



Kingsoft Corporation Limited

金山软件有限公司

(continued into the Cayman Islands with limited liability)

(Stock Code: 03888)

HK\$2,327,000,000

1.25% Convertible Bonds due 2019

(including HK\$387,000,000 aggregate principal amount of
Bonds issued pursuant to an option described below)

Issue Price: 100%

The 1.25% Convertible Bonds due 2019 in the aggregate principal amount of HK\$2,327,000,000 (the “**Bonds**”) will be issued by Kingsoft Corporation Limited (the “**Issuer**” or the “**Company**”) (including HK\$387,000,000 aggregate principal amount of Bonds issued pursuant to an option granted by the Company to Morgan Stanley & Co. International plc and J.P. Morgan Securities plc (the “**Joint Global Coordinators**”), which was exercised in full on 3 April 2014. The issue price will be 100% of the aggregate principal amount of the Bonds.

The Bonds (i) constitute direct, unconditional, unsubordinated and (subject to Condition 4 of the Terms and Conditions of the Bonds) unsecured obligations of the Company, and (ii) shall at all times rank *pari passu* and without any preference or priority among themselves. Each Bond will, at the option of the holder, be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 22 May 2014 up to the close of business (at the place where the certificate evidencing such Bond is deposited for conversion) on 1 April 2019 into fully paid ordinary shares with a par value of US\$0.0005 each of the Company (the “**Shares**”) at an initial conversion price of HK\$43.89 per Share. The conversion price is subject to adjustment in the circumstances described under “Terms and Conditions of the Bonds – Conversion”. The Closing Price (as defined in the Terms and Conditions of the Bonds) of the Shares on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) on 3 April 2014 was HK\$31.35 per Share.

The Bonds bear interest from and including 11 April 2014 at the rate of 1.25% per annum payable semi annually in arrear in equal instalments of HK\$6,250 per Calculation Amount (as defined in the Terms and Conditions of the Bonds) on 11 April and 11 October in each year, commencing with the first interest payment date falling on 11 October 2014. Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company will redeem each Bond at its principal amount, together with accrued and unpaid interest thereon, on 11 April 2019 (the “**Maturity Date**”). At any time after 11 April 2017, the Company may at its sole discretion elect to redeem the Bonds in whole but not in part at their principal amount together with interest accrued to the date of redemption provided that the daily Volume Weighted Average Price (as defined in the Terms and Conditions of the Bonds) of a Share, for 20 out of the 30 consecutive Trading Days (as defined in the Terms and Conditions of the Bonds) immediately prior to the date upon which the Optional Redemption Notice (as defined in the Terms and Conditions of the Bonds) 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. The Bonds may also be redeemed in whole, and not in part at their principal amount together with interest accrued to the date of redemption, at any time if, immediately prior to the date the relevant Optional Redemption Notice (as defined in the Terms and Conditions of the Bonds) is given, at least 90% in aggregate principal amount of the Bonds originally issued has already been converted, redeemed or purchased and cancelled. The Bonds may also be redeemed, at the option of the Company in whole, but not in part, at any time, at their principal amount together with interest accrued to the date of redemption in the event of certain changes relating to Cayman Islands taxation, subject to the non-redemption option of each holder after the exercise by the Company of its tax redemption option as described herein. 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. The holder of each Bond will also have the right at such holder’s option, to require the Company to redeem all or some only of such holder’s Bonds at their principal amount together with interest accrued to the date of redemption following the occurrence of a Relevant Event (as defined in the Terms and Conditions of the Bonds). See “Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation”.

Approval in-principle has been received for the listing and quotation of the Bonds on the Official List of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Approval in-principle for the listing and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Company or any other subsidiary or associated company of the Company, the Bonds or the Shares. Application has been made for the listing of the Shares to be issued on conversion of the Bonds on the Hong Kong Stock Exchange. The Bonds are not rated.

Investing in the Bonds and the Shares involves certain risks. See “Risk Factors” beginning on page 16 for a discussion of certain factors to be considered in connection with the investment in the Bonds and the Shares.

The Bonds and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), or other securities laws and, subject to certain exemptions, may not be offered or sold within the United States. The Bonds are being offered and sold only outside the United States in reliance on Regulation S under the Securities Act (“**Regulation S**”). For a description of these and certain further restrictions on offers and sales of the Bonds and the Shares to be issued upon conversion of the Bonds and the distribution of this Offering Circular, see “Subscription and Sale”.

The Bonds will be represented by beneficial interests in a global certificate (the “**Global Certificate**”) in registered form, which will be registered in the name of a nominee of, and shall be deposited on or about 11 April 2014 (the “**Closing Date**”) with, a common depositary for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream**”). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for the Bonds will not be issued in exchange for interests in the Global Certificate.

Joint Global Coordinators

Morgan Stanley

J.P. Morgan

Joint Bookrunners

Morgan Stanley

J.P. Morgan

Macquarie

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This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time (the “**Listing Rules**”) for the purpose of giving information with regard to the Company. The Company, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Company, the Company and its subsidiaries taken as a whole (collectively, the “**Group**”), the Shares and the Bonds, which is material in the context of the issue and offering of the Bonds, (ii) the statements contained in it relating to the Company and to the Group are in every material respect true and accurate and not misleading, (iii) the opinions and intentions expressed in this document with regard to the Company and to the Group, are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) there are no other facts in relation to the Company, the Shares or the Bonds the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular misleading in any material respect, (v) all reasonable enquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such information and statements, and (vi) this Offering Circular does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements herein, in the light of the circumstances under which they are made, not misleading. In addition, the Company accepts full responsibility for the accuracy of the information contained in this Offering Circular.

This Offering Circular is highly confidential and has been prepared by the Company solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Company, the Joint Global Coordinators and Macquarie Capital Securities Limited (together with the Joint Global Coordinators, the “**Joint Bookrunners**”) to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds, or the Shares deliverable upon conversion of the Bonds or the distribution of this document in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the Shares deliverable on conversion of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, Hong Kong, Singapore, Japan, Cayman Islands and Switzerland, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see “Subscription and Sale”.

This Offering Circular does not constitute an offer to sell to, or a solicitation of an offer to buy from, any person in any jurisdiction to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this Offering Circular or that the information contained in this Offering Circular is correct as of any time after that date.

The SGX-ST assumes no responsibility for the contents of this Offering Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

No person has been or is authorised to give any information or to make any representation concerning the Company, the Group, the Shares or the Bonds other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Joint Bookrunners, the Trustee (as defined in the Terms and Conditions of the Bonds) or the Agents (as defined in the Terms and Conditions of the Bonds). Neither the delivery of this document nor any offer, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Company since

the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Company, the Joint Bookrunners, the Trustee or the Agents to subscribe for or purchase any of, the Shares or Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful. This Offering Circular is not intended to invite offers to subscribe for or purchase the Shares.

No representation or warranty, express or implied, is made or given by the Joint Bookrunners, the Trustee or the Agents as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Bookrunners, the Trustee or the Agents. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Company, the Joint Bookrunners, the Trustee or the Agents that any recipient of this Offering Circular should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal, financial and business advisers as it deems necessary.

IN CONNECTION WITH THE ISSUE OF THE BONDS, MORGAN STANLEY & CO. INTERNATIONAL PLC AS THE STABILISING MANAGER (THE “STABILISING MANAGER”) OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER, MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND DIRECTIVES, OVER-ALLOT THE BONDS OR 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 FOR A LIMITED PERIOD AFTER THE CLOSING DATE. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGERS) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END AFTER A LIMITED PERIOD.

In making an investment decision, investors must rely on their own examination of the Company, the Group and the terms of the offering, including the merits and risks involved. See “Risk Factors” for a discussion of certain factors to be considered in connection with an investment in the Bonds. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Bookrunners or any person affiliated with the Joint Bookrunners in connection with its investigation of the accuracy of such information or its investment decision.

The Joint Bookrunners and certain related entities may acquire for their own account a portion of the Notes.

CERTAIN DEFINITIONS AND CONVENTIONS

This Offering Circular has been prepared using a number of conventions, which you should consider when reading the information herein. The term the “**Company**” or the “**Issuer**” are referring to Kingsoft Corporation Limited and the term the “**Group**” are referring to the Company and its subsidiaries taken as a whole. The terms “**we**”, “**us**”, “**our**” and words of similar import are referring to the Company or the Group, as the context requires.

Market data, industry forecast and PRC and software and internet industry statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although the Group believes this information to be reliable, it has not been independently verified by us or the Joint Bookrunners or their respective directors and advisers, and neither the Group, the Joint Bookrunners nor our or their respective directors and advisers make any representation as to the accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. Due to possibly inconsistent collection methods and other problems, such statistics herein may be inaccurate. You should not unduly rely on such market data, industry forecast and PRC and related industry statistics.

Unless otherwise specified or the context requires, references herein to “**Hong Kong dollars**”, “**HK dollars**”, “**HK\$**” and “**HKD**” are to the lawful currency of the Hong Kong Special Administrative Region (“**Hong Kong**”), references herein to “**US\$**” are to the lawful currency of the United States of America (the “**United States**” or the “**U.S.**”) and references herein to “**Renminbi**” and “**RMB**” are to the lawful currency of the People’s Republic of China excluding Hong Kong, Macau Special Administrative Region and Taiwan (the “**PRC**” or “**China**”).

References to “**IFRS**” are to International Financial Reporting Standards issued by the International Accounting Standards Board.

For illustration purposes, the daily HK dollar/Renminbi exchange rate as published by the People’s Bank of China (the “**PBOC**”) on 31 March 2014 was HK\$1.00 = RMB0.7931.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

The English names of PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

Unless the context otherwise requires, references to “**2011**”, “**2012**” and “**2013**” in this Offering Circular are to our financial years ended 31 December 2011, 2012 and 2013, respectively.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding our future financial position, prospects, business strategy and the plans and objectives of our management for our future operations are forward-looking statements. Forward-looking statements are inherently subject to risks, uncertainties and assumptions, including among other things:

- risks associated with international global business activities;
- general economic and political conditions;
- government regulations, restrictions and approval processes, including the PRC government's oversight of the PRC Internet and software industries, as well as regulations with respect to our corporate structure and related corporate and business operations arrangements;
- competitive conditions and our ability to compete under those conditions;
- our ability to implement our business and operating strategies;
- our ability to expand and manage our growth, both within China and abroad;
- possible disruptions to commercial activities due to natural and human-induced disasters, including, but not limited to, floods, earthquakes, epidemics, terrorist attacks and armed conflict;
- fluctuations in currency exchange and interest rates; and
- those other risks identified in the "Risk Factors" section of this Offering Circular.

The words "may", "will", "might", "forecast", "anticipate", "believe", "estimate", "expect", "intend", "continue", "potential", "plan" or the negatives thereof and similar expressions are intended to identify a number of these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we can give no assurance that such expectations will prove correct.

You should thoroughly read this Offering Circular and the documents that we refer to herein with the understanding that our actual future results may be materially different from and/or worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements. Other sections of this Offering Circular include additional factors which could adversely impact our business and financial performance, including the risks outlined under "Risk Factors." Moreover, we operate in an evolving environment. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

This Offering Circular may also contain third party data relating to the software and internet industry in China that includes projections based on a number of assumptions. The software and internet industry in China and elsewhere may not grow at the rates projected by market data, or at all. The failure of our markets to grow at projected rates may have a material adverse effect on our business and the market price of the Bonds. Furthermore, if one or more of the assumptions underlying the market data turn out to be incorrect, the actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward looking statements.

You should not rely upon forward-looking statements as predictions of future events. The forward-looking statements made in this Offering Circular relate only to events or information as of the date on which the statements are made in this Offering Circular. Subject to applicable securities laws, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as otherwise required by applicable securities laws.

INCORPORATION OF FINANCIAL INFORMATION

Our audited consolidated financial statements for the three years ended 31 December 2011, 2012 and 2013, and the auditors' report in respect of each such financial year, which are contained in our annual reports for 2011, 2012 and 2013, respectively, are incorporated by reference in, and form part of, this Offering Circular.

Copies of the aforementioned annual reports and announcement: (i) may be downloaded free of charge from the website of the Hong Kong Stock Exchange at <http://www.hkex.com.hk> (the other contents of this website do not form part of this Offering Circular); and (ii) will be available for inspection at the our principal place of business at Kingsoft Tower, No. 33, Xiaoying West Road, Beijing, 100085, PRC during normal business hours so long as any Bond is outstanding.

SUMMARY

This summary does not contain all the information that may be important to you in deciding to invest in the Bonds. You should read the entire Offering Circular, including the section entitled “Risk Factors” and our consolidated financial statements and related notes thereto, before making an investment decision.

Overview

We are a leading software application and internet services provider in China. We leverage our comprehensive software development platform to develop and offer a wide range of products and services in internet security, office applications, interactive entertainment and cloud computing. In particular, we commercially launched cloud computing services in May 2011 to take advantage of the accelerated growth of our mobile internet user base and usage of smart devices in China. We believe we have one of the largest internet security, office applications, interactive entertainment and cloud computing research and development teams in China, dedicated to the development of such software and internet products and services, with 2,892 research and development personnel as of 31 December 2013. We have self-developed substantially all of our internet security, office applications and cloud computing products, as well as a majority of our interactive entertainment offerings.

Our product development and support operations are focused on enhancing user experience. We also increasingly utilise the internet as an efficient and relatively secure channel to market and distribute our existing and new software and internet products and services. While our users are primarily located in China, we also offer internet security products and services in Japan, and certain interactive entertainment products and services in Vietnam, Taiwan, Malaysia, South Korea, Thailand, Singapore, Cambodia, Indonesia and North America.

Our core applications under our information security software business line primarily include Duba Anti-virus, Clean Master, Battery Doctor, Cheetah Browser and Photo Grid. We aim to provide global internet and mobile users a faster, safer and easier experience. To achieve this, we have developed a platform that offers mission critical applications for our users and global content distribution channels for our business partners, both of which are powered by its proprietary cloud-based data analytics engines. For our users, our diversified suite of mission critical applications optimizes internet and mobile system performance and provides real time protection against known and unknown security threats. Our information security software business line had approximately 330 million monthly active users for all of its applications in December 2013 and our applications have been installed on 346.6 million mobile devices as of December 31, 2013. We commercially launched Duba Anti-virus in 2000 and update and provide new versions of Duba Anti-virus from time to time. We have invested heavily in mobile business and have launched a series of mission critical applications including Clean Master and Battery Doctor. In addition, on 19 June 2012, we officially launched our internet browser, Cheetah Browser, which is expected to create synergies with our other products and further enhance our monetisation potential in the coming years. There were more than 400 games on the Kingsoft Internet Cheetah game platform as of 31 December 2013.

Our primary office application is WPS Office, which is sold overseas under the name of Kingsoft Office. This software provides word processing, spreadsheet and presentation functions and is the leading domestically developed office application product in China. Its predecessor, WPS 1.0, launched in 1989, was one of the first Chinese-language word processing software products to be available in China. In May 2011, we launched WPS Mobile Office for the Android operating system. In February 2013, WPS Mobile Office for the Apple iOS system was launched and received positive feedback. Currently, WPS Mobile Office has approximately 40 million monthly active users. We sell WPS Office to government agencies, state-owned enterprises, financial institutions

and SMEs in the PRC. We also provide limited edition free downloads on the internet by individual users on both PCs and mobile devices with the Android and Apple iOS operating systems. We provide WPS Office for free for individual users to nurture the user base of Kingsoft. In 2013, we began measures to monetise our increasing user base of the free WPS Office.

Our interactive entertainment portfolio includes various MMORPGs, which allow thousands of users to interact online through personalised role-playing characters, as well as first-person shooter and mobile games. We have a proven track record in the development of popular interactive entertainment products for the PRC market. As a testament to the success of our interactive entertainment products, we received the “Top Ten Brand Game Developers 2011”, “Top Ten Most Popular Chinese Cultural Online Games 2011” and “Top Ten Game Operators for Overseas Expansion 2011” awards at the inaugural China Game Industry Annual Conference held in January 2012, which was sponsored by the GAPP. As of 31 December 2013, we offered a total of 12 MMORPGs, all of which were in-house developed.

Our in-house research and development team is currently developing three additional MMORPGs. We are also actively expanding and developing our mobile games. We launched Pets Castle (寵物城堡) and Candy Ninja Cat (糖果忍者貓) in 2012, and released new mobile games in 2013, such as Pop of Pet (微寵) and FSZB (封神爭霸). Our research and development team focuses on developing online games featuring cultural themes which appeal to the PRC market. These games include new virtual items and value-added services that users can purchase to enhance their game experience. Our MMORPGs (including the MMORPGs we licensed from third parties and MMORPGs we developed and licensed overseas) had an aggregate of 0.63 million daily average peak concurrent users and approximately 1.87 million monthly average paying users for the fourth quarter of 2013.

Our cloud computing services currently include Kuaipan Series products and cloud computing platform services for both business enterprises and individual consumers. Our cloud computing platform services primarily include cloud storage, cloud computing, cloud hard disk and cloud database. We established Kingsoft Cloud in early 2012 to capture opportunities in cloud computing and computing services. We established strategic collaborations with Xiaomi Corporation (“Xiaomi”) and Skyworth TV in 2012 to leverage on the accelerated growth of mobile internet users and smart devices in China. We further expanded into enterprise data storage services and cloud computing platform services in 2013 and established cooperative relationship with *www.letao.com* and *www.bitauto.com*. Through our product innovation and strategic collaboration with Xiaomi and smart TV producers, our registered storage services user base has increased to approximately 52 million as of 31 December 2013.

In addition, we also offer certain other internet and mobile products and services. Our in-house developed Kingsoft PowerWord is one of the most widely used dictionary software products in China. We provide Kingsoft PowerWord for individual users for free on the internet and for the Android and Apple iOS mobile systems, which enables us to continue to build on our user base.

We have experienced steady overall growth. We had revenues of RMB1,055.7 million and RMB1,095.9 million from our application software business (including internet security and office application business) and interactive entertainment businesses, in 2013, respectively, representing 48.6% and 50.4% of our total revenues, respectively. Our revenues for the years ended 31 December 2011, 2012 and 2013 was RMB1,020.5 million, RMB1,411.2 million and RMB2,173.3 million, respectively. Our net profit attributable to owners of the parent for the same periods was RMB324.7 million, RMB432.6 million and RMB670.7 million, respectively.

Recent Developments

Proposed Spin-off and Listing of Cheetah Mobile

We submitted a spin-off application to the Hong Kong Stock Exchange on 20 December 2013 pursuant to Practice Note 15 of the Listing Rules for the spin-off listing of our information security software business on the NASDAQ or NYSE (the “**Proposed Spin-off**”). The information security software business is currently carried on by Cheetah Mobile, a company incorporated in the Cayman Islands, and its subsidiaries. On 27 January 2014, Cheetah Mobile made its initial confidential filing with the SEC for the proposed initial public offering and listing of its securities on the NASDAQ or NYSE. Subsequently on 2 April 2014 (New York Time), Cheetah Mobile made its initial public filing with the SEC for the proposed initial public offering and listing of its securities on the NASDAQ or NYSE. Electronic public filings that Cheetah Mobile made are publicly available through the SEC’s website at www.sec.gov. We believe that these activities will help us to strengthen and accelerate the execution of our mobile strategy.

Subscription of Xunlei Series E Preferred Shares by King Venture Holdings Limited

Our wholly owned subsidiary, King Venture Holdings Limited (“**King Venture**”) entered into a share purchase agreement on 3 April 2014 with Xunlei Limited (“**Xunlei**”) and certain of its subsidiaries as specified therein, Vantage Point Global Limited, Aiden & Jasmine Limited, Morningside China TMT Special Opportunity Fund, L.P., Morningside China TMT Fund III Co-Investment, L.P. and IDG Technology Venture Investment V, L.P. 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 of this subscription, we will own 31,939,676 Xunlei Series E Preferred Shares through King Venture, representing 29.03% of the total Xunlei Series E Preferred Shares in issue and 9.98% of the total outstanding shares of Xunlei assuming all preferred shares of Xunlei are converted into its common shares and all share options granted and to be granted under the share incentive plans of Xunlei are exercised.

If we consider it appropriate to do so, we may develop further business cooperation with Xunlei in the future.

Investors are advised to refer to our announcements published on the website of the Hong Kong Stock Exchange at <http://www.hkex.com.hk> for any future development with respect to our proposed spin-off and listing of Cheetah Mobile and subscription of Xunlei Series E Preferred Shares by King Venture after the date of this Offering Circular.

General Information

We were originally incorporated in the British Virgin Islands on 20 March 1998. We were redomiciled to the Cayman Islands as an exempted company with limited liability on 15 November 2005. Our principal executive office is at Kingsoft Tower, No. 33 Xiaoying West Road, Haidian District, Beijing 100085, PRC. Our registered office is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. Our website is <http://www.kingsoft.com>. Information contained on our website does not constitute part of this Offering Circular.

The Offering

*The following is a general summary of the terms of the offering of the Bonds. This summary is partly derived from and should be read in conjunction with, the full text of the terms and conditions of the Bonds (the “**Conditions**”) (see “**Terms and Conditions of the Bonds**”), the Trust Deed and the Agency Agreement relating to the Bonds. The Conditions, the Trust Deed and the Agency Agreement will prevail to the extent of any inconsistency with the terms set out in this summary. Defined terms used in this summary that are not defined herein shall have the meanings accorded to them in the Conditions.*

Issuer	Kingsoft Corporation Limited.
Issue	HK\$ denominated 1.25% Convertible Bonds due 2019 (the “ Bonds ”) in the aggregate principal amount of HK\$2,327,000,000, convertible into fully-paid ordinary shares of par value US\$0.0005 each of the Issuer.
Shares	Ordinary shares of US\$0.0005 each in the share capital of the Issuer.
Issue Price	100% of the principal amount of the Bonds.
Form and Denomination of the Bonds	The Bonds will be issued in registered form in the denomination of HK\$2,000,000 each and integral multiples of HK\$1,000,000 in excess thereof.
Interest	The Bonds bear interest from and including 11 April 2014 at the rate of 1.25% per annum payable semi-annually in arrear in equal instalments of HK\$6,250 per Calculation Amount on 11 April and 11 October in each year. See “Terms and Conditions of the Bonds – Interest.”
Closing Date	11 April 2014.
Maturity Date	11 April 2019.
Negative Pledge	So long as any Bond remains outstanding, the Issuer 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 of the Bondholders. See “Terms and Conditions of the Bonds – Negative Pledge.”

Status of the Bonds	The Bonds shall constitute direct, unconditional, unsubordinated and (subject to Condition 4 of the Conditions) unsecured obligations of the Issuer and shall rank <i>pari passu</i> and without any preference or priority among themselves.
Taxation	All payments of principal and interest made by the Issuer shall be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Cayman Islands or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law of the Cayman Islands. In such event, the Issuer will pay such additional amounts as will result in the receipt by the Bondholders of such amounts as would have been received by them had no such deduction or withholding been required, except in circumstances specified in Condition 9 of the Conditions.
Conversion Price	Initially HK\$43.89 per Share, which will be subject to adjustments for, among other things, (i) capitalisation of profits and reserves, capital distributions, rights issues, sub-division, consolidation and re-classification of Shares, issuance of options, rights, warrants, further convertible or exchangeable bonds or Shares at beyond a certain discount to current market price, certain other dilutive events, and (ii) Change of Control events. See “Terms and Conditions of the Bonds – Conversion – Adjustments to Conversion Price” and “Terms and Conditions of the Bonds – Conversion – Adjustment upon Change of Control”.
Conversion Right and Period	Subject to and upon compliance with the Terms and Conditions of the Bonds, the conversion right in respect of a Bond may be exercised, at the option of the Bondholder, at any time on or after 22 May 2014 to the close of business on the date falling ten days prior to the Maturity Date (both days inclusive) or, if such Bond shall have been called for redemption by the Issuer 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.
Final Redemption	Unless previously redeemed, converted or purchased and cancelled as provided in the Terms and Conditions of the Bonds, the Issuer will redeem each Bond at its principal amount together with accrued and unpaid interest thereon on the Maturity Date.

Redemption at the Option of

the Bondholders

The Issuer 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.

Redemption for Taxation

Reasons

The Bonds may be redeemed, at the option of the Issuer in whole, but not in part, at any time at their principal amount together with interest accrued to the date of redemption (if any), if (a) the Issuer satisfies the Trustee immediately prior to the giving of notice that it has or will become obliged to pay additional tax amounts as a result of any change in, or amendment to, the laws or regulations of the 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 (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it. If the Issuer exercises its tax redemption right, each Bondholder shall have the right to elect that its Bonds shall not be redeemed. Upon a Bondholder electing not to have its Bonds redeemed in such circumstances, any payments due after the relevant date shall be made subject to any deduction or withholding of any tax required to be deducted or withheld.

Redemption at the Option of

the Issuer

The Bonds may be redeemed by the Issuer in whole, but not in part, on the date specified in the Option Redemption Notice at their principal amount together with interest accrued to such date (if any): (i) at any time after 11 April 2017, provided that the daily Volume Weighted Average Price of a Share, for 20 out of the 30 consecutive Trading Days immediately prior to the date upon which the Optional Redemption Notice 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 the relevant Optional Redemption 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 Relevant Event...

