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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)**

## **SUBSCRIPTION OF XUNLEI SERIES E PREFERRED SHARES BY KING VENTURE**

The Board announces that King Venture, Xunlei Signing Parties, Xunlei Founder Companies, Morningside and IDG entered into the Share Purchase Agreement on 3 April 2014. Pursuant to the Share Purchase Agreement, Xunlei agreed to issue an aggregate of 39,037,382 Xunlei Series E Preferred Shares at the purchase price of US\$2.81781192 per Xunlei Series E Preferred Share, among which, King Venture agreed to subscribe for 31,939,676 Xunlei Series E Preferred Shares for a total consideration of US\$90 million. Upon Completion, the Company, through King Venture, will beneficially own 31,939,676 Xunlei Series E Preferred Shares, representing (i) 29.03% of the total Xunlei Series E Preferred Shares in issue; and (ii) 9.98% of the total outstanding shares of Xunlei assuming all preferred shares of Xunlei are converted into the Xunlei Common Shares and all share options granted and to be granted under the share incentive plans of Xunlei are exercised. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Xunlei Signing Parties, Xunlei Founder Companies, Morningside and IDG and their respective beneficial owners are third parties independent of the Company and its connected persons.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Share Purchase Agreement exceeds 5% but is less than 25%, the entering into the Share Purchase Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, which is subject to reporting and announcement requirements, but exempted from the shareholders' approval requirement.

### **1 INTRODUCTION**

Reference is made to the announcement of the Company dated 2 April 2014 in relation to the proposed subscription of Xunlei Series E Preferred Shares by the Company.

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## **2 THE PRINCIPAL TERMS OF THE SHARE PURCHASE AGREEMENT**

The principal terms of the Share Purchase Agreement are summarized as follows:

Date	3 April 2014
Parties	<p>Xunlei (as the issuer of Xunlei Series E Preferred Shares) and its certain subsidiaries (as the warrantors under the Share Purchase Agreement);</p> <p>Xunlei Founder Companies (as the existing shareholders of Xunlei under the Share Purchase Agreement);</p> <p>King Venture (as one subscriber of Xunlei Series E Preferred Shares under the Share Purchase Agreement);</p> <p>Morningside and IDG (as the other subscribers of Xunlei Series E Preferred Shares under the Share Purchase Agreement)</p>
Subject Matter	Xunlei agreed to issue an aggregate of 39,037,382 Xunlei Series E Preferred Shares at the purchase price of US\$2.81781192 per Xunlei Series E Preferred Share, among which, King Venture agreed to subscribe for 31,939,676 Xunlei Series E Preferred Shares for a total consideration of US\$90 million.
Conditions Precedents	<p>The performance of the obligations of King Venture and Xunlei under the Share Purchase Agreement are subject to the fulfillment or waiver of, on or prior to the Completion, among others, the following conditions:</p> <p>(i) all authorizations, approvals, consents, waivers or permits, if any, in respect of any governmental authority or regulatory body of each applicable jurisdiction that are required in connection with the Share Purchase Agreement having been obtained;</p> <p>(ii) all corporate and other procedures in connection with the Share Purchase Agreement having been completed; and</p> <p>(iii) other reasonable and customary conditions.</p>
Consideration	The consideration payable by King Venture for the subscription of 31,939,676 Xunlei Series E Preferred Shares is US\$90 million.

The consideration was determined after arm's length negotiations among the parties with reference to (i) the financial conditions of Xunlei Group; (ii) the business potentials of Xunlei Group; and (iii) the market conditions in the internet industry.

Payment                                      The above consideration shall be settled in full by wire transfer of immediately available funds to a bank account of Xunlei on Completion. Taking into account the current cash flow of the Company, such consideration will be funded by its internal resources.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Xunlei Signing Parties, Xunlei Founder Companies, Morningside and IDG and their respective beneficial owners are third parties independent of the Company and its connected persons.

