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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\$3,100,000,000 0.625% CONVERTIBLE BONDS DUE 2025

Morgan Stanley

J.P.Morgan

The Board is pleased to announce that the Company has entered into the Subscription Agreement with the Managers on 23 April 2020 (after trading hours), under which, among other things, the Managers have severally and not jointly agreed to subscribe and pay for, or to procure the Subscribers to subscribe and pay for, the Bonds to be issued by the Company in an aggregate principal amount of HK\$3,100,000,000, subject to certain conditions set out in the Subscription Agreement.

The Bonds may be converted into Conversion Shares pursuant to the Conditions at an initial Conversion Price of HK\$35.7637 per Share (subject to adjustments).

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 have not been and will not be registered under the U.S. Securities Act. The Bonds are being offered outside the United States in compliance with Regulation S under the U.S. Securities Act. None of the Bonds will be offered to the public in Hong Kong and none of the Bonds will be placed with connected person (as defined in the Listing Rules) of the Company.

The net proceeds from the subscription of the Bonds, after deduction of commissions (and assuming the payment of a discretionary incentive fee) and other related expenses, are estimated to be approximately HK\$3,033.65 million. The net proceeds from the Bonds are proposed to be used for general corporate purposes, for strategic investments and acquisitions, if appropriate, and to supplement working capital.

The issue of the Bonds and the Conversion Shares is not subject to the approval of the Shareholders. The Conversion Shares will be issued pursuant to the General Mandate, subject to the original limit of up to 274,545,743 Shares, representing 20% of the issued share capital of the Company on the date when the General Mandate was granted by the Shareholders at the 2018 annual general meeting.

A formal application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Bonds on the Stock Exchange under Chapter 37 of the Listing Rules. The Company will also make an application to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange. The Stock Exchange assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. A confirmation of the eligibility for the listing of the Bonds has been received by the Company from the Stock Exchange. Admission of the Bonds or the Conversion Shares to the Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Company, the Bonds or the Conversion Shares.

Completion of the Subscription Agreement is subject to the satisfaction and/or waiver (as the case may be) 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 issue of the Bonds under 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 securities of the Company.

The Board is pleased to announce that the Company has entered into the Subscription Agreement with the Managers on 23 April 2020 (after trading hours), under which, among other things, the Managers have severally and not jointly agreed to subscribe and pay for, or to procure the Subscribers to subscribe and pay for, the Bonds to be issued by the Company in an aggregate principal amount of HK\$3,100,000,000, subject to certain conditions set out in the Subscription Agreement.

THE SUBSCRIPTION AGREEMENT

Date

23 April 2020 (after trading hours)

Parties

- (i) the Company as Issuer; and
- (ii) Morgan Stanley and J.P. Morgan as Managers.

Subscription

Subject to the fulfilment of the conditions set out below in the section headed “Conditions Precedent to the Subscription”, the Managers have severally and not jointly agreed to subscribe and pay for, or to procure the Subscribers to subscribe and pay for, the Bonds to be issued by the Company on the Closing Date in an aggregate principal amount of HK\$3,100,000,000.

To the best of the Directors’ knowledge, information and belief, each of the Managers is an independent third party and not a connected person (as defined in the Listing Rules) of the Company.

Subscribers

The Managers 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 persons (as defined in the Listing Rules) of the Company.

Conditions Precedent to the Subscription

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

1. the Managers being satisfied with the results of their 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 Managers;
2. the execution and delivery (on or before the Closing Date) of the other Contracts, each in a form reasonably satisfactory to the Managers, by the respective parties;
3. each of Mr. Jun LEI, Color Link Management Limited, Mr. Pak Kwan KAU and Topclick Holdings Limited shall have executed lock-up agreements dated the date of the Subscription Agreement;
4. upon the Publication Date and on the Closing Date, there having been delivered to the Managers letters, in form and substance satisfactory to the Managers, 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 Managers from the Auditors;
5. on the Closing Date:
 - (i) the representations and warranties of the Company in the Subscription Agreement being true, accurate and correct at, and as if made on such date;
 - (ii) the Company having performed all of its obligations under the Contracts to which it is a party to be performed on or before such date; and
 - (iii) there having been delivered to the Managers a certificate dated as of such date, of a duly authorised officer of the Company to such effect;
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 Managers, is material and adverse in the context of the issue and offering of the Bonds;
7. a copy of the NDRC Pre-Issuance Registration Certificate issued pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知 (發改外資 [2015] 2044 號) promulgated by the NDRC on 14 September 2015 which came into effect immediately having been delivered to the Managers prior to the launch date of the Bonds and remaining in full force and effect as at the Closing Date;