When

- (i) 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 Hong Kong Stock Exchange (or if the Shares are not at that time listed and traded on the Hong Kong Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in),

- (ii) there is a Change of Control, or
- (iii) (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 (a “change in law”) that results in (x) the Issuer, its Subsidiaries and its consolidated affiliated entities (collectively, the “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 Group (as in existence immediately prior to such change in law) as of the last date of the period described in the Issuer’s consolidated financial statements for the most recent fiscal quarter and (y) the Issuer being unable to continue to derive substantially all of the economic benefits from the business operations conducted by the Group (as in existence immediately prior to such change in law) in the same manner as reflected in the Issuer’s consolidated financial statements for the most recent fiscal quarter and (B) the Issuer 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 Issuer is able to continue to derive substantially all of the economic benefits from the business operations conducted by the Group (as in existence immediately prior to such change in law), taken as a whole, as reflected in the Issuer’s consolidated financial statements for the most recent fiscal quarter (including after giving effect to any corporate restructuring or reorganisation plan of the Group) or (y) that such change in law would not materially adversely affect the Issuer’s ability to make principal and interest payments on the Bonds when due or to convert the Bonds,

the Bondholders will have the right at such holder’s option, to require the Issuer to redeem all or some only of such holder’s Bonds at their principal amount as at such date together with interest accrued to the date of redemption (if any).

Cross Default..... The Bonds may be accelerated in the event of, *inter alia*, a default relating to the Issuer or any of its subsidiaries in respect of indebtedness which equals or exceeds HK\$100,000,000 or its equivalent in any other currency. For a description of certain other events that will permit acceleration of repayment of principal and premium of the Bonds, see “Terms and Conditions of the Bonds – Events of Default”.

Further Issues	The Issuer may, from time to time, without the consent of the Bondholders, create and issue further Bonds having the same terms and conditions as the Bonds in all respects and so that such further issue shall be consolidated and form a single series with the Bonds.
Clearing	The Bonds will be cleared through Euroclear and Clearstream. Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book entry transfer between their respective account holders.
Governing Law	English law.
ISIN/Common Code	XS1055092602/105509260.
Listing and Trading of the Bonds	Approval in-principle has been received for the listing and quotation of the Bonds on the Official List of the SGX-ST. Approval in-principle for the listing and quotation of the Bonds is not to be taken as an indication of the merits of the Company, or any subsidiary or associated company of the Company, the Bonds or the Shares. Permission for the listing will be granted when the Bonds have been admitted to the Official List of the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of HK\$500,000 with a minimum of four board lots per transaction or its equivalent in foreign currencies for so long as the Bonds are listed on the SGX-ST.
Listing of Shares	Conditional approval for the listing of the new Shares to be issued upon conversion of the Bonds on the Hong Kong Stock Exchange has been granted by the Hong Kong Stock Exchange.
Trustee	Citicorp International Limited.
Registrar	Citigroup Global Markets Deutschland AG.
Principal Agent, Conversion Agent, Transfer Agent and Paying Agent	Citibank, N.A., London Branch.
Rating of the Bonds	The Bonds are not, and are not expected to be, rated by any rating agency.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Bonds in, among others, the United States, the United Kingdom, Hong Kong, Singapore, Japan, Cayman Islands and Switzerland. For a description of the selling restrictions on offers, sales and deliveries of the Bonds, see “Subscription and Sale”.

Global Certificate..... For as long as the Bonds are represented by the Global Certificate and the Global Certificate is deposited with a common depository for Euroclear and Clearstream, payments of principal in respect of the Bonds represented by the Global Certificate will be made without presentation and, if no further payment falls to be made in respect of the Bonds, against surrender of the Global Certificate to or to the order of the Principal Agent or such other Paying Agent as shall have been notified to Bondholders for such purpose. The Bonds which are represented by the Global Certificate will be transferable only in accordance with the rules and procedures for the time being of the relevant Clearing System.

Use of Proceeds See “Use of Proceeds”.

Summary Consolidated Financial Information and Other Data

Summary Consolidated Statement of Profit or Loss and Comprehensive Income Data

The following tables present our summary consolidated financial information and other data. The summary consolidated annual financial information as of and for each of the years ended 31 December 2011, 2012 and 2013 have been extracted from our consolidated financial statements as of and for the years ended 31 December 2011, 2012 and 2013, as audited by Ernst & Young, independent auditors, and incorporated by reference in this Offering Circular.

	Year ended 31 December		
	2011	2012	2013
	(RMB'000, except earning per share)		
Revenue	1,020,508	1,411,161	2,173,269
Cost of revenue	(147,812)	(186,939)	(297,104)
Gross profit	872,696	1,224,222	1,876,165
Research and development costs, net of government grants	(303,848)	(385,409)	(596,491)
Selling and distribution costs	(125,873)	(234,115)	(382,848)
Administrative expenses	(127,498)	(147,954)	(192,245)
Share-based compensation costs	(17,266)	(48,472)	(61,387)
Other income and gains	44,051	28,609	45,949
Other expenses	(10,747)	(22,971)	(7,263)
Fair value (loss)/gain on a financial asset at fair value			
through profit or loss	(1,973)	16,010	(10,355)
Finance income	65,130	97,973	129,462
Finance costs	(3,461)	(8,702)	(24,466)
Gain on disposal of a subsidiary	-	-	47,452
Share of profits and losses of:			
Joint ventures	(1,945)	9,532	4,827
Associates	(4,070)	(930)	(3,748)
Profit before tax	385,196	527,793	825,052
Income tax expense	(50,162)	(61,359)	(71,178)
Profit for the year	335,034	466,434	753,874
Attributable to:			
Owners of the parent	324,729	432,589	670,746
Non-controlling interests	10,305	33,845	83,128
	335,034	466,434	753,874
Earning per Share attributable to ordinary equity holders of the Parent (expressed in RMB per share)			
Basic	0.2886	0.3785	0.5812
Diluted	0.2790	0.3715	0.5519
Profit for the year	335,034	466,434	753,874
Other comprehensive loss:			
Exchange differences on translation of foreign operations	(3,885)	(5,613)	(23,483)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of available-for-sale investments, net of tax ..	-	-	20,927
Other comprehensive loss for the year, net of tax	(3,885)	(5,613)	(2,556)
Total comprehensive income for the year	331,149	460,821	751,318
Attributable to:			
Owners of the parent	321,339	429,251	669,418
Non-controlling interests	9,810	31,570	81,900
Total	331,149	460,821	751,318

Summary Consolidated Statement of Financial Position Data

	As of 31 December		
	2011	2012	2013
	(RMB'000)		
Non-current Assets			
Property, plant and equipment.....	395,328	371,213	385,067
Lease prepayments.....	44,142	43,201	42,260
Goodwill.....	14,559	14,559	53,994
Other intangible assets.....	68,170	53,261	60,104
Long-term prepayment.....	80,109	–	–
Investments in joint ventures.....	10,622	20,122	–
Investments in associates.....	930	–	34,852
Available-for-sale investments.....	4,990	7,182	62,626
Other financial asset.....	11,812	27,822	21,796
Loan receivables.....	4,500	5,864	15,976
Deferred tax assets.....	27,547	32,962	52,406
Total non-current assets.....	662,709	576,186	729,081
Current Assets			
Inventories.....	3,311	17,006	3,528
Trade receivables.....	80,366	130,346	185,161
Prepayments, deposits and other receivables.....	91,861	120,589	151,379
Due from related parties.....	137,502	161,262	135,872
Pledged deposit.....	85,000	19,000	19,588
Available-for-sale investments.....	–	–	55,780
Cash and cash equivalents.....	1,953,770	2,416,259	4,481,188
	2,351,810	2,864,462	5,032,496
Investment in a joint venture classified as held for sale.....	–	–	42,756
Assets of a disposal group classified as held for sale.....	–	200,621	–
Total current assets.....	2,351,810	3,065,083	5,075,252
Current liabilities			
Trade payables.....	16,568	23,089	32,463
Interest-bearing bank loans.....	346,655	413,559	15,724
Other payables and accruals.....	219,400	298,827	498,964
Deferred revenue.....	161,210	185,462	202,105
Income tax payable.....	17,221	11,022	39,338
	761,054	931,959	788,594
Liabilities directly associated with the assets classified as held for sale.....	–	753	–
Total current liabilities.....	761,054	932,712	788,594
Net current assets.....	1,590,756	2,132,371	4,286,658
Total assets less current liabilities.....	2,253,465	2,708,557	5,015,739
Non-current liabilities			
Liability component of convertible bonds.....	–	–	1,037,587
Liability component of redeemable convertible preferred shares.....	–	–	77,982
Other liabilities.....	–	–	7,401
Deferred revenue.....	20,321	14,252	31,533
Deferred tax liabilities.....	20,024	19,373	30,545
Total non-current liabilities.....	40,345	33,625	1,185,048
Net assets.....	2,213,120	2,674,932	3,830,691
Equity			
Equity attributable to owners of the parent ..	2,119,833	2,514,829	3,380,221
Non-controlling interests.....	93,287	160,103	450,470
Total equity.....	2,213,120	2,674,932	3,830,691

RISK FACTORS

You should carefully consider the risks and uncertainties described below and other information contained in this Offering Circular before making an investment decision. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our business, financial condition, results of operations, future profitability and growth prospects. If any of the possible events described below occur, our business, financial condition, results of operations, profitability and prospects could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Bonds, and you could lose all or part of your investment.

Risks Relating to Our Business

We may not be able to successfully manage our current and potential future growth and address the risks relating to such growth.

We offer a wide range of internet services and innovative applications such as internet security, office applications, interactive entertainment, cloud computing services and other software applications. We intend to continue to expand in size and increase the number and variety of products and services we provide. Our anticipated future growth will place significant demands on our management and operations. Our success in managing this growth will depend to a significant degree on the ability of our executive officers and other members of senior management to continue operating effectively as a team, and on our ability to develop and improve our financial and management information systems, controls and procedures. In addition, we will need to adapt our existing systems and introduce new systems, expand, train and manage our workforce, and improve and expand our sales and marketing capabilities. Furthermore, one of our growth strategies is to expand our overseas business, which may detract from the amount of our management resources available to address our core market in China. Mismanagement of any of our products or services in new or existing markets or the deterioration of the quality of our products or services could significantly damage our brand names and reputation and adversely impact our ability to expand our user base. Any of these factors could materially and adversely affect our business, financial condition and results of operations.

We may not be able to respond to future changes in the revenue models for our products in China or our overseas markets.

The revenue models for our various software and service offerings have changed and are continuing to change. For instance, our consumers have historically needed to pay the retail price to purchase our internet security and office applications software either through online or offline means. In line with our growth strategies and market trends, we recently began offering free internet downloads of our Duba Anti-virus software and WPS Office for individual users. We primarily rely on revenues from online marketing services, which is supported by a growing user base. Our revenues from advertising have gradually increased in the past. The strength of our advertising measures largely depends on our ability to maintain and expand our user base, which in turn requires us to continuously invest significant resources in such products and services that retain and attract users. However, we cannot assure you that our investments will maintain or expand our user base or we will be able to continue generating sustainable advertising and other revenues based on this business model. Any failure to do so may have a material adverse effect on our business, financial condition and results of operations. In addition, when we entered the online games market in December 2003, we adopted the traditional pay-to-play revenue model where we required users to purchase our prepaid virtual currencies to pay for playing time. In early 2006, consistent with a shift in the online games market in China, we adopted an item-billing revenue model. Under this revenue model, users can play our MMORPGs for free but have the option to purchase in-game

virtual items and value-added services to enhance their overall game playing experience. If any new revenue models for the online games industry develop in China or in our overseas markets, we may be unable to launch games utilising such new models in a timely manner or at all. In addition, we may be required to expend significant resources to launch such games. In either case, our business, financial condition and results of operations could be materially and adversely affected.

If we are unable to achieve or maintain economies of scale with respect to our interactive entertainment software and other software application businesses, our future profitability and growth prospects may decline.

In order to respond to the rapid developments in the markets for different types of internet services and other applications software business, we incur substantial research and development costs and will be required to continue to do so in the future. The markets for our internet security, office applications and cloud computing services are characterised by intense competition, rapid industry change and developments and the frequent launch of new products and services. It is critical that we maintain the capability to develop new products that offer up-to-date functions, accessibility, security and reliability. If we are unable to achieve and maintain sufficient economies of scale, our ability to recover research and development costs will be adversely affected. In addition, if we are unable to develop new software products with up-to-date features, our business, results of operations, financial condition, future profitability and growth prospects may be adversely affected as well.

Similarly, the market for our interactive entertainment software is characterized by rapid technological developments, frequent launches of new products and services, the introduction of new business models, changes in user needs and behaviour, intense competition and evolving industry standards. New technologies in online game programming or operations could render online games which we are currently offering, or online games that we are developing or expect to develop in the future, obsolete or unattractive to users. In order to respond to such developments, we may be required to undertake substantial efforts and incur significant costs. Therefore, our ability to realize our desired margins in our interactive entertainment software business depends largely on our success in generating and maintaining a high and steady volume of usage to generate sufficient revenue to offset associated fixed costs. Our inability to compete with new technologies could limit our ability to achieve and maintain sufficient economies of scale in our interactive entertainment and overall software and information applications, which could adversely affect our business, financial condition and results of operations.

Certain versions of our products focus on user experience and satisfaction first and acting for the long-term which may conflict with the short-term operating results of our business.

Certain versions of our products, such as Duba Anti-virus are complimentary and rely on advertising revenues, and focus on user experience and satisfaction, instead of generating non-advertising revenues and contributing to the short-term operating results of our business. We believe that developing our user base is essential to our ongoing success and development, and better serves our long-term interests. Accordingly, we have made, and may continue to make, significant investments in the future and will adjust our strategy in a manner that we think will benefit our users. Such strategy may include additional complimentary product offerings and related measures which involve uncertainties and risks, including:

- potential ongoing financial obligations and unforeseen or hidden liabilities;
- failure to achieve the intended objectives, benefits or revenue-enhancing opportunities;
- costs and difficulties of integrating acquired businesses and managing a larger business;

- costs and difficulties of integrating acquired technologies into our existing products and services; and
- diversion of resources and management attention.

Our failure to address these risks successfully may have a material adverse effect on our financial condition and results of operations. If we are unable to capture the expected long-term benefits, our business, financial condition and results of operations could be materially and adversely affected.

Our limited operating history in the cloud computing businesses may not serve as an adequate basis upon which to assess our future prospects.

We commercially launched our cloud computing services in May 2011. Our limited operating history with respect to cloud computing services could make it difficult for you to evaluate our future prospects in this particular business segment. In addition, China's cloud computing service providers and related infrastructure are still at a developmental stage. We may also experience technical, developmental and other difficulties while providing such services. Any material adverse effect to these third-party storage providers and related infrastructure may have a material adverse effect on our cloud computing services which, may in turn, have a material adverse effect on our business, financial condition, results of operations, reputation and future prospects in this business segment.

We rely on third-party service providers to maintain our network infrastructure and any unexpected network interruptions or performance lags could adversely affect our business operations.

We rely on third-party service providers to maintain our network infrastructure for internet security and software application offerings. Major risks involved in such a network infrastructure include: (i) any breakdowns or system failures resulting in a sustained shutdown of all or a material portion of our servers, including failures which may be attributable to power shutdowns, or efforts to gain unauthorised access to our systems causing loss or corruption of data or malfunctions of software or hardware; and (ii) any disruption or failure in the national backbone telecommunication network, which would prevent our users from logging on to any of our servers. In the past, our server network has experienced unexpected outages for several hours and occasional lags in performance in a number of locations in China as a result of temporary problems experienced by our third-party service providers. We rely on affiliates of China Netcom and China Telecom to provide us with bandwidth and server custody service for our online services. We are unlikely to have any access to alternative networks or services in the event of disruptions, failures or other problems with China's internet infrastructure or these service providers' fixed telecommunications networks, or if these service providers or their affiliates otherwise fail to provide such services. In addition, we have no control over the cost of the services provided by these service providers or their affiliates. If they fail to provide these services or if the prices that we are required to pay for internet services rise significantly, our business, financial condition and results of operations could be adversely affected.

If major mobile application distribution channels change their standard terms and conditions in a manner that is detrimental to us, or terminate their existing relationship with us, our business, financial condition and results of operations may be materially and adversely affected.

We rely on third party mobile application distribution channels such as Google Play and iOS App Store to distribute most of our mobile applications to users. In China, where Google Play is not available, we collaborate with similar local distribution channels to distribute our mobile applications. We expect a substantial number of downloads of our mobile applications will continue to be derived from these distribution channels. As such, the promotion, distribution and operation of our applications are subject to such distribution platforms' standard terms and policies for application developers, which are subject to the interpretation of, and frequent changes by, these distribution channels. If Google Play, iOS App Store or any of the major distribution channels change their standard terms and conditions in a manner that is detrimental to us, or terminate their existing relationship with us, our business, financial condition and results of operations may be materially and adversely affected.

As most of our mobile applications are created for Android devices, a decrease in the popularity of the Android ecosystem may materially and adversely affect our mobile business.

Most of our mobile applications are created for Android devices. Any significant downturn in the overall popularity of the Android ecosystem or the use of Android devices could materially and adversely affect the demand for and revenues generated from our mobile applications. Although the Android ecosystem has grown rapidly in recent years, it is uncertain whether it will continue to grow at a similar rate in the future. In addition, due to the constantly evolving nature of the mobile industry, another operating system for mobile devices may eclipse Android and decrease its popularity. To the extent that our mobile applications continue to mainly support Android devices, our mobile business would be vulnerable to any decline in popularity of the Android operating system.

Product liability and related claims may be asserted against us, and our reputation and brand names could be damaged as a result of errors or other problems with our products.

An error, failure or bug in our products, including security vulnerability, could disrupt or cause damage to the data and networks of our users. Failure of our products to perform to specifications (including the failure of our internet security products to identify or block a virus), disruption of our users' network traffic, damages to our users' networks or loss of data caused by our software products, could result in product liability claims by our users. New malware and malicious websites are continuously being created and modified, and the detection technologies underlying our software may not detect all forms of malware or malicious websites that our users are exposed to. Failure to detect malware or malicious websites or defects in our software may result in security breaches, disruption or damage to our users' computers or networks and theft of confidential information or other negative consequences. Any such event may damage our brand reputation, decrease our user and customer base, require large research and development and marketing expenditures to remedy and may otherwise materially and adversely affect our business and results of operations.

Furthermore, our internet security software may falsely identify programs or websites as malicious or otherwise undesirable. False detection of viruses is common to all virus detection programs, as virus detection programs scan files for tell-tale signs of certain known viruses by looking for a given pattern of bytes within the file which, by coincidence, may appear in a file that does not contain the virus at all. Parties whose programs are incorrectly blocked by our software, or whose websites are incorrectly identified as unsafe or malicious, may seek redress against us for labelling them as malicious and interfering with their businesses. In addition, falsely identifying programs or websites as malicious may adversely affect our users' confidence and trust in our products. The occurrence of errors or other problems may also cause us to lose market share and injure our reputation and brand names.

We are subject to risks relating to our information technology systems.

We increasingly depend on our information technology systems to process a large number of transactions on an accurate and timely basis and to store and process critical business and operating data. The proper functioning of our financial control, billing, accounting, customer service and other information technology systems is critical to our business and our ability to compete effectively. The performance of our information technology systems also depends on accurate and reliable data and other system input, which is subject to human errors. Our network systems are vulnerable to damage from fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, wars, terrorist acts or similar events. Any of the foregoing events may:

- cause server interruptions, breakdowns, system failures, technology platform failures and internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware;
- cause interruptions in the availability of our online services or applications, or deterioration in the quality of access to our online services or applications; and
- prevent users from downloading our applications software over the internet.

Our ability to remain competitive will, to a certain extent, depend on our ability to upgrade our information technology systems on a timely and cost-effective basis. In addition, the information available to and received by us through our existing information technology systems may not be timely or sufficient for us to manage risks and plan for, and respond to, market changes and other developments in our current operating environment. Any substantial failure to improve or upgrade our information technology systems effectively or on a timely basis could materially and adversely affect our competitiveness, business, financial condition and results of operations.

We may not be able to protect or promote our brand names and reputation.

If we fail to generate a high volume of purchases and users, or fail to undertake effective marketing and promotional activities for our products and services, we may not be successful in protecting or promoting our brand names, including but not limited to “Kingsoft,” “Duba Anti-virus,” “WPS Office,” “Seasun Entertainment,” “Kingsoft Cloud,” “Kingsoft Duba,” “Cheetah Browser,” “Kingsoft Office Writer,” “Kingsoft Office Spreadsheet,” “Kingsoft Office Presentation,” “Docer (稻殼兒),” “Mission Against Terror (反恐行動),” “ROG (神之遺跡),” “JX Online” series, “The First Myth (封神榜),” “Kuaipan (快盤),” “Kingsoft PowerWord”, “ICIBA” and “Clean Master”, as well as our brand name and reputation, in a cost-effective manner or at all. We may be required to dedicate significantly greater resources in the future to advertising, marketing and other promotional efforts aimed at building awareness of our products, services and brands. Any significant damage to our reputation, the perceived quality of our brand names, products or services, or any significant failure on our part to promote and protect our brand names and reputation could make it more difficult for us to successfully attract users for our existing products and services, launch new products and services or retain qualified personnel, which may have a material adverse effect on our business, financial condition and results of operations.

Our interactive entertainment business depends on certain online games, particularly the JX Online series, which represents a significant portion of our interactive entertainment software revenue.

68%, 60% and 50% of our total revenue was further derived from our interactive entertainment software business in years ended 31 December 2011, 2012 and 2013, respectively. Furthermore, 85%, 80% and 77% of our revenue from interactive entertainment software business for these years was specifically derived from our JX Online series. JX Online was commercially launched in December 2003, and JX Online III was commercially launched in September 2009. Given this revenue concentration, our overall business, financial condition and results of operations could be materially and adversely affected if any of the following were to occur:

- any reduction in the JX Online series user base, a change in playing behavior of such user base or any decrease in their popularity in China and other markets due to intensifying competition or other factors;
- failure to make improvements or enhancements to, or launch new generations of, the JX Online series in a timely manner;
- any prolonged server interruption due to network failures or other factors or any other adverse developments specific to our JX Online series;
- any new regulatory restrictions regarding the establishment or operation of internet cafes or government regulations limiting the time users are allowed to play our games; or
- discontinuation of the operation of any game due to intellectual property rights disputes, regulatory actions or any other reason.

We may experience unauthorized use of our intellectual property by third parties, and may incur significant expenses to protect our intellectual property rights.

We regard our copyrights, trademarks, trade secrets, patents and other intellectual property as critical to our success. Unauthorized use of the intellectual property used in our business, whether owned by us or licensed to us, may materially and adversely affect our business, financial condition and results of operations.

We rely on trademark, patent and copyright law, trade secret protection and confidentiality agreements with our employees, customers, business partners and others to protect our intellectual property rights. Our intellectual property has been, and will continue to be, subject to various forms of theft and misappropriation. For example, our trademarks “FSZB (封神爭霸)” and “The First Myth (封神榜)” has been used by third parties in online games. In addition, there are third parties using our trademark “Kingsoft Mobile Security (金山手機衛士)”. Moreover, we believe the name “Jinshan School (金山學校)” used by third parties is similar to our Chinese brand name.

The validity, enforceability and scope of protection of intellectual property in software development and internet-related industries are uncertain and still evolving. In particular, the legal protection of trademarks, trade names, copyrighted material, domain names, trade secrets, know-how and other forms of intellectual property in the PRC is significantly more limited than in many other countries and may offer us little or no effective protection. Preventing unauthorized use of our intellectual property is difficult, time-consuming and expensive, and may divert significant management and staff resources from our business operations, and yield limited and uncertain results. In addition, we also had pending intellectual property applications as of the date of this Offering Circular. Our ability to protect such intellectual property rights largely depends on our

negotiations with third parties. Misappropriation of our content, trademarks and other intellectual property could divert significant business to our competitors, damage our brand names and reputation, and may require us to initiate litigation that could be expensive and require us to divert management resources from the operation of our businesses.

We may be exposed to infringement or misappropriation claims by third parties, which, if successful, could require us to pay significant damage awards.

We cannot assure you that our various software products and internet services do not or will not infringe upon patents, copyrights or other intellectual property rights held by third parties. For example, we allow users of our cloud storage service to share documents and content stored in our server with third parties, and may be exposed to the risk of copyright infringement liability in the event that such documents or content have not been duly licensed to our users. We may be subject to legal proceedings and claims from time to time alleging infringement of patents, trademarks or copyrights, or misappropriation of creative ideas or formats, or other infringement of proprietary intellectual property rights. Any such claims, regardless of merit, may involve us in time consuming, costly litigation or investigation, divert significant management and staff resources, require us to enter into expensive royalty or licensing arrangements, prevent us from using important technologies, business methods, content or other intellectual property, result in monetary liability, prevent us from distributing our products through the use of injunctions or other legal means, or otherwise disrupt our operations. As of the date of this Offering Circular, our Directors are not aware of any material claims or imminent claims against us alleging infringement of proprietary intellectual property rights that may materially and adversely affect our business, financial condition and results of operations. We expect the likelihood of such claims may increase, as the number of competitors in our markets grow and as related patents and trademarks are registered or copyrights are obtained by such competitors. In addition, as we are expanding our business into overseas markets, we may be exposed to such claims in jurisdictions other than the PRC and the scope of intellectual property protection in these overseas jurisdictions may be different from or greater than that in the PRC. The intellectual property laws in overseas jurisdictions may also impose more stringent compliance requirements or potential damages or penalties than those in the PRC. Such claims in overseas jurisdictions, if successful, could require us to pay significant compensatory and punitive damage awards as well as expose us to costly and time-consuming litigation or investigations.

We rely heavily on our Chairman and co-founder LEI Jun, and the loss of any of his services or our inability to attract and retain other qualified personnel could severely disrupt our business.