### **3 PRINCIPAL TERMS OF THE XUNLEI SERIES E PREFERRED SHARES**

According to the Restated M&A to be adopted by Xunlei before Completion, the principal terms of the Xunlei Series E Preferred Shares are set out below:

Issue date:                                      at the date of Completion

Liquidation preference:    In the event of a liquidation, dissolution or winding up of Xunlei, holders of the Xunlei Series E Preferred Shares shall, on *a pari passu* basis in priority to holders of the Xunlei Common Shares and all other preferred shares, if any, be entitled to receive, for each Xunlei Series E Preferred Share, a preference amount equal to 100% of the applicable Original Issue Price, plus any dividends declared and unpaid with respect thereto. If after paying such preference amount, any applicable preference amount on the other preferred shares of Xunlei and the common amount on the Xunlei Common Shares, there remain funds and/or assets of Xunlei legally available for distribution to shareholders of Xunlei, such funds and/or assets shall be distributed among holders of the Xunlei Common Shares on a pro rata basis and on the basis as if all the preferred shares of Xunlei (including Xunlei Series E Preferred Shares) were converted into Xunlei Common Shares immediately before such distribution.

- Conversion rights: Unless otherwise provided in the Restated M&A, each Xunlei Series E Preferred Share may be converted at any time at the option of the holder thereof into such number of Xunlei Common Share(s) as may be obtained at the quotient of the Original Issue Price for such Xunlei Series E Preferred Shares divided by the applicable conversion price for such Xunlei Series E Preferred Shares then in effect. The new Xunlei Common Shares to be issued upon conversion of Xunlei Series E Preferred Shares shall rank *pari passu in* all respects with the existing Xunlei Common Shares.
- Conversion price: The initial conversion price of the Xunlei Series E Preferred Shares shall be equal to the Original Issue Price, being US\$2.81781192 per Xunlei Series E Preferred Share.
- Anti-dilution adjustments: The Xunlei Series E Preferred Shares shall have customary anti-dilution protection for events such as share splits, share dividends, combinations, re-capitalizations and distributions. The conversion price shall be adjusted proportionately in such events to prevent dilution.
- In the event that Xunlei issues additional Xunlei Common Shares (other than customary exceptions) at a purchase price less than the then applicable conversion price, the conversion price shall be adjusted, concurrently with such issue of the additional Xunlei Common Shares, to a price equal to the price per share for such additional Xunlei Common Shares.
- Voting: Each holder of the Xunlei Series E Preferred Shares (i) shall be entitled to such number of votes as those attached to the Xunlei Common Shares into which such number of the Xunlei Series E Preferred Shares held by the holder may be converted immediately after the close of business on the relevant record date or, if there is no such record date, at the date on which such votes are taken or any written consent of Xunlei's shareholders is first solicited, and (ii) shall be entitled to notice of any general meeting of Xunlei.
- Redemption: At any time after 1 March 2018 but not later than 1 March 2019, the holders of Xunlei Series E Preferred Shares shall have the right to request Xunlei to redeem all or any portion of the Xunlei Series E Preferred Shares, at a per share price which shall be equal to the aggregate amount of (i) the Original Issue Price; (ii) applicable interest on the Original Issue Price at the rate of 15% per annum, compounded annually, from the actual issuance date of such shares up to and including the date of redemption; and (iii) any dividends declared and unpaid with respect thereto.

## **4 INFORMATION ABOUT XUNLEI**

Xunlei is a company incorporated under the laws of the Cayman. Xunlei Group is mainly engaged in the provision of internet services.

The estimated book value of the net assets of Xunlei Group as at 31 December 2013 under US Generally Accepted Accounting Principles was approximately US\$79.3 million. The estimated approximate net profits of Xunlei Group for each of the two financial years ended 31 December 2013 are set out as follows:

	<b>Year ended 31 December 2012</b>	<b>Year ended 31 December 2013</b>
Net profits before taxation	approximately US\$2.6 million	approximately US\$9.7 million
Net profits after taxation	approximately US\$0.5 million	approximately US\$10.7 million

## **5 REASONS FOR AND BENEFITS OF THE TRANSACTION**

Xunlei Group is a leading internet company in the PRC. Taking into account business development of Xunlei Group, the Company believes that the Company could achieve a cooperation with Xunlei through becoming one of its shareholders, and that such cooperation may expect to bring about more business cooperation opportunities and to strengthen the potential business cooperation between the parties in both breadth and depth.

