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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)**

**PLACING OF EXISTING SHARES  
AND  
SUBSCRIPTION FOR NEW SHARES**

**Placing Agents**

**Morgan Stanley**

**J.P.Morgan**

On 4 June 2015 (before trading hours), the Vendor, the Company and the Placing Agents entered into the Placing and Subscription Agreement pursuant to which (i) the Placing Agents have severally agreed to procure purchasers for, or failing which, to purchase, the Placing Shares, on a fully underwritten basis at the Placing Price on the terms of the Placing and Subscription Agreement (Morgan Stanley and J.P. Morgan have each severally agreed to place 50,000,000 Placing Shares); and (ii) the Vendor has agreed to subscribe for, and the Company has agreed to issue, the Subscription Shares at the Subscription Price, which is equal to the Placing Price less the commissions, fees and the expenses properly incurred by the Vendor in relation to the Placing and/or the Subscription. The Subscription is conditional upon the conditions as set out under the paragraph headed "Conditions of the Subscription".

The Placing Shares to be placed by the Placing Agents represent (i) approximately 8.33% of the existing issued share capital of the Company of 1,200,856,072 Shares as at the date of this announcement; and (ii) approximately 7.69% of the issued share capital of the Company of 1,300,856,072 Shares as enlarged by the issue and allotment of the Subscription Shares upon the completion of the Subscription (but assuming that no other Shares are issued or repurchased during the period commencing from the date of this announcement and ending on the date of the issue and allotment of the Subscription Shares).

The gross proceeds from the Subscription (before deducting the commissions, fees and the expenses properly incurred by the Vendor in relation to the Placing and/or the Subscription) will be approximately HK\$2,740 million. The net proceeds from the Subscription will be approximately HK\$2,720.6 million (representing a net price of approximately HK\$27.21 for each Subscription Share).

## **THE PLACING AND SUBSCRIPTION AGREEMENT**

On 4 June 2015, the Vendor, the Company and the Placing Agents entered into the Placing and Subscription Agreement pursuant to which (i) the Placing Agents have severally agreed to procure purchasers for, or failing which, to purchase, the Placing Shares, on a fully underwritten basis at the Placing Price on the terms of the Placing and Subscription Agreement; and (ii) the Vendor has agreed to subscribe for, and the Company has agreed to issue, the Subscription Shares at the Subscription Price, which is equal to the Placing Price less the commissions, fees and the expenses properly incurred by the Vendor in relation to the Placing and/or the Subscription. The principal terms of the Placing and Subscription Agreement are as follows.

### **Date**

4 June 2015 (before trading hours)

### **Parties Involved**

The Vendor, the Company and the Placing Agents

### **Vendor**

The Vendor is a company wholly-owned by Mr. Jun LEI, the chairman, non-executive director and largest shareholder of the Company. As at the date of the Placing and Subscription Agreement, Mr. Jun LEI is interested in and deemed to be interested in approximately 29.38% of the existing issued share capital of the Company under the SFO. Please refer to the paragraph headed “Effects on Shareholding Structure” below for further details of the Shares interested by and deemed to be interested by Mr. Jun LEI.

### **Placing**

The Placing Agents have severally agreed to place, on a fully underwritten basis, in aggregate 100,000,000 existing Shares at a price of HK\$27.40 per Placing Share. Morgan Stanley and J.P. Morgan have each severally agreed to place 50,000,000 Placing Shares.

## **Placing Agents**

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Placing Agents are independent of and not connected with the Vendor, the Company and their respective associates and connected persons, and are not acting in concert with the Vendor (or parties acting in concert with it) or its associates.

## **Placees**

The choice of Placees for the Placing Shares shall be determined solely by the Placing Agents, subject to the requirements of the Listing Rules and each Placing Agent shall not, as far as it is aware, place any of the Placing Shares to any connected person of the Company or person who is not an Independent Person.

## **Placing Price**

The Placing Price of HK\$27.40 represents:

- (i) a discount of approximately 6.48% to the closing price of HK\$29.30 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a discount of approximately 9.93% to the average closing price per Share of approximately HK\$30.42 as quoted on the Stock Exchange for the five consecutive trading days prior to and including the Last Trading Date; and
- (iii) a discount of approximately 11.74% to the average closing price per Share of approximately HK\$31.05 as quoted on the Stock Exchange for the ten consecutive trading days prior to and including the Last Trading Date.

The Placing Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agents and the Directors (including the independent non-executive Directors) consider that the Placing Price is fair and reasonable and in the best interests of the Company and Shareholders as a whole.

## **Placing Shares**

The Placing Shares to be placed by the Placing Agents represent (i) approximately 8.33% of the existing issued share capital of the Company of 1,200,856,072 Shares as at the date of this announcement; and (ii) approximately 7.69% of the issued share capital of the Company of 1,300,856,072 Shares as enlarged by the issue and allotment of the Subscription Shares upon the completion of the Subscription (but assuming that no other Shares are issued or repurchased during the period commencing from the date of this announcement and ending on the date of the issue and allotment of the Subscription Shares).