Our future success depends highly on the ongoing efforts of our Chairman and co-founder, Mr. LEI Jun, upon whom we currently rely for the strategic direction and operational execution of our business. Mr. Lei has been employed by us since 1992 and has played a key role in developing and expanding our business, primarily as our chief executive officer from 1998 to 2007, and as Chairman from 2011 to the present.

If Mr. Lei is unable or unwilling to continue in his present positions, we may not be able to easily replace him and our business, results of operations and financial condition may be materially and adversely affected. We do not maintain key man life insurance for Mr. Lei. In addition, if Mr. Lei joins a competitor or forms a competing company, we may have difficulty competing against this competitor and may lose business opportunities or partners, as well as other key professionals and staff members. We may also incur additional expenses to recruit and train new personnel to replace Mr. Lei.

Furthermore, since our industry is characterised by high demand and intense competition for talent, we may need to offer higher compensation and other benefits in order to attract and retain qualified personnel in the future. We cannot assure you that we will be able to attract or retain the qualified personnel that we will need to achieve our business objectives. In particular, successful

expansion of our business depends on a dedicated team of designers, programmers and salespeople with expertise in developing, maintaining, expanding and marketing our various software products and services. If we are unable to attract or retain critical personnel, our business, financial condition and results of operations may be materially and adversely affected.

Allegations or lawsuits against us or our management may harm our reputation and have a material and adverse impact on our business, results of operations and cash flows.

We have been, and may become, subject to allegations or lawsuits brought by our competitors, customers or other individuals or entities, including claims of breach of contract or unfair competition. Any such allegation or lawsuits, with or without merit, or any perceived unfair, unethical, fraudulent or inappropriate business practice by us or perceived malfeasance by our management could harm our reputation and user base and distract our management from our daily operations. We cannot assure you that neither we nor our management will be subject to allegations or lawsuits in the future. Allegations or lawsuits against us may also generate negative publicity that may significantly harm our reputation, which may materially and adversely affect our user base and our ability to attract advertisers. In addition to the related cost, managing and defending litigation and related indemnity obligations can significantly divert management's attention. We may also need to pay damages or settle the litigation with payment of a substantial amount of cash. All of these could have a material adverse impact on our business, results of operation and cash flows.

We may be the subject of anti-competitive, harassing or other detrimental conduct that could harm our reputation and cause us to lose users and customers and adversely affect the price of the Bonds.

In the future we may be the target of anti-competitive, harassing, or other detrimental conduct by third parties. Allegations, directly or indirectly against us or any of our executive officers, may be posted in internet chat-rooms or on blogs or websites by anyone, whether or not related to us, on an anonymous basis. The availability of information on social media platforms and devices is virtually immediate, as is its impact. Social media platforms and devices immediately publish the content their subscribers and participants post, often without filters or checks on the accuracy of the content posted. Information posted may be inaccurate and adverse to us, and it may harm our business, prospectus or financial performance. The harm may be immediate without affording us an opportunity for redress or correction. In addition, such conduct may include complaints, anonymous or otherwise, to regulatory agencies. We may be subject to regulatory or internal investigation as a result of such third-party conduct and may be required to expend significant time and incur substantial costs to address such third-party conduct, and there is no assurance that we will be able to conclusively refute each of the allegations within a reasonable period of time, or at all. Additionally, our reputation could be harmed as a result of the public dissemination of anonymous allegations or malicious statements about our business, which in turn may cause us to lose users and customers and adversely affect the price of the Bonds.

We may not be able to successfully implement our corporate strategies.

We are pursuing a number of corporate strategies, including expanding our internet service offerings and applications, building our user bases for our various products, continuously enhancing our market penetration of information security and browser across devices, developing our cloud computing services and interactive entertainment, as well as enhancing our computing-related offerings and expanding our business into certain overseas markets. Some of these strategies relate to new services or products for which there are no established markets in China, or relate to services or products in which we may lack experience and expertise, or relate to markets outside China for which we have limited operating experience. We cannot assure you that we will be able to deliver new products or services on a commercially viable basis or in a timely manner, or at all, or achieve any or all of these corporate strategies. If we are unable to successfully implement our corporate strategies, our business, financial condition and results of operations may be materially and adversely affected.

Our current or future acquisitions, strategic investments or alliances may expose us to additional risks.

We intend to enhance our business development, including our online games content offerings and mobile application offerings, by acquiring other businesses that complement our business or that may benefit us in terms of expanding our user base or our product or content offerings, and by making strategic investments in, or entering into strategic alliances with, selected industry players. For instance, our Cayman Islands subsidiary, Cheetah Mobile Inc. (formerly known as Kingsoft Internet Software Holdings Limited, “**Cheetah Mobile**”) entered into a share purchase agreement with TCH, a subsidiary of Tencent and our substantial shareholder and other parties in June 2013, pursuant to which Cheetah Mobile agreed to issue and our Company and TCH agreed to subscribe for two separate tranches of preferred shares for a consideration of US\$5.2 million and US\$47.0 million, respectively. Our ability to grow through this acquisition is uncertain, and subject to a variety of factors, some of which are beyond our control. In addition, the benefits of this transaction and other transactions may take considerable time to develop, and we cannot assure you that any particular transaction will produce the intended benefits. Furthermore, additional risks associated with acquisitions, strategic investments and alliances may include the following:

- it may be difficult to assimilate the operations and personnel of an acquired business into our own business;
- management information and accounting systems of an acquired business may be incompatible with our current systems;
- our management may devote its attention to assimilating an acquired business, which could divert its attention from other business concerns, including the management of our core interactive entertainment and applications software businesses;
- we may make acquisitions in markets in which we have limited prior experience; and
- we may lose key employees and clients of an acquired business.

In addition, any future acquisitions, investments and alliances will depend on the availability of suitable acquisition candidates at an acceptable cost, our ability to compete effectively to attract and reach agreement with acquisition candidates or investee companies on commercially reasonable terms, the availability of financing to complete larger acquisitions, investments or alliances as well as our ability to obtain any required governmental approvals. In addition, we may not have sufficient experience in identifying, financing and completing large acquisitions, investments or alliances. Furthermore, the identification and completion of these transactions may require us to expend significant management and other resources. Any such transaction may require that we expend a significant portion of our cash reserves and/or issue a substantial amount of new equity, which may adversely affect our business, financial condition, results of operations and liquidity, which may adversely affect our ability to consummate further acquisitions, investments or alliances. Any of the foregoing may have a material adverse effect on our business, financial condition and results of operations.

We do not maintain adequate property and business insurance coverage.

We do not maintain any insurance for our properties or business, except for our automobiles and property insurance for our office facilities in Beijing and Zhuhai. In particular, we do not maintain insurance policies covering losses related to our information systems or potential product liability, and we do not have business interruption insurance. Insurance companies in China offer limited business insurance products and do not, to our knowledge, offer business interruption insurance. Any property damage, business disruption, litigation or natural disaster might result in substantial costs and diversion of our resources.

We may not be able to successfully complete the proposed spin-off and listing of Cheetah Mobile.

We submitted a spin-off application to Hong Kong Stock Exchange for the spin-off listing of our information security software business on the NASDAQ Global Market (“NASDAQ”) or the New York Stock Exchange (“NYSE”) in December 2013. Our subsidiary, Cheetah Mobile made its initial confidential filing with the United States Securities and Exchange Commission (“SEC”) in January 2014 and subsequently made its public filing with SEC in April 2014 for the proposed initial public offering and listing of its securities on the NASDAQ or NYSE. See “Business – Recent Development – Proposed Spin-off and Listing of Cheetah Mobile.” Our failure to successfully complete this proposed spin-off and listing as planned may negatively affect the execution of our mobile strategy, which may in turn materially and adversely affect our business, financial condition and results of operations.

In addition, if Cheetah Mobile can be successfully spun-off and listed on the NASDAQ or NYSE, we are required by the Listing Rules to have due regard to the interests of our existing shareholders by providing them with an assured entitlement to shares in Cheetah Mobile by way of making a distribution in specie or taking other steps as permitted by the Hong Kong Stock Exchange. There is no assurance that we will be able to complete this proposed spin-off and listing and to provide the relevant assured entitlement as planned.

Risks Relating to Our Industry

We face significant competition in several of our main markets which could reduce our market share and adversely affect our business, financial condition and results of operations.

We face significant competition. Many of our current or future competitors in our various business lines have longer operating histories, and may have greater financial, management, technological development, sales, marketing and other resources than we do. Furthermore, any of our current or future competitors in our various business segments may be acquired by, receive investments from or enter into other commercial relationships with larger and better-financed companies and therefore obtain significantly greater financial, marketing, licensing and development resources than we have. As a result of competition, we may experience reduced earnings, loss of market share or decreased use of our products and services by our existing users. We cannot assure you that current or future competitors will not develop or offer products and services that provide significant performance, pricing, functionality or other improvements over our products and services. If we are unable to compete effectively with current or future competitors as a result of these or other factors, we may lose market share and our business, financial condition and results of operations may be materially and adversely affected.

Our internet security products face competition from a number of domestic and international companies, including Rising Tech. Corp. Ltd., Qihoo 360 Technology Co., Ltd., Trend Micro Incorporated and Symantec Corporation. Our WPS Office products face competition primarily from Microsoft Corporation, which offers a broad range of highly sophisticated products and has significantly greater resources and brand recognition than our Company and our Cheetah internet browser product primarily faces competition from Microsoft Corporation, Google, Qihoo 360 Technology Co., Ltd. and Sohu.com Inc. Our cloud computing services and related products face competition primarily from Dropbox, Microsoft Corporation, Aliyun Cloud and Qihoo 360 Technology Co., Ltd. In addition, we face competition primarily from Baidu, Tencent, Sina, Sohu and Lenovo with respect to our Kingsoft Kuaipan and related information storage offerings. Such competition will likely continue to intensify as other major software companies expand their product lines into these and additional product categories. We also face potential competition from network equipment and computer hardware manufacturers and large operating system providers which are increasingly developing and incorporating data protection and internet security features into their products which may compete with some of our internet security product offerings. Our

competitive position could be adversely affected if our users perceive that features incorporated into the products of our competitors reduce or replace the need for our products. The online games market in China and other jurisdictions in which we operate have become increasingly competitive, and we face competition in this market from well-established and newly-formed entities, including Shanda Interactive Entertainment Limited, NetEase, Inc., The9 Limited, Giant Interactive Group Inc. and Beijing Perfect World Co., Ltd. Our competitors may offer online games with better game performance, more attractive pricing, more developed storylines, enhanced game experiences or other improvements over the games offered by us. These competing online games may achieve greater market acceptance than our online games and weaken our brand name. In addition, increased competition in the online games industry in China could make it difficult for us to retain existing users and attract new users or cause us to reduce our fee rates, and could reduce the average number of hours played or the amount spent on purchases of in-game virtual items by our users.

The continued growth of the Chinese internet market depends on the establishment of adequate telecommunications infrastructure.

Although private sector internet service providers currently exist in China, almost all access to the internet is maintained through networks owned by China Telecom and China Netcom and under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology (the “MIIT”). In addition, the national networks in China connect to the internet through government-controlled international gateways. These international gateways are the only channel through which a domestic user can connect to the international internet network. We rely on this infrastructure and China Telecom and China Netcom to provide data communications capacity, primarily through local telecommunications lines. We have no access to alternative networks or services, on a timely basis if at all, in the event of disruptions, failures or other problems with China’s internet infrastructure or telecommunications networks. The internet infrastructure in China may not support the demands associated with continued growth in internet usage. We cannot assure you that this infrastructure will be continually developed to adequately support the rapidly growing internet usage in China.

Our internet security software products may become obsolete due to rapid technological changes.

The internet security software market is characterised by: (i) rapid technological changes; (ii) the proliferation of new and changing computer viruses; (iii) frequent product introductions and updates; and (iv) changing user needs. As such, these characteristics of the internet security market create significant risks and uncertainties for our business. For example, our competitors might introduce internet security products that are technologically superior to our products. Additionally, new industry standards for software operating systems, network systems or internet security software could emerge. Our existing products may, in the future, be incompatible with some or all of these standards. Our business, financial condition and results of operations could be adversely affected unless we are able to respond quickly and effectively to these developments.

Unexpected website or network security breaches, including “hacking” or computer virus attacks, may cause delays or interruptions of service, result in reduced use and performance of our websites for transactions, online games and damage our reputation and brands.

Our online businesses depend heavily on the performance and reliability of China’s internet infrastructure, the continual accessibility of bandwidth and servers on our service providers’ networks, and the continuing performance, reliability and availability of our technology platform. Any failure to maintain the satisfactory performance, reliability and availability of our network infrastructure may cause significant harm to our reputation and our ability to attract and maintain users. In particular, computer viruses and hacking may cause delays or other service interruptions. In addition, the inadvertent transmission of computer viruses could expose us to a material risk of loss or litigation and possible liability. Hacking and computer viruses could result in significant

damage to our hardware, software systems and databases, disruptions to our business activities, such as to our e-mail and other communication systems, breaches of security and inadvertent disclosure of confidential or sensitive information, and interruptions in access to our website through the use of denial-of-service or similar attacks. One particular form of hacking involves the creation of computer-generated and controlled “robot” players that operate without having to be monitored by a user. These “robot” players detract from the experience of our paying users by “harvesting” valuable in-game virtual items and artificially enhancing their powers in the game. Furthermore, certain cheating programs could cause users to lose legitimately acquired superior features for their characters. We may incur significant costs to protect our systems and equipment against the threat of, and to repair any damage caused by, computer viruses and hacking. Moreover, if hacking or a computer virus affects our systems and is highly publicized, our reputation and brand names could be materially and adversely affected and may decrease use of our services.

In addition, currently a substantial portion of our internet services and transactions are conducted through our websites. In such internet services and transactions, secured transmission of confidential information, including customer credit card numbers and expiration dates, personal information and billing addresses, over public networks is essential to maintain consumer confidence. Our current security measures may not be adequate to protect such information. Since 2003, we have implemented a security firewall system and an intrusion inspection system, as well as steadily enhanced our security protection measures in our software systems to protect our data and network systems. It is a common industry risk that computer systems and network systems are susceptible to breaches by computer hackers. We have implemented periodic checks on our security firewall system and existing security measures and strategy. Upon evaluation, hardware and software are updated to mitigate potential risks. Security breaches could expose us to litigation and potential liability for failing to secure confidential user information and could harm our reputation and ability to attract users.

The operation of illegal game servers and the expenses incurred in protecting our intellectual property rights may adversely affect our business, financial condition and results of operations.

We face risks associated with illegal game servers, which are game servers that operate unauthorized copies of online games and permit users to play those games without purchasing pre-paid game cards or virtual currencies from the game developer. Certain of our competitors have reported that their games have been illegally operated on local game servers, and we could experience similar problems in the future.

The intellectual property enforcement regime in China, Japan, Taiwan, Singapore, Malaysia, Vietnam, Thailand, Cambodia, Indonesia and Australia are not as robust as that of many other countries such as the United States, and we face considerable challenges when attempting to enforce our intellectual property rights. Enforcement actions generally require cooperation from local authorities, which are not always willing to use their limited resources to enforce the intellectual property rights of national corporations against individuals or companies in their districts. In addition, detailed comparisons of software codes and litigation proceedings are often necessary to enforce intellectual property rights, which sometimes result in substantial costs. The operation of our leading games by illegal game servers may materially and adversely affect our business, financial condition and results of operations.

The PRC government may prevent us from distributing, and we may be subject to liability for, content that it believes is inappropriate.

China has enacted laws and regulations governing internet access and the distribution of news, information or other content, as well as products and services, through the internet. For example, the Ministry of Culture (the “MOC”) has promulgated the Provisional Administrative Measures of Online Games on 3 June 2010 (the “Online Game Measures”), which prohibits online games from being distributed through the internet if they contain content that is found to, among other things, propagate obscenity, gambling or violence, instigate crimes, undermine public morality or the cultural traditions of the PRC, or compromise state security. In addition, certain PRC social organisations have recently discussed the possibility of implementing a rating system for online games. The effect that such a system could have on our business is unclear.

If any online games we offer or will offer through our networks are deemed to violate any of such content restrictions, we would not be able to continue such offerings and could be subject to penalties, including confiscation of income, fines, suspension of business and revocation of our licence for operating online games, which would materially and adversely affect our business, financial condition and results of operations.

Laws or regulations in the PRC governing virtual items and cloud related businesses are still under development and therefore, it is not clear what liabilities, if any, online game and cloud business operators may have for virtual items, cloud computing services.

In the course of playing online games, some virtual items, such as special equipment, user experience grades and other features of our users’ game characters, are acquired and accumulated. Such virtual items can be important to online game users and in some cases are traded between users for monetary values. In practice, virtual items can be lost for various reasons, such as data loss caused by delay of network service or by a network crash. Currently there are no PRC laws and regulations governing virtual item property rights or the proper methods of valuing such items. As a result, it is unclear who the legal owner of virtual items is, whether the ownership of virtual items is protected by law and what, if any, intrinsic value such items have. In case of a loss of virtual items, we may be sued by online game users and may be held liable for damages, which may negatively affect our business, financial condition and results of operations.

In addition, as our strategic new business in the “Three Plus One” model, Kingsoft Cloud was established in early 2012 to capture opportunities in cloud computing services. We also cooperate with certain smart devices developers, smart TV manufacturers and internet companies in China to expand our cloud computing services businesses. However, there are no current PRC laws and regulations specifically governing cloud related businesses. If new regulatory restrictions on, or requirements to obtain licences or approvals for, are enacted, we will be required to adhere to such restrictions and obtain such licences and approvals. If we are unable to do so for whatever reason, our cloud computing services operations could be materially and adversely affected, which could have a material adverse effect on our financial condition, results of operations profitability and growth prospects.

Our licensed interactive entertainment software and applications software operations in certain overseas markets may be affected by local market risks and regulatory issues.

In recent years, we have expanded our interactive entertainment software and applications software operations to new overseas markets. For example, we licence our internet security products for distribution in Japan and our interactive entertainment software in Vietnam, Taiwan, Malaysia, South Korea, Thailand, Singapore, Cambodia, Indonesia and North America. Revenue generated from the overseas markets represented 20.6%, 16.0% and 10.4% of our total revenue in 2011, 2012 and 2013, respectively. We do not operate directly in these new markets, except for Japan, and the success of our overseas expansion strategy is to a large extent dependent on our local partners. Our overall operations may be affected by the performance of our selected local licensees as well as respective local market business risks and regulatory issues. If our local partners are unable to operate the licensed online games effectively or provide poor customer service, or if there are new local regulations adversely affecting the operations of our licensed online games in these markets, the amount of our royalty payments may be affected, which could in turn materially and adversely affect our business, financial condition and results of operations.

The PRC government's regulating of the playing time and players' age of online games may detrimentally affect our business and results of operations.

In April 2007, the PRC government issued the Notice Regarding the Implementation of Anti-addiction System on Online Games in Protecting the Physical and Mental Health of Minors (關於保護未成年人身心健康實施網絡遊戲防沉迷系統的通知, the “**Anti-addiction Notice**”), annexed to the Standards Regarding the Development of Anti-addiction System on Online Games (網絡遊戲防沉迷系統開發標準) and the Proposal Regarding the Authentication of Real Names for Anti-addiction System on Online Games (網絡遊戲防沉迷系統實名認證方案). According to the Anti-addiction Notice, all online game operators are required to implement an anti-fatigue system in all existing and future online games in the PRC from 16 July 2007. We have implemented the anti-fatigue system in all material online games operated by us, including all client-end and web-based games which collectively contributed almost all of our domestic game-related revenue in 2013, and will continue to implement such system in other online games operated by us. However, despite we believe that our practices are in line with applicable laws, regulations and the market practice, we cannot assure you that our anti-fatigue system will be deemed as sufficient by relevant government authorities in the PRC. Our failure to comply with the Anti-addiction Notice may subject to penalties, such as suspension of operation of online games, revocation of licences and approvals for operations, rejection to or suspension of our application for any future approvals, licences, or filings for any new online game, or prohibition from operating any new online game, which may materially and adversely affect our business, financial condition and results of operations.

Failure to comply with data privacy and protection laws and regulations could damage our reputation, deter current and potential users from using our applications and subject us to fines and damages, which could have material adverse effects on our business and results of operations.

We are subject to the data privacy and protection laws and regulations adopted by PRC and foreign governmental agencies. Data privacy laws restrict our storage, use, processing, disclosure, transfer and protection of non-public personal information provided to us by our users. In December 2012 and July 2013, new laws and regulations were issued by the standing committee of the PRC National People's Congress and MIIT to enhance the legal protection of information security and privacy on the internet. The laws and regulations also require internet operators to take measures to ensure confidentiality of user information. In addition, we may also be subject to regulation under foreign laws and regulations regarding the publication and dissemination of our privacy policy with respect to user data, the use of personal information or privacy-related matters, and become subject to additional laws and regulations which may conflict with, or be more stringent than, the regulations to which we are currently subject. Complying with any additional or new regulatory requirements could force us to incur substantial costs or require us to change our business practices.

While we strive to protect our users' privacy and comply with all applicable data protection laws and regulations, any failure or perceived failure to do so may result in proceedings or actions against us by government entities or others, and could damage our reputation, deter current and potential users from using our applications and subject us to fines and damages. User and regulatory attitudes towards privacy are evolving, and future regulatory or user concerns about the extent to which personal information is used by, accessible to or shared with advertisers or others may adversely affect our ability to share certain data with advertisers, which may limit certain methods of targeted advertising. Concerns regarding the collection, use or disclosure of personal information or other data privacy-related matters, even if unfounded, could damage our reputation and results of operations. Negative publicity in relation to our applications regardless of its veracity, could seriously harm our reputation, which in turn may deter current and potential users from using our applications, which could have material adverse effects on our business and results of operations.

Risks Relating to Our Corporate Structure

If the PRC government finds that the agreements that establish the structure for operating our value-added telecommunications businesses and online culture businesses in the PRC do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe penalties, including the shutting down of our websites.

PRC law currently limits foreign ownership of companies that provide internet content services (a type of value-added telecommunications services and include the operation of online games, cloud computing services and online advertising) to 50% and requires that any foreign investor contributing 30% or more of the foreign capital investment in a value-added telecommunication enterprise must be in good standing and have the relevant experience in operating a value-added telecommunication business. In addition, foreign-invested enterprises are currently not permitted to apply for licences to engage in online culture business in China, including the operation of online games. We are registered by way of continuation in the Cayman Islands as an exempted company with limited liability, and we conduct our operations through our major operating subsidiaries, including those subsidiaries that are primarily based in the PRC, Hong Kong and the Cayman Islands. Due to the level of foreign ownership of our PRC operating entities, we are not eligible to apply for a licence to operate value-added telecommunications businesses and online culture businesses. In order for us to be able to carry on our business in China, we entered into a series of structure contracts with ten variable interest enterprises such as Beijing Kingsoft Qijian Digital Technology Co., Ltd., Zhuhai Westhouse Shiyou Technology Co., Ltd., Zhuhai Qiwen Office Software Co., Ltd., Beike Internet (Beijing) Security Technology Co., Ltd., Beijing Kingsoft Network Technology Co., Ltd. and Zhuhai Kingsoft Cloud Technology Co., Ltd. in China (collectively, the “**VIE Companies**”) and their respective shareholders, which enable us to exercise control over such companies and to consolidate these companies' financial results in our results. Such VIE Companies and their subsidiaries (collectively, the “**VIE Subsidiaries**”) hold the licences and approvals required to operate our value-added telecommunications businesses and online culture businesses, and own a major portion of our physical assets. As a result of these structure contracts, we are the beneficiary of the economic benefits of the business operations of our VIE Companies and VIE Subsidiaries.

On 13 July 2006, the Ministry of Information Industry, the predecessor of the MIIT, issued the Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business (關於加強外商投資經營增值電信業務管理的通知, or the “**MIIT Notice**”), which reiterated restrictions on foreign investment in telecommunications businesses. Under the MIIT Notice, a domestic company that holds a value-added telecommunications licence (typically known as the “**ICP Licence**”) is prohibited from leasing, transferring or selling the licence to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors to provide

value-added telecommunications services illegally in China. Due to a lack of interpretative materials from the authorities, we cannot assure you that the MIIT will not consider our corporate structure and the contractual arrangements as a kind of foreign investment in telecommunication services, in which case we may be found in violation of the MIIT Notice.

On 28 September 2009, the GAPP, the National Copyright Administration (國家版權局) and the National Office of Combating Pornography and Illegal Publications (國家掃黃打非辦公室) jointly published the Notice Regarding the Consistent Implementation of the Stipulations on Three Provisions of the State Council and the Relevant Interpretations of the State Commission Office for Public Sector Reform and the Further Strengthening of the Administration of Pre-examination and Approval of Internet Games and the Examination and Approval of Imported Internet Games (關於貫徹落實國務院《“三定”規定》和中央編辦有關解釋,進一步加強網絡遊戲前置審批和進口網絡遊戲審批管理的通知, or the “GAPP Notice”). The GAPP Notice prohibits foreign investors from participating in online game operating businesses through foreign-invested enterprises in China, and from controlling and participating in such businesses of domestic companies indirectly through other forms of joint ventures or contractual or technical support arrangements. As no detailed interpretation of the GAPP Notice has been issued to date, it is not clear how the GAPP Notice will be implemented. Furthermore, as some other primary government regulators, such as the Ministry of Commerce (the “MOFCOM”), the MOC and the MIIT, did not join the GAPP in issuing the GAPP Notice, the scope of the implementation and enforcement of the GAPP Notice remains uncertain. According to Regulations on the Main Functions, Internal Organization and Staffing of GAPP (國家新聞出版總署(國家版權局)主要職責內設機構和人員編制規定) issued by the General Office of the State Counsel on 11 July 2008 and its interpretation circulars, the GAPP is authorized to approve online games before their launch on the internet, while the MOC is authorized to administer and regulate the overall online game industry. Once an online game is launched on the internet, it will be regulated only by the MOC, and if an online game is launched on the internet without the prior approval of the GAPP, the MOC is the authority responsible for investigating the matter. We thus believe that the GAPP is unlikely to take action against our contractual arrangements with our VIE Companies and VIE Subsidiaries based solely on the GAPP Notice and without participation from other PRC governmental authorities, including the MOC.

