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**Kingsoft Corporation Limited**  
**金山軟件有限公司**

*(Continued into the Cayman Islands with limited liability)*

**(Stock Code: 03888)**

**PROPOSED ISSUE OF**  
**HK\$2,327,000,000 1.25% CONVERTIBLE BONDS DUE 2019**

**Morgan Stanley      J.P.Morgan**

**as Joint Global Coordinators**

**Morgan Stanley**

**J.P.Morgan**

 **MACQUARIE**

**as Joint Bookrunners**

The Board is pleased to announce that the Company has entered into the Subscription Agreement with the Joint Bookrunners, under which the Joint Global Coordinators have agreed severally and not jointly to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Firm Bonds to be issued by the Company in an aggregate principal amount of HK\$1,940,000,000, on the terms and subject to the conditions set out therein. In addition, the Company has agreed to grant the Joint Global Coordinators an option to require the Company to issue the Option Bonds of up to HK\$387,000,000, on the terms and subject to the conditions set out in the Subscription Agreement. The Bonds are convertible into Shares in the circumstances set out in the Conditions at an initial Conversion Price of HK\$43.89 per Share (subject to adjustments). The Joint Global Coordinators have exercised the option in full to subscribe for all of the Option Bonds.

Assuming full conversion of the Bonds (including the Option Bonds) at the initial Conversion Price of HK\$43.89 per Share and no further issue of Shares, the Bonds will be convertible into approximately 53,018,910 new Shares, representing approximately 4.48% of the issued share capital of the Company as at the date of this announcement and approximately 4.29% of the issued share capital of the Company as at the date of this announcement as enlarged by the issue of the Conversion Shares upon full conversion of the Bonds.

The Conversion Shares to be issued upon conversion of the Bonds will rank *pari passu* in all respects with the Shares then in issue on the relevant Conversion Date.

**The Bonds have not been offered or sold and may not be offered or sold in Hong Kong to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong.**

**The Bonds and the Conversion Shares have not been and will not be registered under the US Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds are being offered and sold outside the United States in reliance on Regulation S under the US Securities Act.**

The estimated net proceeds from the Subscription of the Bonds, after deduction of commission (and assuming the payment of a discretionary incentive fee) and expenses, amount to approximately HK\$2,277 million. The Company intends to use the net proceeds from the Subscription primarily for general corporate purposes, for strategic investments and acquisitions, if appropriate, and to supplement working capital.

The Conversion Shares are to be issued under the General Mandate. The issue of the Bonds is not subject to the approval of the Shareholders.

An application will be made by the Company to the SGX-ST for the listing of the Bonds on the SGX-ST and an application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

**Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Subscription Agreement may be terminated in certain circumstances. Please refer to the paragraph headed “THE SUBSCRIPTION AGREEMENT” below for further information.**

**WARNING: As the Subscription Agreement may or may not complete, and the Bonds and/or the Conversion Shares may or may not be issued or listed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

The Board is pleased to announce that the Company has entered into the Subscription Agreement with the Joint Bookrunners, under which, among other things, (i) the Joint Global Coordinators have agreed severally to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Firm Bonds to be issued by the Company, initially, in an aggregate principal amount of HK\$1,940,000,000; and (ii) the Company has agreed to grant the Joint Global Coordinators an option to require the Company to issue the Option Bonds of up to HK\$387,000,000, on the terms and subject to the conditions set out therein and summarised below. The Joint Global Coordinators have exercised the option in full to subscribe for all of the Option Bonds. Accordingly, the aggregate principal amount of the Bonds to be issued will be HK\$2,327,000,000.

## **THE SUBSCRIPTION AGREEMENT**

### **Date**

3 April 2014

### **Parties**

- (i) the Company as issuer;
- (ii) Morgan Stanley and J.P. Morgan as Joint Global Coordinators; and
- (iii) Morgan Stanley, J.P. Morgan and Macquarie as Joint Bookrunners.

### **Subscription**

Subject to the fulfilment of the conditions set out below in the section headed “Conditions Precedent to the Subscription”, the Joint Global Coordinators have agreed severally and not jointly to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Firm Bonds to be issued by the Company on the Closing Date in an aggregate principal amount of HK\$1,940,000,000.

In addition, the Company has agreed to grant the Joint Global Coordinators an option to subscribe for all or any of the Option Bonds of up to HK\$387,000,000 on the Closing Date, on the terms and subject to the conditions of the Subscription Agreement. Such option shall be exercisable, in whole or in part, on one occasion only, by the Joint Global Coordinators. If such option is exercised, the Joint Global Coordinators shall pay the net subscription moneys for the Firm Bonds and the Option Bonds on the Closing Date. The Joint Global Coordinators have exercised the option in full to subscribe for all of the Option Bonds.