The Directors consider that the terms of the Share Purchase Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **6 IMPLICATIONS UNDER THE LISTING RULES**

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Share Purchase Agreement exceeds 5% but is less than 25%, the entering into the Share Purchase Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, which is subject to reporting and announcement requirements, but exempted from the shareholders' approval requirement.

## 7 INFORMATION ABOUT THE PARTIES

King Venture is a wholly-owned subsidiary of the Company, which is mainly engaged in investment holding as at the date of the announcement.

Morningside is mainly engaged in venture investment and investment holding as at the date of the announcement.

IDG is mainly engaged in venture investment and investment holding as at the date of the announcement.

Xunlei and members of Xunlei Group are mainly engaged in the provision of internet services as at the date of the announcement.

Xunlei Founder Companies, namely Vantage Point Global Limited (beneficially owned as to 100% by Zou Shenglong) and Aiden & Jasmine Limited (beneficially owned as to 100% by Cheng Hao), are acting as investment holding vehicles as at the date of this announcement.

## 8 DEFINITIONS

“Board”	the board of Directors
“BVI”	British Virgin Islands
“Cayman”	Cayman Islands
“connected person”	has the meaning ascribed thereto under the Listing Rules
“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 on 15 November 2005, with its shares listed on the Stock Exchange (stock code: 03888)
“Completion”	the closing of the issue and subscription of the Xunlei Series E Preferred Shares in accordance to the terms of Share Purchase Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IDG”	IDG Technology Venture Investment V, L.P., a limited partnership incorporated under the laws of Delaware

“King Venture”	King Venture Holdings Limited, an exempted company incorporated under the laws of the Cayman and a wholly-owned subsidiary of the Company as at the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Morningside”	Morningside China TMT Special Opportunity Fund, L.P. and Morningside China TMT Fund III Co-Investment, L.P., each of which is an exempted limited partnership incorporated under the laws of the Cayman
“Original Issue Price”	with respect to each Xunlei Series E Preferred Share, US\$2.81781192
“PRC” or “China”	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
“Restated M&A”	the sixth amended and restated articles of association of Xunlei to be adopted by all necessary corporate action of the board and shareholders of Xunlei before Completion
“Share Purchase Agreement”	the share purchase agreement dated 3 April 2014 entered into among King Venture, Xunlei Signing Parties, Xunlei Founder Companies, Morningside and IDG, pursuant to which Xunlei agreed to issue an aggregate of 39,037,382 Xunlei Series E Preferred Shares at the purchase price of US\$2.81781192 per Xunlei Series E Preferred Share, among which, King Venture agreed to subscribe for 31,939,676 Xunlei Series E Preferred Shares for a total consideration of US\$90 million
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“US\$”	United States dollars, the lawful currency of the United States of America
“Xunlei”	Xunlei Limited, an exempted company incorporated under the laws of the Cayman
“Xunlei Common Shares”	the common shares of Xunlei with a par value of US\$0.00025
“Xunlei Founder Companies”	namely Vantage Point Global Limited (beneficially owned as to 100% by Zou Shenglong) and Aiden & Jasmine Limited (beneficially owned as to 100% by Cheng Hao)



“Xunlei Group”	Xunlei and its subsidiaries
“Xunlei Series E Preferred Shares”	the series E preferred shares of Xunlei with a par value of US\$0.00025
“Xunlei Signing Parties”	Xunlei and its certain subsidiaries as the signing parties to the Share Purchase Agreement
“%”	percent

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

Hong Kong, 3 April 2014

*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. Guangming George LU, David Yuen Kwan TANG, and Ms. Wenjie WU.*