8. on or prior to the Closing Date there shall have been delivered to the Managers copies of all consents and approvals required in relation to the issue of the Bonds and the performance of its obligations under the Trust Deed, the Agency Agreement and the Bonds (including the consents and approvals required from all relevant lenders, if applicable);
9. on the date of the Subscription Agreement, there having been delivered to the Managers a certificate of no default dated as of such date, of a duly authorised officer of the Company;
10. the Stock Exchange having agreed to list the Conversion Shares upon conversion of the Bonds and having agreed to list the Bonds, in both cases subject to any conditions reasonably satisfactory to the Managers (or, in each case, the Managers being reasonably satisfied that such listing will be granted);
11. on or before the Closing Date, there having been delivered to the Managers opinions, in form and substance reasonably satisfactory to the Managers, dated the Closing Date, and such other resolutions, consents, authorities and documents relating to the issue of the Bonds, as the Managers may reasonably require; and
12. on the Publication Date, there having been delivered to the Managers a certificate dated as of such date and signed by the chief financial officer of the Company.

The Managers 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, not all of the above conditions have been satisfied and/or (as the case may be) waived. It is the intention of the Company to satisfy or procure the satisfaction of the conditions precedent of the Subscription Agreement before the Closing Date.

Termination of the Subscription

The Managers may, by notice to the Company given at any time prior to payment of the net subscription monies for the Bonds to the Company, terminate the Subscription Agreement in any of the following circumstances:

1. if there shall have come to the notice of the Managers 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 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 Managers on or prior to the Closing Date;
3. if in the opinion of the Managers, 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 Managers, 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 Singapore Stock Exchange and/or the Hong Kong 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 Hong Kong 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 Hong Kong 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 Shares to be issued upon conversion of the Bonds or the transfer thereof;
5. if, in the opinion of the Managers, there shall have occurred any event or series of events, whether or not in continuation (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, pandemic, outbreak, escalation or mutation of diseases) 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.

The Company's lock-up undertaking

The Company has undertaken with the Managers 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 Managers 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 issued on conversion of the Bonds, or Shares issued pursuant to exercise of the share options granted under the Share Option Schemes. For the avoidance of doubt, the lock-up obligations of the Company shall terminate if (i) the Subscription Agreement is terminated in accordance with its terms; or (ii) the Bonds are not issued by the Closing Date, which is earlier.

Shareholders' lock-up undertakings

The Company shall procure that each of Mr. Jun LEI, Color Link Management Limited, Mr. Pak Kwan KAU and Topclick Holdings Limited shall execute a shareholder lock-up undertaking, pursuant to which, each of the above Shareholders will undertake that for a period from the date of the Subscription Agreement until 90 days from the Closing Date, neither it/he nor its/his nominee nor any person acting on its behalf will without the prior written approval of the Managers, except for the circumstances stipulated in the shareholder lock-up undertaking, (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, 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.

PRINCIPAL TERMS OF THE BONDS

The principal terms of the Bonds are summarized as follows:

<i>Issuer</i>	The Company
<i>Principal Amount</i>	HK\$3,100,000,000
<i>Maturity Date</i>	29 April 2025
<i>Issue Price</i>	100% of the principal amount
<i>Interest</i>	0.625% per annum of the principal amount of the Bonds, payable semi-annually in arrear in equal instalments of HK\$3,125 per Calculation Amount (as defined below) on 29 April and 29 October in each year.

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 0.625%, 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).

Each Bond will cease to bear interest (i) subject to the Conditions where the conversion right attached to it shall have been exercised by a Bondholder, from and including the interest payment date immediately preceding the relevant Conversion Date, or if none, the Closing Date, or (ii) where a Bond is redeemed or repaid pursuant to the Conditions, from the due date for redemption or repayment thereof unless, upon due presentation thereof, payment of principal or premium (if any) is improperly withheld or refused. In such event, it will continue to bear interest at 3.75% per annum (both before and after judgment) until whichever is the earlier of (a) 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 holder, and (b) the day seven days after the Trustee or the principal 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 holders under these Conditions).