To the best of the Directors’ knowledge, information and belief, the Joint Bookrunners are third parties independent of the Company and are not connected with the Company and its connected persons (as defined in the Listing Rules).

### **Subscribers**

The Joint Bookrunners have informed the Company that they intend to offer and sell the Bonds to no less than six independent placees (who will be independent individual, corporate and/or institutional investors). To the best of the Directors’ knowledge, information and belief, each of the placees (and their respective ultimate beneficial owners) will be third parties independent of the Company and are not connected with the Company and its connected persons (as defined in the Listing Rules).

Morgan Stanley, as stabilising manager, may, to the extent permitted by applicable laws and directives, over-allot and effect transactions with a view to supporting the market price of the Bonds and/or the Shares at a level higher than that which might otherwise prevail, but in doing so Morgan Stanley shall act as principal and not as agent of the Company and any loss resulting from over-allotment and stabilisation will be borne, and any profit arising therefrom shall be beneficially retained, by Morgan Stanley or, as the case may be, the Joint Global Coordinators in the manner agreed by them. The Joint Bookrunners acknowledge that the Company has not authorised the issue of the Bonds in a principal amount exceeding HK\$2,327,000,000 (being the total amount of the Firm Bonds and the Option Bonds). There is no obligation on Morgan Stanley to engage in over-allotment or stabilisation.

## **Lock-up**

The Company has undertaken with the Joint Bookrunners that neither the Company nor any person acting on its behalf will (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Joint Global Coordinators between the date of the Subscription Agreement and the date which is 90 days after the Closing Date (both dates inclusive); except for the Bonds and the Conversion Shares, Shares issued on conversion of the 2013 Bonds or Shares issued pursuant to exercise of the share options granted under the Share Option Schemes. For the avoidance of doubt, the above lock-up obligations of the Company shall terminate if (i) the Subscription Agreement is terminated in accordance with its terms; or (ii) the Firm Bonds are not issued by the Closing Date, whichever is earlier.

In addition, the Company shall procure that each of Mr. Jun Lei, Color Link Management Limited, Smart Dimension Limited, Tencent Holdings Limited (or its nominee) and Topclick Holdings Limited shall execute, by no later than one business day following the date of the Subscription Agreement (or, in the case of Smart Dimension Limited and Tencent Holdings Limited (or its nominee), on a date no later than 3 business days following the date of the Subscription Agreement), a shareholder lock-up undertaking, pursuant to which each of the above Shareholders has undertaken that for a period from the date of the Subscription Agreement until 90 days from the Closing Date, neither he/it nor his/its nominee nor any person acting on his/its behalf will without the prior written approval of the Joint Global Coordinators (except pursuant to any pledge or agreement as disclosed in the Company's annual report for the financial year ended 31 December 2013 or pursuant to any pledge or agreement existing as at the date of the relevant undertaking and notified to the Joint Global Coordinators) (i) issue, offer, sell, contract to sell, pledge, encumber or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal) any of the relevant Shares held by such Shareholder (the "Relevant Shares"), or issue, offer, sell, contract to sell, pledge or otherwise dispose of any securities exchangeable for or convertible into or exercisable for the Relevant Shares, warrants or other rights to purchase the Relevant Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the Relevant Shares, including equity swaps, forward sales and options representing the right to receive any Relevant Shares; (ii) enter into any other arrangement that transfers to others, in whole or in part, any of the economic consequences of ownership of the Relevant Shares; or (iii) publicly announce any such offer, issue, sale or disposal of any Relevant Shares.

## **Conditions Precedent to the Subscription**

The obligations of the Joint Global Coordinators to subscribe and pay for the Bonds are subject to, among others, the following conditions precedent:

1. the Joint Global Coordinators being satisfied with the results of its due diligence investigations with respect to the Company and its subsidiaries and the Offering Circular shall have been prepared in form and content satisfactory to the Joint Global Coordinators.