We are of the opinion that: (i) our ownership structure does not violate existing PRC laws and regulations; and (ii) the contractual arrangements are valid and legally binding and do not result in any violation of existing PRC laws and regulations. However, there are substantial uncertainties regarding the interpretation and application of existing and future PRC laws and regulations (including the MIIT Notice and GAPP Notice described above). In or around September 2011, various media sources reported that the China Securities Regulatory Commission (the “CSRC”), had prepared a report proposing regulating the use of variable interest entity structures, such as ours, in industry sectors subject to foreign investment restrictions in China and overseas listings by China-based companies. However, it is unclear whether the CSRC officially issued or submitted such a report to a higher level government authority or what any such report provides, or whether any new PRC laws or regulations relating to variable interest entity structures will be adopted or if adopted, what they would provide. We cannot assure you that the PRC government or judicial authorities would agree that our corporate structure or the contractual arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future or that the PRC government or judicial authorities will not interpret existing PRC laws, rules and regulations in a manner contrary to our views. PRC laws and regulations governing the validity of the contractual arrangements are uncertain and the relevant government authorities and arbitration commissions have broad discretion in interpreting these laws and regulations. If the PRC government, judicial authorities or an arbitration tribunal determine that we are not in compliance with applicable laws and regulations, it could have broad discretion in dealing with such non-compliance, including:

- requiring the nullification of the contractual arrangements;

- levying fines and/or confiscating the proceeds generated from the operations under the contractual arrangements;
- revoking the business licences or operating licences of our subsidiaries, the VIE Companies and the VIE Subsidiaries;
- discontinuing or placing restrictions or onerous conditions on the business operations of our subsidiaries, the VIE Companies and the VIE Subsidiaries;
- imposing conditions or requirements which we may not be able to comply with or satisfy;
- requiring us to undergo a costly and disruptive restructuring; and
- taking other regulatory or enforcement actions that could be harmful to or even shut down our business.

The imposition of any of these penalties could result in a material adverse effect on our ability to conduct our business. In addition, if the imposition of any of these penalties causes us to lose the rights to direct the activities of the VIE Companies and the VIE Subsidiaries or our right to receive its economic benefits, we would no longer be able to consolidate the VIE Companies and the VIE Subsidiaries.

We rely on the contractual arrangements to control and obtain the economic benefits from the VIE Companies and the VIE Subsidiaries, our operating entities in China, which may not be as effective in providing operational control as direct ownership.

Due to PRC legal restrictions on foreign investment in the value-added telecommunications business and online culture business, we control, through the contractual arrangements rather than equity ownership, the VIE Companies and the VIE Subsidiaries, our operating entities in China and the holder of the key licences required to operate our businesses in China. However, the contractual arrangements may not be as effective in exercising control over the VIE Companies and the VIE Subsidiaries as equity ownership. For example, the VIE Companies, the VIE Subsidiaries and their respective shareholders could breach or fail to perform their obligations under the contractual arrangements. If we had direct ownership of the VIE Companies and the VIE Subsidiaries, we would be able to exercise our rights as a shareholder to effect changes in its board of directors, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management and operational level. In addition, the shareholders of the VIE Companies and VIE Subsidiaries may change from time to time. Under the contractual arrangements, we would need to rely on our PRC subsidiaries' rights under the contractual arrangements to effect such changes, or designate new shareholders for the VIE Companies and the VIE Subsidiaries under the contractual arrangements.

If the VIE Companies, the VIE Subsidiaries or their respective shareholders breached their obligations under the contractual arrangements, we would need to bring a claim against them under the terms thereof. The contractual arrangements are governed by PRC law and provide that any dispute arising from these arrangements will be submitted to the China International Economic and Trade Arbitration Commission for arbitration, the ruling of which will be final and binding. Furthermore, personal liabilities of the shareholders of the VIE Companies and the VIE Subsidiaries may also subject the equity interest they hold in the VIE Companies and the VIE Subsidiaries to court preservation actions or enforcement. The legal framework and system in China, particularly those relating to arbitration proceedings, is not as developed as other jurisdictions such as Hong Kong or the United States. As a result, significant uncertainties relating to the enforcement of legal rights through arbitration, litigation and other legal proceedings remain in China, which could limit

our ability to enforce the contractual arrangements and exert effective control over the VIE Companies and the VIE Subsidiaries. If the VIE Companies, the VIE Subsidiaries or any of their respective shareholders fails to perform its respective obligations under the contractual arrangements, and we are unable to enforce the contractual arrangements, or suffer significant delay or other obstacles in the process of enforcing the contractual arrangements, our business could be severely disrupted, which could materially and adversely affect our financial condition and results of operations.

The shareholders of the VIE Companies and the VIE Subsidiaries may have conflicts of interest with us, which may materially adversely affect our business.

Some of our management personnel and their family members are also the shareholders of the VIE Companies. In particular, (i) Ms. Weiqing Qiu, the sister of PAK Kwan Kau, and Ms. Peili Lei, an aunt of LEI Jun, hold a majority of the equity interest in Zhuhai Qiwen Office Software Co., Ltd., Beike Internet (Beijing) Security Technology Co., Ltd., Beijing Kingsoft Qijian Digital Technology Co., Ltd. and Zhuhai Westhouse Shiyou Technology Co., Ltd., and (ii) management personnel in Westhouse, Kingsoft Internet Securities, Kingsoft Office Software and Kingsoft Cloud hold certain equity interest in respective VIE Companies. Conflicts of interest between their dual roles in our Company and in the VIE Companies may arise.

We have some existing protections over potential conflicts of interest between these individuals and us. Pursuant to the an exclusive option agreement, we have the option to purchase or to designate a third party to purchase the equity interests of the existing shareholders of the VIE Companies when and to the extent permitted by law. Each of the VIE Companies' shareholders has executed a power of attorney to appoint a person designated by us to vote on his or her behalf and exercise the full voting rights as the shareholder of the VIE Companies. In addition, each of our directors owes a duty of loyalty and a duty of care to us and shareholders as a whole under Cayman Islands law.

We cannot assure you, however, that when conflicts of interest arise, these individuals will act in the best interests of our Company or that conflicts of interest will be resolved in our favour. In the event of any such conflicts of interest, these individuals may breach or cause the VIE Companies to breach or refuse to renew the contractual arrangements that allow us to effectively control and receive economic benefits from the VIE Companies and the VIE Subsidiaries. If we cannot resolve any conflict of interest or dispute between us and such shareholders of the VIE Companies should it arise, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings. These uncertainties may impede our ability to enforce the contracts we have entered into with the VIE Companies and their respective shareholders. If we are unable to resolve any such conflicts, or if we suffer significant delays or other obstacles as a result of such conflicts, our business could be severely disrupted, which could materially and adversely affect our financial condition and results of operations and damage our reputation.

We may lose the ability to use and enjoy assets held by the VIE Companies and the VIE Subsidiaries that are important to the operation of our business if the VIE Companies and the VIE Subsidiaries declare bankruptcy or become subject to a dissolution or liquidation proceeding.

The VIE Companies and the VIE Subsidiaries hold certain assets that are important to our business operations. Our contractual arrangements with the VIE Companies contain terms that specifically obligate their respective shareholders to ensure the valid existence of the VIE Companies and the VIE Subsidiaries and that it may not be voluntarily liquidated. However, in the event the shareholders breach this obligation and voluntarily liquidate any VIE Company or VIE Subsidiary, or any VIE Company or VIE Subsidiary declares bankruptcy, and all or part of its assets

become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business operations, which could materially and adversely affect our business, financial condition and results of operations. Furthermore, if any VIE Company or VIE Subsidiary undergoes a voluntary or involuntary liquidation proceeding, its shareholders or unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

The contractual arrangements may be subject to scrutiny by the PRC tax authorities and any finding that we or the VIE Companies owe additional taxes could substantially reduce our consolidated net income and the value of your investment.

Under the contractual arrangements among the PRC Subsidiaries, the VIE Companies and their respective shareholders, the VIE Companies will transfer substantially all of their before-tax profits to the PRC Subsidiaries as service fees and other payments, which will substantially reduce the VIE Companies' taxable income and increase the taxable income of the PRC Subsidiaries. These arrangements and transactions are related party transactions which must be conducted on an arm's length basis under applicable PRC tax rules. In addition, under PRC laws and regulations, arrangements and transactions among related parties may generally be subject to audit or scrutiny by the PRC tax authorities within ten years after the taxable year when the arrangements or transactions are conducted. As a result, the determination of service fees and other payments to the PRC Subsidiaries by the VIE Companies under the contractual arrangements may be challenged and deemed not in compliance with such tax rules. We could face material adverse tax consequences if the PRC tax authorities determine that the contractual arrangements were not entered into on an arm's length basis and therefore adjust the taxable income of the VIE Companies in the form of a transfer pricing adjustment, which refers to the prices that one member of a group of affiliated corporations charges to another member of the group for goods, assets, services, financing or the use of intellectual property. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by the VIE Companies, which could in turn increase the VIE Companies' tax liabilities. Any such adjustment could result in a higher overall tax liability of the Group. In addition, the PRC tax authorities may impose late payment fees and other penalties on the VIE Companies for any unpaid taxes. Our consolidated net income may be materially adversely affected if the VIE Companies' tax liabilities increase or if it is subject to late payment fees or other penalties.

Risks Relating to the PRC and Our PRC Operations

Substantially all of our assets are located in China and most of our revenue is derived from our operations in China. Accordingly, our business, financial condition, results of operations and prospects are subject, to a significant extent, to a slowdown or other adverse developments in the PRC economy.

Substantially all of our operations are conducted in China and most of our revenue is generated from providing the products and services of our main business lines in China. Our financial results have been, and are expected to continue to be, affected by the growth in the Chinese economy and the internet and telecommunications industries. Although the PRC economy has grown significantly in recent years, we cannot assure you that such growth will continue. The cloud computing services and online games industries, in particular, are a relatively new industries in China, which makes it difficult for us to assess how sensitive we would be to a slowdown in economic growth or other adverse changes in the PRC economy. In response to adverse economic developments and a corresponding reduction in disposable income, our users may reduce their use of our online games and our applications software products, or otherwise modify their behaviour in ways that may have a significant negative impact on our business. As a result, a slowdown in overall economic growth, an economic downturn or recession or other adverse economic developments in China may materially reduce the demand for our online games as well as our applications software and materially and adversely affect our business, financial condition, results of operations and prospects.

Our business could be affected by changes in China's economic, political or social conditions or government policies.

The PRC economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, uniformity in the implementation and enforcement of laws control of foreign exchange content and control over capital investment and allocation of resources.

While the PRC economy has experienced significant growth in the past 30 years, growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us.

In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. Furthermore, our business, financial condition and results of operations may be adversely affected by:

- changes in PRC political, economic and social conditions;
- changes in policies of the PRC government, including changes in policies affecting the information technology and software industry;
- changes in laws and regulations or the interpretation of laws and regulations;
- measures that may be introduced to control inflation or deflation;
- changes in the rate or method of taxation;
- imposition of additional restrictions on currency conversion and remittances abroad; and
- reduction in tariff protection and other import restrictions.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. Although in recent years the PRC government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the PRC government. The continued control of these assets and other aspects of the national economy by the PRC government could materially and adversely affect our business. The PRC government could also decide whether to develop and support government owned or controlled human resource enterprises in direct competition with us. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. It also exercises significant control over PRC economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In particular, the PRC government could decide to more closely regulate the online games industry, which could impose additional regulatory costs and burdens on us.

Fluctuation in the value of RMB may have a material adverse effect on our business and on your investment.

Although substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi, we are required to convert RMB to foreign currency for payment of dividends, if any, to holders of the Shares, and for satisfaction of our obligations under the Bonds. The value of RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of RMB into foreign currencies, including U.S. dollars, has been based on rates set by the PBOC. On 21 July 2005, the PRC government changed its policy of pegging the value of RMB to the U.S. dollar. Under the new policy, RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Further, from 18 May 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of RMB against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on 21 May 2007. The floating band was further widened to 1.0% on 16 April 2012. These changes in currency policy resulted in RMB appreciating against the U.S. dollar and the H.K. dollar by approximately 30.2% from 21 July 2005 to 30 June 2012. Effective 15 March 2014, the floating band was further widened to 2%. The PRC government may adopt further reforms of its exchange rate system, including making the RMB freely convertible in the future. Any significant further appreciation of RMB may materially and adversely affect our cash flow, earnings and financial position, and the value of, and any dividends payable on, the shares in foreign currency terms.

Our PRC entities may fail to obtain or maintain all applicable permits and approvals.

The internet industry, including the operation of online games and the offer and sale of software via the internet, in China is highly regulated by the PRC government. Various regulatory authorities of the central PRC government, such as the State Council, the MIIT, the SAIC, the MOC, the GAPP, and the Ministry of Public Security, are empowered to issue and implement regulations governing various aspects of the internet and online games industries.

Our PRC entities may be required to obtain applicable permits or approvals from different regulatory authorities in order to provide its services. For example, an internet content provider must obtain an ICP Licence from the MIIT or its local counterparts in order to engage in any commercial internet information services within China. In addition, an online games operator must also obtain an Internet Culture Business Operation Licence from the MOC and an Internet Publishing Licence from the GAPP in order to distribute games through the internet, in addition to filing its online games with the GAPP and the MOC, and shall comply with laws and regulations in connection with the issue and distribution of virtual currencies for online games. If any of our PRC entities fail to obtain or maintain any of the required permits or approvals, or if we do not operate our businesses in full compliance with applicable PRC laws and regulations, our PRC entities may be subject to various penalties, including fines and the discontinuation or restriction of its operations. Any such disruption in our PRC entities' operations would materially and adversely affect our business, financial condition and results of operations.

The MIIT and other relevant government authorities are proposing to take further regulatory actions to deal with illegal actions in the online games industry, including, among others, more strictly prohibiting online game products involving illegal content, shutting down companies engaged in online game operations without obtaining proper approvals and licences from relevant government authorities and taking more severe actions against hacking, "robot players" and other activities that infringe on intellectual property rights.

As the internet industry is at an ongoing stage of development in China, new laws and regulations may be adopted in the future to address new issues that arise from time to time, such as online advertising. Also, different regulatory authorities have different opinions among themselves with regard to the licensing requirements imposed on online games operators. As a

result, substantial uncertainties exist regarding the interpretation and implementation of any current and future PRC laws and regulations applicable to online businesses. We cannot assure you that we will not be found in violation of any current or future PRC laws and regulations.

Non-compliance on the part of third parties with whom we conduct business could disrupt our business and adversely affect our results of operations.

Our business partners, including our game developers, may be subject to regulatory penalties or punishments because of their regulatory compliance failures, which may disrupt our business. Any legal liabilities of, or regulatory actions against, our business partners may affect our business activities and reputation and, in turn, our results of operations. For example, we cooperate with online game developers to publish their games through our mission critical applications. The online game industry is highly regulated in China and many other jurisdictions, and online game operators are generally required to obtain licenses and permits, to complete filing procedures for specific online games and to comply with various requirements when conducting business. We require our partners in the online game industry to provide their licenses, permits or filing documents relating to the relevant online games before entering into cooperation arrangements with them, but we cannot assure you that such commercial partners or other developers will continue to maintain all applicable permits and approvals, and any noncompliance on their part may cause potential liabilities to us and disrupt our operations.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may adversely affect our business operations.

In October 2005, the State Administration of Foreign Exchange (the “SAFE”) issued the Notice Regarding Certain Administrative Measures on Financing and Round-trip Investment by PRC Residents through Offshore Special Purpose Vehicles (the “SAFE Circular 75”), which became effective on 1 November 2005. The SAFE Circular 75 requires PRC residents, including both legal and natural persons, to register with the local SAFE branch before establishing or controlling any company outside of China (an “offshore special purpose company”) for the purpose of acquiring any assets of or equity interest in a PRC company and raising funds offshore. In addition, any PRC resident who is the shareholder of an offshore special purpose company is required to update its SAFE registration with the local SAFE branch with respect to that offshore special purpose company in connection with any increase or decrease of capital, transfer of shares, merger, division, equity investment or creation of any security interest over any assets located in China. Failure to comply with the required SAFE registration and updating requirements described above may result in restrictions being imposed on the foreign exchange activities of the PRC subsidiaries of that offshore special purpose company, including the increase in registered capital, the payment of dividends and other distributions or payments to the offshore special purpose company and capital inflows from the offshore entity. Failure to comply may also subject relevant PRC residents or the PRC subsidiaries of that offshore special purpose company to penalties under PRC foreign exchange administration regulations for evasion of applicable foreign exchange restrictions.

Our Chairman and co-founder, Mr. LEI Jun, who is a PRC resident, made his individual overseas investment registration with the Guangdong Branch of the SAFE in September 2006 and has been updating such registration from time to time as required under the SAFE Circular 75. Mr. Lei will further update such registration after the completion of this Offering. In addition, certain beneficial owners of our offshore subsidiaries, including Kingsoft Cloud Holdings Limited, Kingsoft Office Software Holdings Limited, Westhouse Holdings Limited, Kingsoft Jingcai Online Game Holdings Limited and Cheetah Mobile, have complete the initial registration for their individual overseas investment with their respective local counterpart of the SAFE, respectively, and are in the process of updating such registrations to reflect the latest financings. However, if Mr. Lei or any other beneficial owner fails to update such individual overseas investment registration

as required by the Notice, or if the SAFE promulgates clarifications or regulations in the future deem any other ultimate shareholders to be PRC residents and thus shall comply with the registration procedures and update requirements described above and if such beneficial owners and/or shareholders are unable or fail to comply with such procedures, the beneficial owners may be subject to fines and legal sanctions, the consequence of which may affect our business operations, particularly with respect to the ability of our PRC subsidiaries to remit foreign currency payments out of China, which could affect our ability to service our offshore indebtedness, including the Bonds.

Failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies (關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知, the “**Stock Option Rules**”), which replaced the relevant regulations issued by the SAFE in March 2007. Under the Stock Option Rules, PRC residents who participate in stock incentive plan in an overseas publicly-listed company are required to register with the SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly-listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes.

We and our PRC resident employees who participate in the employee stock incentive plans have been subject to these regulations since our company became a publicly-listed company on the Hong Kong Stock Exchange in 2007. We have been assisting our PRC option grantees to complete the required registrations and procedures since 2007. If we or our PRC option grantees fail to comply with these regulations, we or our PRC option grantees may be subject to fines and other legal or administrative sanctions.

Preferential tax treatments currently available to us in the PRC may be discontinued.

We have structured and located our PRC subsidiaries in order to benefit from preferential tax treatments offered to companies located in designated economic zones and/or operating high technology or software-related businesses. Some of these tax treatments are subject to the continued satisfaction of conditions specified in relevant regulations. For example, some of our PRC entities are entitled to preferential tax treatment because they are recognised as high and new technology enterprises.

However, the current criteria for high and new technology enterprises may be amended or changed in the future, and we cannot assure you that our current qualified PRC subsidiaries will continue to satisfy the amended or changed standards. We cannot assure you that our PRC subsidiaries will continue to enjoy these preferential tax treatments in the future. In addition, there can be no assurance that preferential tax treatments granted to our PRC subsidiaries by local governmental authorities may not be reviewed, challenged or even revoked by the central government in the future. The discontinuation of this preferential tax treatments could materially and adversely affect our business, financial condition and results of operations.

There are significant uncertainties under the Enterprise Income Tax Law (the “EIT Law”) relating to the PRC enterprise income tax liabilities of the Company.

Under the EIT Law, the profits of a foreign invested enterprise arising in 2008 and onwards that are distributed to its immediate holding company outside the PRC will be subject to a withholding tax rate of 10% pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (the “**Hong Kong Tax Treaty**”), such rate is lowered to 5% if a Hong Kong resident enterprise is a beneficial owner directly owning at least 25% of the capital of the PRC company which pays the dividends. Furthermore, according to the Circular on State Administration of Taxation on Printing and Issuing the Administrative Measures for Non-resident Individuals and Enterprises to Enjoy the Treatment Under Taxation Treaties, which became effective on 1 October 2009, the 5% tax rate does not automatically apply. Approvals from competent local tax authorities are required before an enterprise can enjoy the relevant tax treatments relating to dividends under relevant taxation treaties. However, according to a tax circular issued by the State Administration of Taxation in February 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate enjoyed by the relevant offshore entity. Moreover, on 27 October 2009, the State Administration of Taxation issued a new circular (“**Circular 601**”) with respect to the determination of beneficial ownership under various tax treaties entered into by the PRC, including the Hong Kong Tax Treaty. It is unclear at this stage whether Circular 601 applies to dividends paid by the Company’s PRC subsidiaries which are considered as foreign invested enterprises to their respective immediate holding companies outside the PRC, especially those incorporated in Hong Kong. If Circular 601 applies and such immediate holding companies outside the PRC are not regarded as the “beneficial owner” for the purposes of such dividend payments, despite that most of such immediate holding companies are incorporated in Hong Kong, the Group may not be able to benefit from the preferential rate applicable under the relevant PRC treaties, especially the Hong Kong Tax Treaty, and may be subject to an income withholding tax of 10% for such dividend payments.

In addition, under the EIT Law, enterprises established under the laws of jurisdictions outside of China with their “de facto management bodies” located within PRC may be considered to be PRC tax resident enterprises for tax purposes.

Under current PRC laws and regulations, it is uncertain whether the Company would be deemed to be a PRC tax resident enterprise as a substantial portion of the members of the Company’s management team are located in China. If the Company is deemed to be a PRC tax-resident enterprise, the global income of the Company will be subject to PRC enterprise income tax at the rate of 25%, which would have a material adverse effect on the financial condition and results of operations of the Group.

Interest (if any) payable by us to our foreign investors and gain on the sale of our Bonds may become subject to taxation under PRC tax laws.

Under the EIT Law, if we are deemed as a “resident enterprise” in the PRC, PRC withholding tax at the rate of 10% (or lower treaty rate, if any) might be applicable to interest (if any) payable by us to investors that are “non-resident enterprises” if such “non-resident enterprise” investors do not have an establishment or place of business in China or if, despite the existence of such establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China. Any gain realized on the transfer of the Bonds by “non-resident enterprise” investors would be subject to a 10% PRC tax if we were treated as a PRC “resident enterprise” and such gain is regarded as income derived from sources within China. Furthermore, under the Individual Income Tax Law, if we are deemed as a “resident enterprise” in the PRC, PRC withholding tax at the rate of 20% (or lower treaty rate, if any) might be applicable

to interest (if any) payable by us to investors that are “non-resident individuals.” If we were a PRC “resident enterprise” and were required under the EIT Law to withhold PRC income tax on interest payable to our Bondholders that are “non-resident enterprises” or “non-resident individuals”, we would be required to pay such additional amounts as would result in receipt by a holder of a Bond of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Bonds, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the Bonds, as well as our profitability and cash flow. In addition, if you are required to pay PRC income tax on the transfer of our Bonds, the value of your investment in our Bonds may be materially and adversely affected. It is unclear whether, if we are considered a PRC “resident enterprise,” holders of our Bonds might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

The PRC legal system has inherent uncertainties that could materially and adversely affect us.

The PRC legal system is based upon written statutes. Prior court decisions may be cited for reference but are not binding on subsequent cases and have limited value as precedents. Since 1979, the PRC legislative bodies have promulgated laws and regulations dealing with economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, the PRC has not developed a fully integrated legal system and the array of new laws and regulations may not be sufficient to cover all aspects of economic activities in the PRC. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, published government policies and internal rules may have retroactive effect. As a result, we may be unaware of our violation of these policies and rules until some time later. Our structure contracts with the VIE Companies and their respective shareholders are governed by the laws of the PRC. The enforcement of these contracts and the interpretation of the laws governing these relationships are subject to uncertainty. See “– Risks Relating to Our Company Structure.”

Inflation in China could negatively affect our profitability and growth.

While the PRC economy has experienced rapid growth, such growth has been uneven among various sectors of the economy and in different geographical areas of the country. Rapid economic growth can lead to growth in the money supply and rising inflation. If prices for our products and services rise at a rate that is insufficient to compensate for the rise in our costs, our business may be materially and adversely affected. In order to control inflation in the past, the PRC government has imposed controls on bank credits, limits on loans for fixed assets and restrictions on state bank lending. Such an austere policy can lead to a slowing of economic growth and could materially and adversely affect our business and prospects.

The PRC national economy and economies in different regions of the PRC may be adversely affected by natural disasters, acts of God, and occurrence of epidemics.

Our business is subject to general economic and social conditions in the PRC, in particular, in regions where our operations are located. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including certain cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome (“SARS”), H5N1 avian flu, H7N9 avian flu or the human swine flu, also known as Influenza A (H1N1). In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. A recurrence of SARS or an outbreak of any other epidemics in China, such as the H5N1 avian flu, the H7N9 avian flu or the human swine flu, especially in the cities where we have operations, may result in material disruptions to our business and operations, which in turn may adversely affect our financial condition and results of operations.

The PRC government’s control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares.