<i>Transferability</i>	Transfers of interest in the Bonds evidenced by the global certificate will be effected in accordance with the rules of the relevant clearing systems.
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<i>Form and Denomination</i>	The Bonds are issued in registered form in the denomination of HK\$2,000,000 and integral multiples of HK\$1,000,000 in excess thereof.
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Upon issue, the Bonds will be represented by a global certificate registered in the name of a nominee of, and deposited with, a common depository for Euroclear Bank SA/NV and Clearstream Banking, S.A.

Status

The Bonds constitute direct, unconditional, unsubordinated 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 legislation and subject to the Conditions, at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations.

Conversion period

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 9 June 2020 up to 3:00 p.m. (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 3:00 p.m. (at the place aforesaid) on a date no later than seven days (in the place aforesaid) prior to the date fixed for redemption thereof or if notice requiring redemption has been given by the holder of such Bond pursuant to the Conditions then up to 3:00 p.m. (at the place aforesaid) on the business day prior to the giving of such notice.

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

Conversion Price

The price at which the Conversion Shares will be issued upon conversion will initially be HK\$35.7637 per Conversion Share but will be subject to adjustment for, amongst other things, (i) consolidation, subdivision or reclassification, (ii) capitalisation of profits or reserves, (iii) distributions, (iv) rights issues of Shares or options over Shares at less than 95% of the Current Market Price (as defined below), (v) rights issues of other securities, (vi) issues at less than 95% of the Current Market Price, (vii) other issues at less than 95% of the Current Market Price, (viii) modification of rights of conversion price of securities to less than 95% of the Current Market Price, (ix) other offers to Shareholders and (x) 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.

“**Current Market Price**” means, in respect of a Share on a particular date, the average of the daily volume weighted average price of one Share on each of the five consecutive trading days of the Stock Exchange ending on and including the trading day of the Stock Exchange immediately preceding such date subject to certain conditions as stipulated in the Conditions.

Adjustment upon Change of Control

If a Change of Control shall occur, the Company shall give notice of that fact to the Bondholders (the “**Change of Control Notice**”) and to the Trustee and the Principal Agent in writing, in each case within 14 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 Bondholders, the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = \frac{OCP}{1+(CP \times c/t)}$$

where:

“NCP” means the new Conversion Price after such adjustment.

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

“CP” means 27.5% 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 will in all respects rank *pari passu* with the fully paid Shares 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 105.85% of 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 (an "**Optional Redemption Notice**") to the Bondholders in accordance with the Conditions (which notice will be irrevocable) and to the Trustees and the principal agent in writing, redeem the Bonds in whole and not in part on the date specified in the Optional Redemption Notice at the Early Redemption Amount, together with any interest accrued to (but excluding) such date (if any): (i) at any time after 29 April 2023, provided that the daily Volume Weighted Average Price of a Share, for 20 out of 30 consecutive trading days, the last of which occurs not more than 5 trading days prior to the date of the notice of such redemption, was at least 130% of the applicable Early Redemption Amount for each Bond divided by the conversion ratio then applicable; 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 the Bondholders in accordance with the Conditions (which notice will be irrevocable) and to the Trustee and the principal agent in writing, on the date specified in the tax redemption notice, redeem the Bonds in whole but not in part at the Early Redemption Amount as at such date together with interest accrued to (but excluding) 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 the Cayman Islands, the PRC 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 23 April 2020, 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 Early Redemption Amount together with interest accrued to (but excluding) such date (if any) when the following occurs: (i) when the Shares cease to be listed or admitted to trading or are suspended from trading for a period equal to or exceeding 30 consecutive trading days on the 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 or (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 (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) and (y) that such change in law would not materially adversely affect the Company's ability to make principal, premium (if any) 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 29 April 2023, at 103.45% of the principal amount of the Bonds together with interest accrued to (but excluding) such date (if any).

Negative Pledge

So long as any Bond remains outstanding (as defined in the Trust Deed), 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 (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Bondholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

CONVERSION PRICE AND CONVERSION SHARES

The initial Conversion Price of HK\$35.7637 per Share represents (i) a premium of approximately 27.5% over the last closing price of HK\$28.05 per Share as quoted on the Stock Exchange on 23 April 2020 (being the trading day on which the Subscription Agreement was signed); and (ii) a premium of approximately 30.2% over the average closing price of approximately HK\$27.46 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including 23 April 2020; and (iii) a premium of approximately 36.6% over the average closing price of approximately HK\$26.19 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including 23 April 2020.