2. the execution and delivery (on or before the Closing Date) of the Contracts, each in a form reasonably satisfactory to the Joint Global Coordinators, by the respective parties;
3. Mr. Jun Lei, Color Link Management Limited, Smart Dimension Limited, Tencent Holdings Limited (or its nominee) and Topclick Holdings Limited shall have executed lock-up agreements (in agreed form) on or before the Closing Date;
4. upon the Publication Date and on the Closing Date, there having been delivered to the Joint Bookrunners letters, in form and substance satisfactory to the Joint Global Coordinators, dated the Publication Date in the case of the first letter and dated the Closing Date in the case of the subsequent letters, and addressed to the Joint Bookrunners from the Auditors;
5. on the Closing Date:
  - (a) the representations and warranties of the Company in the Subscription Agreement being true, accurate and correct at, and as if made on such date;
  - (b) the Company having performed all of its obligations under the Subscription Agreement to be performed on or before such date; and
  - (c) there shall have been delivered to the Joint Bookrunners a certificate, dated as of such date, of a duly authorised officer of the Company in an agreed form;
6. after the date of the Subscription Agreement or, if earlier, the dates as of which information is given in the Offering Circular up to and at the Closing Date, there shall not have occurred any change (nor any development or event involving a prospective change), in the condition (financial or other), prospects, results of operations or general affairs of the Company or of the Group, which, in the opinion of the Joint Global Coordinators, is material and adverse in the context of the issue and offering of the Bonds;
7. on or prior to the Closing Date there shall have been delivered to the Joint Global Coordinators copies of all consents and approvals required in relation to the Bond Issue and the performance of the Company's obligations under the Trust Deed, the Agency Agreement and the Bonds (including the consents and approvals required from all relevant lenders, if applicable);
8. on the date of the Subscription Agreement, there having been delivered to the Joint Bookrunners a certificate of no default as of such date, of a duly authorised officer of the Company;
9. (i) the Stock Exchange having agreed to list the Conversion Shares upon conversion of the Bonds and (ii) the SGX-ST having agreed to list the Bonds, in both cases subject to any conditions reasonably satisfactory to the Joint Global Coordinators (or, in each case, the Joint Global Coordinators being reasonably satisfied that such listing will be granted); and
10. on or before the Closing Date, there having been delivered to the Joint Bookrunners legal opinions, in form and substance reasonably satisfactory to the Joint Global Coordinators, dated the Closing Date, and such other resolutions, consents, authorities and documents relating to the Bond Issue, as the Joint Global Coordinators may reasonably require.

The Joint Global Coordinators on behalf of the Joint Bookrunners may, at their discretion and upon such terms as they think fit, waive compliance with the whole or any part of the conditions precedent (other than condition 2 above).

The above conditions precedent must be satisfied and/or (as the case may be) waived on or prior to the Closing Date. As at the date of this announcement, save for condition 8 above, all the other conditions precedent to the completion of the Subscription Agreement are yet to be satisfied and/or (as the case may be) waived.

### **Termination of the Subscription**

The Joint Global Coordinators on behalf of the Joint Bookrunners may, by notice to the Company given at any time prior to payment of the net subscription monies for the Firm Bonds or the Option Bonds (if any) to the Company, terminate the Subscription Agreement in any of the following circumstances:

1. if there shall have come to the notice of the Joint Global Coordinators (i) any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties and representations contained in the Subscription Agreement, or (ii) any failure to perform any of the Company's undertakings or agreements in the Subscription Agreement;
2. if any of the conditions specified in the paragraph headed "Conditions Precedent to the Subscription" has not been satisfied or waived by the Joint Global Coordinators on or prior to the Closing Date, as the case may be;
3. if in the opinion of the Joint Global Coordinators, there shall have been, since the date of the Subscription Agreement, any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions (including any disruption to trading generally, or trading in any securities of the Company on any stock exchange or in any over-the-counter market) or currency exchange rates or foreign exchange controls such as would in its view, be likely to prejudice materially the success of the offer and distribution of the Bonds or dealings in the Bonds in the secondary market;
4. if, in the opinion of the Joint Global Coordinators, there shall have occurred any of the following events: (i) a suspension or a material limitation in trading in securities generally on the New York Stock Exchange, the London Stock Exchange plc, the SGX-ST and/or the Stock Exchange and/or any other stock exchange on which the Company's securities are traded; (ii) a suspension or a material limitation in trading in the Company's securities on the Stock Exchange and/or any other stock exchange on which the Company's securities are traded (except for a temporary suspension or trading halt of the Shares for not more than three Stock Exchange trading days); (iii) a general moratorium on commercial banking activities in the United States, Singapore, Hong Kong and/or the United Kingdom declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States, Hong Kong, Singapore or the United Kingdom; or (iv) a change or development involving a prospective change in taxation affecting the Company, the Bonds and the Conversion Shares or the transfer thereof; and
5. if, in the opinion of the Joint Global Coordinators, there shall have occurred any event or series of events (including the occurrence of any local, national or international outbreak or escalation of disaster, hostility, insurrection, armed conflict, act of terrorism, act of God or epidemic) as would in their view be likely to prejudice materially the success of the offer and distribution of the Bonds or dealings in the Bonds in the secondary market.