Currently, the Renminbi cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licences to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by the SAFE.

Under existing foreign exchange regulations, we are able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements. If we fail to obtain approval from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our capital expenditure plans, and even our business, operating results and financial condition, may be materially and adversely affected.

The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

The Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定, or “**M&A Rules**”) and other recently adopted regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex. For example, the M&A Rules require that MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honoured brand. Moreover, the Anti-Monopoly Law (反壟斷法) promulgated by the Standing Committee of the National People’s Congress on 30 August 2007 and effective as of 1 August 2008 requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds (i.e., during the previous fiscal year, (i) the total global turnover of all operators participating in the transaction exceeds RMB10 billion and at least two of these operators each had a turnover of more than RMB400 million within China, or (ii) the total turnover within China of all the operators participating in the concentration exceeded RMB2 billion, and at least two of these operators each had a turnover of more than RMB400 million within China) must be notified and cleared by MOFCOM before they can be completed. In addition, on 3 February 2011, the General Office of the State Council promulgated a Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於建立外國投資者併購境內企業安全審查制度的通知, or “**Circular No. 6**”), which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Under Circular No. 6, a security review is required for mergers and acquisitions by foreign investors having “national defence and security” concerns and mergers and acquisitions by which foreign investors may acquire the “de facto control” of domestic enterprises with “national security” concerns.

In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining

approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises “national defence and security” or “national security” concerns. However, the MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

We may be deemed a PRC resident enterprise under the EIT Law and be subject to PRC taxation on our worldwide income.

Under the EIT Law, which came into effect on 1 January 2008, enterprises established outside China whose “de facto management bodies” are located in China are considered “resident enterprises” and their global income will generally be subject to the uniform 25% corporate income tax rate. Under the Implementation Rules for the EIT Law, “de facto management bodies” is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. On 22 April 2009, the SAT issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知, or “**Circular 82**”), which provides certain specific criteria for determining whether the “de facto management body” of a Chinese-controlled offshore incorporated enterprise is located in China. In addition, on 3 August 2011, the SAT issued Administrative Measures on Income Taxes of Resident Enterprises Incorporated outside Mainland China and Are Controlled by Chinese Enterprises (Trial Implementation) (境外註冊中資控股居民企業所得稅管理辦法(試行), or “**Resident Enterprise Administrative Measures**”), which became effective as of 1 September 2011. The Resident Enterprise Administrative Measures provide clarification for resident status determination, post-determination administration, as well as competent tax authorities. However, Circular 82 and the Resident Enterprise Administrative Measures apply only to offshore enterprises controlled by PRC enterprises, not those invested in or controlled by PRC individuals, like our Company. Currently there are no further detailed rules or precedents applicable to us regarding the procedures and specific criteria for determining “de facto management body” for the company of our type. We do not believe we are a resident enterprise defined and regulated by the aforesaid regulation, as none of our shareholders is a PRC company or PRC corporate group. However, it remains unclear how PRC tax authorities will determine the tax residency status of companies like us. If the PRC authorities were to subsequently determine, or any future regulation provides, that we should be treated as a PRC resident enterprise, we would be subject to a 25% enterprise income tax on our global income, which will significantly increase our tax burden and could materially and adversely affect our financial condition and results of operations.

It may be difficult to serve process within the PRC or to enforce any judgments obtained from non-PRC courts against us.

Most of our operating subsidiaries are incorporated in the PRC, and most of our assets are located within the PRC. The PRC does not currently have treaties providing for the reciprocal recognition or enforcement of judgments of courts located in the United Kingdom, Singapore, Japan and most other western countries. An Arrangement between China and the Hong Kong Special Administrative Region on Reciprocal Recognition and Enforcement of Judgments of Civil and Commercial Cases under the Jurisdictions as Agreed to by the Parties Concerned was signed on 14 July 2006 and came into effect on 1 August 2008. However, there are many restrictions on such arrangement. As a result, it may not be possible for investors to effect service of process upon our subsidiaries pursuant to the authority of non-PRC courts. Further, the recognition and enforcement in the PRC of judgments of courts outside the PRC might be difficult or impossible, and it may be

inevitable to relitigate at a competent PRC court in order to seek available remedies. Furthermore, since both the United Kingdom and the PRC are contracting states to the Hague Convention on Service Abroad of Judicial and Extra-Judicial Documents in Civil and Commercial Matters, or the Hague Convention, judicial documents of court proceedings in the England could be served upon our subsidiaries in the PRC, following the service procedure under the Hague Convention and corresponding domestic procedure in the United Kingdom and China. However, such service procedure could be lengthy and consuming as all documents to be served upon defendants in another contracting state should be transmitted, with corresponding translation, through the Central Authorities designated by the two countries, respectively.

Risks Relating to the Bonds, the Shares and the Offering

There may not be a liquid market for the Bonds, and Bondholders may not be able to sell their Bonds at an attractive price or at all.

The Bonds are a new issue of securities for which there is currently no trading market. Although approval in-principle has been received for the listing and quotation of the Bonds on the Official List of the SGX-ST, we cannot assure investors as to the liquidity of the Bonds, that an active trading market will develop, or that we will be able to maintain a listing on the Official List of the SGX-ST. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial price depending on many factors, including prevailing interest rates, our operating and financial results and the market for similar securities. The Joint Bookrunners are not obligated to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Bookrunners. Accordingly, we cannot assure you that a liquid trading market for the Bonds will develop or be sustained. If an active trading market for the Bonds does not develop or is not sustained, the market price and liquidity of the Bonds may be adversely affected.

Even if an active trading market were to develop, the Bonds could trade at prices that may be lower than the initial offering price. Future trading prices of the Bonds will depend on many factors, including, but not limited to:

- prevailing interest rates and interest rate volatility;
- the market for similar securities;
- our operating and financial results;
- the publication of earnings estimates or other research reports and speculation in the press or the investment community;
- the market price of the Bonds; or
- changes in our industry and competition; and general market and economic conditions.

Accordingly, Bondholders may not be able to sell their Bonds at an attractive price or at all, and may incur losses on their investments.

The Bonds may not be a suitable investment for all investors.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolio. A potential investor should not invest in the Bonds which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) the Bonds are legal investments for it; (ii) the Bonds can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of the Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

Securities law restrictions on the resale and conversion of the Bonds and the resale of Shares issuable upon their conversion may impact Bondholders' ability to sell the Bonds.

The Bonds and the Shares into which the Bonds are convertible have not been registered under the Securities Act, any state securities laws or the securities laws of any other jurisdiction. Unless and until they are registered, the Bonds and the Shares issuable upon conversion may not be offered, sold or resold except pursuant to an exemption from registration under the Securities Act and applicable state laws or in a transaction not subject to such laws. The Bonds are being offered and sold only outside the United States in reliance on Regulation S under the Securities Act. We are not required to register the Bonds and the Shares into which the Bonds are convertible under the terms of the Bonds. Hence, future resales of the Bonds and the Shares into which Bonds are convertible may only be made pursuant to an exemption from registration under the Securities Act and applicable state laws or in a transaction not subject to such laws.

Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us.

As a holding company, we depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries to satisfy our obligations, including our obligations under the Bonds. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of these companies, applicable laws and restrictions contained in the debt instruments of such companies. We cannot assure you that our subsidiaries will have distributable earnings or will be permitted to distribute their distributable earnings to us as we anticipate, or at all. In addition, dividends payable to us by these companies are limited by the percentage of our equity ownership in these companies. Furthermore, if any of these companies raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to us to make payments on the Bonds. These factors could reduce the payments that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Bonds.

PRC regulation of loans to, and direct investments in, PRC entities by offshore holding companies may delay or prevent us from using the proceeds of this Offering or other financing activities to make loans or capital contributions to our PRC operating subsidiaries, which could impair our ability to make timely payments of principal, under the Bonds, and materially adversely affect our liquidity and ability to fund and expand our business.

According to the existing PRC rules and regulations relating to supervision of foreign debt, loans by foreign companies to their subsidiaries in China, such as our PRC subsidiaries established as foreign-invested enterprises in China, are considered foreign debt, and such loans must be registered with the relevant local branches of SAFE. Such rules and regulations also provide that the total outstanding amount of such foreign debt borrowed by any foreign-invested enterprise may not exceed the difference between its total investment and its registered capital, each as approved by the relevant PRC authorities. Therefore, the proceeds of this Offering may only be transferred to our PRC subsidiaries as equity investments and not as loans. We would therefore have to rely on dividend payments from our PRC subsidiaries, and we cannot assure you that dividend payments will be available, on the maturity date to pay the principal of the outstanding Bonds or at the time of the occurrence of any change of control to make purchases of outstanding Bonds.

In addition, equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries will require approvals from the commerce department of the local government and registration with the MOFCOM, which may take considerable time and delay the actual contribution to the PRC subsidiaries. This may adversely affect the financial condition of the PRC subsidiaries and may cause delays to the development undertaken by such PRC subsidiaries. We cannot assure you that we have obtained or will obtain in a timely manner all relevant necessary approval certificates or registration for all our operating subsidiaries in the PRC to comply with this regulation. Furthermore, we cannot assure you that the PRC government will not introduce new policies that further restrict our ability to deploy, or that prevent us from deploying, in China the funds raised outside of China. Therefore, we may not be able to use all or any of the capital that we may raise outside China to finance our projects in a timely manner or at all.

On 29 August 2008, SAFE promulgated the Circular on the Relevant Operational Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign Invested Enterprises (關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知, or “SAFE Circular 142”), which regulates the conversion by a foreign invested enterprise of foreign currency into Renminbi by restricting the usage of converted Renminbi. SAFE Circular 142 provides that any Renminbi capital converted from registered capital

in foreign currency of a foreign invested enterprise may only be used for purposes within the business scope approved by PRC governmental authority and such Renminbi capital may not be used for equity investments within the PRC unless otherwise permitted by the PRC law. In addition, SAFE strengthened its oversight of the flow and use of the Renminbi capital converted from registered capital in foreign currency of a foreign invested enterprise. The use of such Renminbi capital may not be changed without SAFE approval, and such Renminbi capital may not in any case be used to repay Renminbi loans if the proceeds of such loans have not been utilised. As a result, we are required to apply Renminbi funds converted from the net proceeds we expect to receive from the Offering within the business scope of the PRC subsidiaries. SAFE Circular 142 may significantly limit our ability to transfer the net proceeds from the Offering to the PRC Subsidiaries or invest in or acquire any other companies in the PRC. Furthermore, the SAFE promulgated SAFE Circular 59 on 9 November 2010, which tightens the regulation over settlement of net proceeds from offshore offerings. In particular, it is specifically required that any net proceeds settled from offshore offerings shall be applied in the manner described in the offering documents. The SAFE also promulgated SAFE Circular 45 in November 2011, which, among other things, restricts a foreign-invested enterprise from using Renminbi funds converted from its registered capital to provide entrusted loans or repay loans between non-financial enterprises. Violations of these circulars could result in severe monetary or other penalties. SAFE Circulars 142, 59 and 45 may significantly limit our ability to convert, transfer and use the net proceeds from this Offering and any offering of additional securities in China, which may adversely affect our business, financial condition and results of operations.

The insolvency laws of the Cayman Islands and other local insolvency laws may differ from those of any other jurisdiction with which holders of the Bonds are familiar.

Because we are registered by way of continuation under the laws of the Cayman Islands, an insolvency proceeding relating to us, even if brought in other jurisdictions, would likely involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy law in other jurisdictions. We conduct most of our business operations through PRC-incorporated entities in China. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of other jurisdictions with which the holders of the Bonds are familiar. You should analyse the risks and uncertainties carefully before you invest in the Bonds.

We may be unable to obtain and remit foreign exchange.

Our ability to satisfy our obligations under the Bonds primarily depend upon the ability of our PRC subsidiaries to obtain and remit sufficient foreign currency to pay dividends to us and, if applicable, to repay shareholder loans. Our PRC subsidiaries must present certain documents to SAFE, its authorised branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of China, including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with SAFE. Prior to payment of interest and principal on any shareholder loan we make to our PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of the 10% (or 7% if the interest is paid to a Hong Kong resident) withholding tax on the interest payable in respect of such shareholder loan. If any PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, the PRC subsidiary will be unable to pay us dividends or interest and principal on shareholder loans, which may affect our ability to satisfy our debt obligations including the Bonds.

Bondholders may be subject to tax.

Prospective investors of the Bonds are advised to consult their own tax advisors concerning the overall tax consequences of the purchase, ownership, disposition or conversion of the Bonds or the Shares. See “Taxation” for a discussion of tax consequences in certain jurisdictions.

If we are unable to comply with the restrictions and covenants in our debt agreements, there could be a default under the terms of these agreements, which could cause repayment of our debt to be accelerated.

If we are unable to comply with the restrictions and covenants or our current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. As a result, our default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Bonds, or result in a default under our other debt agreements. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favourable or acceptable to us.

Claims by holders of the Bonds are structurally subordinated to creditors of our subsidiaries and associated companies.

Our ability to make payments in respect of the Bonds depends largely upon the receipt of dividends, distributions, interest or advances from our subsidiaries. The ability of our subsidiaries to pay dividends and other amounts to us may be subject to their profitability and applicable laws. Payments under the Bonds are structurally subordinated to all existing and future liabilities and obligations of each of our subsidiaries. Claims of creditors of such companies will have priority as to the assets of such companies over us and our creditors, including holders of the Bonds.

We may not have the ability to redeem the Bonds.

Bondholders may require us, subject to certain conditions, to redeem for cash some or all of their Bonds on a certain date or upon a transaction or event constituting a change of control, a delisting or a change in law as described under “Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Redemption at the Option of the Bondholders” and “Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Redemption for Relevant Event.” We may not have sufficient funds or other financial resources to make the required redemption in cash at such time or the ability to arrange necessary financing on acceptable terms, or at all. Our ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Bonds by us would constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness held by us.

Bondholders will bear the risk of fluctuations in the price of Shares.

The market price of the Bonds at any time will be affected by fluctuations in the price of the Shares. The Shares are currently listed on the Hong Kong Stock Exchange. There can be no certainty as to the effect, if any, that future issues or sales of Shares, or the availability of such Shares for future issue or sale, will have on the market price of the Shares prevailing from time to time and therefore on the market price of the Bonds.

Sales of substantial numbers of Shares in the public market, or a perception in the market that such sales could occur, could adversely affect the prevailing market price of the Shares and the Bonds. Our financial condition, results of operation, future prospects and business strategy could also affect the value of the Shares. The market price of the Shares will be influenced by our operational results (which in turn are subject to the various risks to which our businesses and operations are subject) and by other factors such as changes in the regulatory environment that may affect the markets in which we operate and the capital markets in general. Corporate events such as share sales, reorganisations, takeovers or share buy-backs may also adversely affect the market price of the Shares. Any decline in the market price of the Shares could adversely affect the market price of the Bonds.

Short selling of the Shares by Bondholders could materially and adversely affect the market price of the Shares.

The issuance of the Bonds may result in downward pressure on the market price of the Shares. Investors in convertible securities may seek to hedge their exposure in the underlying equity securities, often through short selling of the underlying equity securities or similar transactions. Any short selling and similar hedging activity could place significant downward pressure on the market price of the Shares, thereby having a material adverse effect on the market value of the Shares owned by an investor as well as on the trading price of the Bonds.

Bondholders have limited anti-dilution protection.

The Conversion Price will be adjusted in the event that there is a consolidation, sub-division or reclassification, capitalisation of profit or reserves, rights issue, bonus issue, reorganisation, capital distribution or other corporate or other event including an offer or scheme which affects the Shares, or change of control but only in the situations and only to the extent provided in the “Terms and Conditions of the Bonds – Conversion – Adjustments to Conversion Price”. There is no requirements that there should be an adjustment for every corporate or other event that may affect the value of the Shares. Events in respect of which no adjustment is made may adversely affect the market price of the Shares and, therefore, adversely affect the market price of the Bonds.

Bondholders will have no rights as holders of the Shares prior to conversion of the Bonds.

Unless and until the Bondholders acquire the Shares upon conversion of the Bonds, they will have no rights with respect to the Shares, including any voting rights or rights to receive any regular dividends or other distributions with respect to the Shares. Upon conversion of the Bonds, these holders will be entitled to exercise the rights of holders of the Shares only as to actions for which the applicable record date occurs after the date of conversion.

Conversion of the Bonds and the exercise of the subscription or conversion rights in respect of our other equity-linked securities will dilute the ownership interest of existing shareholders and future issuances of our securities could dilute your ownership.

The conversion of some or all of the Bonds and the exercise of the subscription or conversion rights in respect of other equity-linked securities that we have issued will dilute the ownership interest of existing shareholders. Any sales in the public market of the Shares issuable upon such conversion or exercise, or the perception that such sale may occur could adversely affect prevailing market prices of the Shares and the Bonds. In addition, the existence of the Bonds may encourage short selling by market participants because the conversion of the Bonds could depress the price of the Shares.

Bondholders are bound by decisions of defined majorities in respect of any modification, waivers and substitution.

The terms and conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders, including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

The Trustee may request that the Bondholders provide an indemnity and/or security and/or pre-funding to its satisfaction.

In certain circumstances (including without limitation the giving of notice pursuant to “Terms and Conditions of the Bonds – Events of Default” and instituting proceedings pursuant to “Terms and Conditions of the Bonds – Enforcement”), the Trustee may (at its sole discretion) request the Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes any action on behalf of Bondholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed (as defined in “Terms and Conditions of the Bonds”) and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Bondholders to take such actions directly.

USE OF PROCEEDS

The 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\$2,277 million.

Our intended use of the net proceeds is for general corporate purposes, for strategic investments and acquisitions, if appropriate, and to supplement working capital.

EXCHANGE RATE INFORMATION

China

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the markets during the prior day. The PBOC also takes into account other factors such as the general conditions existing in the international foreign exchange market. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. On 21 July 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to that of the U.S. dollar to allow the value of the Renminbi to fluctuate within a narrow and managed band based on market supply and demand and by reference to a basket of currencies. This change in policy has resulted in a significant appreciation of the Renminbi against the U.S. dollar.

The PRC government has since made further adjustments to the exchange rate system. The PBOC authorized the China Foreign Exchange Trading Center, effective since 4 January 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi at 9:15 AM each business day. This rate is set as the central parity for the trading against the Renminbi in the interbank foreign exchange spot market and the over-the-counter exchange rate for that business day. On 18 May 2007, the PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the interbank spot exchange market of Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate. On 19 June 2010, the PBOC announced that in view of the recent economic situation and financial market developments in China and abroad, and the balance of payments situation in China, it has decided to proceed further with reform of the Renminbi exchange rate regime and to enhance the Renminbi exchange rate flexibility. According to the announcement, the exchange rate floating bands will remain the same as previously announced but the PBOC will place more emphasis on reflecting the market supply and demand with reference to a basket of currencies. The PRC government may in the future make further adjustments to the exchange rate system. In this regard, effective 16 April 2012, the PBOC further enlarged the floating band to 1%, which has been subsequently enlarged to 2%, effective 15 March 2014. This now allows the Renminbi to fluctuate against the U.S. dollar by up to 2% above or below the central parity rate published by the PBOC.

Although PRC governmental policies were introduced in 1996 to reduce restrictions on the convertibility of the Renminbi into foreign currency for current account items, conversion of the Renminbi into foreign currency for capital items, such as foreign direct investment, loans or security, requires the approval of the SAFE and other relevant authorities.

The following table sets forth, for the periods indicated, certain information concerning the exchange rates between Renminbi and U.S. dollars. For periods prior to 1 January 2009, the exchange rates reflect the noon buying rates as reported by the Federal Reserve Bank of New York. For periods after 1 January 2009, the exchange rates reflect the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.

Period	Noon buying rate			
	Period end	Average ⁽¹⁾	High	Low
(RMB per US\$1.00)				
2008.....	6.8225	6.9193	7.2946	6.7800
2009.....	6.8259	6.8295	6.8470	6.8176
2010.....	6.6000	6.7603	6.8330	6.6000
2011.....	6.2939	6.4475	6.6364	6.2939
2012.....	6.2301	6.2990	6.3879	6.2221
2013.....	6.0537	6.1412	6.2438	6.0537

Period	Noon buying rate			
	Period end	Average ⁽¹⁾	High	Low
	(RMB per US\$1.00)			
2014				
January	6.0590	6.0509	6.0600	6.0402
February	6.1448	6.0816	6.1448	6.0591
March (through 21 March 2014)...	6.2248	6.1590	6.2273	6.1183

Note:

- (1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

Hong Kong

The Hong Kong dollar is freely convertible into the U.S. dollar. Since 1983, the Hong Kong dollar has been linked to the U.S. dollar. Under existing Hong Kong law, (i) there are no foreign exchange controls or other laws, decrees or regulations that affect the remittance of dividend payments to U.S. residents and (ii) there are no limitations on the rights of non-residents or foreign owners to hold the Bonds. The Basic Law of the Hong Kong Special Administrative Region of the PRC, which came into effect on 1 July 1997, provides that no foreign exchange control policies may be applied in Hong Kong.

Although the market exchange rate of the Hong Kong dollar against the U.S. dollar was and continues to be determined by forces of supply and demand in the foreign exchange market, between 1983 and May 2005 Hong Kong maintained a fixed rate system which fixed the rate of exchange to HK\$7.80 per U.S. dollar (the “**Linked Exchange Rate System**”). However, in May 2005, the Hong Kong Monetary Authority broadened the 22-year trading band from the original rate of HK\$7.80 per U.S. dollar to a new range varying between HK\$7.75 per U.S. dollar and HK\$7.85 per U.S. dollar. The Hong Kong government has indicated its intention to maintain the Linked Exchange Rate System. The Hong Kong government has also stated that it has no intention of imposing exchange controls and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However no assurance can be given that the Hong Kong government will maintain the trading band at HK\$7.75 to HK\$7.85 per U.S. dollar or at all. As a result of the Linked Exchange Rate System, exchange rates between the Hong Kong dollar and other currencies are influenced by the value of the U.S. dollar.

The following table sets forth, for the periods indicated, certain information concerning the exchange rates between Hong Kong dollars and U.S. dollars. For periods prior to 1 January 2009, the exchange rates reflect the noon buying rates as reported by the Federal Reserve Bank of New York. For periods after 1 January 2009, the exchange rates reflect the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.

Period	Exchange Rate			
	Period End	Average ⁽¹⁾	High	Low
	(HK\$ per US\$1.00)			
2008.....	7.7499	7.7814	7.8159	7.7497
2009.....	7.7536	7.7513	7.7618	7.7495
2010.....	7.7810	7.7692	7.8040	7.7501
2011.....	7.7663	7.7841	7.8087	7.7634
2012.....	7.7507	7.7569	7.7699	7.7493
2013.....	7.7539	7.7565	7.7654	7.7503

Period	Exchange Rate			
	Period End	Average ⁽¹⁾	High	Low
	(HK\$ per US\$1.00)			
2014				
January	7.7642	7.7578	7.7663	7.7534
February	7.7608	7.7585	7.7645	7.7547
March (through 21 March 2014)...	7.7589	7.7628	7.7669	7.7589

Note:

- (1) Determined by averaging the rates on the latest business day of each month during the relevant period, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

CAPITALISATION AND INDEBTEDNESS

As at the date of the Offering Circular, the authorised share capital of the Company was US\$1,200,000 divided into 2,400,000,000 shares of US\$0.0005 each.

The following table sets forth the unaudited consolidated capitalisation and indebtedness of the Company as at 31 December 2013 and as adjusted to give effect to the issue of the Bonds.

	As at 31 December 2013	
	Actual	Adjusted (unaudited)
	(in RMB thousands)	(in RMB thousands)
Current portion of borrowings		
Current portion of unsecured interest-bearing bank borrowings	–	–
Current portion of secured interest-bearing bank borrowings	15,724	15,724
Total current portion of borrowings	15,724	15,724
Non-current portion of borrowings		
Liability component of 2013 convertible bonds	1,037,587	1,037,587
Liability component of 2013 redeemable convertible preferred shares	77,982	77,982
Bonds to be issued	–	1,844,962
Total non-current portion of borrowings	1,115,569	2,960,531
Equity		
Issued capital	4,718	4,718
Non-controlling interests	450,470	450,470
Total equity	3,830,691	3,830,691
Total capitalisation⁽¹⁾	4,946,260	6,791,222

Note:

(1) Total capitalisation represents the sum of non-current portion of borrowings and total equity.

Other than as disclosed in this Offering Circular, there has been no material adverse change in the capitalisation of the Company since 31 December 2013.

BUSINESS

Overview

We are a leading software application and internet services provider in China. We leverage our comprehensive software development platform to develop and offer a wide range of products and services in internet security, office applications, interactive entertainment and cloud computing. In particular, we commercially launched cloud computing services in May 2011 to take advantage of the accelerated growth of our mobile internet user base and usage of smart devices in China. We believe we have one of the largest internet security, office applications, interactive entertainment and cloud computing research and development teams in China, dedicated to the development of such software and internet products and services, with 2,892 research and development personnel as of 31 December 2013. We have self-developed substantially all of our internet security, office applications and cloud computing products, as well as a majority of our interactive entertainment offerings.

Our product development and support operations are focused on enhancing user experience. We also increasingly utilise the internet as an efficient and relatively secure channel to market and distribute our existing and new software and internet products and services. While our users are primarily located in China, we also offer internet security products and services in Japan, and certain interactive entertainment products and services in Vietnam, Taiwan, Malaysia, South Korea, Thailand, Singapore, Cambodia, Indonesia and North America.

