate.

The Closing Level, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to (1) divided by (2) less (3) subject to any adjustments such as (4), where:

(1) is the Final Reference Level multiplied by the Final Exchange Rate;

(2) is the Initial Reference Level multiplied by the Initial Exchange Rate;

(3) is the Strike Level; and

(4) is the Hedging Fee Factor.

If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised and investors will receive a Cash Settlement Amount. If the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired. Please refer to the section headed "Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities" for further details on the calculation of the Cash Settlement Amount.

The Certificates are only suitable for investors who believe that the price of the Underlying Stock will decrease and are seeking short-term leveraged inverse exposure to the Underlying Stock.

### B) Trading the Certificates before Expiry

If the Certificate Holders want to cash out their investments in the Certificates before the expiry of the Certificates, they may sell the Certificates in the secondary market during the life of the Certificates, and would be subject to the following fees and charges:

(i) <u>For Certificate Holders who trade the Certificates intraday</u>: shall pay normal transaction and brokerage fees for the trading of the Certificates on the SGX-ST, and may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred; and

(ii) <u>For Certificate Holders who hold the Certificates overnight</u>: in addition to the normal transaction and brokerage fees and applicable stamp taxes, would also be required to bear the Management Fee and Gap Premium as well as certain costs embedded within the Leverage Inverse Strategy including the Stock Borrowing Cost and Rebalancing Cost.

**Illustration of the Calculation of Hedging Fee Factor**

| | | |
|---|---|---|
| Hedging Fee Factor | = | Product of the Daily Fees |

| | | |
|---|---|---|
| Daily Fees | = | **Daily Management Fee Adjustment**<br>1 – Management Fee x ACT (t-1;t) / 360<br>x<br>**Daily Gap Premium Adjustment**<br>1 – Gap Premium (t-1) x ACT (t-1;t) / 360 |

**Illustration of the Calculation of Cash Settlement Amount**

Cash Settlement Amount = Final Value of Certificates – Strike Level (zero)

| | | t[7]=0 | | t=1 | | t=2 | | t=i |
|---|---|---|---|---|---|---|---|---|
| Value of Certificates | = | Notional Amount | x | Leverage Inverse Strategy daily performance[8] x Daily Fees | x | Leverage Inverse Strategy daily performance x Daily Fees | x … | Leverage Inverse Strategy Daily performance x Daily Fees |

| | | t=0 | | **Product of the daily Leverage Inverse Strategy Performance** | | **Product of the Daily Fees (Hedging Fee Factor)** |
|---|---|---|---|---|---|---|
| Value of Certificates | = | Notional Amount | x | Leverage Inverse Strategy daily performance x Leverage Inverse Strategy daily performance | x | Daily Fees x Daily Fees |

| | | t=0 | | | | |
|---|---|---|---|---|---|---|
| Final Value of Certificates | = | Notional Amount | x | Final Reference Level x Final Exchange Rate<br>÷<br>Initial Reference Level x Initial Exchange Rate | x | Hedging Fee Factor |

**Illustration of the applicable fees and charges for an intraday trading scenario**

Hedging Fee is implemented overnight in the price of the Certificate. As a consequence, when trading intraday, investors will not bear any Hedging Fee.

Investors will only support bid/ask costs, which are the difference between the price at which the Designated Market Maker purchases (bid) and sells (ask) the Certificate at any point of time.

[7] "t" refers to "**Observation Date**" which means each Underlying Stock Business Day from (and including) the Underlying Stock Business Day immediately preceding the Expected Listing Date to the Valuation Date.
[8] Leverage Inverse Strategy daily performance is computed as the Leverage Inverse Strategy Closing Level on Business Day (t) divided by the Leverage Inverse Strategy Closing Level on Business Day (t-1).

**Example of Calculation of Hedging Fee Factor and Cash Settlement Amount**

*The example is purely hypothetical. We include the example to illustrate how the Certificates work, and you MUST NOT rely on them as any indication of the actual return or what the payout on the Certificates might actually be. The example also assumes a product which expires 16 days after listing date, to illustrate the daily calculation of price, costs and fees from listing date to expiry date.*

Assuming an investor purchases the following Certificates at the Issue Price:

| | |
|---|---|
| Underlying Stock: | Ordinary shares of Tencent Holdings Limited |
| Expected Listing Date: | **03/07/2018** |
| Expiry Date: | **18/07/2018** |
| Initial Reference Level: | **1,000** |
| Initial Exchange Rate: | **1** |
| Final Reference Level: | **1,200** |
| Final Exchange Rate: | **1** |
| Issue Price: | **2.2 SGD** |
| Notional Amount per Certificate: | **2.2 SGD** |
| Management Fee (p.a.): | **0.40%** |
| Gap Premium (p.a.): | **4.60%** |
| Strike Level: | Zero |

**Hedging Fee Factor**

Hedging Fee Factor on the $n^{th}$ Underlying Stock Business Day after issuance of Certificate ("HFF (n)") is calculated as follows:

HFF(0) = 100%

On Next Calendar Day (assuming it is an Underlying Stock Business Day):

$$\mathrm{HFF\ (1)\ =\ HFF\ (0)\ \times\left(1-\ Management\ Fee\ \times\frac{ACT\ (t-1;t)}{360}\right)\times\left(1-\ Gap\ Premium\ \times\frac{ACT\ (t-1;t)}{360}\right)}$$

$$\mathrm{HFF\ (1)} = 100\% \times\left(1-0.40\%\times\frac{1}{360}\right)\times\left(1-4.60\%\times\frac{1}{360}\right)$$

$$\mathrm{HFF\ (1)} = 100\% \times 99.9989\% \times 99.9872\% \approx 99.9861\%$$

Assuming 2nd Underlying Stock Business Day falls 3 Calendar Days after 1st Underlying Stock Business Day:

$$\mathrm{HFF}\ (2) = \mathrm{HFF}\ (1) \times \left(1 - \text{Management Fee} \times \frac{\mathrm{ACT}\ (t-1; t)}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\mathrm{ACT}\ (t-1; t)}{360}\right)$$

$$\mathrm{HFF}\ (2) = 99.9861\% \times \left(1 - 0.40\% \times \frac{3}{360}\right) \times \left(1 - 4.60\% \times \frac{3}{360}\right)$$

$$\mathrm{HFF}\ (2) = 99.9861\% \times 99.9967\% \times 99.9617\% \approx 99.9445\%$$

The same principle applies to the following Underlying Stock Business Days:

$$\mathrm{HFF}\ (n) = \mathrm{HFF}\ (n-1) \times \left(1 - \text{Management Fee} \times \frac{\mathrm{ACT}\ (t-1; t)}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\mathrm{ACT}\ (t-1; t)}{360}\right)$$

In this example, the Hedging Fee Factor as of the Valuation Date would be equal to 99.7919% as illustrated below:

| Date | HFF |
|---|---|
| 3/7/2018 | 100.0000% |
| 4/7/2018 | 99.9861% |
| 5/7/2018 | 99.9722% |
| 6/7/2018 | 99.9583% |
| 9/7/2018 | 99.9167% |
| 10/7/2018 | 99.9028% |
| 11/7/2018 | 99.8889% |
| 12/7/2018 | 99.8751% |
| 13/7/2018 | 99.8612% |
| 16/7/2018 | 99.8196% |
| 17/7/2018 | 99.8057% |
| 18/7/2018 | 99.7919% |

**Cash Settlement Amount**

In this example, the Closing Level and the Cash Settlement Amount would be computed as follows:

Closing Level = [(Final Reference Level x Final Exchange Rate) / (Initial Reference Level x Initial Exchange Rate) – Strike Level] x Hedging Fee Factor

= [(1200 x 1) / (1000 x 1) – 0] x 99.7919%

= 119.75%

Cash Settlement Amount = Closing Level x Notional Amount per Certificate

= 119.75% x 2.20 SGD

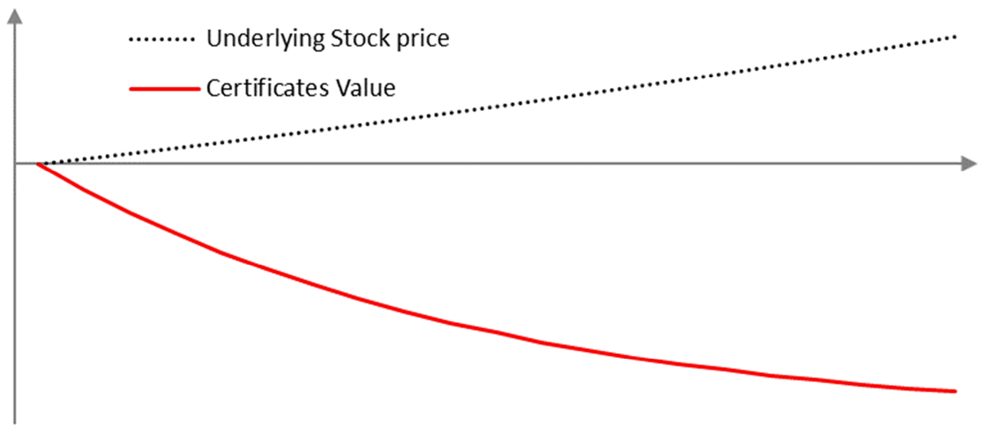
**= 2.635 SGD**

**Illustration on how returns and losses can occur under different scenarios**

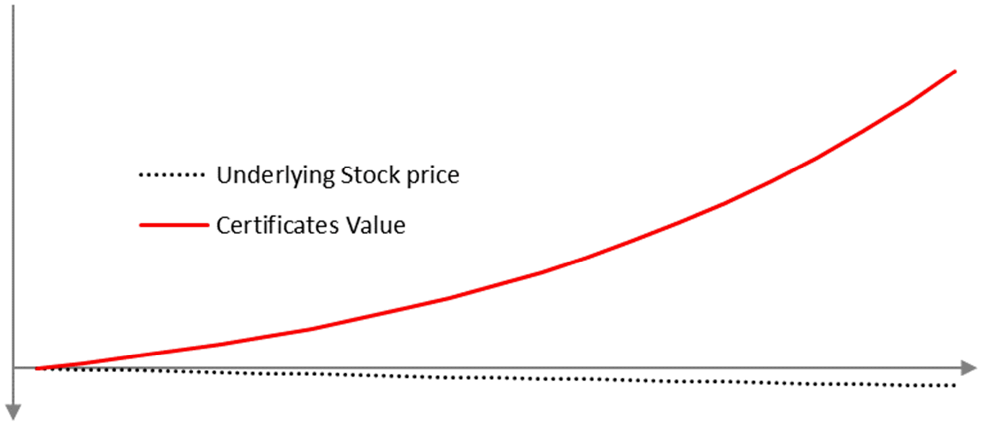
*The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of the Underlying Stock performance on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, dividends, or any other market parameters.*

1. Illustrative examples

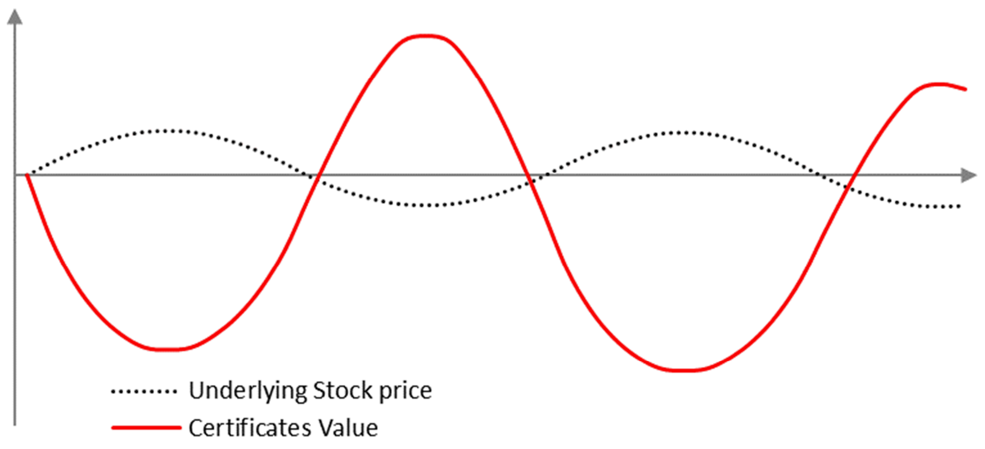
*Scenario 1 – Upward Trend*




*Scenario 2 – Downward Trend*




*Scenario 3 – Volatile Market*



2. <u>Numerical Examples</u>

*Scenario 1 – Upward Trend*

| Underlying Stock | | | | | | |
|---|---|---|---|---|---|---|
| | Day 0 | Day 1 | Day 2 | Day 3 | Day 4 | Day 5 |
| Daily return | | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| Value at end of day | 10,000.0 | 10,200.0 | 10,404.0 | 10,612.1 | 10,824.3 | 11,040.8 |
| Accumulated Return | | 2.00% | 4.04% | 6.12% | 8.24% | 10.41% |

| Value of the Certificates | | | | | | |
|---|---|---|---|---|---|---|
| | Day 0 | Day 1 | Day 2 | Day 3 | Day 4 | Day 5 |
| Daily return | | -10.0% | -10.0% | -10.0% | -10.0% | -10.0% |
| Price at end of day | 2.2 | 1.98 | 1.78 | 1.60 | 1.44 | 1.30 |
| Accumulated Return | | -10.00% | -19.00% | -27.10% | -34.39% | -40.95% |

*Scenario 2 – Downward Trend*

| Underlying Stock | | | | | | |
|---|---|---|---|---|---|---|
| | Day 0 | Day 1 | Day 2 | Day 3 | Day 4 | Day 5 |
| Daily return | | -2.0% | -2.0% | -2.0% | -2.0% | -2.0% |
| Value at end of day | 10,000.0 | 9,800.0 | 9,604.0 | 9,411.9 | 9,223.7 | 9,039.2 |
| Accumulated Return | | -2.00% | -3.96% | -5.88% | -7.76% | -9.61% |

| Value of the Certificates | | | | | | |
|---|---|---|---|---|---|---|
| | Day 0 | Day 1 | Day 2 | Day 3 | Day 4 | Day 5 |
| Daily return | | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| Price at end of day | 2.2 | 2.42 | 2.66 | 2.93 | 3.22 | 3.54 |
| Accumulated Return | | 10.00% | 21.00% | 33.10% | 46.41% | 61.05% |

*Scenario 3 – Volatile Market*

| Underlying Stock | | | | | | |
|---|---|---|---|---|---|---|
| | Day 0 | Day 1 | Day 2 | Day 3 | Day 4 | Day 5 |
| Daily return | | 2.0% | -2.0% | 2.0% | -2.0% | 2.0% |
| Value at end of day | 10,000.0 | 10,200.0 | 9,996.0 | 10,195.9 | 9,992.0 | 10,191.8 |
| Accumulated Return | | 2.00% | -0.04% | 1.96% | -0.08% | 1.92% |

| Value of the Certificates | | | | | | |
|---|---|---|---|---|---|---|
| | Day 0 | Day 1 | Day 2 | Day 3 | Day 4 | Day 5 |
| Daily return | | -10.0% | 10.0% | -10.0% | 10.0% | -10.0% |
| Price at end of day | 2.2 | 1.98 | 2.18 | 1.96 | 2.16 | 1.94 |
| Accumulated Return | | -10.00% | -1.00% | -10.90% | -1.99% | -11.79% |

**Description of Air Bag Mechanism**

The Certificates integrate an “Air Bag Mechanism” which is designed to reduce exposure to the Underlying Stock during extreme market conditions.

When the Air Bag triggers, a 30-minute period starts. This period is divided into two sub-periods:

- Observation Period : during 15 minutes after the Air Bag trigger, the price of the Underlying Stock is observed and its maximum price is recorded; and

- Reset Period: after 15 minutes, the Leverage Inverse Strategy is reset using the maximum price of the Underlying Stock during the Observation Period as the New Observed Price. The New Observed Price replaces the last closing price of the Underlying Stock in order to compute the performance of the Leverage Inverse Strategy, 30 minutes after the Air Bag trigger.

Trading of Certificates is suspended for at least 30 minutes after the Air Bag is triggered. Investors cannot sell or purchase any Certificates during this period.

The performance of the Leverage Inverse Strategy will be the inverse of the Underlying Stock.