## PRINCIPAL TERMS OF THE BONDS

The principal terms of the Bonds are summarised as follows:

<i>Issuer</i>	The Company
<i>Joint Bookrunners</i>	The Joint Bookrunners
<i>Principal Amount</i>	Firm Bonds in the principal amount of HK\$1,940,000,000, with an option to subscribe all or some of the Option Bonds up to an additional aggregate amount of HK\$387,000,000. The Joint Global Coordinators have exercised the option in full to subscribe for all of the Option Bonds. Accordingly, the aggregate principal amount of the Bonds to be issued will be HK\$2,327,000,000.
<i>Maturity Date</i>	Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each Bond at its principal amount together with accrued and unpaid interest thereon on 11 April 2019
<i>Issue Price</i>	100% of the principal amount
<i>Interest</i>	<p>1.25% per annum of the principal amount of the Bonds, payable semi-annually in arrear in equal instalments of HK\$6,250 per Calculation Amount (as defined below) on 11 April and 11 October in each year, subject to adjustment for non-business days.</p> <p>Interest in respect of any Bond shall be calculated per HK\$1,000,000 in principal amount of the Bonds (the “Calculation Amount”). The amount of interest payable per Calculation Amount for any period shall, save as provided above in relation to equal instalments, be equal to the product of 1.25%, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).</p> <p>Where a Bond is redeemed or repaid pursuant to the Conditions and the payment of principal is improperly withheld or refused, it will continue to bear interest at 2.00% per annum above the interest rate above (both before and after judgment) until whichever is the earlier of (x) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder, and (y) the day seven days after the Trustee or the relevant agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Bondholders under the Conditions).</p>

## *Conversion*

Subject to certain conditions, the Bondholders have the right to convert their Bonds into Conversion Shares at the Conversion Price at any time on and after 22 May 2014 up to the close of business (at the place where the certificate evidencing such Bond is deposited for conversion) on the 10th day prior to the Maturity Date (both days inclusive) (but, except as provided in the Conditions, in no event thereafter) or if such Bond shall have been called for redemption by the Company before the Maturity Date, then up to and including the close of business (at the place aforesaid) on a date no later than seven days (in the place aforesaid) prior to the date fixed for redemption thereof.

The number of Conversion Shares to be issued on conversion of a Bond will be determined by dividing the principal amount of the Bond to be converted by the Conversion Price in effect at the Conversion Date.

## *Conversion Price*

The price at which Conversion Shares will be issued upon conversion will initially be HK\$43.89 per Conversion Share. The initial Conversion Price of HK\$43.89 represents: (i) a premium of approximately 40.0% over the closing price of HK\$31.35 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a premium of approximately 41.8% over the average closing price of HK\$30.96 per Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Day; and (iii) a premium of approximately 42.3% over the average closing price of HK\$30.85 per Share as quoted on the Stock Exchange for the ten trading days up to and including the Last Trading Day.

The initial Conversion Price is determined by the parties after arms' length negotiations with reference to the recent share price and future prospects of the Group.

The Conversion Price is subject to adjustment for, amongst other things, consolidation, subdivision or reclassification, capitalisation of profits or reserves, distributions, rights issues of Shares or options over Shares at less than 95% of the then current market price, rights issues of other securities, issues at less than 95% of the then current market price, other issues at less than 95% of the then current market price, modification of rights of conversion price of securities to less than 95% of the then current market price, other offers to Shareholders and other dilutive events, subject to certain exceptions. The Conversion Price may not be reduced so that, on conversion of the Convertible Bonds, Conversion Shares would fall to be issued at a discount to their nominal value or would require shares to be issued in any other circumstances not permitted by applicable law.



*Adjustment upon Change  
of Control*

If a Change of Control shall occur, the Company shall give notice of that fact to the holders of the Bonds within 20 days after it becomes aware of such Change of Control. Following the giving of a Change of Control notice, upon any exercise of conversion rights such that the relevant Conversion Date falls within 30 days following a Change of Control, or, if later, 30 days following the date on which the Change of Control notice is given to the holders of the Bonds (the “Change of Control Conversion Period”), the Conversion Price shall be adjusted in accordance with the following formula:

$$\text{NCP} = \frac{\text{OCP}}{1 + (\text{CPxc}/t)}$$

where:

“NCP” means the new Conversion Price.

“OCP” means the Conversion Price in effect on the relevant conversion date.

“CP” means 40.0% expressed as a fraction.

“c” means the number of days from and including the date the Change of Control occurs to but excluding the Maturity Date.

“t” means the number of days from and including the Closing Date to but excluding the Maturity Date,

provided that the Conversion Price shall not be reduced below the level permitted by applicable laws and regulations from time to time (if any), and, for the avoidance of doubt, no adjustment shall be made in respect of the exercise of any conversion rights where the relevant Conversion Date falls outside the Change of Control Conversion Period.

*Ranking of Conversion Shares*

The Conversion Shares to be issued upon conversion of the Bonds will be fully paid and rank *pari passu* in all respects with the Shares then in issue on the date the name of the holder of record of the number of Shares issuable upon conversion are registered as such in the register of members of the Company.