The Conversion Price was determined with reference to the prevailing market price of the Shares and the terms and conditions of the Subscription Agreement and was negotiated on an arm's length basis between the Company and the Managers after a book-building exercise.

The number of Conversion Shares issuable upon conversion of any Bond shall be determined by dividing the principal amount of the Bond converted by the Conversion Price in effect on the relevant Conversion Date. Based on the initial Conversion Price of HK\$35.7637 per Share and assuming full conversion of the Bonds at the initial Conversion Price, the Bonds will be convertible into 86,680,069 Shares, representing:

- (i) approximately 6.3% of the existing issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 5.9% of the issued share capital of the Company, as enlarged by the issue of the Conversion Shares upon full conversion of the Bonds assuming there is no other change in the share capital of the Company.

GENERAL MANDATE TO ISSUE THE CONVERSION SHARES

The issue of the Bonds and the Conversion Shares is not subject to the approval of the Shareholders. The Conversion Shares will be issued pursuant to the General Mandate, subject to the original limit of up to 274,545,743 Shares, representing 20% of the issued share capital of the Company on the date when the General Mandate was granted at the 2018 annual general meeting. As at the date of this announcement, the General Mandate has not been utilized.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is a leading software application and internet services provider in China and principally engaged in the research and development of games, and the provision of online games, mobile games and casual game services; and provision of cloud storage, cloud computation, design, research and development, and sales and marketing of the office software products and services of WPS Office.

The net proceeds from the subscription of the Bonds, after deduction of commissions (and assuming the payment of a discretionary incentive fee) and other related expenses, are estimated to be approximately HK\$3,033.65 million.

The net proceeds from the Bonds are proposed to be used 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

The Company did not conduct any fund raising exercise in the past 12 months immediately preceding the date of this announcement.

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; and (2) the shareholding structure assuming the Bonds are fully issued and converted into new Shares at the initial Conversion Price of HK\$35.7637 per Share, 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 Bonds in full:

Name of Shareholders	As at the date of this announcement		Assuming all the Bonds are fully issued and converted into new Shares at the initial Conversion Price of HK\$35.7637 per Share	
	Number of Shares	% of total issued Shares	Number of Shares	% of the total enlarged issued Shares
Mr. Jun LEI (Note 1)	210,116,248	15.31%	210,116,248	14.40%
Mr. Pak Kwan KAU (Note 2)	103,028,566	7.51%	103,028,566	7.06%
Mr. Tao ZOU (Note 3)	7,409,307	0.54%	7,409,307	0.51%
Mr. Yuk Keung NG (Note 4)	2,148,000	0.16%	2,148,000	0.15%
Tencent Holdings Limited (Note 5)	106,784,515	7.78%	106,784,515	7.32%
Public Shareholders:				
Subscribers (Note 6)	0	0.00%	86,680,069	5.94%
Other public Shareholders	943,242,081	68.71%	943,242,081	64.63%
Total Issued Shares	1,372,728,717	100.00%	1,459,408,786	100.00%

Notes:

- Among these 210,116,248 shares, (i) 174,818,191 shares are held by Color Link Management Limited, a British Virgin Islands company owned as to 100% by Mr. Jun LEI; and (ii) 35,298,057 shares are held by a wholly-owned subsidiary of Xiaomi Corporation, a company controlled by Mr. Jun LEI under the SFO. In addition, pursuant to Part XV of the SFO, Mr. Jun LEI is deemed to be interested in Mr. Pak Kwan KAU's interest of 103,028,566 Shares (see Note 2 below) as well as 29,681,437 shares held by Mr. Shuen Lung CHEUNG pursuant to a voting consent agreement entered into among Mr. Jun LEI, Mr. Pak Kwan KAU and Mr. Shuen Lung CHEUNG whereby Mr. Pak Kwan KAU and Mr. Shuen Lung CHEUNG would vote in the same way as Mr. Jun LEI with these shares.
- These shares are held by Topclick Holdings Limited, a British Virgin Island company wholly-owned by Mr. Pak Kwan KAU. In addition, Mr. Jun LEI is also deemed to be interested in these shares under the SFO because under a voting consent agreement entered into by Mr. Jun LEI, Mr. Pak Kwan KAU and Mr. Shuen Lung CHEUNG, Mr. Pak Kwan KAU would vote in the same way as Mr. Jun LEI with these shares.
- Mr. Tao ZOU is a Director of the Company.
- Mr. Yuk Keung NG is a Director of the Company.
- Tencent Holdings Limited is a substantial shareholder of a significant subsidiary of the Company. These shares are held by TCH Saffron Limited, an indirect wholly-owned subsidiary of Tencent Holdings Limited. As such, Tencent Holdings Limited is deemed to be interested in TCH Saffron Limited's interests in the Company pursuant to Part XV of the SFO.
- Assuming that the Subscribers do not hold any Shares as at the date of the Subscription Agreement.