Air Bag Mechanism timeline

<table>
<tr><th>Air Bag Trigger</th><th>Observation Period</th><th>Resumption of Trading</th></tr>
<tr><td>More than 45 minutes before Market Close</td><td rowspan="5">First 15 minutes after Air Bag Trigger</td><td>Trading resumes the same day between 30 and 45 minutes after Air Bag Trigger</td></tr>
<tr><td>45 minutes before Market Close</td><td rowspan="6">Next trading day at Market Open</td></tr>
<tr><td>30 to 45 minutes before Market Close</td></tr>
<tr><td>30 minutes before Market Close</td></tr>
<tr><td>15 to 30 minutes before Market Close</td></tr>
<tr><td>15 minutes before Market Close</td><td rowspan="2">From Air Bag Trigger to Market Close</td></tr>
<tr><td>Less than 15 minutes before Market Close</td></tr>
</table>

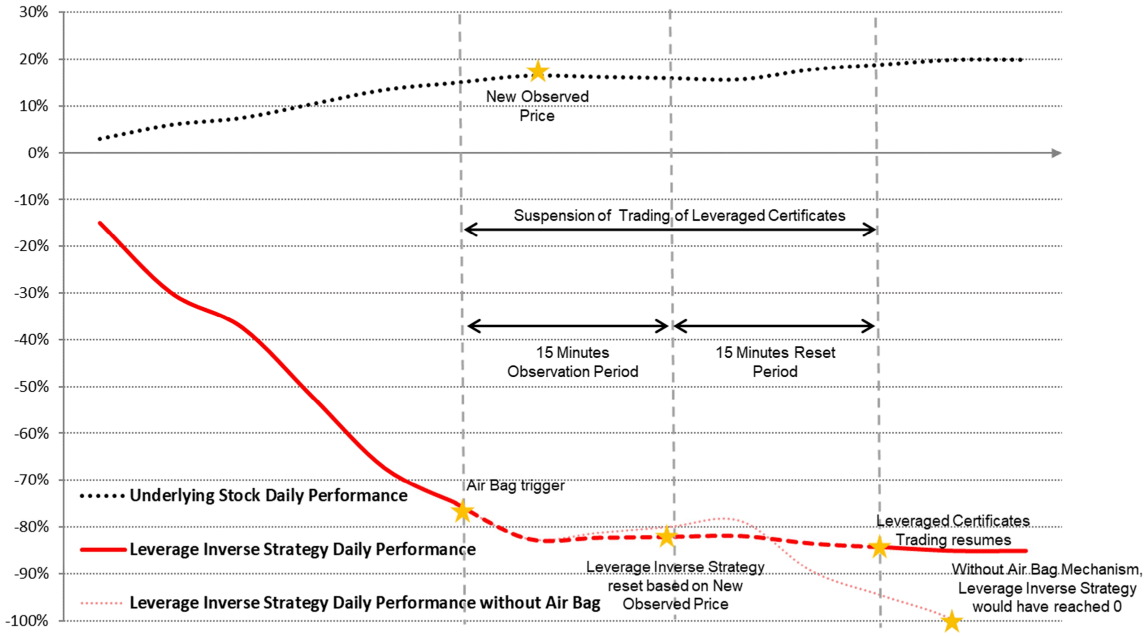
With **Market Close** defined as:

- Underlying Stock closing time with respect to the Observation Period

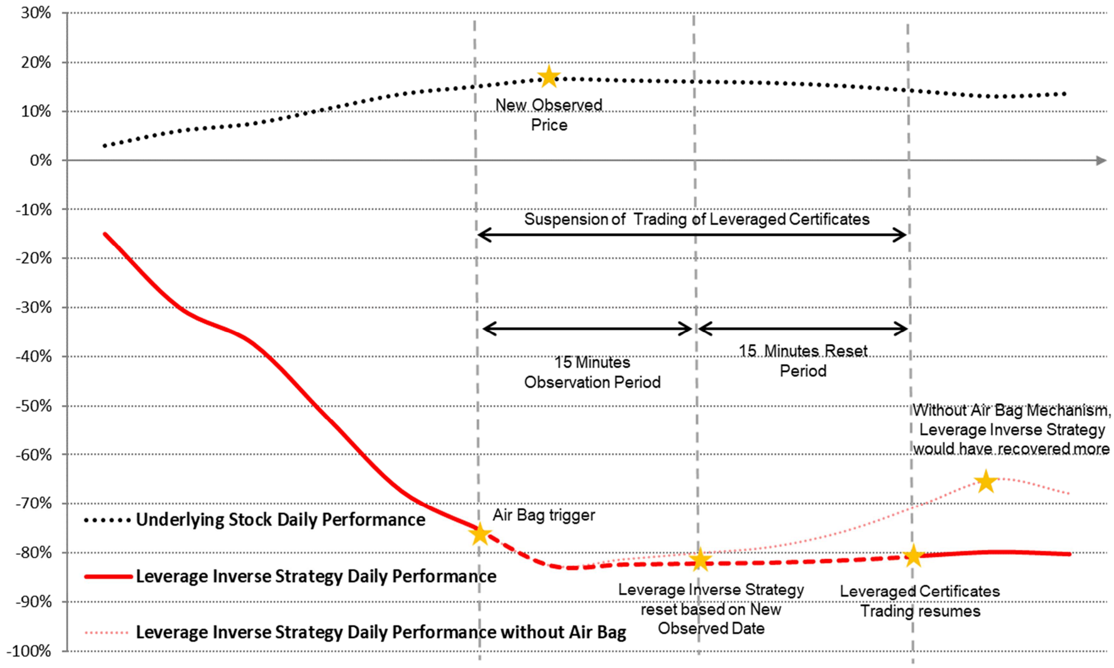
- The sooner between Underlying Stock closing time and SGX closing time with respect to the Resumption of Trading

Illustrative examples of the Air Bag Mechanism

## *Scenario 1 – Upward Trend after Air Bag trigger*




## *Scenario 2 – Downward Trend after Air Bag trigger*

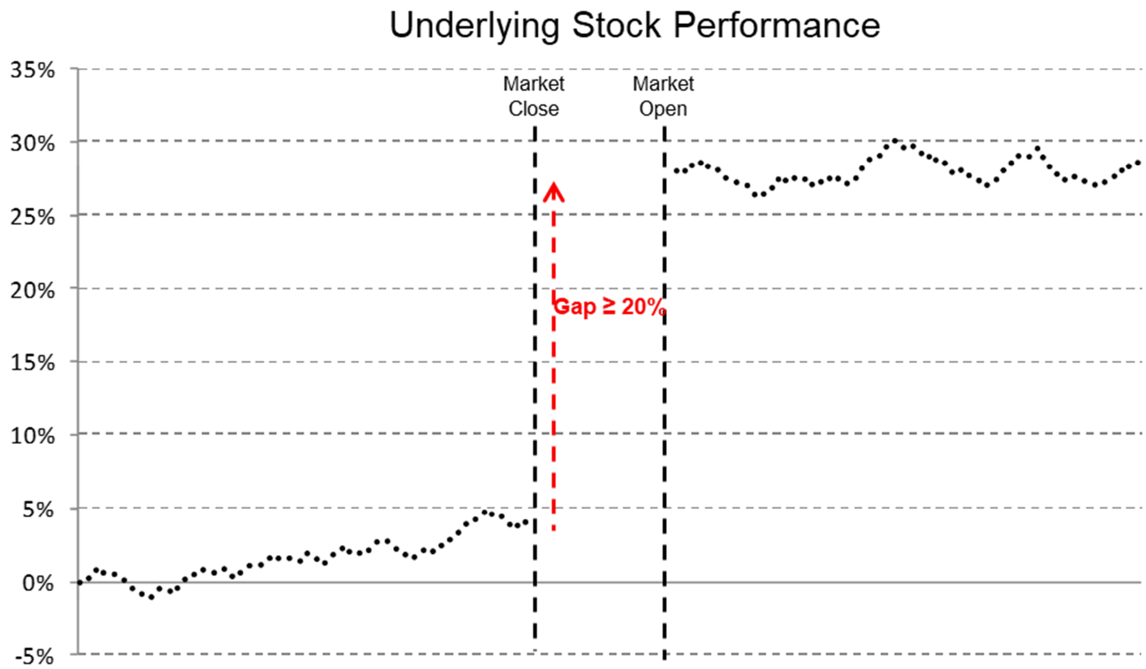


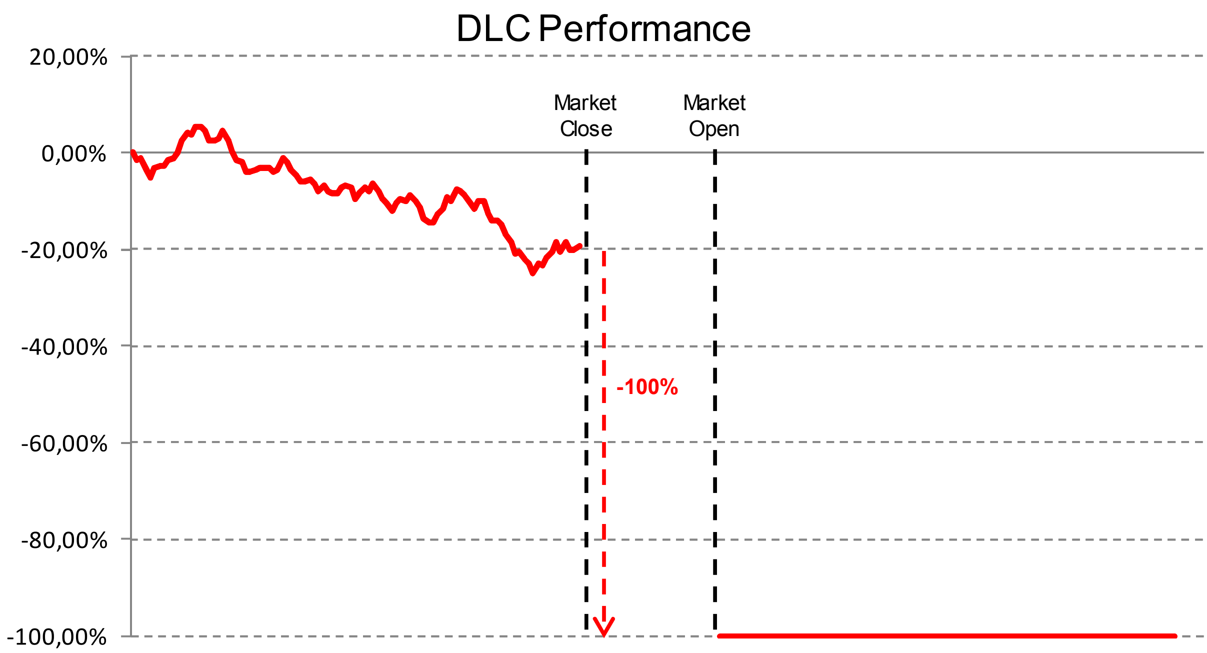
**Scenarios where the investor may lose the entire value of the investment**

*The scenarios below are purely hypothetical and do not take fees and charges payable by investors into consideration. The scenarios highlight cases where the Certificates may lose 100% of their value.*

<u>*Scenario 1 – Overnight rise of the Underlying Stock*</u>

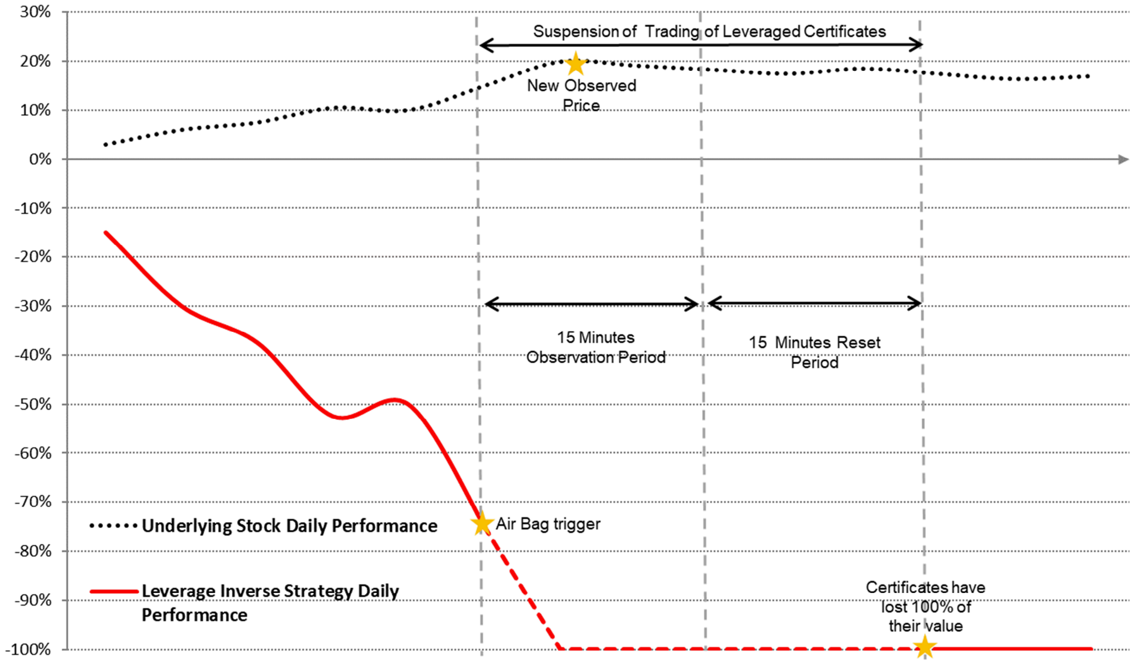
On any business day, the opening price of the Underlying Stock may be higher or lower than the closing price on the previous day. The difference between the previous closing price and the opening price of the Underlying Stock is termed a "gap". If the opening price of the Underlying Stock is 20% or more above the previous day closing price, the Air Bag Mechanism would only be triggered when the market opens the following day, and the Certificates would lose their entire value in such event.



*Scenario 2 – Sharp intraday rise of the Underlying Stock*

Although the Air Bag Mechanism is designed to reduce the exposure to the Underlying Stock during extreme market conditions, the Certificate can lose 100% of its value in the event the price of the Underlying Stock rises by 20% or more compared to the previous closing price of the Underlying Stock or the previous observed price in case of an air bag previously on the same day within the 15 minute Observation Period. The Certificates would lose their entire value in such event.



**Examples and illustrations of adjustments due to certain corporate actions**

*The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of corporate actions on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, or any other market parameters.*

In the case of any corporate action on the Underlying Stock, the Calculation Agent will, as soon as reasonably practical after it becomes aware of such event, determine whether such corporate action has a dilutive or concentrative effect on the theoretical value of the Underlying Stock, and if so, will (a) calculate the corresponding adjustment, if any, to be made to the elements relating to the Underlying Stock which are used to determine any settlement or payment terms under the Certificates and/or adjust at its discretion any other terms of the Certificates as it determines appropriate to preserve the economic equivalent of the obligations of the Issuer under the Certificates and (b) determine the effective date of such adjustment.

Notwithstanding the foregoing, in the event Observation Date (t) is an ex-date with respect to a corporate action related to the Underlying Stock, the Calculation Agent may, in its sole and absolute discretion, replace the $Rfactor_t$ with respect to such Observation Date (t) by an amount computed according to the following generic formula :

$$Rfactor_t = \left[1 - \frac{Div_t + DivExc_t - M \times R}{\mathrm{S}_{t-1}}\right] \times \frac{1}{1+M}$$

This formula is provided for indicative purposes and the Calculation Agent may determine that this formula is not appropriate for certain corporate actions and may apply a different formula instead.

Such adjustment of $Rfactor_t$ would affect the Leveraged Return, the Rebalancing Cost, and the Underlying Reference Price used to determine the Intraday Restrike Event. The Air Bag mechanism would not be triggered if the stock price rises by 15% exclusively because of the dilutive effect of a corporate action.

Where:

$\mathrm{DivExc}_t$ is the amount received as an Extraordinary Dividend by a holder of existing Shares for each Share held prior to the Extraordinary Dividend, net of any applicable withholding taxes.

**M** is the number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe or to receive (positive amount) or the number of existing Shares redeemed or canceled per existing Share (negative amount), as the case may be, resulting from the corporate action.

**R** is the subscription price per Share (positive amount) or the redemption price per Share (negative amount) including any dividends or other benefits forgone to be subscribe to or to receive (as applicable), or to redeem a Share.

1. <u>Stock split</u>

Assuming the Underlying Stock is subject to a 1 to 2 stock split (i.e. 1 new Share for every 1 existing share):

$\mathrm{S}_{t-1}$ = \$100

$\mathrm{S}_t$ = \$51

$\mathrm{Div}_t = \$0$

$\mathrm{DivExc_t} = \$0$

M = 1 (i.e. 1 new Shares for 1 existing Share)

R = $0 (no subscription price / redemption price)

$$Rfactor_t = \left[1 - \frac{0 + 0 - 2 \times 0)}{100}\right] \times \frac{1}{1 + 1} = 50\%$$

As a consequence:

$\mathrm{LR_{t-1,t}} = \mathrm{Leverage} \times \left(\frac{\mathrm{S_t}}{\mathrm{S_{t-1}} \times Rfactor_t} - 1\right) = -5 \times \left(\frac{51}{100 \times 50\%} - 1\right) = -10\%$

| $\mathrm{S_{t-1}}$ | $\mathrm{S_{t-1}} \times Rfactor_t$ | $\mathrm{S_t}$ | Adjusted Underlying Stock Performance |
|---|---|---|---|
| 100 | 50 | 51 | 2% |

| Value of the Certificate (t-1) | Value of the Certificate (t) | Certificates' performance (excluding any cost and fees) |
|---|---|---|
| 2.2 | 1.98 | -10% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to $57.5, which is 15% above$50, the Underlying Stock Reference Price.