## **Placing Commission**

The Placing Agents will be entitled to receive a placing commission of 0.6% of the aggregate Placing Price for the Placing Shares upon completion of the Placing. Such commission was negotiated on arm's length basis between the Company and the Placing Agents and determined with reference to, amongst other things, the prevailing commission rate charged by other placing agents. The Directors consider that the commission is fair and reasonable based on the current market conditions and is in the interests of the Company and the Shareholders as a whole.

## **Lock-Up Undertakings**

Pursuant to the Placing and Subscription Agreement, the Vendor has undertaken to the Placing Agents that (except for the sale of the Placing Shares pursuant to the Placing and Subscription Agreement), for a period of 90 days from the Closing Date, unless with the prior written consent of the Placing Agents, it will not and will procure that none of its nominees and companies controlled by it and trusts associated with it (whether individually or together and whether directly or indirectly) will (for the purpose of this undertaking, the Shares held by Smart Dimension Limited (which is ultimately held by Mr. Shuen Lung CHEUNG) and Topclick Holdings Limited (which is ultimately held by Mr. Pak Kwan KAU) (as detailed in the paragraph headed "Effects on Shareholding Structure" below) shall not be subject to the restrictions under this undertaking):

- (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (including the Subscription Shares) or any interests therein beneficially owned or held by the Vendor or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Shares or interests; or
- (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of Shares,

whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise; or

- (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

Pursuant to the Placing and Subscription Agreement, the Company has undertaken to the Placing Agents, and the Vendor has undertaken to the Placing Agents to procure, that for a period of 90 days from the Closing Date, without first having obtained the written consent of the Placing Agents, the Company will not, except for the Subscription Shares and save pursuant to (1) the terms of any employee share option scheme of the Company or (2) the 3.00% convertible bonds due 2018 issued by the Company on or around 23 July 2013 or (3) the 1.25% convertible bonds due 2019 issued by

the Company on or around 11 April 2014 or (4) bonus or scrip dividend or similar arrangements which provide for the allotment of Shares in lieu of the whole or part of a dividend on Shares of the Company in accordance with its articles of association:

- (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe for (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Share(s) or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to Shares or interest in Shares; or
- (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in sub-paragraph (i) above; or
- (iii) announce any intention to enter into or effect any such transaction described in sub-paragraphs (i) or (ii) above.

### **Rights and Ranking of the Placing Shares**

The Placing Shares are sold free from all liens, charges and encumbrances and together with all rights attaching thereto as at the Transaction Date (but, for the avoidance of doubt, excluding the right to receive the 2014 Final Dividend attaching thereto).

Save as provided in the preceding paragraph, the Placing Shares rank *pari passu* among themselves and with existing Shares in all respects as at the Transaction Date.

### **Conditions of the Placing**

Save for the right of the Placing Agents to terminate the Placing and Subscription Agreement as set out in the paragraph headed “Termination and Force Majeure” below, completion of the Placing is unconditional.

### **Completion of the Placing**

The Placing is expected to complete on the Closing Date.

### **Termination and Force Majeure**

The Placing and Subscription Agreement may be terminated by the Placing Agents upon the occurrence of customary force majeure and termination events or any adverse change, or development involving a prospective adverse change in the general affairs, condition, results of operations or prospects, management, business, stockholders’ equity or in the financial or trading position of the Company and/or of the Group as a whole which in the opinion of the Placing Agents is materially adverse to the success of the Placing.

### **Subscription**

The Vendor has agreed to subscribe for 100,000,000 new Shares, which is equivalent to the number of the Placing Shares.

## **Subscription Price**

The Subscription Price is equal to the Placing Price less the commissions, fees and the expenses properly incurred by the Vendor in relation to the Placing and the Subscription. The gross proceeds from the Subscription (before deducting the commissions, fees and the expenses properly incurred by the Vendor in relation to the Placing and/or the Subscription) will be approximately HK\$2,740 million and the net proceeds raised by the Company from the Subscription are estimated to be approximately HK\$2,720.6 million. The net price to the Company for each Subscription Share is approximately HK\$27.21.

The Directors (including the independent non-executive Directors) consider that the terms of the Subscription are fair and reasonable under the current market conditions and in the interests of the Company and the Shareholders as a whole.

## **Number of Subscription Shares**

The number of Subscription Shares is equivalent to the number of Placing Shares, representing (i) approximately 8.33% of the existing issued share capital of the Company of 1,200,856,072 Shares as at the date of this announcement; and (ii) approximately 7.69% of the issued share capital of the Company of 1,300,856,072 Shares as enlarged by the issue and allotment of the Subscription Shares upon the completion of the Subscription.