*Redemption at Maturity*

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each Bond at its principal amount together with accrued and unpaid interest thereon on the Maturity Date. The Company may not redeem the Bonds at its option prior to that date except as provided below.

*Redemption at the option  
of the Company*

The Company may, having given not less than 30 nor more than 60 days' notice to, *inter alios*, the Bondholders and the Trustee (which notice will be irrevocable), redeem the Bonds in whole and not in part: (i) at any time after 11 April 2017, provided that the daily Volume Weighted Average Price of a Share for any 20 out of the 30 consecutive trading days immediately prior to the date upon which notice of such redemption is given, was at least 130% of the Conversion Price then in effect immediately prior to the date upon which notice of such redemption is given; or (ii) at any time if, immediately prior to the date of the relevant notice is given, conversion rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 90% or more in principal amount of the Bonds originally issued.

*Redemption for taxation  
reasons*

At any time the Company may, having given not less than 30 nor more than 60 days' notice to, *inter alios*, the Bondholders and the Trustee (which notice will be irrevocable) redeem the Bonds in whole but not in part at the principal amount as at such date together with interest accrued to such date (if any), if (i) the Company satisfies the Trustee immediately prior to the giving of such notice that the Company has or will become obliged to pay additional tax as a result of any change in, or amendment to, the laws or regulations of Cayman Islands or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 3 April 2014, and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional tax were a payment in respect of the Bonds then due.

*Redemption for delisting,  
suspension of trading,  
Change of Control or  
change in law*

Each Bondholder shall have the right to require the Company to redeem all or some only of such Bondholder's Bonds at the principal amount together with interest accrued to such date (if any) when the following occurs: (i) when the Shares cease to be listed or admitted to trading or suspended for a period equal to or exceeding 30 consecutive trading days on a relevant stock exchange; or (ii) when there is a Change of Control; or (iii) when (A) there is any change in or amendment to the laws, regulations and rules of the PRC or the official interpretation or official application thereof that results in (x) the Company, its subsidiaries and its consolidated affiliated entities (the "Consolidated Group") (as in existence immediately subsequent to such change in law), as a whole, being legally prohibited from operating substantially all of the business operations conducted by the Consolidated Group (as in existence immediately prior to such change in law) as of the last date of the period described in the Company's consolidated financial statements for the most recent fiscal quarter and (y) the Company being unable to continue to derive substantially all of the economic benefits from the business operations conducted by the Consolidated Group (as in existence immediately prior to such change in law) in the same manner as reflected in the Company's consolidated financial statements for the most recent fiscal quarter and (B) the Company has not furnished to the Trustee, prior to the date that is twelve months after the date of the change in law, an opinion from an independent financial advisor or an independent legal counsel stating either (x) that the Company is able to continue to derive substantially all of the economic benefits from the business operations conducted by the Consolidated Group (as in existence immediately prior to such change in law), taken as a whole, as reflected in the Company's consolidated financial statements for the most recent fiscal quarter (including after giving effect to any corporate restructuring or reorganisation plan of the Consolidated Group) or (y) that such change in law would not materially adversely affect the Company's ability to make principal and interest payments on the Bonds when due or to convert the Bonds in accordance with the Conditions.

*Redemption at the option of  
the Bondholders*

The Company will, at the option of the holder of any Bond, redeem all or some of that holder's Bonds on 11 April 2017, at the principal amount of the Bonds together with interest accrued to such date (if any).

*Transferability*

The Bonds will be freely transferable, subject to certain restricted transfer periods.

*Form and Denomination*

The Bonds are issued in registered form in the denomination of HK\$2,000,000 each and integral multiples of HK\$1,000,000 in excess thereof.

Upon issue, the Bonds will be initially represented by a global certificate deposited with a common depository for, and representing the Convertible Bonds registered in the name of a nominee of Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme*.

### *Status*

The Bonds constitute direct, unsubordinated, unconditional and (subject to the provision relating to the negative pledge) unsecured obligations of the Company and shall at all times rank pari passu and without any preference or priority among themselves. The payment obligations of the Company under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to the provision relating to the negative pledge, at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations.

### *Negative Pledge*

So long as any Bond remains outstanding, the Company will not, and will ensure that none of its subsidiaries will, create, or have outstanding, any mortgage, charge, lien, pledge or other security interest upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Bonds the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity equally and rateably or such other security as either (x) the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Bondholders or (y) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

## **GENERAL MANDATE TO ISSUE THE CONVERSION SHARES**

The issue of the Bonds and the Conversion Shares is not subject to Shareholders' approval. The Conversion Shares will be issued pursuant to the General Mandate, subject to the original limit of up to 235,084,986 Shares (representing 20% of the issued share capital of the Company on the date on which the General Mandate was granted). As announced by the Company on 23 July 2013, the Company has completed the issuance of the 2013 Bonds. Based on the initial conversion price of HK\$16.9363 per Share, up to approximately 80,064,713 new Shares will be allotted and issued under the General Mandate upon the full conversion of the 2013 Bonds. Accordingly, approximately 34.06% of the General Mandate had been utilized assuming that up to 80,064,713 new Shares will be issued upon full conversion of the 2013 Bonds. The Conversion Shares will further utilise, based on the initial Conversion Price, approximately 53,018,910 Shares under the General Mandate.