APPLICATION FOR LISTING

A formal application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Bonds on the Stock Exchange under Chapter 37 of the Listing Rules. The Company will also make an application to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange. The Stock Exchange assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. A confirmation of the eligibility for the listing of the Bonds has been received by the Company from the Stock Exchange. Admission of the Bonds or the Conversion Shares to the Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Company, the Bonds or the Conversion Shares.

Completion of the Subscription Agreement is subject to the satisfaction and/or waiver (as the case may be) 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 issue of the Bonds under 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 securities of the Company.

DEFINITIONS

In this announcement, the following expressions shall have the meaning set out below unless the context requires otherwise:

“Agency Agreement”	the paying, conversion and transfer agency agreement to be entered into among 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 the Directors
“Bonds” or “Convertible Bonds”	0.625% convertible bonds in an aggregate principal amount of HK\$3,100,000,000 due 2025 to be issued by the Company pursuant to the Subscription Agreement
“Bondholder(s)”	holder(s) of the Bond(s) from time to time

“Change of Control”	occurs when: <ul style="list-style-type: none"> (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”	29 April 2020 or such later date as the Company and the Managers may agree
“Company” or “Issuer”	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, with its shares listed on the Stock Exchange
“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 Bond(s)
“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\$35.7637 per Conversion Share (subject to adjustments)
“Conversion Share(s)”	the Share(s) to be issued by the Company upon conversion of the Bond(s)
“Director(s)”	the director(s) of the Company
“Early Redemption Amount”	for each HK\$1,000,000 principal amount of the Bonds, the amount calculated in accordance with the formula stipulated in the Conditions

“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 15 May 2019
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“J.P. Morgan”	J.P. Morgan Securities plc, one of the managers relating to the Bonds
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Managers”	Morgan Stanley and J.P. Morgan
“Maturity Date”	29 April 2025
“Morgan Stanley”	Morgan Stanley & Co. International plc, one of the managers relating to the Bonds
“NDRC”	National Development and Reform Commission of the PRC or its local counterparts
“Offering Circular”	the offering circular of the Company in connection with the issue of the Bonds
“PRC”	the People’s Republic of China which, for the purpose of this announcement only, does not include Hong Kong, the Macau Special Administrative Region 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 Managers
“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, loan facility or credit agreement obtained by the Company or its Subsidiary in the ordinary course of business

“Relevant Shares”	210,116,248 Shares for Mr. Jun LEI, which excludes his interest in the 132,710,003 Shares held by Mr. Pak Kwan KAU through Topclick Holdings Limited and by Mr. Sheun Lung CHEUNG by virtue of the voting consent arrangement or 174,818,191 Shares for Color Link Management Limited or 100,000,000 Shares for Mr. Pak Kwan KAU or Topclick Holdings Limited, as the case may be, and shall exclude 3,028,566 Shares and 15,000,000 Shares held by Topclick Holdings Limited which are currently subject to a pledge
“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 subscription agreement dated 23 April 2020 entered into among the Company and the Managers in relation to the subscription of the Bonds
“Subsidiary(ies)”	means (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50% of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under International Financial Reporting Standards from time to time, should have its accounts consolidated with those of that person
“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
“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
“%”	percent

By order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

Hong Kong, 24 April 2020

As at the date of this announcement, the Executive Directors are Messrs. Tao ZOU and Yuk Keung NG; the Non-executive Directors are Messrs. Jun LEI, Pak Kwan KAU and Chi Ping LAU; the Independent Non-executive Directors are Messrs. Shun Tak WONG, David Yuen Kwan TANG, and Ms. Wenjie WU.