Our core applications under our information security software business line primarily include Duba Anti-virus, Clean Master, Battery Doctor, Cheetah Browser and Photo Grid. We aim to provide global internet and mobile users a faster, safer and easier experience. To achieve this, we have developed a platform that offers mission critical applications for our users and global content distribution channels for our business partners, both of which are powered by its proprietary cloud-based data analytics engines. For our users, our diversified suite of mission critical applications optimizes internet and mobile system performance and provides real time protection against known and unknown security threats. Our information security software business line had approximately 330 million monthly active users for all of its applications in December 2013 and our applications have been installed on 346.6 million mobile devices as of December 31, 2013. We commercially launched Duba Anti-virus in 2000 and update and provide new versions of Duba Anti-virus from time to time. We have invested heavily in mobile business and have launched a series of mission critical applications including Clean Master and Battery Doctor. In addition, on 19 June 2012, we officially launched our internet browser, Cheetah Browser, which is expected to create synergies with our other products and further enhance our monetisation potential in the coming years. There were more than 400 games on the Kingsoft Internet Cheetah game platform as of 31 December 2013.

Our primary office application is WPS Office, which is sold overseas under the name of Kingsoft Office. This software provides word processing, spreadsheet and presentation functions and is the leading domestically developed office application product in China. Its predecessor, WPS 1.0, launched in 1989, was one of the first Chinese-language word processing software products to be available in China. In May 2011, we launched WPS Mobile Office for the Android operating system. In February 2013, WPS Mobile Office for the Apple iOS system was launched and received positive feedback. Currently, WPS Mobile Office has approximately 40 million monthly active users. We sell WPS Office to government agencies, state-owned enterprises, financial institutions and SMEs in the PRC. We also provide limited edition free downloads on the internet by individual users on both PCs and mobile devices with the Android and Apple iOS operating systems. We provide WPS Office for free for individual users to nurture the user base of Kingsoft. In 2013, we began measures to monetise our increasing user base of the free WPS Office.

Our interactive entertainment portfolio includes various MMORPGs, which allow thousands of users to interact online through personalised role-playing characters, as well as first-person shooter and mobile games. We have a proven track record in the development of popular interactive entertainment products for the PRC market. As a testament to the success of our interactive entertainment products, we received the “Top Ten Brand Game Developers 2011”, “Top Ten Most Popular Chinese Cultural Online Games 2011” and “Top Ten Game Operators for Overseas Expansion 2011” awards at the inaugural China Game Industry Annual Conference held in January 2012, which was sponsored by the GAPP. As of 31 December 2013, we offered a total of 12 MMORPGs, all of which were in-house developed.

Our in-house research and development team is currently developing three additional MMORPGs. We are also actively expanding and developing our mobile games. We launched Pets Castle (寵物城堡) and Candy Ninja Cat (糖果忍者貓) in 2012, and released new mobile games in 2013, such as Pop of Pet (微寵) and FSZB (封神爭霸). Our research and development team focuses on developing online games featuring cultural themes which appeal to the PRC market. These games include new virtual items and value-added services that users can purchase to enhance their game experience. Our MMORPGs (including the MMORPGs we licensed from third parties and MMORPGs we developed and licensed overseas) had an aggregate of 0.63 million daily average peak concurrent users and approximately 1.87 million monthly average paying users for the fourth quarter of 2013.

Our cloud computing services currently include Kuaipan Series products and cloud computing platform services for both business enterprises and individual consumers. Our cloud computing platform services primarily include cloud storage, cloud computing, cloud hard disk and cloud database. We established Kingsoft Cloud in early 2012 to capture opportunities in cloud computing services. We established strategic collaborations with Xiaomi and Skyworth TV in 2012 to leverage on the accelerated growth of mobile internet users and smart devices in China. We further expanded into enterprise data storage services and cloud computing platform services in 2013 and established cooperative relationship with www.letao.com and www.bitauto.com. Through our product innovation and strategic collaboration with Xiaomi and smart TV producers, our registered storage services user base has increased to approximately 52 million as of 31 December 2013.

In addition, we also offer certain other internet and mobile products and services. Our in-house developed Kingsoft PowerWord is one of the most widely used dictionary software products in China. We provide Kingsoft PowerWord for individual users for free on the internet and for the Android and Apple iOS mobile systems, which enables us to continue to build on our user base.

We have experienced steady overall growth. We had revenues of RMB1,055.7 million and RMB1,095.9 million from our application software business (including internet security and office application business) and interactive entertainment businesses, in 2013, respectively, representing 48.6% and 50.4% of our total revenues, respectively. Our revenues for the years ended 31 December 2011, 2012 and 2013 was RMB1,020.5 million, RMB1,411.2 million and RMB2,173.3 million, respectively. Our net profit attributable to owners of the parent for the same periods was RMB324.7 million, RMB432.6 million and RMB670.7 million, respectively.

Our Products and Services

We organise our operations according to the “Three Plus One” model, encompassing three major existing product and service lines and a new strategic new business line:

- **Internet Security.** Information security software and web browser, provision of information security service across devices, and provision of online advertising services.
- **Office Applications.** Essential office applications, including WPS office packages for PC and mobile platforms as well as Kingsoft PowerWord.
- **Interactive Entertainment.** Development and provision of online games, mobile games and casual game services.
- **Cloud computing.** Research, development and distribution of cloud computing services.

Internet Security

Our core applications under information security software business line primarily include Duba Anti-virus, Clean Master, Battery Doctor, Cheetah Browser and Photo Grid. Duba Anti-virus is one of the leading domestically produced internet security software products in China which offers free secure content management functions, such as anti-virus, anti-spyware and anti-spam, incorporated into a single and easy-to-use platform. We aim to provide global internet and mobile users a faster, safer and easier experience. To achieve this, we have developed a platform that offers mission critical applications for our users and global content distribution channels for our business partners, both of which are powered by our proprietary cloud-based data analytics engines. For our users, our diversified suite of mission critical applications optimizes internet and mobile system performance and provides real time protection against known and unknown security threats. Our information security software business line had approximately 330 million monthly active users for all of its applications in December 2013 and its applications have been installed on 346.6 million mobile devices as of December 31, 2013. We maintain www.duba.net, a website dedicated to Duba Anti-virus, which offers online customer service, provides information regarding Duba Anti-virus and allows users to download Duba Anti-virus and communicate with other users on various topics regarding internet security. By generating a large population of viewers and users through www.duba.com, we are able to increase consumer awareness of Duba Anti-virus software and our other products and services while generating online advertising revenue.

In addition to Duba Anti-virus, we have launched a series of mission critical applications, including Clean Master, Battery Doctor, Cheetah Browser and Photo Grid. Clean Master was the fourth largest application worldwide excluding games on Google Play in terms of monthly downloads in January 2014 according to App Annie. Battery Doctor was the top one mobile utility application in China in terms of monthly active users in December 2013, according to iResearch. Cheetah Browser, integrating the functionality of both the Chromium open-source rendering engine and the Internet Explorer rendering engine, provides users with high browsing speed and secure browsing experience. Photo Grid was the third largest application in terms of monthly downloads in the Photography category worldwide on Google Play in December 2013 according to the App Annie.

We are now the largest mobile application publisher in the Google Play Tools category based on worldwide downloads in January 2014 according to App Annie and the second-largest internet security software provider in China according to iResearch in December 2013.

Office Applications

Our office application includes WPS Office (WPS) and Kingsoft PowerWord. WPS Office (WPS), is the leading brand of office software in China. With word processing, spreadsheet and presentations functions, this office suite software is compatible with Microsoft Office. Kingsoft PowerWord is the leading brand of translation software in China with the function of English translation, learning and training. Since we design such software and write our own source code, we do not have the same degree of legacy source code from prior software versions as some of our competitors, which enable our software to run smoother and occupy less memory. Accordingly, WPS Office installation package has a smaller application size than similar peer products and, as such, makes it easier and more efficient to download and install. As of 31 December 2013, our WPS Personal Edition had monthly active users of over 61 million. We released the latest version, WPS Office 2013, in May 2013, which is compatible with Windows 8 and provides improved functionality for word processing, spreadsheet and presentation. In addition, we have integrated Easy-Office feature into QWPS and WPS Office 2013 Personal Edition, which simplifies file sharing and user collaboration. The accelerated growth of mobile internet and use of smart devices in China will provide further growth opportunities for Kingsoft office application. In 2013, the global monthly active users of WPS Mobile Office exceeded approximately 34 million users. In August 2013, the Chinese State Council issued a policy requiring government agencies to use genuine software for the IPR protection, which established the long-term scheme of using genuine software. Both office and antivirus software have been put on the routine software purchase list of the Chinese government agencies. We believe this policy represents a milestone in the IPR protection history, and we will be able to benefit in the long term, especially WPS Office business. We expect to also provide cloud-based, cross platform office application services and to further improve the user experience in document editing, document reading, document conversion, file synchronisation and file sharing across devices.

Interactive Entertainment

MMORPGs

A MMORPG creates a virtual environment within which thousands of users can interact. Our games feature various styles of graphics including realistic and cartoon-style animation. Many of our games are set in ancient China and incorporate themes based on traditional Chinese literature and mythology.

As of 31 December 2013, we offered a total of 12 MMORPGs, all of which were developed in-house. We expect to launch a number of expansion packs for JX Online series and Mission Against Terror (反恐行動) in 2014 to further enhance the games experience, which could in turn stimulate and consolidate our gaming population.

Game Title	Commercial Launch
<i>Developed In-house</i>	
JX Online I 劍俠情緣一	December 2003
JX Online II 劍俠情緣二	November 2005
JX Online III 劍俠情緣三	September 2009
JX Online World 劍俠世界	June 2008
CQ 春秋Q傳	July 2007
Legend of Holy World 聖道傳奇	March 2012
Ma La Jiang Hu 麻辣江湖	June 2012
Legend of Moon 月影傳說	September 2011
The First Myth I 封神榜一	January 2005
The First Myth II 封神榜二	April 2008
The First Myth III 封神榜三	October 2010
Jiutian Myth (九天神話)	December 2013

To play our MMORPGs on home computers, users must install client-end software for the MMORPG, which can be downloaded from our various websites as well as our network of internet website partners. Users may also purchase packaged game software from certain software and online game retail stores for a nominal fee.

First-Person Shooter Games

A first-person shooter game is a video game genre centred on gun and projectile weapon-based combat from a first-person perspective. We launched our first-person shooter games Mission Against Terror (反恐行動) and Rush Team (熱血戰隊) in 2009 and 2010, respectively, which were developed by our Kingsoft Dalian Studio.

Mobile Games

We are also actively expanding and developing our mobile games, which generally tend to be less complex and easier to play than MMORPGs. In 2012, we launched our new games Pets Castle (寵物城堡) and Candy Ninja Cat (糖果忍者貓). We further released new mobile games in 2013, such as Pop of Pet (征寵) and FSZB (封神爭霸).

We believe mobile games will complement our current product portfolio and may provide us with certain benefits and opportunities not typically available through MMORPGs, such as:

- providing less-experienced online games users with a means to become familiar with both game playing and the online games culture without making substantial time and resources commitments; and
- convenient for use anytime and anywhere due to their shorter duration and reduced demand for a user's full attention for long period of time as compared to MMORPGs.

In February 2014, our subsidiary, Westhouse Holdings Limited (“**Westhouse**”) introduced Xiaomi Ventures Limited (“**Xiaomi Ventures**”), a wholly owned subsidiary of Xiaomi, as its strategic investor. Having Xiaomi as a shareholder and an important business partner, We believe our mobile game business will benefit from such cooperation in the near future.

Cloud Computing

Our cloud computing operations were commercially launched in May 2011 to provide cloud storage services, and primarily include Standard Storage Service and Kingsoft Kuaipan. In addition, we have expanded into enterprise data storage services and cloud computing platform services in 2013. Our cloud computing platform services primarily include cloud storage, cloud computing, cloud hard disk and cloud database. Cloud computing is a newer model of networked data storage where data is stored not only on the user's computer, but in virtual storage pools that are generally hosted by cloud computing services providers. We conduct data visualisation through servers hosted by third-party internet data centres.

Standard Storage Service is an online storage service designed for most internet applications, and has been used for Kingsoft's self-branded products, such as Kingsoft Kuaipan, as well as our collaborative storage applications with other companies. In order to leverage the accelerated growth of our mobile internet user base and the growing use of smart devices in China, we established strategic collaborations with Xiaomi and Skyworth TV in 2012. We further expanded into enterprise data storage services and cloud computing platform services in 2013 and established cooperative relationship with www.letao.com and www.bitauto.com. Through our product innovation and strategic collaboration with Xiaomi and smart TV producers, our storage services user base has increased to approximately 52 million as of 31 December 2013.

Kingsoft Kuaipan is a cloud computing service that we commercially released in 2011, and currently has two editions. Kingsoft Kuaipan (Individual) is a synchronized cloud computing service that is now most frequently used by mainland China users, while the Business Edition of Kingsoft Kuaipan provides business enterprises with a comprehensive and secure computing service. We have received positive market response after the release of both editions.

Internet Security Segment

Internet Security Development

We have significant experience in the in-house development of our internet security products. Substantially all of our internet security products were developed in-house. This enables us to be independent of licences and other agreements with third parties relating to the development of our products. This internal development also allows us to maintain closer technical control over our products and gives us the freedom to decide which modifications and enhancements are most important and when they should be implemented. We strive to obtain information at the earliest possible time about any changing usage patterns and hardware advances that may affect software design. Our internet security products research and development activities are primarily undertaken at our facilities in Beijing, Zhuhai, Guangzhou, Zhengzhou and Hangzhou.

We aim to provide global internet and mobile users a faster, safer and easier experience. To achieve this, we have developed a platform that offers mission critical applications for our users and global content distribution channels for our business partners, both of which are powered by our proprietary cloud-based data analytics engines. For our users, our diversified suite of mission critical applications optimizes internet and mobile system performance and provides real time protection against known and unknown security threats.

We commercially launched Duba Anti-virus in 2000 and adopted the freeware model for individual users in November 2010. We update and provide new versions of Duba Anti-virus from time to time, which are all designed to operate on Microsoft Windows and mobile operating systems. We are now the second-largest internet security software provider in China according to iResearch in December 2013.

In addition to Duba Anti-virus, we have launched a series of mission critical applications, including Clean Master, Battery Doctor, Cheetah Browser and Photo Grid. In January 2014, Clean Master was the fourth most downloaded application globally (excluding games) on Google Play, in terms of monthly downloads according to App Annie. In December 2013, Battery Doctor ranked as the top utility application in terms of monthly active users in China, according to iResearch. Cheetah Browser, integrating the functionality of both the Chromium open-source rendering engine and the Internet Explorer rendering engine, provides users with high browsing speed and secure browsing experience. Photo Grid was the third largest application in terms of monthly downloads in the Photography category worldwide on Google Play in December 2013 according to the App Annie.

Operations Management

We have a separate, dedicated team responsible for the management and development of our key internet security products. The team is responsible for the research and development, sales and marketing and customer service of the product it is assigned.

Overseas Licensing

We also licence our internet security products for distribution in Japan. We enter into multi-year licensing arrangements with certain original equipment manufacturer customers to allow them to install unlimited copies of our internet security over a period of one to three years for a fixed cash consideration or for free. During the licensing period, we are required to provide when-and-if-available upgrades, technical support and training to OEM customers.

We work with local partners in Japan to leverage their local market expertise and benefit from their close proximity to users in those markets, which is particularly important for customer service quality.

Business Model

Our Duba Anti-virus products are provided for free on the internet for individual users. With respect to sales of Duba Anti-virus to stated-owned and private enterprises and governmental or non-governmental agencies, prices are negotiated on a contract-by-contract basis.

Historically, to use our internet security products, users would need to pay the retail price to purchase it either through online or offline means. However, more recently, in line with our growth strategies described above, we began offering free internet downloads of our Duba Anti-virus software for individual users with revenue from advertising and other value-added services, supported by a growing user base. All of the other applications we have launched are also provided for free for our users. We believe free downloads for such users will increase consumer awareness of our brand and facilitate the establishment of a large user pool from which we are able to provide our other products and secure a recurring source of revenue. We maintain *www.duba.net* to sell and distribute our Duba Anti-virus software. Our shift towards an online sales and distribution system significantly reduces the risk of piracy of our internet security products and allows easier access by our users to software upgrades and other new services. This model also enables us to distribute our software directly to our users, integrate our distribution channels and reduce our packaging and distribution costs. We have also introduced our Kingsoft “passport” system, which allows users to register for internet security and online game user accounts in one common database. This system enhances our ability to cross-sell our products between our internet security products users and our online gaming users.

We have developed platform products, such as *Duba.com* personal start page, Cheetah personalized recommendation engine, game centers, mobile app stores and Kingmobi mobile advertising network, to monetize the massive user base of our internet security and other mission critical applications. Such platform products are able to provide our business partners multiple user traffic entry points and global content distribution channels capable of delivering targeted content to the population.

Our internet security segment generates revenues from our online marketing services by referring traffic from our platform to e-commerce companies and search engine providers and by selling advertisements. We share revenue with our business partners based on cost-per-time, cost-per-click or cost-per-sale for actions that originate from our platform. Our internet security segment has over 380 online marketing business partners in 2013, including major Chinese internet companies Alibaba, Baidu and Tencent.

Our internet security segment also generates revenues by providing IVAS, currently mainly from online games.

Office Application Segment

Office Application Development

We have significant experience in the development of WPS Office. We primarily develop WPS Office by ourselves. We also use authorised function developed by third parties and some open source code. This enables us to be independent of licences and other agreements with third parties relating to the development. Internal development also allows us to maintain closer technical control over our products and gives us the freedom to decide which modifications and enhancements are most important and when they should be implemented. We strive to obtain information at the earliest possible time about any changing usage patterns and hardware advances that may affect software design. Our WPS Office research and development activities are primarily undertaken at our facilities in Zhuhai and Beijing.

We began offering Kingsoft WPS Office in 1989, and introduce and update new versions of WPS Office from time to time. After Microsoft Windows was officially launched, all of our WPS Office products are designed to operate on Microsoft Windows. In addition, WPS Office can operate on the Linux platform and mobile platforms such as Android and iOS since May 2011 and February 2013, respectively.

Operations Management

We have a separate, dedicated team responsible for the management and development of Kingsoft WPS Office. The team is responsible for research and development, sales and marketing and customer service.

Overseas Licensing

We also licence Kingsoft WPS Office PC Edition for distribution in other Asian markets. We currently have licence arrangements in Hong Kong, Taiwan and Macau. We entered into multi-year licensing arrangements with certain OEM customers to allow them to install unlimited copies of Kingsoft WPS Office for mobile devices over a period of one to three years for free. During the licensing period, we are required to provide when-and-if-available upgrades, technical support and training to OEM customers.

We work with local partners in each of our overseas markets to leverage their local market expertise and benefit from their close proximity to users in those markets, which is particularly important for customer service quality.

Sales and Distribution

We sell and distribute Kingsoft WPS Office PC Edition primarily through licensing to third parties, which include sales to state-owned and private enterprises and governmental or non-governmental agencies through our distributors and direct sales. In Japan, Kingsoft WPS Office is distributed by our non-wholly owned subsidiary in Japan. In addition, our WPS Office is provided for free on the internet for individual users in China. With respect to sales of WPS Office to stated-owned and private enterprises and governmental or non-governmental agencies, prices are negotiated on a contract-by-contract basis.

We utilise our network of internet website partners to sell and distribute Kingsoft WPS Office. We offer our WPS Office product information and service support through www.wps.cn. Our shift towards an online sales and distribution system significantly reduces the risk of piracy of Kingsoft WPS Office and allows easier access by our users to software upgrades and other new services. This model also enables us to distribute our software directly to our users, integrate our distribution channels and reduce our packaging and distribution costs.

We also sell and distribute Kingsoft WPS Office through various offline channels, including sales to our distributors and distributes through bundled installations on mobile devices sold by our OEM customers, such as Lenovo, Hewlett-Packard and Haier. We work closely with our distributors to manage the flow of orders, inventory levels and sales to customers and closely monitor user feedback to identify our users' future product needs and preferences to establish research priorities for new product design and development by holding periodic meetings and conferences with selected distributors and end-users and conducting surveys with our end-users. We also work closely with them to execute marketing promotions and activities. Our agreements with these distributors are generally non-exclusive as they also distribute similar products for other vendors. We also grant exclusive selling rights to certain distributors to sell Kingsoft WPS Office in certain authorised scope. These agreements are usually for one-year terms. These distributors are independent third parties, are not within our control and are not obligated to purchase products from us.

We have a direct sales team responsible for Kingsoft WPS Office. Our direct sales team is mainly responsible for sales to small, medium and large state-owned and private enterprises and governmental or non-governmental agencies. For these customers, we sell Kingsoft WPS Office in accordance with our sales price setting system, which specifies different prices based on customers' type and their procurement scale.

Historically, to use Kingsoft WPS Office, users would need to pay the retail price to purchase it either through online or offline means. However, more recently, in line with our growth strategies, we began offering free internet downloads of our Kingsoft WPS Office for individual users with revenue from advertising and other value-added services, supported by a growing user base. We believe free downloads for such users will increase consumer awareness of our brand and facilitate the establishment of a large user pool from which we may be able to provide our other products and secure a recurring source of revenue.

Through our cooperation with Alipay and arrangements with third-party payment channel, Kingsoft WPS Office users can pay the purchase price, upgrade fees and service fees online. We maintained distribution relationships with over 220 regional distributors in China for our WPS Office in 2013.

Interactive Entertainment Segment

Game Development

For our interactive entertainment business, we have four game design studios located in Zhuhai, Beijing, Chengdu and Dalian. Each of these game design studios has a different area of focus and is responsible for the overall research, development and testing of each assigned product.

The development process of MMORPGs, from the evaluation committee's approval of a new game proposal to the commencement of closed beta testing, generally requires one to four years. Following the commercial launch of a game, we continuously implement improvements and upgrades to our games. We believe these improvements and upgrades will facilitate the development of user loyalty to our games, to online communities among users and, ultimately, to us. Increased user loyalty will increase the longevity and revenue-generating potential of our games and allow us to use our existing games to cross-sell new games in the "open beta" testing stage.

Operations Management

Our operations centres, located in Beijing and Zhuhai, are staffed with experienced operations management personnel. We have a separate, dedicated game operations management team for internal coordination of the operations of each of our games.

Overseas Licensing

We licence our in-house developed games for distribution in other markets, most of which have a similar cultural background to China. We currently have licence arrangements in Vietnam, Taiwan, Malaysia, South Korea, Thailand, Singapore, Cambodia, Indonesia and North America. Overseas licensing generates additional revenue for us and is an important way to extend the life of our existing games.

We work with local partners in each of our overseas markets to leverage their local market expertise and benefit from their close proximity to users in those markets, which is particularly important for customer service quality. We enter into licence agreements with our overseas licensees and these licence agreements contain similar terms. Pursuant to these licence agreements, the licensees are required to operate the licenced games, provide customer service, sell game points and other relevant products, pay us a periodic royalty equal to a percentage of their revenue derived from operating our games.

An up-front licensing fee is generally determined based on our management's view of each game's popularity and negotiation between the licensee and us. The up-front licence fee is usually paid in instalments and the timing of payment differs case-by-case while the periodic royalties are usually paid on a monthly or quarterly basis. In addition, we as the licensor are required to provide materials relating to the licensed game, including but not limited to logos, designs and official game guides, to the licensee and the licensee has the right to use those materials in advertisements, promotional materials and official websites. Furthermore, the licensee is not allowed to amend any of the materials provided by us without our written consent, and the retail prices of products related to the licensed game, including but not limited to game points, offered in the local market are subject to our approval. Upon request by the licensees, we will provide technical support.

Revenue Model

We sell our prepaid game cards for our online game products to the distributors which, in turn, sell them to end users, or sell prepaid online points to end users at our website or online stores. We apply a pay-to-play subscription-based model and an item-billing model on our online game services.

For the pay-to-play subscription-based model, both prepaid game cards and prepaid online points provide end users with a pre-specified length of game playing time within a specified period of time. For this revenue model, we generally set our prices based on the level of sophistication of our games and the prices of competing games in the market, and offer a variety of choices to provide users with flexibility. For the item-billing model, end users can play the game for free with limited basic functions, but have the option to purchase in-game virtual items and value-added services designed to enhance their overall game playing experience.

Sales and Distribution

We sell and distribute our prepaid game points for our online games through two principal channels: (i) our internet-based distribution system; and (ii) our offline physical card distribution system. A small fraction of our sales and distribution are conducted by telecommunication network operators and their service providers. Prices for the virtual items in our item-billing games range from RMB0.01 to RMB2,400 depending on its features and scarcity. For our pay-to-play games, we sell game cards and game point cards which allow our users to play a certain amount of time.

To encourage and facilitate direct online sales of our game points to users, beginning May 2012, we began offering online payment services by cooperating with *www.tmall.com*, an online payment service provider, with access to bank cards issued by PRC commercial banks. Since online payment systems in China are currently rapidly developing, we are working closely with commercial banks to continue to improve this payment system in order to increase our direct sales.

In 2013, approximately 93% of our game point card sales for online games were made through our internet-based distribution system, approximately 4% were made through our offline physical card distribution system and approximately 3% were made through telecommunication network operators and their service providers. As our internet-based distribution systems offer more flexibility and greater convenience to our users, we expect an increasing number of users to purchase our game points through these means.

Technology Infrastructure

We have developed an extensive technology infrastructure to support operations of our online games across China. As of 31 December 2013, our server network for our game operations consisted of over 2,589 servers, including over 1,533 game servers, with the capacity to accommodate up to over one million concurrent online users.