## **APPLICATION FOR LISTING**

An application will be made by the Company to the SGX-ST for the listing of the Bonds on the SGX-ST and an application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

**Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Subscription Agreement may be terminated in certain circumstances. Please refer to the paragraph headed "THE SUBSCRIPTION AGREEMENT" above for further information.**

**WARNING: As the Subscription Agreement may or may not complete, and the Bonds and/or the Conversion Shares may or may not be issued or listed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is a leading Internet based software developer, distributor and service provider and principally engaged in research, development and distribution of online games, entertainment and applications software in the PRC and offers a range of innovative entertainment, internet security, application software and cloud storage services in the PRC and the Asia region.

The net proceeds from the subscription of the Bonds (including the Option Bonds), after the deduction of commission (and assuming the payment of a discretionary incentive fee) and other related expenses, are estimated to be approximately HK\$2,277 million. The net price for each Conversion Share is estimated to be approximately HK\$42.95 (subject to adjustments).

The Company intends to use the net proceeds from the Subscription primarily for general corporate purposes, for strategic investments and acquisitions, if appropriate, and to supplement working capital. The Directors are of the view that the issue of the Bonds can provide the Company with additional funds at lower funding cost for the said purposes. The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Subscription Agreement are made on normal commercial terms and are fair and reasonable as far as the Shareholders are concerned, and the issue of the Bonds is in the interests of the Company and the Shareholders as a whole.

## FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Details of the fund raising exercise conducted by the Company in the past 12 months immediately preceding the date of this announcement are set out below:

<b>Date of the announcement</b>	<b>Description</b>	<b>Net proceeds</b>	<b>Intended use of net proceeds as announced</b>	<b>Actual use of proceeds</b>
4 July 2013	Issue of the 2013 Bonds	HK\$1,327 million	To repay existing short-term bank loans, for general corporate purposes and to supplement working capital	Used as intended

## EFFECTS ON SHAREHOLDING STRUCTURE

The Conversion Shares to be issued upon conversion of the Bonds will rank *pari passu* in all respects with the Shares then in issue on the relevant Conversion Date.

The following table illustrates (1) the existing shareholding structure as at the date of this announcement; (2) the shareholding structure assuming all the outstanding amount of the 2013 Bonds are not converted and the Bonds are fully issued and converted into new Shares at the initial Conversion Price of HK\$43.89 per Share each; and (3) the shareholding structure assuming all the outstanding amount of the 2013 Bonds are converted into new Shares at the initial conversion price of HK\$16.9363 per Share each and the Bonds are fully issued and converted into new Shares at the initial Conversion Price of HK\$43.89 per Share each, on the assumptions that there will be no other change to the share capital of the Company from the date of this announcement until the completion of the conversion of the Bonds in full save for the issue of the new Shares as a result of the conversion of the outstanding amount of the 2013 Bonds and the Bonds in full:

Name of Shareholders	As at the date of this announcement		Assuming all the outstanding amount of the 2013 Bonds are not converted and the Bonds are fully issued and converted into new Shares at the initial Conversion Price of HK\$43.89 per Share each		Assuming all the outstanding amount of the 2013 Bonds are converted into new Shares at the initial conversion price of HK\$16.9363 per Share each and the Bonds are fully issued and converted into new Shares at the initial Conversion Price of HK\$43.89 per Share each	
	Number of Shares	% of total issued Shares	Number of Shares	% of the enlarged issued Shares	Number of Shares	% of the enlarged issued Shares
Mr. Jun Lei (Note 1)	174,818,191	14.79%	174,818,191	14.15%	174,818,191	13.29%
Mr. Pak Kwan Kau (Note 2)	108,032,566	9.14%	108,032,566	8.74%	108,032,566	8.21%
Mr. Tao Zou (Note 3)	491,307	0.04%	491,307	0.04%	491,307	0.04%
Mr. HongJiang Zhang (Note 4)	11,266,044	0.95%	11,266,044	0.91%	11,266,044	0.86%
Mr. Yuk Keung Ng (Note 5)	2,840,000	0.24%	2,840,000	0.23%	2,840,000	0.22%
Tencent Holdings Limited (Note 6)	149,082,572	12.61%	149,082,572	12.07%	149,082,572	11.33%
<b>Public Shareholders:</b>						
2013 Bondholders (Note 7)	0	0.00%	0	0.00%	80,064,713	6.09%
Subscribers (Note 8)	0	0.00%	53,018,910	4.29%	53,018,910	4.03%
Other public Shareholders	735,833,253	62.23%	735,833,253	59.56%	735,833,253	55.94%
<b>Total Issued Shares</b>	<b>1,182,363,933</b>	<b>100.00%</b>	<b>1,235,382,843</b>	<b>100.00%</b>	<b>1,315,447,556</b>	<b>100.00%</b>