## **Ranking of the Subscription Shares**

The Subscription Shares, when issued and fully paid, will rank pari passu with the other Shares in issue or to be issued by the Company on or prior to the date of completion of the Subscription, including the rights to all dividends and other distributions declared, made or paid at any time after the date of allotment.

## **The Subscription Shares**

The issue of the Subscription Shares is not subject to Shareholders' approval. The Subscription Shares will be issued under the General Mandate to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the AGM which authorised the Directors to allot and issue a maximum of 240,151,414 Shares. As at the date of this announcement, no Shares have been issued under the General Mandate.

## **Conditions of the Subscription**

The Subscription is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Subscription Shares (and such listing and permission not subsequently revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares under the Placing and Subscription Agreement); and
- (ii) completion of the Placing having occurred pursuant to the terms of the Placing and Subscription Agreement.

## **Completion of the Subscription**

Completion of the Subscription shall take place on the second Business Day after the date upon which the last of the aforementioned conditions to be satisfied shall have been so satisfied, provided that it shall take place on a date no later than a date falling 14 days after the date of the Placing and Subscription Agreement (or such other time and/or date as the Vendor and the Company may agree in writing).

## **APPLICATION FOR LISTING**

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares to be issued.

## **REASONS FOR AND BENEFITS OF THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS**

The gross proceeds from the Subscription (before deducting the commissions, fees and the expenses properly incurred by the Vendor in relation to the Placing and/or the Subscription) will be approximately HK\$2,740 million. The net proceeds from the Subscription will be approximately HK\$2,720.6 million (representing a net price of approximately HK\$27.21 for each Subscription Share).

The Company intends to apply the net proceeds as follows:

- (i) approximately 80% of the net proceeds (being approximately HK\$2,176.5 million) will be used for financing Kingsoft Cloud Group to build cloud infrastructure and boost the development and research capability of its cloud technology and services; and
- (ii) approximately 20% of the net proceeds (being approximately HK\$544.1 million) will be used for general working capital of the Group.

The Directors are of the view that the issue of the Subscription Shares can provide the Company with additional funds at lower funding cost for the said purposes. The Directors (including the independent non-executive Directors) are of the view that the Placing and Subscription Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and the Placing Agents and that the terms of the Placing and Subscription Agreement is fair and reasonable and the Placing and Subscription are in the interests of the Company and the Shareholders as a whole.

## **FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

The Company has not raised any funds on issue of equity securities in the past 12 months immediately preceding the date of this announcement.

## EFFECTS ON SHAREHOLDING STRUCTURE

The following table illustrates the changes in the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after completion of the Placing but before completion of the Subscription; and (iii) immediately after completion of the Placing and the Subscription, assuming that no other Shares are issued or repurchased during the period commencing from the date of this announcement and ending on the date of the issue and allotment of the Subscription Shares:

Name of Shareholders	(i) As at the date of this announcement		(ii) Immediately after completion of the Placing but before completion of the Subscription		(iii) Immediately after completion of the Placing and the Subscription	
	Number of Shares	Approximate percentage	Number of Shares	Approximate percentage	Number of Shares	Approximate percentage
Mr. Jun LEI (Note 1)	352,830,251	29.38	252,830,251	21.05	352,830,251	27.12
Placees of the Placing Shares	—	—	100,000,000	8.33	100,000,000	7.69
Other Shareholders (Note 2)	848,025,821	70.62	848,025,821	70.62	848,025,821	65.19
<b>Total</b>	<b>1,200,856,072</b>	<b>100.00</b>	<b>1,200,856,072</b>	<b>100.00</b>	<b>1,300,856,072</b>	<b>100.00</b>

### Notes

- As at the date of this announcement, Mr. Jun LEI is deemed to be interested in 352,830,251 Shares under the SFO as follows:

Name	Long position in Shares
Vendor (a company wholly owned by Mr. Jun LEI)	174,818,191
Xiaomi Corporation (a company controlled by Mr. Jun LEI)	35,298,057
Mr. Shuen Lung CHEUNG*	34,681,437
Mr. Pak Kwan KAU*	108,032,566

- \* The aggregate 142,714,003 Shares held by Mr. Pak Kwan KAU and Mr. Shuen Lung CHEUNG are deemed to be interested by Mr. Jun LEI 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 and Mr. Shuen Lung CHEUNG would vote in the same way as Mr. Jun LEI with these shares.

- These include three executive Directors of the Company, Mr. HongJiang ZHANG, Mr. Yuk Keung NG and Mr. Tao ZOU. Further, in the ordinary course of business, affiliates of the Placing Agents provide investment banking and lending services that may result in the Placing Agents or their respective affiliates having interests in securities of the Company that require disclosure obligations under Part XV of the SFO.