2. <u>Share Consolidation</u>

Assuming the Underlying Stock is subject to a 2 to 1 share consolidation (i.e. 1 Share canceled for every 2 existing Shares):

$\mathrm{S_{t-1}}$ = $100

$\mathrm{S_t}$ = $202

$\mathrm{Div_t} = \$0$

$\mathrm{DivExc_t} = \$0$

M = -0.5 (i.e. 0.5 Shares canceled for each 1 existing Share)

R = $0 (no subscription price / redemption price)

$$Rfactor_t = \left[1 - \frac{0 + 0 - (-0.5) \times 0)}{100}\right] \times \frac{1}{1 + (-0.5)} = 200\%$$

As a consequence:

$\mathrm{LR_{t-1,t}} = \mathrm{Leverage} \times \left(\frac{\mathrm{S_t}}{\mathrm{S_{t-1}} \times Rfactor_t} - 1\right) = -5 \times \left(\frac{202}{100 \times 200\%} - 1\right) = -5\%$

| $S_{t-1}$ | $S_{t-1} \times Rfactor_t$ | $S_t$ | Adjusted Underlying Stock Performance |
|---|---|---|---|
| 100 | 200 | 202 | 1% |

| Value of the Certificate (t-1) | Value of the Certificate (t) | Certificates' performance (excluding any cost and fees) |
|---|---|---|
| 2.2 | 2.09 | -5% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to $230, which is 15% above $200, the Underlying Stock Reference Price.

3. <u>Rights Issues</u>

Assuming there is a rights issue with respect to the Underlying Stock, with a right to receive 1 new Share for every 2 existing Shares, for a subscription price of $40.

$S_{t-1}$ = $100

$S_t$ = $84

$\mathrm{Div}_t = \$0$

$\mathrm{DivExc}_t = \$0$

R = $40 (i.e. subscription price of $40)

M = 0.5 (i.e. 1 new share for every 2 existing shares)

$$Rfactor_t = \left[1 - \frac{0 + 0 - 0.5 \times 40}{100}\right] \times \frac{1}{1 + 0.5} = 80\%$$

As a consequence:

$$\mathrm{LR}_{t-1,t} = \mathrm{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1\right) = -5 \times \left(\frac{84}{100 \times 80\%} - 1\right) = -25\%$$

| $S_{t-1}$ | $S_{t-1} \times Rfactor_t$ | $S_t$ | Adjusted Underlying Stock Performance |
|---|---|---|---|
| 100 | 80 | 84 | 5% |

| Value of the Certificate (t-1) | Value of the Certificate (t) | Certificates' performance (excluding any cost and fees) |
|---|---|---|
| 2.2 | 1.65 | -25% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to $92, which is 15% above $80, the Underlying Stock Reference Price.

4. Bonus Issues

Assuming there is a bonus issue with respect to the Underlying Stock, where shareholders receive 1 bonus share for 5 existing shares:

$S_{t-1}$ = $100

$S_t$ = $85

$Div_t = \$0$

$DivExc_t = \$0$

R = $0

M = 0.2 (i.e. 1 new share for 5 existing shares)

$$Rfactor_t = \left[1 - \frac{0 + 0 - 0.2 \times 0}{100}\right] \times \frac{1}{1 + 0.2} = 83.33\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1\right) = -5 \times \left(\frac{85}{100 \times 83.33\%} - 1\right) = -10\%$$

| $S_{t-1}$ | $S_{t-1} \times Rfactor_t$ | $S_t$ | Adjusted Underlying Stock Performance |
|---|---|---|---|
| 100 | 83.33 | 85 | 2% |

| Value of the Certificate (t-1) | Value of the Certificate (t) | Certificates' performance (excluding any cost and fees) |
|---|---|---|
| 2.2 | 1.98 | -10% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to $95.83, which is 15% above $83.33, the Underlying Stock Reference Price.

5. Extraordinary Dividend

Assuming there is an extraordinary dividend of $20 (net of taxes) paid in respect of each stock.

$S_{t-1}$ = $100

$S_t$ = $84

$Div_t = \$0$

$DivExc_t = \$20$

R = $0

M = 0

$$Rfactor_t = \left[1 - \frac{0 + 20 - 0 \times 0}{100}\right] \times \frac{1}{1+0} = 80\%$$

As a consequence:

$$\mathrm{LR}_{\mathrm{t-1,t}} = \mathrm{Leverage} \times \left(\frac{\mathrm{S_t}}{\mathrm{S_{t-1}} \times Rfactor_t} - 1\right) = -5 \times \left(\frac{84}{100 \times 80\%} - 1\right) = -25\%$$

| $\mathrm{S_{t-1}}$ | $\mathrm{S_{t-1}} \times Rfactor_t$ | $\mathrm{S_t}$ | Adjusted Underlying Stock Performance |
|---|---|---|---|
| 100 | 80 | 84 | 5% |

| Value of the Certificate (t-1) | Value of the Certificate (t) | Certificates' performance (excluding any cost and fees) |
|---|---|---|
| 2.2 | 1.65 | -25% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$92, which is 15% above \$80, the Underlying Stock Reference Price.

## INFORMATION RELATING TO THE COMPANY

*All information contained in this document regarding the Company, including, without limitation, its financial information, is derived from publicly available information which appears on the web-site of Hong Kong Exchanges and Clearing Limited (the "**HKExCL**") at http://www.hkex.com.hk and/or the Company's web-site at https://www.tencent.com/en-us/index.html.The Issuer has not independently verified any of such information.*

Tencent Holdings Limited (the "**Company**") was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 16 June 2004.

Tencent Holdings Limited is an investment holding company principally involved in the provision of value-added services (VAS) and online advertising services. The Company operates through three main segments. The VAS segment is mainly involved in provision of online/mobile games, community value-added services and applications across various Internet and mobile platforms. The Online Advertising segment is mainly engaged in display based and performance based advertisements. The Others segment is mainly involved in provision of payment related services, cloud services and other services.

The information set out in the Appendix to this document relates to the unaudited consolidated financial results of the Company and its subsidiaries for the three and six months ended 30 June 2018 and has been extracted and reproduced from an announcement by the Company dated 20 September 2018 in relation to the same. Further information relating to the Company may be located on the web-site of the HKExCL at http://www.hkex.com.hk.

## INFORMATION RELATING TO THE DESIGNATED MARKET MAKER

Société Générale has been appointed the designated market maker ("**DMM**") for the Certificates. The DMM will provide competitive buy and sell quotes for the Certificates continuously during the trading hours of the SGX-ST on the following basis:

| | | | |
|---|---|---|---|
| (a) | Maximum bid and offer spread | : | 10 ticks or S$0.20 whichever is greater |
| (b) | Minimum quantity subject to bid and offer spread | : | 10,000 Certificates |
| (c) | Last Trading Day for Market Making | : | The date falling 5 Exchange Business Days immediately preceding the Expiry Date |

In addition, the DMM may not provide a quotation in the following circumstances:

(i) during the pre-market opening and five minutes following the opening of the SGX-ST on any trading day;

(ii) if the Certificates are valueless (where the Issuer's bid price is below the minimum bid size for such securities as prescribed by the SGX-ST), the DMM will not provide the bid price. In such an instance, the DMM will provide the offer price only;

(iii) before the Relevant Stock Exchange for the Underlying Stock has opened and after the Relevant Stock Exchange for the Underlying Stock has closed on any trading day;

(iv) when trading in the Underlying Stock is suspended or limited in a material way for any reason, for the avoidance of doubt, the DMM is not obliged to provide quotations for the Certificates at any time when the Underlying Stock is not negotiated/traded for any reason;

(v) where the Certificates are suspended from trading for any reason;

(vi) market disruption events, including, without limitation, any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the SGX-ST or any act of God, war, riot, public disorder, explosion, terrorism or otherwise) in the Underlying Stock;

(vii) where the Issuer or the DMM faces technical problems affecting the ability of the DMM to provide bids and offer quotations;

(viii) where the ability of the Issuer to source a hedge or unwind an existing hedge, as determined by the Issuer in good faith, is materially affected by the prevailing market conditions, and the Issuer informs the SGX-ST of its inability to do so as soon as practicable;

(ix) in cases where the Issuer has no Certificates to sell, then the DMM will only provide the bid price;

(x) if the stock market experiences exceptional price movement and volatility;

(xi) when it is a public holiday in Singapore and/or Hong Kong and/or the SGX-ST and/or the HKEX are not open for dealings; and

(xii) during the suspension of trading of Certificates after an Air Bag Mechanism has been triggered.

The last trading day on which the DMM will provide competitive quotations for the Certificates would be the fifth Exchange Business Day immediately preceding the Expiry Date.

## SUPPLEMENTAL GENERAL INFORMATION

The information set out herein is supplemental to, and should be read in conjunction with, the information set out on page 86 of the Base Listing Document, and the Addendum.

1. Save as disclosed in this document and the Base Listing Document (as amended and supplemented by the Addendum), neither the Issuer nor the Guarantor is involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) which may have or have had in the previous 12 months a significant effect on the financial position of the Issuer or the Guarantor in the context of the issuance of the Certificates.

2. Settlement of trades done on a normal "ready basis" on the SGX-ST generally take place on the third Business Day following the transaction. Dealing in the Certificates will take place in Board Lots in Singapore dollars. For further details on the transfer of Certificates and their exercise, please refer to the section headed "Summary of the Issue" above.

3. It is not the current intention of the Issuer to apply for a listing of the Certificates on any stock exchange other than the SGX-ST.

4. Save as disclosed in the Base Listing Document, the Addendum and herein, there has been no material adverse change in the financial position or prospects of the Issuer or the Guarantor since 30 June 2018, in the context of the issuance of Certificates hereunder.

5. The following contracts, relating to the issue of the Certificates, have been or will be entered into by the Issuer and/or the Guarantor and may be material to the issue of the Certificates:

   (a) the Guarantee;

   (b) the Master Instrument; and

   (c) the Master Warrant Agent Agreement.

   None of the directors of the Issuer and the Guarantor has any direct or indirect interest in any of the above contracts.

6. The Auditors of the Issuer and the Guarantor have given and have not withdrawn their written agreement to the inclusion of the report, included herein, in the form and context in which it is included. Their report was not prepared exclusively for incorporation into this document.

   The Auditors of the Issuer and the Guarantor have no shareholding in the Issuer or the Guarantor or any of its subsidiaries, nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of the Issuer or the Guarantor or any of its subsidiaries.

7. The Certificates are not fully covered by the Underlying Stock held by Issuer or a trustee for and on behalf of the Issuer. The Issuer has appropriate risk management capabilities to manage the issue of the Certificates.

8. Société Générale, Singapore Branch, currently of 8 Marina Boulevard, #12-01 Marina Bay Financial Centre Tower 1, Singapore 018981, has been authorised to accept, on behalf of the Issuer and the Guarantor, service of process and any other notices required to be served on the Issuer or the Guarantor. Any notices required to be served on the Issuer or the Guarantor should be sent to Société Générale at the above address for the attention of Société Générale Legal Department.

9. Copies of the following documents may be inspected during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the offices of Société Générale, Singapore Branch at 8 Marina Boulevard, #12-01 Marina Bay Financial Centre Tower 1, Singapore 018981, during the period of 14 days from the date of this document:

   (a) the Memorandum and Articles of Association of the Issuer and the Constitutional Documents of the Guarantor;

   (b) the latest financial reports (including the notes thereto) of the Issuer;

   (c) the latest financial reports (including the notes thereto) of the Guarantor;

   (d) the consent letters from the Auditors to the Issuer and the Guarantor referred to in paragraph 6 above;

   (e) the Base Listing Document;

   (f) the Addendum;

   (g) this document; and

   (h) the Guarantee.

## PLACING AND SALE

### General

No action has been or will be taken by the Issuer that would permit a public offering of the Certificates or possession or distribution of any offering material in relation to the Certificates in any jurisdiction where action for that purpose is required. No offers, sales or deliveries of any Certificates, or distribution of any offering material relating to the Certificates may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and will not impose any obligation on the Issuer. In the event that the Issuer contemplates a placing, placing fees may be payable in connection with the issue and the Issuer may at its discretion allow discounts to placees.

Each Certificate Holder undertakes that it will inform any subsequent purchaser of the terms and conditions of the Certificates and all such subsequent purchasers as may purchase such securities from time to time shall deemed to be a Certificate Holder for the purposes of the Certificates and shall be bound by the terms and conditions of the Certificates.

### Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Certificates may not be circulated or distributed, nor may Certificates be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than pursuant to, and in accordance with the conditions of, any applicable provision of the Securities and Futures Act, Chapter 289 of Singapore.

### Hong Kong

Each dealer has represented and agreed, and each further dealer appointed in respect of the Certificates and each other purchaser will be required to represent and agree, that it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made under that Ordinance.

### European Economic Area

Each dealer represents and agrees, and each further dealer appointed in respect of the Certificates will be required to represent and agree that, it has not offered, sold or otherwise made available and will not offer, sell, or otherwise make available any Certificates which are the subject of the offering as contemplated by the this document to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive 2002/92/EC (as amended, the Insurance Mediation Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, including by Directive 2010/73/EU, the Prospectus Directive); and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe the Certificates.

**United Kingdom**

Each dealer has represented and agreed, and each further dealer appointed in respect of the Certificates will be required to represent and agree, that:

(a) in respect to Certificates having a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or sell any Certificates other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Certificates would otherwise constitute a contravention of Section 19 of Financial Services and Markets Act, as amended (the "**FSMA**") by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

**United States**

The Certificates and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or any state securities law, and trading in the Certificates has not been approved by the United States Commodity Futures Trading Commission (the "**CFTC**") under the United States Commodity Exchange Act of 1936, as amended (the "**Commodity Exchange Act**"). Accordingly, Certificates, or interests thereon, may not at any time be offered, sold, resold, traded, pledged, exercised, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, nor may any U.S. person at any time trade or maintain a position in the Certificates. In addition, in the absence of relief from the CFTC, offers, sales, re-sales, trades, pledges, exercises, redemptions, transfers or deliveries of Certificates, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing commodities trading. Consequently, any offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised.

Each dealer has represented and agreed, and each further dealer will be required to represent and agree, that it has not and will not at any time offer, sell, resell, trade, pledge, exercise, redeem, transfer or deliver, directly or indirectly, Certificates in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale, trade, pledge, exercise, redeem, transfer or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any such U.S. person. Any person purchasing Certificates of any tranches must agree with the relevant dealer or the seller of such Certificates that (i) it will not at any time offer, sell, resell, trade, pledge, exercise, redeem, transfer or deliver, directly or indirectly, any Certificates in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person, (ii) it is not purchasing any Certificates for the account or benefit of any U.S. person and (iii) it will not make offers, sales, re-sales, trades, pledges, redemptions, transfers or deliveries of any Certificates (otherwise acquired), directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person.

Exercise of Certificates will be conditional upon certification that each person exercising a Certificate is not a U.S. person or in the United States and that the Certificate is not being exercised on behalf of a U.S. person. No payment will be made to accounts of holders of the Certificates located in the United States.

As used in the preceding paragraphs, the term "**United States**" includes the territories, the possessions and all other areas subject to the jurisdiction of the United States of America, and the term "**U.S. person**" means any person who is (i) an individual who is a citizen or resident of the United States; (ii) a corporation, partnership or other entity organised in or under the laws of the United States or any political subdivision thereof or which has its principal place of business in the United States; (iii) any estate or trust which is subject to United States federal income taxation regardless of the source of its income; (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and if one or more United States trustees have the authority to control all substantial decisions of the trust; (v) a pension plan for the employees, officers or principals of a corporation, partnership or other entity described in (ii) above; (vi) any entity organised principally for passive investment, ten per cent. or more of the beneficial interests in which are held by persons described in (i) to (v) above if such entity was formed principally for the purpose of investment by such persons in a commodity pool the operator of which is exempt from certain requirements of Part 4 of the CFTC's regulations by virtue of its participants being non-U.S. persons; or (vii) any other "U.S. person" as such term may be defined in Regulation S under the Securities Act or the regulations adopted under the Commodity Exchange Act.

## APPENDIX

## REPRODUCTION OF THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2018 OF TENCENT HOLDINGS LIMITED AND ITS SUBSIDIARIES

The information set out below is a reproduction of the unaudited consolidated financial results of the Company and its subsidiaries for the three and six months ended 30 June 2018 and has been extracted and reproduced from an announcement by the Company dated 20 September 2018 in relation to the same.