*Note:*

- Mr. Jun Lei is beneficially interested in 174,818,191 Shares, through Color Link Management Limited, a company wholly owned by Mr. Jun Lei. In addition, pursuant to Part XV of the Securities and Futures Ordinance (“SFO”), Mr. Jun Lei is deemed to be interested in Mr. Pak Kwan Kau’s interest of 108,032,566 Shares (see Note 2 below) as well as 34,681,437 Shares held by Mr. Shuen Lung Cheung pursuant to a voting consent agreement entered into amongst Mr. Jun Lei, Mr. Pak Kwan Kau and Mr. Shuen Lung Cheung whereby Mr. Pak Kwan Kau and Mr. Shuen Lung Cheung will vote in the same manner as Mr. Jun Lei with these Shares.
- The 108,032,566 Shares are held by Topclick Holdings Limited, which is in turn, indirectly held by Credit Suisse Trust Limited (through Kau Management Limited) as the trustee of The Kau’s Family Trust. The Kau’s Family Trust is a discretionary trust established by Mr. Pak Kwan Kau, a director of the Company, as settlor and Credit Suisse Trust Limited as trustee in January 2012. The beneficiaries of The Kau’s Family Trust include family members of Mr. Pak Kwan Kau. Mr. Pak Kwan Kau is deemed to be interested in the 108,032,566 Shares held by Topclick Holdings Limited pursuant to Part XV of the SFO.
- Mr. Tao Zou is a director of the Company. Mr. Tao Zou is also interested in 400,000 awarded shares granted under share award scheme(s) of the Company. All of these awarded shares will mature and be exercisable according to offer conditions.
- Mr. HongJiang Zhang is a director of the Company. Mr. Zhang is also interested in 7,500,000 options granted under share option scheme(s) of the Company and 5,200,000 awarded shares granted under share award scheme(s) of the Company. All of these options and awarded shares will mature and be exercisable according to offer conditions.
- Mr. Yuk Keung Ng is a Director of the Company. Mr. Ng is also interested in 3,000,000 options granted under share option scheme(s) of the Company and 200,000 awarded shares granted under share award scheme(s) of the Company. All of these options and awarded shares will mature and be exercisable according to offer conditions.
- The 149,082,572 Shares are held by TCH Saffron Limited, a wholly-owned subsidiary of Tencent Holdings Limited.
- Assuming that the 2013 Bondholders do not hold any Shares as at the date of this announcement.
- Assuming that the Subscribers do not hold any Shares as at the date of the Subscription Agreement.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings when used herein:

“2013 Bondholders”	holders of the 2013 Bonds from time to time
“2013 Bonds”	the outstanding Hong Kong dollar denominated 3.00% convertible bonds due 2018 issued on or about 23 July 2013
“Agency Agreement”	the paying, conversion and transfer agency agreement to be entered into between the Company, the Trustee and the agents named therein
“Auditors”	Ernst & Young, Certified Public Accountants, Hong Kong, the external auditor of the Company
“Board”	the board of Directors
“Bonds” or “Convertible Bonds”	the Firm Bonds and the Option Bonds
“Bond Issue”	the issue and subscription of the Bonds pursuant to the Subscription Agreement
“Bondholder(s)”	holder(s) of the Bond(s) from time to time
“Joint Bookrunners”	Morgan Stanley, J.P. Morgan and Macquarie
“Business Day(s)”	any day(s) (excluding a Saturday or Sunday) on which commercial banks generally are open for business in the city in which the specified office of the registrar or the other paying agents, conversion agents and transfer agents relating to the Bonds
“Change of Control”	occurs when:  (a) any person or persons (other than Mr. Jun Lei, Mr. Pak Kwan Kau and Mr. Shuen Lung Cheung) acting together acquires Control of the Company if such person or persons does not or do not have, and would not be deemed to have, Control of the Company on the Closing Date; or  (b) Mr. Jun Lei together with any Voting Rights controlled directly or indirectly by Mr. Jun Lei, including through any voting consent agreement, ceases to be the single largest holder of Voting Rights in the Company;
“Closing Date”	11 April 2014 or such later date as the Company and the Joint Global Coordinators may agree on behalf of the Joint Bookrunners