We own substantially all of the servers in the server network for our game operations and rent the remaining servers under either fixed or variable rate one-year leases. We have exclusive access to the data and software on the servers in our server network. In order to introduce new games into our portfolio, we believe we will need to add additional servers to service additional game users in more localities and accommodate a larger user base. In our past experience, we have generally been able to add as many additional servers as we require within a matter of several days.

Kingsoft Cloud Segment

Kingsoft Cloud Development

We began development of our cloud computing services in 2007 and commercially launched our product offerings in 2011. In addition, we have expanded into enterprise data storage services and cloud computing platform services in 2013. Our cloud computing platform services primarily include cloud storage, cloud computing, cloud hard disk and cloud database. Our cloud computing service has generally been used for our internal products and by our external business partners. We believe we have developed a strong foundation and accumulated significant in-house experience for the development of our cloud computing services. Our research and development activities for cloud computing services are primarily undertaken at our facilities in Beijing. We believe we are able to provide secure safe cloud computing services that are cost-effective for our customers.

Operations Management

We have a separate, dedicated team responsible for the management and development of our cloud computing services. This team is responsible for the research and development, sales and marketing and customer service of Kingsoft Cloud. In order to introduce new cloud related services, we believe we will need to add additional servers to service additional users in more localities and accommodate a larger user base. In our past experience, we have generally been able to add as many additional servers as we require within a matter of several days.

Sales and Distribution

We sell and distribute our cloud computing services mainly through online top-up. We offer different online top-up packages for our customers. Customers can visit our websites, www.ksyun.com, e.kuaipan.cn and www.kuaipan.cn, and purchase their preferred top-up packages online. For Kingsoft Kuaipan Business Edition, we are also recruiting sales agents to broaden our sales channels.

Customers and Marketing

The key customers of Kingsoft WPS Office are government agencies, state-owned enterprises, financial institutions and SMEs in China. The key customers of our internet security and cloud computing products and services are business enterprises and individual customers in China. We also provide interactive entertainment and online games to individual customers that are mostly located in China, but also in other Asia countries.

Sales and Marketing Activities

Our sales and marketing activities for internet security, office application and cloud computing products and services generally include:

- advertising in consumer, trade, technical and business publications;
- online advertising;

- production of brochures, sales tools and multimedia product demonstrations;
- targeted user communications through our Kingsoft websites and other media and social networking channels, such as Weibo and WeChat;
- cooperative marketing with distributors, resellers and industry partners;
- direct e-mails to existing and prospective users;
- participation in focused trade and computer shows and hosting of seminars and user group conferences; and
- primary market research to understand evolving user needs and buying behaviours.

The focus of our marketing strategy for internet security, office application and cloud computing products is an internet-focused online marketing method. We employ a variety of online marketing programs and promotional activities. For example, we have established an incentive plan for website owners, under which we pay them commissions based on the download volume of Kingsoft WPS Office from their websites. Further, our websites, such as *www.kingsoft.com*, *www.duba.com*, *www.wps.cn*, *www.ksyun.com*, *e.kuaipan.cn* and *www.kuaipan.cn*, provide an efficient platform for generating internet page views by potential users. We strive to convert such page views into trial or free users through the online promotion of our products by offering free initial downloads for the majority of our products, downloadable upgrades for certain of our internet security or WPS Office and value-added services for our online games and online customer service support. We then encourage trial and free users to convert into paying users by utilising our centralised user billing system. This centralised billing system also enables us to conduct targeted cross-selling of our internet security and online games products across our user base.

We also conduct sales and marketing activities for our in-house developed games, as well as games developed by third parties which enter into marketing and profit sharing agreements with us. Similar to our internet security, office application and cloud computing products and services, our marketing strategy for online games is an internet-based online marketing method that focuses on enhancing user experience and word-of-mouth promotion of our games across our large user base. We employ a variety of online marketing programs and promotional activities, including in-game events, in-game marketing and open beta testing to attract new users and promotions through our online game websites such as *www.xoyo.com*. In addition, we have established an incentive plan for certain website owners and operators that have entered into cross-marketing and sales arrangements with us. Under this affiliate program, we pay website owners and operators a commission for users who are directed to us through links on their websites. We also frequently organise in-game events for our users to encourage the development of virtual communities among our users, to increase user interest in our games and to introduce users to new features of our games. Moreover, we frequently post announcements in the game environment of our MMORPGs to promote in-game events, new features and other improvements to the games.

Customer Service and Support

We regard customer service as key to the success of all of our products. We are committed to providing superior quality service to our users, and we strive to achieve the fastest response times and highest customer satisfaction levels in the industry. We have a separate team of dedicated customer service staff responsible for substantially each of our internet security, WPS Office, interactive entertainment and cloud computing products and services.

For our internet security products and WPS Office, we provide service to our users through three principal channels: (i) telephone call operators, who serve our users seven to eight hours a day, five days a week; (ii) online communications with users through websites, such as *bbs.wps.cn* and in the case of our Duba Anti-virus, also through *www.duba.net*, where users may complete and submit enquiry forms; and (iii) we commit ourselves to replying to enquiries from our users within one working day, including by email reply. We engage commissioned computer services centres covering over 30 provinces and municipalities in China. These computer service centres are selected based on certain criteria and are independent third parties. We pay service commissions to them for services rendered to our users. Certain of our agents and distributors who have been trained by our customer service team also provide services to our users.

Furthermore, for our enterprise customers of internet security products and WPS Office, our customer service staff also conducts site visits and offers free installation, testing and training services. We also provide membership services, including a package of services such as data restore, remote technical support, computer maintenance and other privileges, to individual users of the Group's information security software. The individual user subscribes for membership services on a monthly basis or for a period of up to several years.

For our interactive entertainment customers, we provide customer service and player support to our users through our call centre in Chengdu, and through two principal means: (i) telephone call operators, which serve our users 24 hours a day, seven days a week; and (ii) online communications with our game masters, such as e-mail, instant messaging and blog services, which save our users long distance calling fees.

For our cloud computing service customers, we provide service to our users through three principal channels: (i) telephone call operators, who serve our users eight hours a day, five days a week; (ii) online communications with users through our website, *www.kuaipan.cn/feedback.htm* or *e.kuaipan.cn*; and (iii) for Kingsoft Kuaipan individual edition users, through *kuaipan@kingsoft.com*, and for Kingsoft Kuaipan Business Edition users, through *ekuaipan@kingsoft.com*. Users may complete and submit enquiries through both email addresses. For our enterprise customers, our customer service staff also conducts site visits and offers free testing and training services.

Suppliers

We depend on our suppliers to provide us with bandwidth and hosting services. The credit terms provided by our suppliers range from 60 days to 90 days. We typically settle our outstanding vendor invoices within 90 days from the date of the invoices. For the year ended 31 December 2013, our top five suppliers accounted for 22% of our total purchases and our single largest supplier accounted for approximately 9% of our total purchases.

Intellectual Property and Proprietary Rights

Our intellectual property rights are an essential element of our business operations. We rely on copyright, trademark, trade secret and other intellectual property law, as well as non-competition, confidentiality and licence agreements with our employees, suppliers, business partners and others to protect our intellectual property rights. Our employees are generally required to execute a standard employment contract, which includes a clause acknowledging that all inventions, trade secrets, works of authorship, developments and other processes generated by them on our behalf are our property, and assigning to us any ownership rights that they may claim in those works. Despite our precautions, it may be possible for third parties to obtain and use intellectual property that we own or licence without our consent. Unauthorised use of our intellectual property by third parties, and the expenses incurred in protecting our intellectual property rights, may adversely affect our business. Our Directors cannot quantify the impact of each incident of infringement of our intellectual property rights, but can confirm that no single incident of infringement has had a material adverse impact on our Group.

As of 31 December 2013, we were the registered owner of 404 software copyrights, each of which we have registered with the State Copyright Bureau of the PRC. As of 31 December 2013, we had 287 registered domain names, including our official website and domain names registered in connection with each of the games we offer.

As of 31 December 2013, we owned 885 trademarks registered with the China Trademark Office, including “Kingsoft” in English and Chinese, and had approximately 492 trademark applications pending with the China Trademark Office. We have also registered 133 trademarks in overseas countries or regions such as United States, United Kingdom, Taiwan, Hong Kong, Singapore, Canada, France, Germany and Japan. As of 31 December 2013, we had 170 patents for our products and have 516 product-related patent applications pending in China. In addition, as of 31 December 2013, we had seven patents for our products in the United States and Japan and have 12 product-related patents applications pending in overseas countries.

Our intellectual property agents in China and overseas generally notify us when they become aware of any infringement of our intellectual property rights in China or overseas. We have not experienced and are not aware of any material infringement of our intellectual property rights overseas.

Research and Development

The internet security, office applications, interactive entertainment and cloud computing industries are characterised by rapid technological advances, changes in consumer requirements and frequent introduction of new products, services and platforms. Strong research and development capabilities and the ability to introduce new products and services and to enhance our existing products and services on a timely basis are crucial to our success. We intend to continue expanding our research and development team and to ensure that our research and development personnel have the relevant experience to support our internet security, office application, interactive entertainment and cloud computing initiatives. Our internet security research and development activities are primarily undertaken at our facilities in Beijing, Zhuhai, Guangzhou, Zhengzhou and Hangzhou.

For our WPS Office, we have a research and development center in Zhuhai and, in 2013, we have established a new development center in Beijing. In developing WPS Office, we have been following a multiple-platform strategy, whereby we try to enable WPS Office users to modify, transfer, review and protect their documents in all of their electronic devices. In the past three years, we have developed WPS Office for mobile devices using the Android operating system, and this Android version had 32 million monthly active users as of 31 December 2013. It is also listed as the number one office software in the Google Play business sector among our competitors. In addition, in our WPS Office’s spreadsheet and presentation function, we have newly designed the chart and diagram, which are now compatible with Microsoft Office 2010. Our current WPS Office research projects include WPS Office 2013 Professional Version V9, WPS Office for Linux, WPS Office for Android Version V6 and WPS Office for Apple iOS.

For our interactive entertainment business, we have four game design studios located in Zhuhai, Beijing, Chengdu and Dalian. Each of these game design studios has a different area of focus and is responsible for the overall research, development and testing of each product that it is assigned. Our game design studios are generally responsible for the following:

- **Zhuhai.** Swordsman games (such as the JX Online series) and mobile phone games;
- **Beijing.** Mythology games, such as the First Myth (封神榜) series and mobile phone games;
- **Chengdu.** Cartoon-style games, such as CQ (春秋Q傳) and Ma La Jiang Hu (麻辣江湖); and

- **Dalian.** First-person shooter games, such as Mission Against Terror (反恐行動) and Rush Team (熱血戰隊).

We actively encourage knowledge sharing among our game design studios through formal rotation programs for our experienced game design staff. Our subsidiary, Kingsoft Guangzhou, also operates a game design studio and is developing webpage games that are targeted towards game players.

In addition, we are currently developing four MMORPGs in-house, Hu Li San Guo (狐狸三國), Mo Ri Tu Long (末日屠龍) and another two games temporarily named Liu Jie (六界) and Lie Mo Ying Xiong (獵魔英雄). In preparation for the commercial launch of each new MMORPG, we conducted “closed beta testing” of the game with a select group of users to eliminate any technical problems. During this “closed beta testing” period, we operated the game under controlled conditions with a limited user base to test the receptivity of various game features. The user feedback gained was used to update and enhance the games. The “closed beta testing” was followed by “open beta testing”, during which we operated our games under open market conditions and closely monitored the performance, consistency and stability of operational systems for the game.

For our cloud computing, our research and development is primarily undertaken at our facilities in Beijing. We focus on developing our cloud storage and computing capabilities and enhancing the stability, security and size of our storage resources. We expect to continue working closely with Xiaomi and Skyworth TV, other smart TV manufacturers, www.letao.com and www.bitauto.com and other internet companies, to develop this line of business and offer enhanced products.

As of 31 December 2013, we had approximately 2,892 employees engaged in research and development activities. Most of our software programmers and testing engineers have undergraduate and/or graduate degrees. Our research and development costs, net of government grants were RMB303.8 million, RMB385.4 million and RMB596.5 million for the years ended 31 December 2011, 2012 and 2013, respectively. These amounts represented 29.8%, 27.3% and 27.4%, respectively, of our revenue in each of those periods.

Employees

As of 31 December 2013, we employed approximately 4,163 full-time employees, inclusive of all our staff in Mainland China and overseas offices, most of whom are based at the Company’s offices in Beijing, Zhuhai, Dalian and Chengdu. In compliance with the relevant PRC labour laws, we have entered into labour contracts with all of our full-time employees in the PRC.

We enter into a standard confidentiality and non-competition agreement with all employee stock option holders. These contracts include a covenant that prohibits each employee stock option holder from engaging in any activities that compete with our business during, and for no more than two years after, the period of their employment with our Company. We believe we have maintained a good working relationship with our employees and have not experienced any significant labour disputes or any difficulty in recruiting staff for our operations.

Real Properties

Our principal executive offices are located in approximately 17,175.04 and 26,824.55 square meters of office space owned by us in Beijing Kingsoft Tower in Beijing and Zhuhai Kingsoft Tower in Zhuhai, respectively. We lease approximately 10,284 square meters of office space in Beijing, approximately 3,451.03 square meters of office space in Chengdu, approximately 4,258 square meters of office space in Dalian, approximately 1,300.42 square meters in Guangzhou and an aggregate of approximately 1,709.78 square meters in Zhengzhou, Hangzhou, Zhuhai, Shenzhen,

Wuhan, Shenyang and Shanghai. We also established offices in Japan, Malaysia, Hong Kong and the United States to support our sales and marketing activities in those countries and regions. We lease an aggregate of approximately 950, 245, 142 and 44 square meters office space in Japan, Malaysia, Hong Kong and the United States, respectively. We believe that our existing facilities are adequate for our current requirements, and we believe that additional space can be obtained on commercially reasonable terms to meet our future requirements. As of the date of this Offering Circular, our offices had a total gross floor area of approximately 66,383.82 square meters. We do not anticipate any difficulty in renewing our leases upon their expiration.

Insurance

We do not carry any property insurance, product liability insurance or any business interruption insurance except for our automobiles, the machinery damage insurance and the property insurance for our office facilities in Beijing and Zhuhai. See “Risk Factors – Risks Relating to Our Business – We do not maintain adequate property and business insurance coverage.”

Legal Proceedings

From time to time, we may initiate legal proceedings in order to protect our contractual and property rights. Our intellectual property is subject to theft and other unauthorised use, and our ability to protect our intellectual property is limited. In addition, we may be subject to claims that we have infringed the intellectual property rights of others, as well as other litigation that may arise in the ordinary course of business. Moreover, our directors, officers and senior management has been and may, from time to time, be involved in legal proceedings in the future. However, as of the date of this Offering Circular, we are not involved in any litigation which would have a material adverse effect on our business, results of operations, financial condition or this offering of Bonds. There are no material legal proceedings, regulatory inquiries or investigations pending or, to our best knowledge, threatened against us.

Recent Developments

Proposed Spin-off and Listing of Cheetah Mobile

We submitted a spin-off application to the Hong Kong Stock Exchange on 20 December 2013 pursuant to Practice Note 15 of the Listing Rules for the spin-off listing of our information security software business on the NASDAQ or NYSE. The information security software business is currently carried on by Cheetah Mobile, a company incorporated in the Cayman Islands, and its subsidiaries. On 27 January 2014, Cheetah Mobile made its initial confidential filing with the SEC for the proposed initial public offering and listing of its securities on the NASDAQ or NYSE. Subsequently on 2 April 2014 (New York Time), Cheetah Mobile made its initial public filing with the SEC for the proposed initial public offering and listing of its securities on the NASDAQ or NYSE. Electronic public filings that Cheetah Mobile made are publicly available through the SEC’s website at www.sec.gov. We believe that these activities will help us to strengthen and accelerate the execution of our mobile strategy.

Subscription of Xunlei Series E Preferred Shares by King Venture

Our wholly owned subsidiary, King Venture entered into a share purchase agreement on 3 April 2014 with Xunlei and certain of its subsidiaries as specified therein, Vantage Point Global Limited, Aiden & Jasmine Limited, Morningside China TMT Special Opportunity Fund, L.P., Morningside China TMT Fund III Co-Investment, L.P. and IDG Technology Venture Investment V, L.P. 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 of this subscription, we will own 31,939,676 Xunlei Series E Preferred Shares through King Venture, representing 29.03% of the total Xunlei Series E Preferred Shares in issue and 9.98% of the total outstanding shares of Xunlei assuming all preferred shares of Xunlei are converted into its common shares and all share options granted and to be granted under the share incentive plans of Xunlei are exercised.

If we consider it appropriate to do so, we may develop further business cooperation with Xunlei in the future.

Investors are advised to refer to our announcements published on the website of the Hong Kong Stock Exchange at <http://www.hkex.com.hk> for any future development with respect to our proposed spin-off and listing of Cheetah Mobile and subscription of Xunlei Series E Preferred Shares by King Venture after the date of this Offering Circular.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

ZHANG Hong Jiang, aged 53, is an executive director and the CEO of the Company, he is also the chief executive officer of Kingsoft Cloud, an independent subsidiary of the Company. Before joining the Company he was the chief technology officer for Microsoft Asia-Pacific Research and Development Group (ARD) and the managing director of the Microsoft Advanced Technology Center (ATC) and Microsoft Distinguished Scientist (DS). In his dual role, Dr. ZHANG led Microsoft's research and development agenda in China, including strategy, planning, R&D and incubation for products, services and solutions. Dr. ZHANG was also a member of Executive Management Committee of Microsoft (China) Limited, a committee that defines and leads Microsoft's strategy and business development in the Greater China region.

Dr. ZHANG was the deputy managing director and a founding member of Microsoft Research Asia. His outstanding leadership and achievement, illustrated by the high impact he made in academia and Microsoft's products, was critical in establishing Microsoft Research Asia into a world class basic research center in computer science, and a technology powerhouse in Microsoft, and has made him one of the 10 Microsoft Distinguished Scientists.

As a Fellow of the Institute of Electric and Electronic Engineers (IEEE) and Association of Computing Machines (ACM), Dr. ZHANG is well known in the research community for his leadership in media computing and his pioneering work in video and image content analysis and search. He was the recipient of the 2010 IEEE Computer Society Technical Achievement Award, 2012 ACM SIGMM Outstanding Technical Achievement Award, and the winner of 2008 "Asian-American Engineer of the Year" award. He holds close to 200 US and international patents, and has authored four books, and over 400 scientific papers, many of which have become classic references in their respective research areas.

Dr. ZHANG received a Ph.D. in Electrical Engineering from the Technical University of Denmark, and a Bachelor of Science degree from Zhengzhou University, China. Prior to joining Microsoft, Dr. ZHANG was a research manager at Hewlett-Packard Labs at Palo Alto, CA. He also worked at the Institute of Systems Science, National University of Singapore.

Dr. ZHANG became the CEO of the Company in October 2011 and has been an executive director of our Company since 14 December 2011.

Dr. ZHANG is also a director of certain subsidiaries of our Group.

NG Yuk Keung, aged 49, is currently an executive director and the chief financial officer of the Company. Mr. NG graduated from the University of Hong Kong with a Bachelor's degree in Social Sciences in 1988 and obtained a Master of Science degree in Global Business Management and E-commerce in 2002. Mr. NG is a professional accountant and a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and a member of the Institute of Chartered Accountants in England and Wales.

Mr. NG has more than twenty years of experience in financial management, corporate finance and merger and acquisition. Before joining the Company, Mr. NG was the Executive Director, Chief Financial Officer and Company Secretary of China NT Pharma Group Company Limited, a major pharmaceutical company listed on Hong Kong Stock Exchange (Stock Code: 1011). Mr. NG worked with PricewaterhouseCoopers for over 12 years from 1988 to 2001. From 2001 to 2003, Mr. NG was the Chief Financial Officer of International School of Beijing, an academic institution in Beijing, China. In 2003, Mr. NG joined Australian Business Lawyers, a law firm in Australia and was later appointed as a special consultant in 2004 responsible for advising on accounting matters. From

2004 to 2006, Mr. NG was the deputy Chief Financial Officer, a joint Company Secretary and the Qualified Accountant of IRICO Group Electronics Company Limited (Stock Code: 438), a company listed on Hong Kong Stock Exchange. From 2006 to 2010, Mr. NG was the Vice President and the Chief Financial Officer of China Huiyuan Juice Group Ltd. (Stock Code: 1886), a company listed on Hong Kong Stock Exchange. Mr. NG is also currently an independent non-executive director of Sany Heavy Equipment International Holdings Company Limited (Stock Code: 631), and also an independent non-executive director and the chairman of the audit committee of Beijing Capital Land Limited (Stock Code: 2868), Winsway Coking Coal Holdings Limited (Stock Code: 1733) and Zhongsheng Group Holdings Limited (Stock Code: 881), all of these companies are listed on Hong Kong Stock Exchange. From 2007 to 2011, Mr. NG was also an independent non-executive director of Xinjiang Xinxin Mining Industry Company Limited (Stock Code: 3833), a company listed on Hong Kong Stock Exchange.

Mr. NG was appointed as the chief financial officer of the Company in 2012 and became an executive director with the Company from 1 March 2013. Mr. NG is also a director of certain subsidiaries of the Company.

ZOU Tao, aged 38, is currently a senior vice president and the chief executive officer of Westhouse Holdings Limited who is responsible for the overall management of Westhouse Holdings Limited and its subsidiaries of our Group, including the research and development of online games of Westhouse Studios and also participates in major decision making of our Group's gaming business sector. Mr. ZOU graduated from Tianjin Nankai University in 1997. Mr. ZOU joined us in 1998 and was responsible for the development of our Kingsoft PowerWord. Mr. ZOU has been responsible for our entertainment software business since 2004. Mr. ZOU became a senior vice president of the Group in December 2007 and has been an executive director of our Company since August 2009.

Mr. ZOU is also a director of certain subsidiaries of our Group.

Non-executive Directors

LEI Jun, aged 44, is a non-executive Director, the Chairman of the Board, a member of the remuneration committee, and co-founder of our Company. Mr. LEI has been employed by us since 1992 and has played a key role in developing the operation of our Group and expanding our business operations. He had been our CEO since 1998, and under his leadership, we further expanded application software businesses into utilities software, Internet security software and online games. He also played a major role in transforming our Group from a traditional software company into an on demand software company which extensively utilizes the Internet. In December 2007, Mr. LEI relinquished his position as CEO, chief technology officer and president of the Company. In August 2008, Mr. LEI was re-designated from an executive director to a non-executive director. Mr. LEI was appointed as the Chairman of the Board of our Company on 5 July 2011. On 28 July 2011, Mr. LEI was appointed as the chairman of the remuneration committee of our Company and subsequently with effect from 30 March 2012, Mr. LEI ceased to be the chairman of the remuneration committee, but remains as a member of the remuneration committee. Mr. LEI is also a director of certain subsidiaries of our Group.

Mr. LEI co-found Xiaomi Corporation with other partners in 2010, and has taken the position of chairman and CEO. Mr. LEI is the chairman of YY Inc. (NASDAQ:YY) which was listed on NASDAQ in November 2012. Mr. LEI was co-founder of Joyo.com, which was founded in April 2000 and sold to Amazon.com in 2004. Mr. LEI was named "2013 Economic Influentials" by China central television CCTV.

Mr. LEI graduated from Wuhan University in 1991 with a bachelor degree in Computer Science. He has been a member of the board of Wuhan University since 2003.

Mr. LEI is also a famous angel investor in China.

KAU Pak Kwan, aged 49, was re-designated from an executive director to a non-executive director of our Company with effect from 24 October 2011. Mr. KAU has been employed by us since 1988. He graduated from National Defense University of Science and Technology in China in 1984 with a bachelor degree in Information Management Systems. Between 1984 and 1987, Mr. KAU worked at various Chinese companies as a software developer.

Mr. KAU started Kingsoft Software in 1988, and he was primarily responsible for the development of WPS 1.0 in 1988. Mr. KAU was named as one of the Top Ten Business Persons of the Year in 2000, one of the China Top Financial Figures of the Year in 2001 by CCTV, one of the Ten Most Influential Leaders in China's Games Industry at the inaugural China Game Industry Annual Conference in January 2005, and one of the Most Outstanding Entrepreneurs at 2009 China Game Industry Annual Conference held in December 2009. Mr. KAU has never held directorship in any other listed public companies. Mr. KAU was appointed as an acting CEO of the Company in December 2007. He was the CEO of the Company from May 2008 to 24 October 2011 when he resigned from the post. Mr. KAU was the Chairman of the board of our Company until 5 July 2011.

Mr KAU is also a director of certain subsidiaries of our Group.

LAU Chi Ping, aged 40, is a non-executive director and a member of the nomination committee of the Company. He is also an executive director and president of Tencent Holdings Limited ("**Tencent**") (a company listed on Hong Kong Stock Exchange, Stock Code: 700), a substantial shareholder of the Company. He joined Tencent in 2005 as a chief strategy and investment officer and was responsible for corporate strategies, investments, merger and acquisitions and investor relations. In 2006, he was promoted as president of Tencent to manage the day-to-day operation of Tencent. In 2007, he was appointed as an executive director of Tencent. Prior to Tencent, he was an executive director at Goldman Sachs (Asia) L.L.C's investment banking division and a chief operating officer of its Telecom, Media and Technology Group. Prior to that, he worked at McKinsey & Company, Inc. as a management consultant.

Mr. LAU received his Bachelor of Science Degree in Electrical Engineering from the University of Michigan, a Master of Science Degree in Electrical Engineering from Stanford University and a MBA from Kellogg Graduate School of Management, Northwestern University. Mr. LAU was appointed as a non-executive director of the Company on 28 July 2011.