# Report on Review of Interim Financial Information

**TO THE BOARD OF DIRECTORS OF TENCENT HOLDINGS LIMITED**
(incorporated in the Cayman Islands with limited liability)

## INTRODUCTION

We have reviewed the interim financial information set out on pages 25 to 80, which comprises the consolidated statement of financial position of Tencent Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2018 and the consolidated income statement and the consolidated statement of comprehensive income for the three-month and six-month periods then ended, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**
Certified Public Accountants

Hong Kong, 15 August 2018

# Consolidated Income Statement

For the three and six months ended 30 June 2018

| | | Unaudited Three months ended 30 June | | Unaudited Six months ended 30 June | |
|---|---|---|---|---|---|
| | | **2018** | 2017 | **2018** | 2017 |
| | Note | **RMB'Million** | RMB'Million | **RMB'Million** | RMB'Million |
| **Revenues** | | | | | |
| Value-added services | | **42,069** | 36,804 | **88,946** | 71,912 |
| Online advertising | | **14,110** | 10,148 | **24,799** | 17,036 |
| Others | | **17,496** | 9,654 | **33,458** | 17,210 |
| | | **73,675** | 56,606 | **147,203** | 106,158 |
| Cost of revenues | 9 | **(39,229)** | (28,300) | **(75,715)** | (52,409) |
| **Gross profit** | | **34,446** | 28,306 | **71,488** | 53,749 |
| Interest income | | **1,072** | 959 | **2,137** | 1,767 |
| Other gains, net | 8 | **2,506** | 5,125 | **10,091** | 8,316 |
| Selling and marketing expenses | 9 | **(6,360)** | (3,660) | **(11,930)** | (6,818) |
| General and administrative expenses | 9 | **(9,857)** | (8,170) | **(19,287)** | (15,182) |
| **Operating profit** | | **21,807** | 22,560 | **52,499** | 41,832 |
| Finance costs, net | 10 | **(1,151)** | (834) | **(1,805)** | (1,525) |
| Share of profit of associates and joint ventures | | **1,526** | 498 | **1,207** | 123 |
| **Profit before income tax** | | **22,182** | 22,224 | **51,901** | 40,430 |
| Income tax expense | 11 | **(3,602)** | (3,970) | **(9,348)** | (7,628) |
| **Profit for the period** | | **18,580** | 18,254 | **42,553** | 32,802 |
| **Attributable to:** | | | | | |
| Equity holders of the Company | | **17,867** | 18,231 | **41,157** | 32,707 |
| Non-controlling interests | | **713** | 23 | **1,396** | 95 |
| | | **18,580** | 18,254 | **42,553** | 32,802 |
| **Earnings per share for profit attributable to equity holders of the Company (in RMB per share)** | | | | | |
| – basic | 12(a) | **1.893** | 1.939 | **4.363** | 3.480 |
| – diluted | 12(b) | **1.868** | 1.914 | **4.303** | 3.436 |

The accompanying notes on pages 34 to 80 form an integral part of this interim financial information.

# Consolidated Statement of Comprehensive Income

For the three and six months ended 30 June 2018

| | Unaudited Three months ended 30 June | | Unaudited Six months ended 30 June | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **RMB'Million** | RMB'Million | **RMB'Million** | RMB'Million |
| **Profit for the period** | **18,580** | 18,254 | **42,553** | 32,802 |
| **Other comprehensive income, net of tax:** | | | | |
| *Items that may be subsequently reclassified to profit or loss* | | | | |
| Share of other comprehensive (loss)/income of associates and joint ventures | **(123)** | 66 | **(28)** | 177 |
| Net gains from changes in fair value of available-for-sale financial assets | **–** | 10,190 | **–** | 17,416 |
| Transfer to profit or loss upon disposal of available-for-sale financial assets | **–** | – | **–** | (1,832) |
| Currency translation differences | **5,579** | (3,232) | **200** | (4,217) |
| Other fair value gains/(losses) | **332** | (162) | **1,193** | (103) |
| *Items that will not be subsequently reclassified to profit or loss* | | | | |
| Net (losses)/gains from changes in fair value of financial assets at fair value through other comprehensive income | **(535)** | – | **535** | – |
| Other fair value losses | **(72)** | (47) | **(113)** | (390) |
| | **5,181** | 6,815 | **1,787** | 11,051 |
| **Total comprehensive income for the period** | **23,761** | 25,069 | **44,340** | 43,853 |
| **Attributable to:** | | | | |
| Equity holders of the Company | **22,636** | 25,063 | **42,780** | 43,780 |
| Non-controlling interests | **1,125** | 6 | **1,560** | 73 |
| | **23,761** | 25,069 | **44,340** | 43,853 |

The accompanying notes on pages 34 to 80 form an integral part of this interim financial information.

# Consolidated Statement of Financial Position

As at 30 June 2018

| | Note | Unaudited 30 June 2018 RMB'Million | Audited 31 December 2017 RMB'Million |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | **30,814** | 23,597 |
| Construction in progress | 14 | **3,740** | 3,163 |
| Investment properties | 14 | **756** | 800 |
| Land use rights | 14 | **6,846** | 5,111 |
| Intangible assets | 14 | **46,729** | 40,266 |
| Investments in associates | 15 | **152,802** | 113,779 |
| Investments in redeemable instruments of associates | 4(a) | **–** | 22,976 |
| Investments in joint ventures | | **6,618** | 7,826 |
| Financial assets at fair value through profit or loss | 4(a), 16 | **121,655** | – |
| Financial assets at fair value through other comprehensive income | 4(a), 17 | **66,956** | – |
| Available-for-sale financial assets | 4(a) | **–** | 127,218 |
| Prepayments, deposits and other assets | 18 | **14,301** | 11,173 |
| Other financial assets | 4(a), 19 | **2,568** | 5,159 |
| Deferred income tax assets | 20 | **11,172** | 9,793 |
| Term deposits | | **–** | 5,365 |
| | | **464,957** | 376,226 |
| **Current assets** | | | |
| Inventories | | **306** | 295 |
| Accounts receivable | 21 | **21,558** | 16,549 |
| Prepayments, deposits and other assets | 18 | **23,499** | 17,110 |
| Other financial assets | 4(a), 19 | **394** | 465 |
| Financial assets at fair value through profit or loss | 4(a), 16 | **5,782** | – |
| Term deposits | | **23,638** | 36,724 |
| Restricted cash | | **2,051** | 1,606 |
| Cash and cash equivalents | | **104,623** | 105,697 |
| | | **181,851** | 178,446 |
| **Total assets** | | **646,808** | 554,672 |

# Consolidated Statement of Financial Position

As at 30 June 2018

| | Note | Unaudited 30 June 2018 RMB'Million | Audited 31 December 2017 RMB'Million |
|---|---|---|---|
| **EQUITY** | | | |
| **Equity attributable to equity holders of the Company** | | | |
| Share capital | 22 | **–** | – |
| Share premium | | **25,215** | 22,204 |
| Shares held for share award schemes | | **(4,184)** | (3,970) |
| Other reserves | 4(a) | **17,204** | 35,158 |
| Retained earnings | 4(a) | **256,551** | 202,682 |
| | | **294,786** | 256,074 |
| **Non-controlling interests** | | **25,956** | 21,019 |
| **Total equity** | | **320,742** | 277,093 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 27 | **77,876** | 82,094 |
| Notes payable | 28 | **49,433** | 29,363 |
| Long-term payables | 26 | **5,843** | 3,862 |
| Other financial liabilities | | **1,618** | 2,154 |
| Deferred income tax liabilities | 20 | **9,097** | 5,975 |
| Deferred revenue | 29 | **3,325** | 2,391 |
| | | **147,192** | 125,839 |

# Consolidated Statement of Financial Position

As at 30 June 2018

| | Note | Unaudited<br>30 June<br>2018<br>RMB'Million | Audited<br>31 December<br>2017<br>RMB'Million |
|---|---|---|---|
| **Current liabilities** | | | |
| Accounts payable | 24 | **60,838** | 50,085 |
| Other payables and accruals | 25 | **26,731** | 29,433 |
| Borrowings | 27 | **28,109** | 15,696 |
| Notes payable | 28 | **14,059** | 4,752 |
| Current income tax liabilities | | **7,485** | 8,708 |
| Other tax liabilities | | **825** | 934 |
| Deferred revenue | 29 | **40,827** | 42,132 |
| | | **178,874** | 151,740 |
| **Total liabilities** | | **326,066** | 277,579 |
| **Total equity and liabilities** | | **646,808** | 554,672 |

The accompanying notes on pages 34 to 80 form an integral part of this interim financial information.

On behalf of the Board

**Ma Huateng**
*Director*

**Lau Chi Ping Martin**
*Director*

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

| | Unaudited | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Attributable to equity holders of the Company | | | | | | | |
| | Share capital RMB'Million | Share premium RMB'Million | Shares held for share award schemes RMB'Million | Other reserves RMB'Million | Retained earnings RMB'Million | Total RMB'Million | Non-controlling interests RMB'Million | Total equity RMB'Million |
| **Balance at 31 December 2017, as previously reported** | – | 22,204 | (3,970) | 35,158 | 202,682 | 256,074 | 21,019 | 277,093 |
| **Adjustment on adoption of IFRS 9 (Note 4(a))** | – | – | – | (16,210) | 16,210 | – | – | – |
| **Balance at 1 January 2018** | – | 22,204 | (3,970) | 18,948 | 218,892 | 256,074 | 21,019 | 277,093 |
| **Comprehensive income** | | | | | | | | |
| Profit for the period | – | – | – | – | 41,157 | 41,157 | 1,396 | 42,553 |
| Other comprehensive income, net of tax: | | | | | | | | |
| – share of other comprehensive loss of associates and joint ventures | – | – | – | (28) | – | (28) | – | (28) |
| – net gains from changes in fair value of financial assets at fair value through other comprehensive income | – | – | – | 520 | – | 520 | 15 | 535 |
| – currency translation differences | – | – | – | 51 | – | 51 | 149 | 200 |
| – other fair value gains, net | – | – | – | 1,080 | – | 1,080 | – | 1,080 |
| **Total comprehensive income for the period** | – | – | – | 1,623 | 41,157 | 42,780 | 1,560 | 44,340 |
| Transfer of gains on disposal of financial assets at fair value through other comprehensive income to retained earnings | – | – | – | (3,313) | 3,313 | – | – | – |
| Share of other changes in net assets of associates | – | – | – | 577 | – | 577 | – | 577 |
| **Transactions with equity holders** | | | | | | | | |
| Capital injection | – | – | – | – | – | – | 76 | 76 |
| Employee share option schemes: | | | | | | | | |
| – value of employee services | – | 884 | – | 38 | – | 922 | 35 | 957 |
| – proceeds from shares issued | – | 336 | – | – | – | 336 | – | 336 |
| Employee share award schemes: | | | | | | | | |
| – value of employee services | – | 2,035 | – | 226 | – | 2,261 | 121 | 2,382 |
| – shares withheld for share award schemes | – | – | (701) | – | – | (701) | – | (701) |
| – vesting of awarded shares | – | (487) | 487 | – | – | – | – | – |
| Tax benefit from share-based payments of a subsidiary | – | – | – | 140 | – | 140 | – | 140 |
| Profit appropriations to statutory reserves | – | – | – | 35 | (35) | – | – | – |
| Dividends (Note 13) | – | – | – | – | (6,776) | (6,776) | (432) | (7,208) |
| Non-controlling interests arising from business combinations | – | – | – | – | – | – | 988 | 988 |
| Deemed disposal of a subsidiary | – | – | – | – | – | – | (34) | (34) |
| Acquisition of additional equity interests in non-wholly owned subsidiaries | – | 243 | – | (234) | – | 9 | (110) | (101) |
| Dilution of interests in subsidiaries | – | – | – | 474 | – | 474 | 1,829 | 2,303 |
| Transfer of equity interests of subsidiaries to non-controlling interests | – | – | – | (904) | – | (904) | 904 | – |
| Recognition of the financial liabilities in respect of the put option from business combinations | – | – | – | (406) | – | (406) | – | (406) |
| **Total transactions with equity holders at their capacity as equity holders for the period** | – | 3,011 | (214) | (631) | (6,811) | (4,645) | 3,377 | (1,268) |
| **Balance at 30 June 2018** | – | 25,215 | (4,184) | 17,204 | 256,551 | 294,786 | 25,956 | 320,742 |

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

| | Unaudited | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Attributable to equity holders of the Company | | | | | | | |
| | Share capital RMB'Million | Share premium RMB'Million | Shares held for share award schemes RMB'Million | Other reserves RMB'Million | Retained earnings RMB'Million | Total RMB'Million | Non-controlling interests RMB'Million | Total equity RMB'Million |
| **Balance at 1 January 2017** | – | 17,324 | (3,136) | 23,693 | 136,743 | 174,624 | 11,623 | 186,247 |
| **Comprehensive income** | | | | | | | | |
| Profit for the period | – | – | – | – | 32,707 | 32,707 | 95 | 32,802 |
| Other comprehensive income, net of tax: | | | | | | | | |
| – share of other comprehensive income of associates and joint ventures | – | – | – | 177 | – | 177 | – | 177 |
| – net gains from changes in fair value of available-for-sale financial assets | – | – | – | 17,416 | – | 17,416 | – | 17,416 |
| – transfer to profit or loss upon disposal of available-for-sale financial assets | – | – | – | (1,832) | – | (1,832) | – | (1,832) |
| – currency translation differences | – | – | – | (4,195) | – | (4,195) | (22) | (4,217) |
| – other fair value losses, net | – | – | – | (493) | – | (493) | – | (493) |
| **Total comprehensive income for the period** | – | – | – | 11,073 | 32,707 | 43,780 | 73 | 43,853 |
| **Transactions with equity holders** | | | | | | | | |
| Capital injection | – | – | – | – | – | – | 209 | 209 |
| Employee share option schemes: | | | | | | | | |
| – value of employee services | – | 394 | – | 101 | – | 495 | 60 | 555 |
| – proceeds from shares issued | – | 82 | – | – | – | 82 | – | 82 |
| Employee share award schemes: | | | | | | | | |
| – value of employee services | – | 1,868 | – | 215 | – | 2,083 | 47 | 2,130 |
| – shares withheld for share award schemes | – | – | (664) | – | – | (664) | – | (664) |
| – vesting of awarded shares | – | (287) | 287 | – | – | – | – | – |
| Tax benefit from share-based payments of a subsidiary | – | – | – | 118 | – | 118 | – | 118 |
| Dividends | – | – | – | – | (5,052) | (5,052) | (461) | (5,513) |
| Acquisition of additional equity interests in non-wholly owned subsidiaries | – | 412 | – | (636) | – | (224) | (262) | (486) |
| Disposal and deemed disposal of subsidiaries | – | – | – | – | – | – | (133) | (133) |
| Dilution of interests in subsidiaries | – | – | – | (103) | – | (103) | 103 | – |
| Transfer of equity interests of subsidiaries to non-controlling interests | – | – | – | (465) | – | (465) | 465 | – |
| **Total transactions with equity holders at their capacity as equity holders for the period** | – | 2,469 | (377) | (770) | (5,052) | (3,730) | 28 | (3,702) |
| **Balance at 30 June 2017** | – | 19,793 | (3,513) | 33,996 | 164,398 | 214,674 | 11,724 | 226,398 |

The accompanying notes on pages 34 to 80 form an integral part of this interim financial information.

# Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'Million** | RMB'Million |
| **Cash flows from operating activities** | | |
| Cash generated from operations | **51,008** | 54,533 |
| Income tax paid | **(9,605)** | (7,451) |
| Net cash flows generated from operating activities | **41,403** | 47,082 |
| **Cash flows from investing activities** | | |
| Payments for business combinations, net of cash acquired | **(1,875)** | – |
| Net (outflows)/inflows of cash in respect of disposals and deemed disposals of subsidiaries | **(201)** | 6 |
| Purchase of property, plant and equipment, construction in progress and investment properties | **(10,348)** | (5,021) |
| Proceeds from disposals of property, plant and equipment | **6** | – |
| Purchase of/prepayments for intangible assets | **(13,994)** | (7,173) |
| Purchase of/prepayments for land use rights | **(2,212)** | (46) |
| Payments for acquisition of investments in associates | **(29,279)** | (4,596) |
| Proceeds from disposals of investments in associates | **421** | 284 |
| Payments for acquisition of investments in redeemable instruments of associates | **–** | (14,229) |
| Payments for acquisition of financial assets at fair value through other comprehensive income | **(14,024)** | – |
| Proceeds from disposals of financial assets at fair value through other comprehensive income | **6,344** | – |
| Payments for acquisition of financial assets at fair value through profit or loss | **(30,758)** | – |
| Proceeds from disposals of financial assets at fair value through profit or loss | **3,850** | – |
| Payments for acquisition of investments in joint ventures | **(841)** | (78) |
| Proceeds from disposals of investments in joint ventures | **–** | 9 |
| Payments for available-for-sale financial assets | **–** | (12,004) |
| Proceeds from disposals of available-for-sale financial assets | **–** | 3,154 |
| Payments for loans to investees and others | **(1,464)** | (1,111) |
| Loan repayments from investees and others | **203** | 731 |
| Payments for other financial assets | **–** | (994) |
| Proceeds from settlement of other financial assets | **–** | 274 |
| Receipt from maturity of term deposits with initial terms of over three months | **35,756** | 27,784 |
| Placement of term deposits with initial terms of over three months | **(17,305)** | (38,938) |
| Interest received | **2,247** | 833 |
| Dividends received | **578** | 782 |
| Net cash flows used in investing activities | **(72,896)** | (50,333) |

# Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'Million** | RMB'Million |
| **Cash flows from financing activities** | | |
| Proceeds from short-term borrowings | **15,943** | 5,418 |
| Repayments of short-term borrowings | **(9,120)** | (6,520) |
| Proceeds from long-term borrowings | **–** | 19,092 |
| Repayments of long-term borrowings | **(15)** | (5,270) |
| Net proceeds from issuance of notes payable | **32,547** | – |
| Repayments of notes payable | **(3,798)** | (3,450) |
| Proceeds from issuance of ordinary shares | **336** | 82 |
| Shares withheld for share award schemes | **(701)** | (664) |
| Transactions with non-controlling interests | **2,181** | (587) |
| Dividends paid to the Company's shareholders | **(6,776)** | (5,052) |
| Dividends paid to non-controlling interests | **(474)** | (459) |
| Net cash flows generated from financing activities | **30,123** | 2,590 |
| **Net decrease in cash and cash equivalents** | **(1,370)** | (661) |
| Cash and cash equivalents at beginning of the period | **105,697** | 71,902 |
| Exchange gains/(losses) on cash and cash equivalents | **296** | (940) |
| **Cash and cash equivalents at end of the period** | **104,623** | 70,301 |
| **Analysis of balances of cash and cash equivalents:** | | |
| Bank balances and cash | **44,058** | 31,527 |
| Term deposits and highly liquid investments with initial terms within three months | **60,565** | 38,774 |
| | **104,623** | 70,301 |

The accompanying notes on pages 34 to 80 form an integral part of this interim financial information.