Upon completion of the Placing and the Subscription, the shareholding of the Vendor and parties acting in concert with it would decrease from approximately 29.38% to approximately 27.12%.



## **Public Float**

Immediately following completion of the Placing and the Subscription respectively, the Company will continue to be in compliance with the public float requirement under Rule 8.08 of the Listing Rules.

## **INFORMATION OF THE GROUP**

The Group is a leading internet based software developer, distributor and service provider and principally engaged in research, development and operation of online games and office application software, information security software, internet browser, mission critical mobile applications, and provision of cloud storage, cloud computation, online marketing services and internet value-added services across device.

## **DEFINITIONS**

The following defined terms are used in the announcement:

“2014 Final Dividend”	the final dividend of HK\$0.13 per Share for the year ended 31 December 2014 as approved by the Company’s shareholders at the Company’s annual general meeting held on 20 May 2015 and payable to the Company’s shareholders whose names appear on the Company’s register of members of 1 June 2015
“AGM”	the annual general meeting of the Company held on 20 May 2015
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday) on which banks are generally open for business in Hong Kong
“BVI”	British Virgin Islands
“Closing Date”	8 June 2015 or such other date as the Placing Agents and the Vendor may agree in writing
“Company”	Kingsoft Corporation Limited, an exempted limited liability company incorporated in the BVI on 20 March 1998 and discontinued in the BVI and continued into the Cayman Islands on 15 November 2005, with its shares listed on the Stock Exchange (stock code: 03888)
“Companies Ordinance”	the Companies Ordinance (Cap 622 of the Laws of Hong Kong) for the time being in force

“connected persons”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“General Mandate”	the mandate granted to the Directors by the Shareholders at the AGM to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM
“Group”	the Company, its subsidiaries and the Variable Interest Entities
“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
“Independent Person”	a person who is independent of and not acting in concert (as defined under the Hong Kong Code on Takeovers and Mergers) with any of the Vendor or any of its or the Company’s directors, chief executive or substantial shareholders, or any of their respective associates
“Kingsoft Cloud Group”	Kingsoft Cloud Holdings Limited, a subsidiary of the Company, and its subsidiaries
“Last Trading Date”	3 June 2015, being the last full trading day for the Shares prior to the issue of this announcement
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Placee(s)”	any professional, institutional and other investor whom the Placing Agents have procured to purchase any of the Placing Shares pursuant to the Placing Agents’ obligation under the Placing and Subscription Agreement
“Placing”	the placing of the Placing Shares beneficially owned by the Vendor pursuant to the terms of the Placing and Subscription Agreement
“Placing Agents”	Morgan Stanley & Co. International plc and J.P. Morgan Securities (Asia Pacific) Limited
“Placing and Subscription Agreement”	the Placing and Subscription Agreement among the Vendor, the Company and the Placing Agents dated 4 June 2015 in relation to the Placing and the Subscription

“Placing Price”	HK\$27.40 per Placing Share
“Placing Shares”	an aggregate of 100,000,000 existing Shares beneficially owned by the Vendor and to be placed pursuant to the Placing and Subscription Agreement
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended and supplemented from time to time
“Share(s)”	share(s) of US\$0.0005 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by the Vendor pursuant to the terms of the Placing and Subscription Agreement
“Subscription Price”	the Placing Price less the commissions, fees and the expenses properly incurred by the Vendor in relation to the Placing and/or the Subscription
“Subscription Share(s)”	such number of new Shares to be subscribed for by the Vendor pursuant to the terms and conditions of the Placing and Subscription Agreement, which is equal to the number of the Placing Shares
“subsidiary”	has the meaning ascribed thereto in the Companies Ordinance
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“trading day(s)”	has the meaning ascribed thereto under the Listing Rules
“U.S.”	the United States of America, its territories and possessions, any state of the United States, and the District of Columbia
“US\$”	United States dollars, the lawful currency of U.S.
“Transaction Date”	the date when the sale of the Placing Shares shall be reported as a cross-trade to the Stock Exchange which shall be (i) 4 June 2015 or, (ii) if dealings in the shares on the Stock Exchange are suspended at all times on 4 June 2015, the first day on which dealings resume and the cross-trade can be reported to the Stock Exchange in accordance with its rules, or such other date as the Vendor and the Placing Agents may agree in writing
“Variable Interest Entity”	an entity through which the Company conducts its operations in the People’s Republic of China by way of contractual arrangements

“Vendor” Color Link Management Limited, a company wholly owned by Mr. Jun LEI, the chairman and substantial shareholder of the Company

“%” per cent

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

Hong Kong, 4 June 2015

*As at the date of this announcement, the Executive Directors are Messrs. HongJiang 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. Shun Tak WONG, David Yuen Kwan TANG, and Ms. Wenjie WU.*