“Company”	Kingsoft Corporation Limited, an exempted limited liability company incorporated in the British Virgin Islands on 20 March 1998 and discontinued in the British Virgin Islands and continued into the Cayman Islands on 15 November 2005, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 3888)
“Conditions”	the terms and conditions in relation to the Bonds
“Contracts”	the Subscription Agreement, the Agency Agreement and the Trust Deed
“Control”	the acquisition or control of more than 50% of the Voting Rights of the issued share capital of the Company or the right to appoint and/or remove all or the majority of the members of the Company’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise
“Conversion Date”	the conversion date in respect of the Bonds
“Conversion Price”	the price per Share at which the Shares will be issued upon conversion of the Bonds and the initial conversion price being HK\$43.89 per Conversion Share (subject to adjustments)
“Conversion Share(s)”	the Share(s) to be issued by the Company upon conversion of the Bonds
“Director(s)”	director(s) of the Company
“Encumbrance”	a mortgage, charge, pledge, lien or other encumbrance or security interest securing any obligation of any person
“Firm Bonds”	convertible bonds with an initial aggregate principal amount of HK\$1,940,000,000 due 2019 to be issued by the Company pursuant to the Subscription Agreement
“General Mandate”	the general mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 23 May 2013
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Joint Global Coordinators”	Morgan Stanley and J.P. Morgan
“J.P. Morgan”	J.P. Morgan Securities plc, one of the joint global coordinators and joint bookrunners relating to the Bonds



“Last Trading Day”	3 April 2014
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Maturity Date”	11 April 2019, being the date on which the Convertible Bonds mature
“Macquarie”	Macquarie Capital Securities Limited, one of the joint bookrunners relating to the Bonds
“Morgan Stanley”	Morgan Stanley & Co. International plc, one of the joint global coordinators and joint bookrunners relating to the Bonds
“Offering Circular”	the circular which the Company shall use for issue of the Bonds and the listing of the Bonds on the SGX-ST
“Option Bonds”	the additional Convertible Bonds to be issued by the Company upon the exercise of an option granted by the Company to the Joint Global Coordinators under the Subscription Agreement to subscribe up to an additional HK\$387,000,000 aggregate principal amount of 1.25% Convertible Bonds due 2019
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Publication Date”	the date of the Offering Circular, which shall be no later than two business days prior to the Closing Date or such other date as may be agreed between the Company and the Joint Global Coordinators
“Regulation S”	Regulation S under the US Securities Act
“Relevant Indebtedness”	any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock, bearer participation certificates, depositary receipts, certificates of deposit or other similar securities or instruments which for the time being are, or are intended to be or are capable of being, quoted, listed, dealt in or traded on any stock exchange or over-the-counter or other securities market (whether or not initially distributed by way of private placement), and for the avoidance of doubt, shall not include indebtedness under any loan or loan facility obtained by the Company or its subsidiary in the ordinary course of business
“SGX-ST”	Singapore Exchange Securities Trading Limited
“SFO”	the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	share(s) of US\$0.0005 each in the issued share capital of the Company

“Share Option Schemes”	share option schemes of the Company and its subsidiaries publicly disclosed by the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	the subscribers to the Bonds
“Subscription”	the subscription and issue of the Bonds pursuant to the Subscription Agreement
“Subscription Agreement”	a conditional subscription agreement dated 3 April 2014 entered into between the Company and the Joint Bookrunners in relation to, among other things, the Subscription
“Trustee”	Citicorp International Limited, the trustee to be appointed in relation to the Bonds
“Trust Deed”	the trust deed to be entered into between the Company and the Trustee
“US\$”	the United States dollars, the lawful currency of the United States of America
“US Securities Act”	the US Securities Act of 1933, as amended
“Volume Weighted Average Price”	in respect of a Share on any trading day, the order book volume-weighted average price of a Share published by or derived from Bloomberg (or any successor service) page HK Equity VAP (Ticker: 3888) or such other source as shall be determined to be appropriate by an independent investment bank on such trading day, provided that on any such trading day where such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of a Share in respect of such trading day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding trading day on which the same can be so determined
“Voting Rights”	the right generally to vote at a general meeting of shareholders of the Company
“%”	per cent.

By Order of the Board  
**Kingsoft Corporation Limited**  
**Jun LEI**  
*Chairman*

The PRC, 3 April 2014

*As at the date of this announcement, the executive Directors are Messrs. Hong Jiang ZHANG, Yuk Keung NG and Tao ZOU; the non-executive Directors are Messrs. Jun LEI, Pak Kwan KAU and Chi Ping LAU; the independent non-executive Directors are Messrs. Guangming George LU, David Yuen Kwan TANG and Ms. Wenjie WU.*