# Notes to the Interim Financial Information

## 1 GENERAL INFORMATION

Tencent Holdings Limited (the "Company") was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 16 June 2004.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "Group") are principally engaged in the provision of value-added services ("VAS") and online advertising services to users in the People's Republic of China (the "PRC").

The condensed consolidated interim financial information comprises the consolidated statement of financial position as at 30 June 2018, the consolidated income statement and the consolidated statement of comprehensive income for the three-month and six-month periods then ended, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). The Interim Financial Information is presented in Renminbi ("RMB"), unless otherwise stated.

The Interim Financial Information has not been audited but has been reviewed by the external auditor of the Company.

## 2 BASIS OF PREPARATION AND PRESENTATION

The Interim Financial Information has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as set out in the 2017 annual report of the Company dated 21 March 2018 (the "2017 Financial Statements").

## 3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies and method of computation used in the preparation of the Interim Financial Information are consistent with those used in the 2017 Financial Statements, which have been prepared in accordance with IFRS under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments, which are carried at fair values.

Taxes on income for the interim period are accrued using the tax rates that would be applicable to expected total annual assessable profit.

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) New standards and amendments to standards adopted by the Group

***Adoption of IFRS 9***

The Group has reviewed its financial assets and liabilities and adopted IFRS 9 on 1 January 2018:

(i) Classification and measurement

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

*Debt instruments*

Initial recognition and subsequent measurement of debt instruments depend on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. There are three categories into which the Group classifies its debt instruments:

- Amortised cost: Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as and measured at amortised cost. A gain or loss on a debt investment measured at amortised cost which is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is recognised using the effective interest rate method.

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) New standards and amendments to standards adopted by the Group (continued)

***Adoption of IFRS 9*** **(continued)**

(i) Classification and measurement (continued)

*Debt instruments* (continued)

- Fair value through other comprehensive income ("FVOCI"): Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are classified as and measured at FVOCI. Movements in the carrying amount of these financial assets are taken through other comprehensive income, except for the recognition of impairment losses or reversals, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in "other gains, net" in the consolidated income statement. Interest income from these financial assets is recognised using the effective interest rate method. Foreign exchange gains and losses are presented in "finance costs, net" and impairment losses or reversals for "other gains, net".

- Fair value through profit or loss ("FVPL"): Financial assets that do not meet the criteria for amortised cost or FVOCI are classified as and measured at fair value through profit or loss. A gain or loss on a debt investment measured at fair value through profit or loss which is not part of a hedging relationship is recognised in profit or loss and presented in "other gains, net" for the period in which it arises.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

*Equity instruments*

The Group initially recognises and subsequently measures all equity investments at fair value. Upon initial recognition, the Group's management can elect to classify irrevocably its equity investments as financial assets at FVOCI when they meet the definition of equity instruments under IFRS 9 and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Where the Group has made an irrevocable election to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investments. Dividends from such investments continue to be recognised in profit or loss as "other gains, net" when the Group's right to receive payments is established. Equity instruments designated as FVOCI are not subject to impairment assessment.

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) New standards and amendments to standards adopted by the Group (continued)

***Adoption of IFRS 9*** **(continued)**

(i) Classification and measurement (continued)

*Equity instruments* (continued)

FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss and financial assets mandatorily required to be measured at fair value through profit or loss. Changes in the fair value of FVPL are recognised in "other gains, net" in the consolidated income statement.

(ii) Derivatives and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as hedges of a particular risk associated with the cash flows of a recognised asset or liability or a highly probable forecast transaction (cash flow hedges). The Group documents at the inception of the hedging relationship the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedge relationship.

A hedging relationship qualifies for hedge accounting if it meets all of the hedge effectiveness requirements under IFRS 9. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised through other comprehensive income within equity, while any ineffective portion is recognised immediately in profit or loss, within "other gains, net".

Amounts accumulated in equity are accounted for, depending on the nature of the underlying hedged transaction, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset, the amounts accumulated in equity are removed from other reserves and included within the initial cost of the asset. These deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss.
- For any other cash flow hedges, the gain or loss relating to the effective portion of the derivatives is reclassified to profit or loss at the same time when the hedged cash flows affects profit or loss.

# Notes to the Interim Financial Information

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) New standards and amendments to standards adopted by the Group (continued)

***Adoption of IFRS 9*** **(continued)**

(ii) Derivatives and hedge accounting (continued)

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remain in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging included in equity are immediately reclassified to profit or loss.

(iii) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For accounts receivable and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised since initial recognition.

Impairment on deposits and other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a deposit or other receivable has occurred since initial recognition, the impairment is measured as lifetime expected credit losses.

The further details on effects of the adoption of IFRS 9 are set out in Note 4.

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) New standards and amendments to standards adopted by the Group (continued)

***Adoption of IFRS 15***

The Group has also adopted IFRS 15 "Revenue from contracts with customers" on 1 January 2018. IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a five-step approach: (i) identify the contract(s) with a customer; (ii) identify separate performance obligations in a contract; (iii) determine the transaction price; (iv) allocate transaction price to performance obligations; and (v) recognise revenue when performance obligation is satisfied. IFRS 15 also provides specific guidance on contract costs and license arrangements. It also includes a cohesive set of disclosure requirements about revenue and cash flows arising from the contracts with customers. In accordance with the transitional provision in IFRS 15, since the impact is not material to the consolidated financial statements of the Group, comparative figures have not been restated.

### (b) New standards and amendments to standards issued but not effective

A number of new standards and amendments to standards have not come into effect for the financial year beginning 1 January 2018, and have not been early adopted by the Group in preparing the consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except IFRS 16 "Lease" as set out below:

IFRS 16 will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change. The standard will affect primarily the accounting for the Group's operating leases. The Group is still in the process of assessing the impact of this new standard on the Group's results and financial position.

The new standard is mandatory for financial years commencing on or after 1 January 2019.

# Notes to the Interim Financial Information

## 4 CHANGES IN ACCOUNTING POLICY

As explained in Note 3(a) above, the Group has adopted IFRS 9 since 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provision under IFRS 9, comparative figures have not been restated. As a result, any adjustments to carrying amounts of financial assets or financial liabilities were recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings.

### (a) Classification and measurement of financial instruments

Management has assessed the business model and the terms relating to the collection of contractual cash flows applicable to the financial assets held by the Group at the date of initial application of IFRS 9 (1 January 2018) and has classified its financial instruments into the appropriate IFRS 9 categories, which are those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and those to be measured at amortised cost. The main effects resulting from this reclassification are as follows:

| At 1 January 2018 | AFS RMB' Million | RCPS RMB' Million | OFA RMB' Million | FVPL RMB' Million | FVOCI RMB' Million | Total RMB' Million |
|---|---|---|---|---|---|---|
| **Opening balance – IAS 39** | **127,218** | **22,976** | **5,624** | – | – | **155,818** |
| Reclassification of available-for-sale financial assets ("AFS") to FVPL | **(68,703)** | – | – | **68,703** | – | – |
| Reclassification of AFS to FVOCI | **(58,515)** | – | – | – | **58,515** | – |
| Reclassification of investments in redeemable instruments of associates ("RCPS") to FVPL | – | **(22,976)** | – | **22,976** | – | – |
| Reclassification of other financial assets ("OFA") to FVPL | – | – | **(3,818)** | **3,818** | – | – |
| **Opening balance – IFRS 9** | – | – | **1,806** | **95,497** | **58,515** | **155,818** |

## 4 CHANGES IN ACCOUNTING POLICY (continued)

### (a) Classification and measurement of financial instruments (continued)

The main effects resulting from this reclassification on the Group's equity are as follows:

| At 1 January 2018 | Effect on AFS reserves RMB'Million | Effect on FVOCI reserves RMB'Million | Effect on retained earnings RMB'Million |
|---|---|---|---|
| **Opening balance – IAS 39** | **31,152** | **–** | **202,682** |
| Reclassification of AFS to FVPL | **(16,210)** | **–** | **16,210** |
| Reclassification of AFS to FVOCI | **(14,942)** | **14,942** | **–** |
| **Total impact** | **(31,152)** | **14,942** | **16,210** |
| **Opening balance – IFRS 9** | **–** | **14,942** | **218,892** |

Certain equity investments and debt instruments previously classified as AFS at an aggregated amount of RMB68,703 million were reclassified from AFS to FVPL on 1 January 2018, and accumulated fair value gains of RMB16,210 million were transferred from the AFS reserves to retained earnings on 1 January 2018.

Equity investments in certain companies of RMB58,515 million were reclassified from AFS to FVOCI on 1 January 2018, because these investments are not held for trading and meet the definition of equity instruments from the perspective of the issuer. As a result, accumulated fair value gains of RMB14,942 million were transferred from the AFS reserves to FVOCI reserves on 1 January 2018.

Investments in RCPS of RMB22,976 million were reclassified to FVPL as at 1 January 2018. They do not meet the definition of equity instruments from the perspective of the issuer and they are not eligible to be classified as at amortised cost in accordance with IFRS 9, because their cash flows do not represent solely payments of principal and interest. There was no impact on the amounts previously recognised in profit or loss in relation to these assets from the adoption of IFRS 9.

There was no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, while the Group does not have any such liabilities.

## 4 CHANGES IN ACCOUNTING POLICY (continued)

### (b) Derivative and hedging activities

In prior years, the Group entered into certain interest rate swap contracts to hedge its exposure arising from its borrowings carried at floating rates, which were qualified as hedge accounting. The interest rate swaps in place as at 31 December 2017 qualified as cash flow hedges under IFRS 9 and have been thus treated as continuing hedges upon the adoption of the standard.

### (c) Impairment of financial assets

The Group has the following types of financial assets subject to IFRS 9 new expected credit loss model:

- Accounts receivable; and
- Deposits and other receivables.

For accounts receivable, the Group applies the simplified approach for expected credit losses prescribed by IFRS 9. Based on the assessments performed by management, the changes in the loss allowance for accounts receivable are insignificant.

Impairment on deposits and other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since the initial recognition. Based on the assessments performed by management, the changes in the loss allowance for deposits and other receivables are insignificant.

## 5 ESTIMATES

The preparation of the Interim Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2017 Financial Statements.

## 6 FINANCIAL RISK MANAGEMENT

### (a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2017 Financial Statements.

There were no significant changes in any material risk management policies during the six months ended 30 June 2018.

During the three and six months ended 30 June 2018, the Group reported exchange gains of RMB37 million and RMB450 million respectively (three and six months ended 30 June 2017: exchange losses of RMB74 million and RMB98 million) (Note 10), within "Finance costs, net" in the consolidated income statement.

### (b) Capital risk management

The Group's objectives on managing capital are to safeguard the Group's ability to continue as a going concern and support the sustainable growth of the Group in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

Capital refers to equity and external debts (including borrowings and notes payable). In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, repurchase the Company's shares or raise/repay debts.

The Group monitors capital by regularly reviewing debts to adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA") ratio, being the measure of the Group's ability to pay off all debts that reflects financial health and liquidity position. The total debts/adjusted EBITDA ratio calculated by dividing the total debts by adjusted EBITDA is as follows:

| | **Unaudited 30 June 2018** | Audited 31 December 2017 |
|---|---|---|
| | (RMB in million, unless specified) | |
| Borrowings (Note 27) | **105,985** | 97,790 |
| Notes payable (Note 28) | **63,492** | 34,115 |
| Total debts | **169,477** | 131,905 |
| Adjusted EBITDA for the twelve months ended 30 June 2018/31 December 2017 (Note) | **109,754** | 95,861 |
| Total debts/Adjusted EBITDA ratio | **1.54** | 1.38 |

## 6 FINANCIAL RISK MANAGEMENT (continued)

### (b) Capital risk management (continued)

Note:

Adjusted EBITDA represents operating profit less interest income and other gains/losses, net, and plus depreciation of property, plant and equipment and investment properties, amortisation of intangible assets and equity-settled share-based compensation expenses.

The movement in the ratio is mainly the result of additional debts issued by the Group during the period.

### (c) Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2018 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

| | Level 1 RMB'Million | Level 2 RMB'Million | Level 3 RMB'Million | Total RMB'Million |
|---|---|---|---|---|
| **As at 30 June 2018** | | | | |
| FVPL | **12,910** | **4,829** | **109,698** | **127,437** |
| FVOCI | **66,185** | **–** | **771** | **66,956** |
| Other financial assets | **–** | **2,962** | **–** | **2,962** |
| Other financial liabilities | **–** | **–** | **1,618** | **1,618** |
| **As at 31 December 2017** | | | | |
| Available-for-sale financial assets | 53,574 | 331 | 73,313 | 127,218 |
| Other financial assets | – | 1,806 | 3,818 | 5,624 |
| Other financial liabilities | – | – | 2,154 | 2,154 |

The fair value of financial instruments traded in active markets is determined based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

## 6 FINANCIAL RISK MANAGEMENT (continued)

### (c) Fair value estimation (continued)

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required for evaluating the fair value of a financial instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

During the six months ended 30 June 2018, four FVPL were transferred from level 3 to level 1 of fair value hierarchy classifications.

The following table presents the changes in level 3 financial instruments for the six months ended 30 June 2018 and 2017:

| | **Financial assets Unaudited Six months ended 30 June** | | **Financial liabilities Unaudited Six months ended 30 June** | |
|---|---|---|---|---|
| | **2018 RMB'Million** | 2017 RMB'Million | **2018 RMB'Million** | 2017 RMB'Million |
| **Opening balance - IAS 39** | **77,131** | 65,599 | **2,154** | 2,576 |
| Adjustment on adoption of IFRS 9 (Note 4(a)) | **22,976** | – | – | – |
| **Opening balance - IFRS 9** | **100,107** | 65,599 | **2,154** | 2,576 |
| Additions | **26,540** | 5,756 | – | – |
| Disposals and transfers/settlements | **(26,416)** | (4,310) | – | – |
| Changes in fair value | **9,014** | 7,832 | **(548)** | (44) |
| Impairment provision | – | (506) | – | – |
| Currency translation differences | **1,224** | (1,581) | **12** | (64) |
| **Closing balance** | **110,469** | 72,790 | **1,618** | 2,468 |

# Notes to the Interim Financial Information

## 6 FINANCIAL RISK MANAGEMENT (continued)

### (c) Fair value estimation (continued)

Valuation processes of the Group (Level 3)

The Group has a team of personnel who performs valuation on these level 3 instruments for financial reporting purposes. The team performs valuation, or necessary updates, at least once every quarter, which coincides with the Group's quarterly reporting dates. On an annual basis, the team adopts various valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts may also be involved and consulted when it is necessary.

The components of the level 3 instruments mainly include investments in private investment funds and unlisted companies, other financial instruments and convertible bonds. As these instruments are not traded in an active market, their fair values have been determined using various applicable valuation techniques, including discounted cash flows approach, comparable transactions approach, and other option pricing models, etc. Major assumptions used in the valuation include historical financial results, assumptions about future growth rates, estimate of weighted average cost of capital, recent market transactions, discount for lack of marketability and other exposure, etc. Other financial liabilities included guarantees provided by the Group on certain put arrangements of an associate and put options issued by the Group to certain investors of the associate, at a pre-determined pricing formula. The fair values of these instruments determined by the Group require significant judgement, including the likelihood of non-performance by the investee company, financial performance of the investee company, market value of comparable companies as well as discount rate, etc.

# Notes to the Interim Financial Information

## 7 SEGMENT INFORMATION

The chief operating decision-makers mainly include executive directors of the Company. They review the Group's internal reporting in order to assess performance and allocate resources, and determine the operating segments based on these reports.

The Group has the following reportable segments for the three and six months ended 30 June 2018 and 2017:

– VAS;

– Online advertising; and

– Others.

"Others" segment primarily comprises payment related services for individual and corporate users, cloud services and other services.

The chief operating decision-makers assess the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and marketing expenses and general and administrative expenses are common costs incurred for these operating segments as a whole and therefore, they are not included in the measure of the segments' performance which is used by the chief operating decision-makers as a basis for the purpose of resource allocation and assessment of segment performance. Interest income, other gains/(losses), net, finance income/(costs), net, share of profit/(loss) of associates and joint ventures and income tax expense are also not allocated to individual operating segment.

There were no material inter-segment sales during the three and six months ended 30 June 2018 and 2017. The revenues from external customers reported to the chief operating decision-makers are measured in a manner consistent with that applied in the consolidated income statement.

Other information, together with the segment information, provided to the chief operating decision-makers, is measured in a manner consistent with that applied in the Interim Financial Information. There were no segment assets and segment liabilities information provided to the chief operating decision-makers.

## 7 SEGMENT INFORMATION (continued)

The segment information provided to the chief operating decision-makers for the reportable segments for the three and six months ended 30 June 2018 and 2017 is as follows:

| | **Unaudited** | | | |
|---|---|---|---|---|
| | **Three months ended 30 June 2018** | | | |
| | **VAS** | **Online advertising** | **Others** | **Total** |
| | **RMB'Million** | **RMB'Million** | **RMB'Million** | **RMB'Million** |
| **Segment revenues** | **42,069** | **14,110** | **17,496** | **73,675** |
| **Gross profit** | **24,816** | **5,272** | **4,358** | **34,446** |
| **Depreciation** | **457** | **294** | **830** | **1,581** |
| **Amortisation** | **2,854** | **3,178** | **15** | **6,047** |

| | Unaudited | | | |
|---|---|---|---|---|
| | Three months ended 30 June 2017 | | | |
| | VAS | Online advertising | Others | Total |
| | RMB'Million | RMB'Million | RMB'Million | RMB'Million |
| Segment revenues | 36,804 | 10,148 | 9,654 | 56,606 |
| Gross profit | 22,303 | 3,841 | 2,162 | 28,306 |
| Depreciation | 490 | 109 | 319 | 918 |
| Amortisation | 1,734 | 2,864 | – | 4,598 |

## 7 SEGMENT INFORMATION (continued)

| | Unaudited<br>Six months ended 30 June 2018 | | | |
|---|---|---|---|---|
| | VAS<br>RMB'Million | Online advertising<br>RMB'Million | Others<br>RMB'Million | Total<br>RMB'Million |
| **Segment revenues** | **88,946** | **24,799** | **33,458** | **147,203** |
| **Gross profit** | **54,473** | **8,605** | **8,410** | **71,488** |
| **Depreciation** | **891** | **529** | **1,505** | **2,925** |
| **Amortisation** | **5,164** | **6,142** | **73** | **11,379** |

| | Unaudited<br>Six months ended 30 June 2017 | | | |
|---|---|---|---|---|
| | VAS<br>RMB'Million | Online advertising<br>RMB'Million | Others<br>RMB'Million | Total<br>RMB'Million |
| Segment revenues | 71,912 | 17,036 | 17,210 | 106,158 |
| Gross profit | 43,694 | 6,240 | 3,815 | 53,749 |
| Depreciation | 1,013 | 168 | 543 | 1,724 |
| Amortisation | 3,843 | 4,158 | – | 8,001 |

The reconciliation of gross profit to profit before income tax is shown in the consolidated income statement.

All the revenues derived from any single external customer were less than 10% of the Group's total revenues during the three and six months ended 30 June 2018 and 2017.

## 8 OTHER GAINS, NET

| | Unaudited Three months ended 30 June | | Unaudited Six months ended 30 June | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **RMB'Million** | RMB'Million | **RMB'Million** | RMB'Million |
| Gains on disposals and deemed disposals of investee companies (Note (a)) | **725** | 3,132 | **2,297** | 5,860 |
| Fair value gains on FVPL (Note (b)) | **2,946** | – | **8,988** | – |
| Fair value gains on other financial instruments | **339** | 2,487 | **513** | 2,506 |
| Impairment provision for investee companies and intangible assets from acquisitions (Note (c)) | **(2,564)** | (1,572) | **(3,200)** | (2,075) |
| Subsidies and tax rebates | **704** | 1,014 | **1,928** | 1,818 |
| Dividend income | **274** | 97 | **319** | 773 |
| Donation to Tencent Charity Funds | **–** | – | **(570)** | (550) |
| Others | **82** | (33) | **(184)** | (16) |
| | **2,506** | 5,125 | **10,091** | 8,316 |

Note:

(a) The disposal and deemed disposal gains during the six months ended 30 June 2018 mainly comprised the following:

- net gains of approximately RMB1,313 million on dilution of the Group's equity interests in certain associates and a joint venture due to new equity interests being issued by these associates and the joint venture. These investee companies are principally engaged in Internet-related business;
- gains of approximately RMB417 million arising from acquisition of certain subsidiaries achieved in stages from investments in associates, which are principally engaged in online game business; and
- aggregate net gains of approximately RMB567 million on disposals and partial disposals of various investments of the Group.

(b) The fair value gains on FVPL during the three and six months ended 30 June 2018 comprised of net gains of approximately RMB2,946 million and RMB8,988 million (Note 16), respectively, as a result of increases in valuations of certain FVPL.

## 8 OTHER GAINS, NET (continued)

Note: (continued)

(c) The impairment provision for investee companies and intangible assets arising from acquisitions was mainly set up against the carrying amounts of the following items:

| | Unaudited Three months ended 30 June | | Unaudited Six months ended 30 June | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **RMB'Million** | RMB'Million | **RMB'Million** | RMB'Million |
| Investments in associates and joint ventures | **2,564** | 759 | **3,196** | 790 |
| Investments in redeemable instruments of associates | **–** | 454 | **–** | 560 |
| Available-for-sale financial assets | **–** | 230 | **–** | 596 |
| Others | **–** | 129 | **4** | 129 |
| | **2,564** | 1,572 | **3,200** | 2,075 |

## 9 EXPENSES BY NATURE

| | Unaudited Three months ended 30 June | | Unaudited Six months ended 30 June | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **RMB'Million** | RMB'Million | **RMB'Million** | RMB'Million |
| Employee benefits expenses (Note (a)) | **10,363** | 8,594 | **19,938** | 16,017 |
| Content costs (excluding amortisation of intangible assets) (Note (b)) | **8,647** | 7,172 | **16,478** | 13,763 |
| Channel and distribution costs (Note (b)) | **7,684** | 5,105 | **15,537** | 9,418 |
| Bandwidth and server custody fees | **3,737** | 2,660 | **7,148** | 5,091 |
| Promotion and advertising expenses | **5,176** | 2,723 | **9,750** | 5,048 |
| Operating lease rentals in respect of office buildings | **399** | 319 | **754** | 625 |
| Travelling and entertainment expenses | **334** | 246 | **607** | 440 |
| Amortisation of intangible assets (Note (c) and Note 14) | **6,262** | 4,793 | **11,803** | 8,432 |
| Depreciation of property, plant and equipment (Note 14) | **1,911** | 1,151 | **3,567** | 2,227 |

## 9 EXPENSES BY NATURE (continued)

Note:

(a) During the three and six months ended 30 June 2018, the Group incurred expenses for the purpose of research and development of approximately RMB5,722 million and RMB10,728 million, respectively (three and six months ended 30 June 2017: approximately RMB4,241 million and RMB7,838 million, respectively), which mainly comprised employee benefits expenses.

No significant development expenses had been capitalised for the three and six months ended 30 June 2018 and 2017.

(b) The comparative figures of certain costs have been reclassified to better reflect the nature of the costs and in conformity to current period's classification.

(c) Mainly included the amortisation charges of intangible assets in respect of media contents and game licences.

## 10 FINANCE COSTS, NET

| | **Unaudited** | | **Unaudited** | |
|---|---|---|---|---|
| | **Three months ended 30 June** | | **Six months ended 30 June** | |
| | **2018** | 2017 | **2018** | 2017 |
| | **RMB'Million** | RMB'Million | **RMB'Million** | RMB'Million |
| Interest and related expenses | **1,188** | 760 | **2,255** | 1,427 |
| Exchange (gains)/losses | **(37)** | 74 | **(450)** | 98 |
| | **1,151** | 834 | **1,805** | 1,525 |

Interest and related expenses mainly arose from the borrowings and notes payable disclosed in Notes 27 and 28.

## 11 TAXATION

### (a) Income tax expense

Income tax expense is recognised based on management's best knowledge of the income tax rates expected for the financial year.

(i) Cayman Islands and British Virgin Islands corporate income tax

The Group was not subject to any taxation in the Cayman Islands and the British Virgin Islands for the three and six months ended 30 June 2018 and 2017.

(ii) Hong Kong profit tax

Hong Kong profit tax has been provided for at the rate of 16.5% on the estimated assessable profit for the three and six months ended 30 June 2018 and 2017.

## 11 TAXATION (continued)

### (a) Income tax expense (continued)

(iii) PRC corporate income tax

PRC corporate income tax has been provided for at applicable tax rates under the relevant regulations of the PRC after considering the available preferential tax benefits from refunds and allowances, and on the estimated assessable profit of entities within the Group established in the PRC for the three and six months ended 30 June 2018 and 2017. The general PRC corporate income tax rate is 25% for the three and six months ended 30 June 2018 and 2017.

Certain subsidiaries of the Group in the PRC were approved as High and New Technology Enterprises, and accordingly, they were subject to a reduced preferential corporate income tax rate of 15% for the three and six months ended 30 June 2018 and 2017. Moreover, according to announcement and circular issued by relevant government authorities, for the year of 2015 and beyond, a software enterprise that qualifies as a national key software enterprise shall file its status with tax authorities for review and record in accordance with the relevant requirements at the time of final tax settlement each year in order to enjoy the preferential tax rate of 10%. The PRC corporate income tax for the relevant subsidiaries of the Company filing for this preferential tax treatment has been provided for at their respective prevailing tax rates (i.e. 15% or 25%) during the period. Upon receipt of notification, the relevant subsidiaries of the Company will be entitled to corporate income tax rate of 10% and corresponding tax adjustments will be accounted for.

In addition, according to relevant tax circulars issued by the PRC tax authorities, certain subsidiaries of the Company are entitled to other tax concessions and they are exempt from corporate income tax for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing from the first year of profitable operation, after offsetting tax losses generated in prior years.

(iv) Corporate income tax in other countries

Income tax on profit arising from other jurisdictions, including the United States, Europe, East Asia and South America, has been calculated on the estimated assessable profit for the three and six months ended 30 June 2018 and 2017 at the respective rates prevailing in the relevant jurisdictions, ranging from 12.5% to 36%.

## 11 TAXATION (continued)

### (a) Income tax expense (continued)

(v) Withholding tax

According to applicable tax regulations prevailing in the PRC, dividends distributed by a company established in the PRC to a foreign investor with respect to profit derived after 1 January 2008 are generally subject to a 10% withholding tax. If a foreign investor is incorporated in Hong Kong, under the double taxation arrangement between the Mainland China and Hong Kong, the relevant withholding tax rate applicable to the Group will be reduced from 10% to 5% subject to the fulfilment of certain conditions.

Dividends distributed from certain jurisdictions that the Group's entities operate in are also subject to withholding tax at respective applicable tax rates.

The income tax expense of the Group for the three and six months ended 30 June 2018 and 2017 are analysed as follows:

| | Unaudited Three months ended 30 June | | Unaudited Six months ended 30 June | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **RMB'Million** | RMB'Million | **RMB'Million** | RMB'Million |
| Current income tax | **4,049** | 3,824 | **8,538** | 7,516 |
| Deferred income tax (Note 20) | **(447)** | 146 | **810** | 112 |
| | **3,602** | 3,970 | **9,348** | 7,628 |

## 11 TAXATION (continued)

### (b) Value-added tax and other taxes

The operations of the Group are also mainly subject to the following taxes in the PRC:

| Category | Tax rate | Basis of levy |
|---|---|---|
| Value-added tax ("VAT") | 6~17% (Note) | Sales value of goods sold and services fee income, offsetting by VAT on purchases |
| Construction fee for cultural undertakings | 3% | Taxable advertising income |
| City construction tax | 7% | Net VAT payable amount |
| Educational surcharge | 5% | Net VAT payable amount |

Note:

Effective from 1 May 2018, the 17% and 11% VAT rates applicable to certain goods and services have been reduced to 16% and 10%, respectively.

## 12 EARNINGS PER SHARE

### (a) Basic

Basic earnings per share ("EPS") is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

| | Unaudited Three months ended 30 June | | Unaudited Six months ended 30 June | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| Profit attributable to equity holders of the Company (RMB'Million) | **17,867** | 18,231 | **41,157** | 32,707 |
| Weighted average number of ordinary shares in issue (million shares) | **9,438** | 9,403 | **9,434** | 9,400 |
| Basic EPS (RMB per share) | **1.893** | 1.939 | **4.363** | 3.480 |

## 12 EARNINGS PER SHARE (continued)

### (b) Diluted

The share options and awarded shares granted by the Company have potential dilutive effect on the EPS. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options and awarded shares granted by the Company (collectively forming the denominator for computing the diluted EPS). No adjustment is made to earnings (numerator).

In addition, the share options and restricted shares granted by the Company's non-wholly owned subsidiaries and associates should also have potential dilutive effect on the EPS. During the three and six months ended 30 June 2018 and 2017, these share options and restricted shares had either anti-dilutive effect or insignificant dilutive effect to the Group's diluted EPS.

| | **Unaudited<br>Three months ended 30 June** | | **Unaudited<br>Six months ended 30 June** | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| Profit attributable to equity holders of the Company (RMB'Million) | **17,867** | 18,231 | **41,157** | 32,707 |
| Weighted average number of ordinary shares in issue (million shares) | **9,438** | 9,403 | **9,434** | 9,400 |
| Adjustments for share options and awarded shares (million shares) | **125** | 121 | **130** | 120 |
| Weighted average number of ordinary shares for the calculation of diluted EPS (million shares) | **9,563** | 9,524 | **9,564** | 9,520 |
| Diluted EPS (RMB per share) | **1.868** | 1.914 | **4.303** | 3.436 |

## 13 DIVIDENDS

A final dividend in respect of the year ended 31 December 2017 of HKD0.88 per share (2016: HKD0.61 per share) was proposed pursuant to a resolution passed by the Board on 21 March 2018 and approved by the shareholders of the Company at the annual general meeting of the Company held on 16 May 2018. Such dividend amounting to RMB6,776 million (final dividend for 2016: RMB5,052 million) was paid before 30 June 2018.

The Board did not declare any interim dividend for the six months ended 30 June 2018 and 2017.

## 14 PROPERTY, PLANT AND EQUIPMENT, CONSTRUCTION IN PROGRESS, INVESTMENT PROPERTIES, LAND USE RIGHTS AND INTANGIBLE ASSETS

| | Unaudited | | | | |
|---|---|---|---|---|---|
| | Property, plant and equipment RMB'Million | Construction in progress RMB'Million | Investment properties RMB'Million | Land use rights RMB'Million | Intangible assets RMB'Million |
| **Net book amount at 1 January 2018** | **23,597** | **3,163** | **800** | **5,111** | **40,266** |
| Business combinations | **2** | **–** | **–** | **–** | **2,769** |
| Additions | **10,162** | **1,157** | **–** | **2,011** | **16,039** |
| Transfers | **606** | **(577)** | **(29)** | **–** | **–** |
| Disposals | **(10)** | **–** | **–** | **–** | **(607)** |
| Depreciation/amortisation | **(3,567)** | **–** | **(15)** | **(276)** | **(11,803)** |
| Impairment | **–** | **–** | **–** | **–** | **(4)** |
| Currency translation differences | **24** | **(3)** | **–** | **–** | **69** |
| **Net book amount at 30 June 2018** | **30,814** | **3,740** | **756** | **6,846** | **46,729** |
| **Net book amount at 1 January 2017** | 13,900 | 4,674 | 854 | 5,174 | 36,467 |
| Business combinations | – | – | – | – | 8 |
| Additions | 3,911 | 1,001 | – | 46 | 11,088 |
| Transfers | 322 | (328) | 6 | – | – |
| Disposals | (21) | – | – | – | (25) |
| Depreciation/amortisation | (2,227) | – | (14) | (55) | (8,432) |
| Impairment | (4) | – | – | – | (129) |
| Currency translation differences | (7) | (1) | – | – | (86) |
| **Net book amount at 30 June 2017** | 15,874 | 5,346 | 846 | 5,165 | 38,891 |

Non-financial assets that have an indefinite life are not subject to amortisation, but are tested for impairment whenever there is any indication of impairment or annually at year-end (31 December). Non-financial assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable.

Except for certain insignificant amounts of intangible assets arising from acquisitions were impaired during the six months ended 30 June 2018, there was no indication of impairment for property, plant and equipment, construction in progress, investment properties, land use rights and other intangible assets during the six months ended 30 June 2018.

## 15 INVESTMENTS IN ASSOCIATES

| | **Unaudited 30 June 2018 RMB'Million** | Audited 31 December 2017 RMB'Million |
|---|---|---|
| Investments in associates | | |
| – Listed entities (Note) | **67,214** | 60,935 |
| – Unlisted entities | **85,588** | 52,844 |
| | **152,802** | 113,779 |

Note:

As at 30 June 2018, the fair value of the investments in associates which are listed entities was RMB162,258 million (31 December 2017: RMB156,968 million).

Movement of investments in associates is analysed as follows:

| | **Unaudited Six months ended 30 June** | |
|---|---|---|
| | **2018 RMB'Million** | 2017 RMB'Million |
| **At beginning of period** | **113,779** | 70,042 |
| Additions (Note (i), (ii), (iii), (iv) and (v)) | **31,976** | 5,234 |
| Deemed disposal gains (Note 8(a)) | **1,185** | 2,400 |
| Share of profit of associates | **1,127** | 97 |
| Share of other changes in net assets of associates | **577** | – |
| Share of other comprehensive income of associates | **(26)** | 177 |
| Dividends | **(226)** | (4) |
| Transfers (Note (vi)) | **5,020** | 265 |
| Disposals | **(661)** | (79) |
| Impairment provision (Note (vii)) | **(959)** | (790) |
| Currency translation differences | **1,010** | (3,140) |
| **At end of period** | **152,802** | 74,202 |

## 15 INVESTMENTS IN ASSOCIATES (continued)

Note:

(i) During the six months ended 30 June 2018, the Group made additional investments in an existing associate which is principally engaged in eCommerce business in Asia, to further subscribe for its certain equity interests at a total consideration of USD1,019 million (equivalent to approximately RMB6,462 million). As at 30 June 2018, the Group's equity interest in this investee company is approximately 18% on an outstanding basis.

(ii) During the six months ended 30 June 2018, the Group acquired approximately 28% of equity interests on an outstanding basis in an existing investee company recorded as FVPL which is engaged in media and entertainment business, at a cash consideration of approximately RMB3,317 million. As a result, the investment in this investee company was re-designated from FVPL to investment in an associate. The Group further acquired certain equity interests in it, at a cash consideration of approximately RMB1,415 million. As at 30 June 2018, the Group's equity interest in this investee company is approximately 44% on an outstanding basis.

(iii) During the six months ended 30 June 2018, the Group entered into a share purchase agreement with an existing associate, which is principally engaged in media and entertainment business, to further subscribe for its certain equity interests at a cash consideration of approximately USD631 million (equivalent to approximately RMB3,998 million). As at 30 June 2018, the Group's equity interest in this investee company is approximately 43% on an outstanding basis.

(iv) During the six months ended 30 June 2018, the Group entered into a share purchase agreement with an investee company which is principally engaged in online game business, to acquire approximately 12% of its equity interests, on an outstanding basis, at a cash consideration of approximately RMB2,985 million, which is accounted for as an associate.

(v) The Group also acquired certain other associates and made additional investments in existing associates with an aggregate amount of RMB13,799 million during the six months ended 30 June 2018.

(vi) Transfers mainly comprised re-designation of several investments from FVPL to investments in associates as a result of change in nature of these investments, including an investment in an investee company re-designated as investment in associate due to the conversion of the redeemable instruments into ordinary shares amounting to RMB4,671 million upon its initial public offering.

(vii) During the six months ended 30 June 2018, the Group made an aggregate impairment provision of RMB959 million (six months ended 30 June 2017: RMB790 million) against the carrying amounts of certain investments in associates. The impairment loss mainly resulted from revisions of long-term financial outlook and the changes in business models of the affected associates.

Management has assessed the level of influence that the Group exercises on certain associates with the respective shareholding below 20% and with a total carrying amount of RMB75,186 million as at 30 June 2018 (31 December 2017: RMB56,768 million). Management determined that it has significant influence on those associates through the board representation or other arrangements made. Consequently, these investments have been classified as associates.

### Transactions with associates

(a) Transactions related to online services

During the three and six months ended 30 June 2018 and 2017, the Group had undertaken transactions relating to provision of online traffic, online advertising and other online services to certain associates (including JD.com), under but not limited to certain co-operation arrangements.

The revenues recorded by the Group from the aforesaid transactions during the three and six months ended 30 June 2018 and 2017 were considered to be insignificant.

# Notes to the Interim Financial Information

## 15 INVESTMENTS IN ASSOCIATES (continued)

**Transactions with associates (continued)**

(b) Other transactions

The Group placed certain deposits in an associate in the ordinary course of business. During the three and six months ended and as at 30 June 2018, the balances of these deposits and interest income thereon were considered to be insignificant.

## 16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

FVPL include the following:

| | Unaudited<br>30 June 2018<br>RMB'Million |
|---|---|
| **Included in non-current assets:** | |
| Investments in listed entities | 11,247 |
| Investments in unlisted entities | 105,900 |
| Others | 4,508 |
| | 121,655 |
| **Included in current assets:** | |
| Treasury investments and others | 5,782 |
| | 127,437 |

Movement of FVPL is analysed as follows:

| | Unaudited<br>Six months ended<br>30 June 2018<br>RMB'Million |
|---|---|
| **At beginning of period** | – |
| Adjustment on adoption of IFRS 9 (Note 4(a)) | 95,497 |
| Additions (Note (i), (ii), (iii), (iv) and (v)) | 33,444 |
| Transfers (Note 15 (vi)) | (5,205) |
| Changes in fair value (Note 8(b)) | 8,988 |
| Disposals (Note (vi)) | (7,434) |
| Currency translation differences | 2,147 |
| **At end of period** | 127,437 |

# Notes to the Interim Financial Information

## 16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Note:

(i) During the six months ended 30 June 2018, the Group entered into a strategy investment agreement with an investee company, which is a commercial property company located in the PRC, to acquire approximately 4% of its equity interests on an outstanding basis. As at 30 June 2018, the transaction was partially completed, and the Group had acquired approximately 2% of its equity interests at a consideration of HKD5,252 million (equivalent to approximately RMB4,216 million) and this investment is classified as FVPL.

(ii) During the six months ended 30 June 2018, the Group entered into a share purchase agreement with an investee company, which is principally engaged in the media and entertainment business, to subscribe for approximately 35% of its equity interests, on an outstanding basis, at a total consideration of USD462 million (equivalent to approximately RMB2,922 million).

(iii) During the six months ended 30 June 2018, the Group disposed of its entire equity interest in an investee company, to another investee company of the Group at a total consideration of USD539 million (equivalent to approximately RMB3,401 million) comprised of cash and its equity interests. The acquirer is principally engaged in the provision of Internet-related services.

(iv) During the six months ended 30 June 2018, the Group made additional investment in an existing investee company which is principally engaged in the media and entertainment business, to further subscribe for its certain equity interests at a total consideration of USD400 million (equivalent to approximately RMB2,536 million). As at 30 June 2018, the Group's equity interest in this investee company is approximately 14% on an outstanding basis.

(v) During the six months ended 30 June 2018, the Group also made certain new investments and additional investments with an aggregate amount of approximately RMB20,876 million in listed and unlisted entities mainly operated in the United States, the PRC and other Asian countries. These companies are principally engaged in games, entertainment, technology and other Internet-related services.

(vi) During the six months ended 30 June 2018, the Group disposed of certain investments, which are mainly engaged in the provision of Internet-related services.

## 17 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

FVOCI include the following:

| | Unaudited 30 June 2018 RMB'Million |
|---|---|
| Equity investments in listed entities | |
| – United States | 57,048 |
| – Mainland China | 5,920 |
| – France | 3,217 |
| | 66,185 |
| Others | 771 |
| | 66,956 |

Movement of FVOCI is analysed as follows:

| | Unaudited Six months ended 30 June 2018 RMB'Million |
|---|---|
| **At beginning of period** | – |
| Adjustment on adoption of IFRS 9 (Note 4(a)) | 58,515 |
| Additions (Note (i), (ii), (iii), (iv) and (v)) | 14,044 |
| Changes in fair value | 438 |
| Disposals (Note (vi)) | (6,341) |
| Currency translation differences | 300 |
| **At end of period** | 66,956 |

## 17 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Note:

(i) During the six months ended 30 June 2018, the Group entered into a share purchase agreement with an investee company, which is principally engaged in retail business, to acquire approximately 5% of its equity interests, on an outstanding basis, at a total consideration of RMB4,216 million.

(ii) During the six months ended 30 June 2018, the Group made additional investment in an existing investee company, which is principally engaged in Internet-related business, to further acquire approximately 3% of its equity interests, on an outstanding basis, at a total consideration of USD570 million (equivalent to approximately RMB3,712 million).

(iii) During the six months ended 30 June 2018, the Group entered into a share purchase agreement with an investee company, which is principally engaged in game business, to acquire approximately 5% of its equity interests, on an outstanding basis, at a total consideration of EUR371 million (equivalent to approximately RMB2,900 million).

(iv) During the six months ended 30 June 2018, the Group made additional investment in an existing investee company, which is principally engaged in media and entertainment business, to further acquire certain equity interests, at a total consideration of USD395 million (equivalent to approximately RMB2,508 million).

(v) During the six months ended 30 June 2018, the Group also made certain new investments and additional investments with an aggregate amount of approximately RMB708 million in listed entities mainly operated in the PRC, which are principally engaged in technology services.

(vi) During the six months ended 30 June 2018, the Group partially disposed of certain listed investments, with total gains of RMB3,313 million on disposals of FVOCI transferred from other reserves to retained earnings.

## 18 PREPAYMENTS, DEPOSITS AND OTHER ASSETS

| | **Unaudited 30 June 2018 RMB'Million** | Audited 31 December 2017 RMB'Million |
|---|---|---|
| **Included in non-current assets:** | | |
| Prepayments for media contents and game licences | **8,936** | 7,031 |
| Loans to investees and investees' shareholders (Note (a)) | **3,002** | 2,058 |
| Running royalty fees for online games (Note (b)) | **27** | 149 |
| Others | **2,336** | 1,935 |
| | **14,301** | 11,173 |
| **Included in current assets:** | | |
| Prepayments and prepaid expenses | **9,115** | 6,681 |
| Running royalty fees for online games (Note(b)) | **5,528** | 4,095 |
| Interest receivables | **2,593** | 2,703 |
| Refundable value-added tax | **1,081** | 579 |
| Loans to investees and investees' shareholders (Note (a)) | **1,040** | 521 |
| Rental deposits and other deposits | **243** | 220 |
| Others | **3,899** | 2,311 |
| | **23,499** | 17,110 |
| | **37,800** | 28,283 |

Note:

(a) As at 30 June 2018, the balance of loans to investees and investees' shareholders are mainly repayable within a period of one to five years (included in non-current assets), or within one year (included in current assets), and are interest-bearing at rates of not higher than 6.0% per annum (31 December 2017: not higher than 8.0% per annum).

(b) Running royalty fees for online games comprises of prepaid royalty fees and contract costs in relation to unamortised commissions and unamortised running royalty fees. There is no impairment on any of these contract costs.

As at 30 June 2018, the carrying amounts of deposits and other assets (excluding prepayments and refundable value-added tax) were approximate to their fair values. Deposits and other assets were neither past due nor impaired.

## 19 OTHER FINANCIAL ASSETS

Other financial assets were measured at their fair values.

**Included in non-current assets:**

As at 30 June 2018, the Group's non-current other financial assets comprised interest rate swap contracts of RMB2,568 million for interest rate hedging purpose which swap the floating interest rates into fixed interest rates. The aggregate notional principal amounts of the Group's outstanding interest rate swap contracts, were USD11,241 million (equivalent to approximately RMB74,377 million).

**Included in current assets:**

As at 30 June 2018, the Group's current other financial assets mainly comprised call option rights held by the Group to acquire additional equity interests in an investee company of the Group, amounting to RMB356 million.

## 20 DEFERRED INCOME TAXES

The movements of deferred income tax assets/liabilities are as follows:

| | | **Unaudited** | |
|---|---|---|---|
| | **Deferred income tax assets RMB'Million** | **Deferred income tax liabilities RMB'Million** | **Deferred income tax, net RMB'Million** |
| **At 1 January 2018** | **9,793** | **(5,975)** | **3,818** |
| Credited/(charged) to consolidated income statement (Note 11) | **1,275** | **(2,085)** | **(810)** |
| Withholding tax paid | **–** | **161** | **161** |
| Credited/(charged) to consolidated statement of changes in equity | **117** | **(20)** | **97** |
| Business combinations | **–** | **(128)** | **(128)** |
| Other additions | **–** | **(986)** | **(986)** |
| Currency translation differences | **(13)** | **(64)** | **(77)** |
| **At 30 June 2018** | **11,172** | **(9,097)** | **2,075** |
| **At 1 January 2017** | 7,033 | (5,153) | 1,880 |
| Credited/(charged) to consolidated income statement (Note 11) | 1,073 | (1,185) | (112) |
| Withholding tax paid | – | 1,193 | 1,193 |
| Credited/(charged) to consolidated statement of changes in equity | 3 | (32) | (29) |
| Currency translation differences | (33) | 6 | (27) |
| **At 30 June 2017** | 8,076 | (5,171) | 2,905 |

## 21 ACCOUNTS RECEIVABLE

Accounts receivable and their ageing analysis, based on recognition date, are as follows:

| | **Unaudited 30 June 2018 RMB'Million** | Audited 31 December 2017 RMB'Million |
|---|---|---|
| 0 ~ 30 days | **6,311** | 4,399 |
| 31 ~ 60 days | **6,111** | 6,394 |
| 61 ~ 90 days | **3,373** | 2,259 |
| Over 90 days | **5,763** | 3,497 |
| | **21,558** | 16,549 |

The majority of the Group's accounts receivable were denominated in RMB.

Receivable balances as at 30 June 2018 and 31 December 2017 mainly represented amounts due from online advertising customers and agencies, third party platform providers, and telecommunication operators.

Some online advertising customers and agencies are granted with a credit period of 90 days after full execution of the contracted advertisement orders. Third party platform providers and telecommunication operators usually settle the amounts due by them within 60 days and a period of 30 to 120 days, respectively.

As at 30 June 2018, insignificant amounts of accounts receivable were past due and related impairment provision was recognised after assessment of the financial condition and credit quality with reference to the past credit history.

As at 30 June 2018, the carrying amounts of the accounts receivable were approximate to their fair values.

## 22 SHARE CAPITAL

As at 30 June 2018 and 31 December 2017, the authorised share capital of the Company comprises 50,000,000,000 ordinary shares with par value of HKD0.00002 per share.

| No. of ordinary shares, issued and fully paid | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| **At beginning of period** | **9,499,056,887** | 9,477,083,480 |
| Issuance of shares under share option schemes | **5,670,239** | 2,718,805 |
| **At end of period** | **9,504,727,126** | 9,479,802,285 |

As at 30 June 2018, the total number of issued ordinary shares of the Company included 64,902,756 shares (31 December 2017: 70,675,181 shares) held under the Share Award Schemes.

## 23 SHARE-BASED PAYMENTS

### (a) Share option schemes

The Company has adopted five share option schemes, namely, the Pre-IPO Option Scheme, the Post-IPO Option Scheme I, the Post-IPO Option Scheme II, the Post-IPO Option Scheme III and the Post-IPO Option Scheme IV.

The Pre-IPO Option Scheme, the Post-IPO Option Scheme I and the Post-IPO Option Scheme II expired on 31 December 2011, 23 March 2014 and 16 May 2017, respectively. Upon the expiry of these schemes, no further options would be granted under these schemes, but the options granted prior to such expiry continue to be valid and exercisable in accordance with provisions of the schemes.

## 23 SHARE-BASED PAYMENTS (continued)

### (a) Share option schemes (continued)

In respect of the Post-IPO Option Scheme III and the Post-IPO Option Scheme IV which continue to be in force, the Board may, at its discretion, grant options to any qualifying participants to subscribe for shares in the Company, subject to the terms and conditions stipulated therein. The exercise price must be in compliance with the requirement under the Rules Governing the Listing of Securities on the Stock Exchange. In addition, the option vesting period is determined by the Board provided that it is not later than the last day of a 10-year period for the Post-IPO Option Scheme III and a 7-year period for the Post-IPO Option Scheme IV after the date of grant of option.

(i) Movements in share options

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

| | Post-IPO Option Scheme II | | Post-IPO Option Scheme III | | Post-IPO Option Scheme IV | | Total |
|---|---|---|---|---|---|---|---|
| | Average exercise price | No. of options | Average exercise price | No. of options | Average exercise price | No. of options | No. of options |
| **At 1 January 2018** | **HKD179.90** | **55,510,248** | **HKD31.70** | **2,500,000** | **HKD273.80** | **9,155,860** | **67,166,108** |
| Granted | **–** | **–** | **–** | **–** | **HKD410.21** | **22,491,840** | **22,491,840** |
| Exercised | **HKD106.48** | **(3,170,239)** | **HKD31.70** | **(2,500,000)** | **–** | **–** | **(5,670,239)** |
| Lapsed | **HKD131.47** | **(37,139)** | **–** | **–** | **HKD272.36** | **(91,490)** | **(128,629)** |
| **At 30 June 2018** | **HKD184.38** | **52,302,870** | **–** | **–** | **HKD371.03** | **31,556,210** | **83,859,080** |
| **Exercisable as at 30 June 2018** | **HKD160.05** | **22,212,605** | **–** | **–** | **–** | **–** | **22,212,605** |
| **At 1 January 2017** | HKD120.95 | 31,247,436 | HKD31.70 | 2,500,000 | – | – | 33,747,436 |
| Granted | HKD225.44 | 28,526,215 | – | – | – | – | 28,526,215 |
| Exercised | HKD34.84 | (2,718,805) | – | – | – | – | (2,718,805) |
| Lapsed | HKD116.62 | (75,220) | – | – | – | – | (75,220) |
| **At 30 June 2017** | HKD177.38 | 56,979,626 | HKD31.70 | 2,500,000 | – | – | 59,479,626 |
| **Exercisable as at 30 June 2017** | HKD114.53 | 13,108,559 | HKD31.70 | 1,250,000 | – | – | 14,358,559 |

## 23 SHARE-BASED PAYMENTS (continued)

### (a) Share option schemes (continued)

(i) Movements in share options (continued)

During the six months ended 30 June 2018, 3,215,800 options were granted to one director of the Company (six months ended 30 June 2017: 5,250,000 options were granted to one director of the Company).

As a result of the options exercised during the six months ended 30 June 2018, 5,670,239 ordinary shares (six months ended 30 June 2017: 2,718,805 ordinary shares) were issued by the Company (Note 22). The weighted average price of the shares at the time these options were exercised was HKD412.47 per share (equivalent to approximately RMB332.56 per share) (six months ended 30 June 2017: HKD267.20 per share (equivalent to approximately RMB234.13 per share)).

(ii) Outstanding share options

Details of the expiry dates, exercise prices and the respective numbers of share options which remained outstanding as at 30 June 2018 and 31 December 2017 are as follows:

| | | No. of share options | |
|---|---|---|---|
| **Expiry Date** | **Range of exercise price** | **30 June 2018** | 31 December 2017 |
| 7 years commencing from | HKD37.80~HKD49.76 | **156,250** | 1,633,050 |
| the date of grant of options | HKD112.30~HKD174.86 | **24,149,020** | 25,386,768 |
| (Post-IPO Option Scheme II and | HKD225.44~HKD272.36 | **36,972,405** | 37,556,725 |
| Post-IPO Option Scheme IV) | HKD403.16~HKD444.20 | **22,581,405** | 89,565 |
| | | **83,859,080** | 64,666,108 |
| 10 years commencing from | | | |
| the date of grant of options | | | |
| (Post-IPO Option Scheme III) | HKD31.70 | **–** | 2,500,000 |
| | | **83,859,080** | 67,166,108 |

The outstanding share options as of 30 June 2018 were divided into two to five tranches on an equal basis as at their grant dates. The first tranche can be exercised after a specified period ranging from one to three years from the grant date, and then the remaining tranches will become exercisable in each subsequent year.

## 23 SHARE-BASED PAYMENTS (continued)

### (a) Share option schemes (continued)

(iii) Fair value of options

The directors of the Company have used the "Enhanced FAS 123" binomial model ("Binomial Model") to determine the fair value of the options as at the respective grant dates, which is to be expensed over the relevant vesting period. The weighted average fair value of options granted during the six months ended 30 June 2018 was HKD128.32 per share (equivalent to approximately RMB103.22 per share) (six months ended 30 June 2017: HKD67.79 per share (equivalent to approximately RMB60.09 per share)).

Other than the exercise price mentioned above, significant judgement on parameters, such as risk free rate, dividend yield and expected volatility, are required to be made by the directors in applying the Binomial Model, which are summarised as follows:

| | Unaudited<br>Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| Weighted average share price at the grant date | **HKD409.32** | HKD225.20 |
| Risk free rate | **1.77%~2.27%** | 1.53% |
| Dividend yield | **0.24%~0.25%** | 0.34% |
| Expected volatility (Note) | **30.00%** | 30.00% |

Note:

The expected volatility, measured as the standard deviation of expected share price returns, is determined based on the average daily trading price volatility of the shares of the Company.

## 23 SHARE-BASED PAYMENTS (continued)

### (b) Share award schemes

The Company has adopted two share award schemes (the "Share Award Schemes") as of 30 June 2018, which are administered by an independent trustee appointed by the Group. The vesting period of the awarded shares is determined by the Board.

Movements in the number of awarded shares for the six months ended 30 June 2018 and 2017 are as follows:

| | No. of awarded shares | |
|---|---|---|
| | Six months ended 30 June | |
| | **2018** | 2017 |
| **At beginning of period** | **63,636,254** | 86,365,812 |
| Granted | **3,766,965** | 4,555,895 |
| Lapsed | **(1,181,802)** | (1,622,414) |
| Vested and transferred | **(7,806,084)** | (11,131,651) |
| **At end of period** | **58,415,333** | 78,167,642 |
| **Vested but not transferred as at the end of period** | **89,313** | 193,648 |

During the six months ended 30 June 2018, 39,500 awarded shares were granted to four independent non-executive directors of the Company (six months ended 30 June 2017: 60,000 awarded shares were granted to four independent non-executive directors of the Company).

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant dates. The expected dividends during the vesting period have been taken into account when assessing the fair value of these awarded shares.

The weighted average fair value of awarded shares granted during the six months ended 30 June 2018 was HKD410.33 per share (equivalent to approximately RMB332.52 per share) (six months ended 30 June 2017: HKD236.68 per share (equivalent to approximately RMB209.28 per share)).

The outstanding awarded shares as of 30 June 2018 were divided into one to five tranches on an equal basis as at their grant dates. The first tranche can be exercised immediately or after a specified period ranging from four months to four years from the grant date, and the remaining tranches will become exercisable in each subsequent year.

## 23 SHARE-BASED PAYMENTS (continued)

### (c) Employee investment schemes

For aligning the interests of key employees with the Group, the Group established six employees' investment plans in the form of limited liability partnerships in 2011, 2014, 2015, 2016 and 2017 (the "EIS") respectively. According to the term of the EISs, the Board may, at its absolute discretion, invite any qualifying participants of the Group, excluding any director of the Company, to participate in the EISs by subscribing for the partnership interest at cash consideration. The participating employees are entitled to all the economic benefits generated by the EISs, if any, after a specified vesting period under the respective EISs, ranging from four to seven years. Wholly-owned subsidiaries of the Company acting as general partner of these EISs administer and in essence, control the EISs. These EISs are therefore consolidated by the Company as structured entities.

The related share-based compensation expenses incurred for the six months ended 30 June 2018 and 2017 were insignificant to the Group.

### (d) Share option and share award schemes adopted by subsidiaries

Certain subsidiaries of the Group operate their own share-based compensation plans (share option and/or share award schemes). Their exercise prices of the share options, as well as the vesting periods of the share options and awarded shares are determined by the respective board of directors of these subsidiaries at their sole discretion. The share options or restricted shares of the subsidiaries granted are normally vested by several tranches. Participants of some subsidiaries have the right to request the Group to repurchase their vested equity interests of the respective subsidiaries ("Repurchase Transaction"). The Group has discretion to settle the Repurchase Transaction by using either equity instruments of the Company or by cash. For the Repurchase Transaction which the Group has settlement options, the directors of the Company are currently of the view that they would be settled by equity instruments of the Company. As a result, they are accounted for using the equity-settled share-based payment method.

### (e) Expected retention rate of grantees

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of vesting periods of the options and awarded shares (the "Expected Retention Rate") in order to determine the amount of share-based compensation expenses charged to the consolidated income statement. As at 30 June 2018, the Expected Retention Rate of the Group's wholly-owned subsidiaries was assessed to be 88%-97% (31 December 2017: 88%-97%).

## 24 ACCOUNTS PAYABLE

Accounts payable and their ageing analysis, based on recognition date, are as follows:

| | Unaudited 30 June 2018 RMB'Million | Audited 31 December 2017 RMB'Million |
|---|---|---|
| 0 ~ 30 days | **45,040** | 38,420 |
| 31 ~ 60 days | **4,382** | 3,030 |
| 61 ~ 90 days | **4,751** | 2,050 |
| Over 90 days | **6,665** | 6,585 |
| | **60,838** | 50,085 |

## 25 OTHER PAYABLES AND ACCRUALS

| | Unaudited 30 June 2018 RMB'Million | Audited 31 December 2017 RMB'Million |
|---|---|---|
| Staff costs and welfare accruals | **11,148** | 13,451 |
| Selling and marketing expense accruals | **4,338** | 4,414 |
| General and administrative expenses accruals | **1,304** | 1,149 |
| Purchase of land use rights and construction related costs | **1,041** | 1,463 |
| Interest payable | **957** | 410 |
| Purchase consideration payables for investee companies | **272** | 1,045 |
| Liabilities in relation to the put options granted to non-controlling shareholders of a subsidiary | **114** | – |
| Others (Note) | **7,557** | 7,501 |
| | **26,731** | 29,433 |

Note:

Others primarily consist of deposits from third parties, reserve for platform services, sundry payables and other accruals.

# Notes to the Interim Financial Information

## 26 LONG-TERM PAYABLES

| | Unaudited 30 June 2018 RMB'Million | Audited 31 December 2017 RMB'Million |
|---|---|---|
| Payables relating to media contents and running royalty fee for online games | **2,245** | 2,597 |
| Purchase consideration payables for investee companies | **1,756** | 336 |
| Present value of liabilities in relation to the put options granted to non-controlling shareholders of subsidiaries | **943** | 225 |
| Others | **899** | 704 |
| | **5,843** | 3,862 |

## 27 BORROWINGS

| | Unaudited 30 June 2018 RMB'Million | Audited 31 December 2017 RMB'Million |
|---|---|---|
| **Included in non-current liabilities:** | | |
| Non-current portion of long-term USD bank borrowings, unsecured (Note (a)) | **72,591** | 76,326 |
| Non-current portion of long-term RMB bank borrowings | | |
| – unsecured (Note (a)) | **4,444** | 4,459 |
| – secured (Note (a)) | **–** | 475 |
| Non-current portion of long-term HKD bank borrowings, unsecured (Note (a)) | **841** | 834 |
| | **77,876** | 82,094 |
| **Included in current liabilities:** | | |
| USD bank borrowings, unsecured (Note (b)) | **5,293** | 1,307 |
| HKD bank borrowings, unsecured (Note (b)) | **17,547** | 14,293 |
| Current portion of long-term USD bank borrowings, unsecured (Note (a)) | **4,764** | 66 |
| Current portion of long-term RMB bank borrowings | | |
| – unsecured (Note (a)) | **30** | 30 |
| – secured (Note (a)) | **475** | – |
| | **28,109** | 15,696 |
| | **105,985** | 97,790 |

## 27 BORROWINGS (continued)

Note:

(a) The aggregate principal amounts of long-term USD bank borrowings, long-term RMB bank borrowings and long-term HKD bank borrowings were USD11,691 million (31 December 2017: USD11,691 million), RMB4,949 million (31 December 2017: RMB4,964 million) and HKD1,000 million (31 December 2017: HKD1,000 million), respectively. Applicable interest rates are at LIBOR/HIBOR + 0.70% ~ 1.51% or a fixed interest rate of 1.875% for non-RMB bank borrowings and interest rates of 4.18% ~ 4.275% for RMB bank borrowings (31 December 2017: LIBOR/HIBOR + 0.70% ~ 1.51% or a fixed interest rate of 1.875% for non-RMB bank borrowings and interest rates of 4.18% ~ 4.275% for RMB bank borrowings) per annum.

The long-term bank borrowings were repayable as follows:

| | **Unaudited 30 June 2018 RMB'Million** | Audited 31 December 2017 RMB'Million |
|---|---|---|
| Within 1 year | **5,269** | 96 |
| Between 1 and 2 years | **13,143** | 9,947 |
| Between 2 and 5 years | **58,778** | 66,201 |
| More than 5 years | **5,955** | 5,946 |
| | **83,145** | 82,190 |

(b) The aggregate principal amounts of short-term USD bank borrowings and short-term HKD bank borrowings were USD800 million (31 December 2017: USD200 million) and HKD20,850 million (31 December 2017: HKD17,133 million), respectively. These short-term borrowings are carried at LIBOR/HIBOR + 0.50% ~ 0.55% (31 December 2017: LIBOR/HIBOR + 0.50% ~ 0.55%) per annum.

During the six months ended 30 June 2018, the Group entered into certain interest rate swap contracts to hedge its exposure arising from its long-term bank borrowings carried at floating rates. The Group's outstanding interest rate swap contracts as at 30 June 2018 have been detailed in Note 19.

As at 30 June 2018, the carrying amounts of borrowings were approximate to their fair values.

# Notes to the Interim Financial Information

## 28 NOTES PAYABLE

| | Unaudited<br>30 June<br>2018<br>RMB'Million | Audited<br>31 December<br>2017<br>RMB'Million |
|---|---|---|
| **Included in non-current liabilities:** | | |
| Non-current portion of long-term USD notes payable | **46,743** | 26,697 |
| Non-current portion of long-term HKD notes payable | **2,690** | 2,666 |
| | **49,433** | 29,363 |
| **Included in current liabilities:** | | |
| Current portion of long-term USD notes payable | **13,218** | 3,919 |
| Current portion of long-term HKD notes payable | **841** | 833 |
| | **14,059** | 4,752 |
| | **63,492** | 34,115 |

The aggregate principal amounts of USD notes payable and HKD notes payable were USD9,100 million (31 December 2017: USD4,700 million) and HKD4,200 million (31 December 2017: HKD4,200 million), respectively. Applicable interest rates are at 2.30% ~ 4.70% and 3-month USD LIBOR + 0.605% (31 December 2017: 2.30% ~ 4.70%) per annum.

The notes payable were repayable as follows:

| | Unaudited<br>30 June<br>2018<br>RMB'Million | Audited<br>31 December<br>2017<br>RMB'Million |
|---|---|---|
| Within 1 year | **14,059** | 4,752 |
| Between 1 and 2 years | **9,952** | 13,044 |
| Between 2 and 5 years | **9,886** | 9,833 |
| More than 5 years | **29,595** | 6,486 |
| | **63,492** | 34,115 |

All of these notes payable issued by the Group were unsecured.

## 28 NOTES PAYABLE (continued)

On 19 January 2018, the Company issued four tranches of senior notes under the Global Medium Term Note Programme with aggregate principal amounts of USD5 billion as set out below:

| | Amount (USD'Million) | Interest Rate (per annum) | Due |
|---|---|---|---|
| 2023 Notes | 1,000 | 2.985% | 2023 |
| 2023 Floating Rate Notes | 500 | 3-month USD LIBOR + 0.605% | 2023 |
| 2028 Notes | 2,500 | 3.595% | 2028 |
| 2038 Notes | 1,000 | 3.925% | 2038 |
| | 5,000 | | |

In March 2018, the notes payable with an aggregate principal amount of USD600 million issued in September 2012 reached their maturity and were repaid in full by the Group.

As at 30 June 2018, the fair value of the notes payable amounted to RMB62,199 million (31 December 2017: RMB34,691 million). The respective fair values are assessed based on the active market price of these notes on the reporting date or by making reference to similar instruments traded in the observable market.

## 29 DEFERRED REVENUE

Deferred revenue mainly comprises of contract liabilities in relation to the unamortised pre-paid tokens or cards, virtual items, Internet traffic and other support to be offered to JD.com and other investee companies in the future periods measured at their fair value on the inception dates (Note 15) and customer loyalty incentives offered to the customers.

## 30 CONTINGENCIES

The Group had no material contingent liabilities outstanding as at 30 June 2018.

## 31 COMMITMENTS

### (a) Capital commitments

Capital commitments as at 30 June 2018 and 31 December 2017 are analysed as follows:

| | **Unaudited 30 June 2018 RMB'Million** | Audited 31 December 2017 RMB'Million |
|---|---|---|
| Contracted: | | |
| Construction/purchase of buildings and purchase of land use rights | **1,589** | 273 |
| Purchase of other property, plant and equipment | **219** | 153 |
| Capital investments in investees | **15,746** | 3,027 |
| | **17,554** | 3,453 |

### (b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings are as follows:

| | **Unaudited 30 June 2018 RMB'Million** | Audited 31 December 2017 RMB'Million |
|---|---|---|
| Contracted: | | |
| Not later than one year | **280** | 217 |
| Later than one year and not later than five years | **632** | 502 |
| Later than five years | **919** | 969 |
| | **1,831** | 1,688 |

## 31 COMMITMENTS (continued)

### (c) Other commitments

The future aggregate minimum payments under non-cancellable bandwidth and server custody services, online game licensing and media contents agreements are as follows:

| | Unaudited 30 June 2018 RMB'Million | Audited 31 December 2017 RMB'Million |
|---|---|---|
| Contracted: | | |
| Not later than one year | **8,714** | 6,089 |
| Later than one year and not later than five years | **9,252** | 10,376 |
| Later than five years | **2,253** | 2,237 |
| | **20,219** | 18,702 |

## 32 RELATED PARTIES TRANSACTIONS

Except as disclosed in Note 15 (Transactions with associates), Note 18 (Loans to investees and investees' shareholders), and Note 23 (Share-based payments) to this Interim Financial Information, the Group had no other material transactions with related parties for the six months ended 30 June 2018, and no other material related parties' balances as at 30 June 2018.

## 33 EVENT OCCURRING AFTER THE BALANCE SHEET DATE

### (a) Proposed spin-off of Tencent Music Entertainment Group

The Company has submitted a proposal to the Stock Exchange pursuant to Practice Note 15 in relation to the proposed spin-off by way of a separate listing of its online music entertainment business operated by its majority-owned subsidiary, Tencent Music Entertainment Group, a leading online music entertainment platform in China, on a recognised stock exchange in the United States through a registered public offering (the "Proposed Spin-off"), and that the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off.

### (b) Proposed acquisition of equity interests from shareholders of an associate of the Company

On 13 August 2018, China Literature Limited, a non-wholly owned subsidiary of the Company, entered into a share purchase agreement to purchase all the shares from the shareholders (including the Company) of an associate of the Company (Note 15(ii)), which is principally engaged in production and distribution of television series, web series and films, at an aggregate maximum consideration of approximately RMB15.5 billion, comprising approximately RMB5.3 billion payable to the Company and approximately RMB10.2 billion payable to other shareholders. The consideration will be settled by a combination of cash and new shares to be issued by China Literature Limited, subject to the terms and conditions stipulated in the share purchase agreement. As at the date of this interim report, the proposed acquisition has not been completed.

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