Independent Non-executive Directors

LU Guangming, George, aged 49, is an independent non-executive director of our Company. He is also a member of the audit committee, the chairman of the nomination committee, and the chairman of the remuneration committee of the Company. Mr. LU graduated from Huazhong Normal University in 1984 and obtained a master degree of science from the University of Memphis in 1989.

Mr. LU founded Surfmax Corporation in November 1997, a private investment firm in the U.S. From April 2004 to December 2010, Mr. LU served as the vice chairman of Xingda International Holdings Limited (a Surfmax portfolio investment) whose shares are listed on Hong Kong Stock Exchange. Mr. LU also currently serves as the chairman of 2020 Limited. From August 2006 to October 2009, Mr. LU served as the chairman and chief executive officer of a listed acquisition company – Exceed Company Limited (a 2020 portfolio investment), whose shares were listed on NASDAQ.

Since March 2008, Mr. LU has been the Chairman and group chief executive of Acquity Group Limited (a 2020 portfolio investment), whose shares were listed on NYSE, it was acquired in 2013 by Accenture and became a part of Accenture Digital, a leading digital practice in the world.

Mr. LU joined us in April 2007.

WU Wenjie, aged 39, is an independent non-executive director, the chairman of the audit committee and the member of the remuneration committee and the nomination committee of the Company. Ms. WU has been serving as the chief strategy officer of Ctrip.com International, Ltd. (“Ctrip.com”, Stock Code: CTRP), a company listed on NASDAQ and China’s leading online travel services provider, since November 2013. Ms. WU joined Ctrip.com as deputy CFO in December 2011, then promoted to CFO in May 2012 and CSO in November 2013. Prior to joining Ctrip.com, Ms. WU was an equity research analyst covering China Internet and Media industries in Morgan Stanley Asia Limited and in Citigroup Global Markets Asia Limited from 2005 to 2011. Prior to that, Ms. WU worked for China Merchants Holdings (International) Company Limited (Stock Code: 0144), a company listed on Hong Kong Stock Exchange for three years.

Ms. WU has a Ph.D. degree in finance from the University of Hong Kong, a Master’s degree in philosophy in finance from the Hong Kong University of Science and Technology, and both a Master’s degree and a Bachelor’s degree in economics from Nan Kai University, China. Ms. WU has been a Chartered Financial Analyst (CFA) since 2004.

TANG Yuen Kwan, David, aged 59, is an independent non-executive director of our Company. He is also a member of the Audit Committee and Remuneration Committee of the Company. Mr. TANG holds a Master degree in Business Administration at the California State University, Fullerton and a Bachelor’s degree in Computer Science and Engineering at the California State University, Long Beach.

Mr. TANG has over 25 years of experience in the IT industry in the global market and in the China market in the areas of sales, marketing, business development, research and development and manufacturing. Mr. TANG is a well known business leader in China and has held various positions such as the Vice President of the European Union Chamber of Commerce in China, the Vice Chairman of the China Association of Enterprises with Foreign Investment and the Vice President of the Beijing Chamber of International Commerce. Over the years, Mr. TANG has been widely recognized in the industry and was awarded the title of “Best Professional Manager of the Decade (“十年最佳職業經理人”)” by China’s CEO & CIO magazine. Mr. TANG has been responsible for the management of businesses up to an annual sales turnover of US\$7 billion. Mr. TANG also has worked as a consultant at UCWeb and Ganji.

Mr. TANG is currently the independent director of YY. He is also the partner and the managing director of Nokia Growth Partner (“NGP”) which is a venture capital firm and he has been responsible for investment in businesses in China. Prior to joining NGP, Mr. TANG was appointed as the Corporate Senior Vice President and the President of Greater China of AMD (Greater China is the largest region of AMD with sales, marketing, research and development and manufacturing operations). During 2004 to 2010, Mr. TANG held a number of position in Nokia, including the Vice Chairman and the Vice President of Sales in Greater China. Mr. TANG was also appointed as the Chairman of Nokia Telecommunications Limited (諾基亞通信有限公司) which is a joint venture established by Nokia in China. In addition, Mr. TANG held senior positions at Apple, Inc, 3Com, DEC and AST.

Senior Management

For details on **ZHANG Hong Jiang**, **NG Yuk Keung** and **ZOU Tao**, please see “– Executive Directors”.

FU Sheng, aged 36, is currently a senior vice president and the chief executive officer of Cheetah Mobile who is responsible for the overall business of Kingsoft internet security business sector. Mr. Fu joined the Company in November 2010. Mr. Fu was the product manager of 3721 Internet Real Name and 3721 Internet Assistant, as well as the general manager of 360 Security

Guard. He was the vice president of Matrix Partners China from November 2008, and chief executive officer and chairman of Conew Network Technology (Beijing) Co., Ltd. from September 2009. Mr. Fu has become a senior vice president of the Group since March 7, 2011. Mr. Fu graduated from the faculty of Information Management and Information System in Shandong Institute of Business and Technology in 1999.

Mr. Fu is also a director of certain subsidiaries of our Group.

GE Ke, aged 41, is currently a senior vice president of the Group, and the chief executive officer of Kingsoft Application Software Holdings Limited. Mr. Ge joined us in 1999 and was appointed as the assistant to our general manager in 1999. He was the chief officer in our distribution department from 2000 to 2001. He was appointed assistant president in 2001 and had overall responsibilities for our internal operations and management. He was appointed vice president in 2002, and became a senior vice president of the Company in December 2007, in charge of overall office software business of the Company. Mr. Ge graduated from the Electronic Science and Engineering Department of Nanjing University and worked at Founder Information System Engineering Company from 1995 to 1999, focusing on software development and software sales management.

Mr. Ge is also a director of certain subsidiaries of the Group.

Overview of Corporate Governance Practices

We are committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. Our Directors, having reviewed the corporate governance practices of our Company, confirmed that we have complied with all of the applicable code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules except for code provision A.6.7 and C.1.2 of the Revised Code.

Code provision A.6.7 of the Code is regarding non-executive directors' attendance to general meetings. Non-executive directors Mr. Pak Kwan KAU and Mr. Chi Ping LAU did not attend the annual general meeting of the Company held on 23 May 2013 as they were traveling at that time due to other engagements. Non-executive directors Mr. Chi Ping LAU, and independent non-executive directors Mr. To Thomas HUI and Mr. Chuan WANG did not attend the extraordinary general meeting held on 27 February 2013 due to previously arranged engagements. Non-executive directors Mr. Pak Kwan KAU and Mr. Chi Ping LAU, and independent non-executive directors David Yuen Kwan TANG and Ms. Wenjie WU did not attend the extraordinary general meeting held on 27 June 2013 due to previously arranged engagements. Code provision C.1.2 of the Code requires management to provide all members of the board with monthly updates on the issuer's business. The management of the Company currently reports to the Board quarterly on the Group's performance, position and prospects. The Board believes that with the executive directors overseeing the daily operation of the Group and the effective communication between the executive directors, the management and the non-executive directors (including the independent non-executive directors) on the Group's affairs, the current practice is sufficient enough for the members of the Board to discharge their duties. The Board will continue to review this practice and shall make necessary changes when appropriate and report to the shareholders accordingly.

The following is a summary of work performed by the Board in determining the policy for the corporate governance of the Company during the year ended 31 December 2013:

- (1) Developed and reviewed the Company's policies and practices on corporate governance;
- (2) Reviewed and monitored the training and continuous professional development of Directors and senior management;

- (3) Reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;
- (4) Developed, reviewed and monitored the code of conduct and compliance manual applicable to employees and Directors; and
- (5) Reviewed the Company's compliance with the Code and the Revised Code and disclosure in the corporate governance report.

We will continue to review and enhance its corporate governance practices to ensure compliance with the Revised Code.

Directors' Securities Transactions

We have adopted the Model Code for Securities Transactions by Director of Listed Issuers set out in Appendix 10 of the Listing Rules (the "**Model Code**").

Specific enquiry has been made of all the Directors and each of the Directors has confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2013. The designated senior management of the Company also has adopted the Model Code.

No incident of non-compliance of the Guidelines by the employees of the Group was noted by the Company during the year ended 31 December 2013.

The Board of Directors

Responsibilities of the Board

The Board is the core function of the Company's corporate governance structure. The principal responsibilities of the Board are to set an overall framework of corporate governance within which the management conducts business and to monitor the Group's operations. The Company's overall framework of corporate governance contains many internal guidelines, internal control policies and procedures that have been formed over the years. The Board has delegated the authority and responsibility for the Group's daily management and operation to senior management of the Group which is under the supervision of the chief executive officer who reports to the Board.

The Board has formulated a clear written policy that stipulates the circumstances under which the management should report and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. The Board regularly reviews our corporate governance practices and updates them as and when appropriate.

The Board oversees specific areas affecting the interests of all shareholders including the execution of resolutions, annual budget, formulation of major decisions for operations, financial proposals and policies, the Company's management system, recommendation/declaration of dividend or other distributions, notifiable and connected transactions under the Listing Rules, recommendation on appointment or reappointment of auditors and other significant operational and financial matters.

The Board is responsible for the preparation of financial statements, so that such financial statements meet the requirements of laws and regulations and applicable accounting standards, and truly and fairly reflect the financial position, the operating results and cash flows of the Group for each reporting period. The directors also ensure the timely publication of the Group's financial statements.

Composition of the Board

The Board of directors currently comprises nine Directors with three executive directors, three non-executive directors and three independent non-executive directors. The independent non-executive Directors constitute one-third of the Board members which complies with rule 3.10A of the Listing Rules and are possessing appropriate professional qualifications or accounting or related financial management expertise. All of the independent non-executive directors of the Company act in a diligent manner to uphold the interests of the Company and the shareholders by maintaining the independence of their opinions and providing professional advice on the long-term development of the Company.

The Company has received, from each of the independent non-executive Directors, a written annual confirmation of his independence to the Company pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

Supply of and Access to Information and Resource

All directors have direct access to legal counsels. Written procedures are also in place for directors to seek, at the Company's expenses, independent professional advice in performing their duties. The Company has arranged appropriate insurance to cover the liabilities of the directors arising from corporate activities. The insurance coverage is reviewed on an annual basis. The management supplies the Board and its committees with adequate, complete and reliable information in a timely manner to enable them to make informed decisions.

Continuing Development

Every newly appointed Director of the Company has received a comprehensive, formal and tailored induction on the first occasion of his appointment, and subsequently such briefing and professional development as is necessary, to ensure that he has a proper understanding of the operations and business of the Company and that he is fully aware of his responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company.

Pursuant to the applicable code provisions as set out in the "Code", all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2013, all Directors namely, the executive Directors Mr. Hong Jiang ZHANG, Mr. Yuk Keung NG (appointed on 1 March 2013) and Mr. Tao Zou; the non-executive Directors Mr. Jun Lei, Mr. Pak Kwan Kau and Mr. Chi Ping Lau; and the independent non-executive Directors Mr. To Thomas Hui (resigned on 6 May 2013), Mr. Guangming George Lu, Mr. David Yuen Kwan TANG (appointed on 6 May 2013), Mr. Chuan Wang (resigned on 1 March 2013) and Ms. Wenjie WU (appointed on 1 March 2013) have participated in continuous professional development by attending training course or external seminars to develop and refresh their knowledge and skills in relation to their contribution to the Board.

During the year ended 31 December 2013, the company secretary of the Company ("**Company Secretary**") has taken no less than 15 hours of relevant professional training in compliance with rule 3.29 of the Listing Rules.

Board Meetings

The Board meets at least four times a year at approximately quarterly intervals to review the financial performance of the Group, internal re-organisation plans, the overall group strategy and operations with active participation of the majority of directors. Certain regular Board meetings

held during the year ended 31 December 2013 were convened with at least 14 days' notice, in compliance with code provision A.1.3 of the Revised Code. The Company adopted a flexible approach in convening Board meetings and ensuring that sufficient time and adequate information were given to directors in advance.

A regular meeting does not include the practice of obtaining Board consent through the circulation of written resolutions. For any *ad hoc* Board meetings, our directors are given as much notice as is reasonable and practicable under the circumstances. Senior management personnel are invited to attend Board meetings from time to time to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible for drafting meeting agenda and obtaining comments from all directors and approval of meeting agenda by the Chairman, preparing and circulating meeting materials that contain analysis and background information to all meeting attendees at least three days in advance, drafting minutes of meetings of the Board and Board committees and obtaining comments from all directors and approval of the meetings minutes by the Chairman. The approved meetings minutes are open for inspection by the directors within reasonable advance notice.

The articles of association of the Company (the “**Articles**”) contains provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter shall not be dealt with by way of circulation or by a committee (except an appropriate Board committee set up for that purpose pursuant to a resolution passed at a Board meeting) but a Board meeting shall be held. Independent non-executive directors who have no material interest in the transaction should be present and vote at such Board meeting.

Board Committees

The Board has established four specialised Board committees to oversee key aspects of its affairs, namely audit committee, remuneration committee, nomination committee, and strategy committee.

Written terms of reference of our audit committee, remuneration committee and nomination committee cover their respectively specific role, authority and functions, which are available on our website. The audit committee, remuneration committee and nomination committee mainly consist of the independent non-executive directors and non-executive directors.

In order to discharge their dedicated functions, each of our Board committees is provided with sufficient resources, including the provision of external advisors such as financial advisors and valuation firms, to provide professional advice as required at our cost.

Audit Committee

The Audit Committee comprises all the three independent non-executive Directors namely, Ms. WU Wenjie (chairman of the Audit Committee), Mr. LU Guangming, George and Mr. TANG Yuen Kwan, David. In compliance with rule 3.21 of the Listing Rules, Ms. WU Wenjie of the Audit Committee possesses the appropriate professional qualifications or accounting or related professional qualifications or accounting or related financial management expertise. None of the Audit Committee members is a member of the previous or existing auditors of the Company.

Remuneration Committee

The Remuneration Committee currently consists of four Directors with three of them being independent non-executive Directors, namely, Mr. LU Guangming, George (chairman of the Remuneration Committee), Ms. WU Wenjie, Mr. TANG Yuen Kwan, David and Mr. LEI Jun.

The primary duties of the Remuneration Committee mainly include assisting the Board to formulate overall remuneration policy and structure for the Company's directors and senior management personnel and establish formal and transparent procedures for developing such remuneration policy; review and determination of the terms of remuneration packages, bonuses and other compensation payable to our directors and other senior management. The remuneration policy is set to attract, motivate and retain highly performing individuals who are essential to the success of the Company. The emolument package for the executive directors, the senior managers and key personnel includes basic salary, benefits in kind, pension rights, performance bonus and incentive stock options. The non-executive directors and independent non-executive directors receive director's fees.

The basic salary and director's fees depend on individual's experience, responsibilities and relevant market rate. The bonus depends on actual performance of the Company's targets and individual performance. The awarded shares are offered to qualified employees to reward them for their high level of performance and foster loyalty with the Group. When a meeting is convened to discuss certain directors' remuneration, the directors in discussion cannot determine his own remuneration.

Nomination Committee

The Nomination Committee comprises three members, namely Mr. LU Guangming, George (chairman of the Nomination Committee), Mr. LAU Chi Ping and Ms. WU Wenjie, the majority of them are independent non-executive Directors.

The Nomination Committee is accountable to the Board and regularly reports its work. The primary duties of the Nomination Committee are mainly to lead the process for board appointments, review the structure and composition of the Board regularly, identify and nominate suitable candidates for appointment to our Board, assess the independence of our independent non-executive Directors, and make recommendations to the Board on matters relating to succession planning for Directors, particularly the Chairman and the Chief Executive Officer.

Internal Controls

Our internal control system is designed to provide reasonable assurance in safeguarding our shareholders' investment and assets, improving corporate governance and risk management, preventing and detecting fraud and irregularities, providing reliable financial information, and ensuring compliance with applicable law and regulations. The Board acknowledges its responsibility to ensure the Company to maintain a solid, complete and effective internal control system and to monitor the effective implementation of such system. The Company has established an integrated framework of internal controls which is consistent with the COSO (the Committee of Sponsoring Organizations of the Treadway Commission) framework.

DIVIDENDS

Subject to the Cayman Companies Law (as amended) of the Cayman Islands (the “**Cayman Companies Law**”) and our Articles, we may declare dividend at our general meeting but no dividends shall exceed the amount recommended by our Board of Directors. Our Board of Directors may from time to time pay such interim dividends to our members as may appear to the Board of Directors to be justified by our financial condition and our profits. No dividend shall be paid otherwise than out of our profits or with the sanction of an ordinary resolution and subject to the solvency test under the Cayman Companies Law, out of the share premium account or other fund or account which can be authorised for this purpose in accordance with the Cayman Companies Law. No dividends shall carry interest.

We paid dividends of HK\$0.10 per Share and HK\$0.11 per Share for the years ended 31 December 2011 and 2012, respectively. The Directors recommend the payment of a final dividend of HK\$0.12 per Share, which excluded the dividend related to the shares held under the Share Award Scheme. The proposed dividends are subject to shareholders’ approval at the annual general meeting to be held on 28 May 2014. We expect to pay the dividends for the year ended 31 December 2013 in June 2014.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to completion and amendment, and save for the paragraphs in italics, is the text of the Terms and Conditions of the Bonds.

The issue of the HK\$2,327,000,000 aggregate principal amount of 1.25 per cent. Convertible Bonds due 2019 (the “**Bonds**”, which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 17 and consolidated and forming a single series therewith) of Kingsoft Corporation Limited (the “**Issuer**”) and the right of conversion into Shares (as defined in Condition 6(A)(iv)) was authorised by board of directors of the Issuer on 18 March 2014. The Bonds are constituted by the trust deed ((as amended or supplemented from time to time) the “**Trust Deed**”) dated 11 April 2014 (the “**Issue Date**”) between the Issuer and Citicorp International Limited (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders (as defined below) of the Bonds. These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. The Bondholders (as defined below) are entitled to the benefit of, and are bound by, and are deemed to have notice of, all of the provisions of the Trust Deed, and are deemed to have notice of those provisions applicable to them of the paying, conversion and transfer agency agreement dated 11 April 2014 (the “**Agency Agreement**”) relating to the Bonds between the Issuer, the Trustee, Citibank, N.A., London Branch, as principal paying agent, conversion agent and transfer agent (the “**Principal Agent**”), Citigroup Global Markets Deutschland AG, as registrar (the “**Registrar**”) and the other paying agents, conversion agents and transfer agents appointed under it (each a “**Paying Agent**”, a “**Conversion Agent**”, a “**Transfer Agent**” and together with the Registrar and the Principal Agent, the “**Agents**”) and which shall, where applicable, include the Singapore Agent (as defined in Condition 7)) relating to the Bonds. References to the “**Principal Agent**”, the “**Registrar**” and the “**Agents**” below are references to the principal agent, the registrar and the agents for the time being for the Bonds.

Copies of the Trust Deed and of the Agency Agreement are available for inspection during usual business hours at the principal office for the time being of the Trustee (presently at 39/F Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong) and at the specified offices for the time being of each of the Agents.

Unless otherwise defined, terms used in these Conditions have the meanings specified in the Trust Deed. In these Conditions, “**Bondholder**” and (in relation to a Bond) “**holder**” mean the person in whose name a Bond is registered.

1 Form, Denomination and Title

(A) Form and Denomination

The Bonds are in registered form in the denomination of HK\$2,000,000 each and integral multiples of HK\$1,000,000 in excess thereof (each, an “**Authorised Denomination**”). A bond certificate (each a “**Certificate**”) will be issued to each Bondholder in respect of its registered holding of Bonds. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders (the “**Register**”) which the Issuer will procure to be kept by the Registrar.

Upon issue, the Bonds will be represented by a Global Certificate registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme. The Conditions are modified by certain provisions contained in the Global Certificate. See “The Global Certificate”.

Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.

(B) Title

Title to the Bonds will pass only by transfer and registration in the Register as described in Condition 3. The holder of any Bond will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder.

2 Status

The Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable legislation and subject to Condition 4, at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations.

3 Transfers of Bonds; Issue of Certificates

(A) Register

The Issuer will cause the Register to be kept at the specified office of the Registrar outside Hong Kong and the United Kingdom and in accordance with the terms of the Agency Agreement on which shall be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers, redemptions and conversions of the Bonds. Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

(B) Transfer

Bonds may, subject to Condition 3(E) and the terms of the Agency Agreement, be transferred in whole or in part in an Authorised Denomination by delivery of the Certificate issued in respect of that Bond, with the form of transfer on the back duly completed and signed by the holder or his attorney duly authorised in writing, to the specified office of the Registrar or any of the Transfer Agents. No transfer of a Bond will be valid unless and until entered on the Register. A Bond may be registered only in the name of, and transferred only to, a named person (or persons, not exceeding four in number).

Transfers of interests in the Bonds evidenced by the Global Certificate will be affected in accordance with the rules of the relevant clearing systems.

(C) Delivery of New Certificates

Each new Certificate to be issued upon a transfer of Bonds will, within seven business days of receipt by the Registrar or, as the case may be, any other relevant Transfer Agent of the original Certificate and the form of transfer duly completed and signed, be made available for collection at the specified office of the Registrar or such other relevant Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds (but free of charge to the holder and at the Issuer's expense) to the address specified in the form of transfer.

Except in the limited circumstances described herein (see "The Global Certificate"), owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates.

Where only some of the Bonds (being that of one or more Bonds) in respect of which a Certificate is issued is to be transferred, converted, redeemed or repurchased, a new Certificate in respect of the Bonds not so transferred, converted, redeemed or repurchased will, within seven

business days of delivery of the original Certificate to the Registrar or, as the case may be, any other relevant Transfer Agent, be made available for collection at the specified office of the Registrar or such other relevant Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred, converted, redeemed or repurchased (but free of charge to the holder and at the Issuer's expense) to the address of such holder appearing on the Register.

For the purposes of this Condition 3 and Condition 6, "**business day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for business in the city in which the specified office of the Registrar or the Transfer Agent, with whom a Certificate is deposited in connection with a transfer or conversion is located.

(D) Formalities Free of Charge

Registration of a transfer of Bonds and issuance of new Certificates will be effected without charge subject to (a) the person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith, (b) the Registrar being satisfied with the documents of title and/or identity of the person making the application and (c) such regulations as the Issuer may from time to time agree with the Registrar and the Trustee (and as initially set out in the Agency Agreement).

(E) Restricted Transfer Periods

No Bondholder may require the transfer of a Bond to be registered (a) during the period of seven days ending on (and including) the dates for payment of any principal pursuant to the Conditions (including any date of redemption pursuant to Condition 8(B) or Condition 8(C)); (b) after a Conversion Notice (as defined in Condition 6(B)(i)) has been delivered with respect to a Bond; (c) after a Relevant Event Put Exercise Notice (as defined in Condition 8(D)) or a Put Option Notice (as defined in Condition 8(E)) has been deposited in respect of such Bond pursuant to Condition 8(D) or Condition 8(E); or (e) during the period of seven days ending on (and including) any Interest Record Date (as defined in Condition 7(A)). Each such period is a "**Restricted Transfer Period**".

4 Negative Pledge

So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer 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.

In these Conditions:

"**Relevant Indebtedness**" means 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 Issuer or its Subsidiary in the ordinary course of business; and

a “**Subsidiary**” of any person 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 per cent. 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.

5 Interest

The Bonds bear interest from and including 11 April 2014 at the rate of 1.25 per cent. per annum 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 (each an “**Interest Payment Date**”). If any Interest Payment Date would otherwise fall on a day which is not a Payment Business Day (as defined in Condition 7(F)) it shall be postponed to the next day which is a Payment Business Day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding Payment Business Day. Each Bond will cease to bear interest (a) (subject to Condition 6(B)(iv)) 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 (as defined below), or if none, the Issue Date (subject in any case as provided in Condition 6(B)(iv)), or (b) where such Bond is redeemed or repaid pursuant to Condition 8 or Condition 10, from the due date for redemption or repayment thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, it will continue to bear interest at 2 per cent. per annum above the rate aforesaid (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 holder, and (y) 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). If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of twelve months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an “**Interest Period**”.

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 per cent., 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).

6 Conversion

(A) Conversion Right

- (i) *Conversion Period:* Subject as provided in these Conditions, each Bond shall entitle the holder to convert such Bond into Shares credited as fully paid (as defined in Condition 6(A)(iv)) at any time during the Conversion Period referred to below (the “**Conversion Right**”).

Subject to and upon compliance with the Conditions, the Conversion Right in respect of a Bond may be exercised, at the option of the holder thereof, at any time (subject to any applicable fiscal or other laws or regulations and as hereinafter provided) on or after 22 May 2014 to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date falling 10 days prior to the Maturity Date (as defined in Condition 8) (both days inclusive) (but, except as provided in Condition 6(A)(iii), in no event thereafter) or, if such Bond shall have been called for redemption by the Issuer 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 “**Conversion Period**”).

A Conversion Right may not be exercised (a) in respect of a Bond where the holder shall have exercised its right, by delivering or depositing the relevant notice, to require the Issuer to redeem or repurchase such Bond pursuant to Condition 8(D) or Condition 8(E) or (b) except as provided in Condition 6(A)(iii) following the giving of notice by the Trustee pursuant to Condition 10.

The price at which Shares will be issued upon exercise of a Conversion Right (the “**Conversion Price**”) will initially be HK\$43.89 per Share, but will be subject to adjustment in the circumstances described in Conditions 6(C) and 6(D).

The number of Shares to be issued on exercise of a Conversion Right shall be determined by dividing the principal amount of the Bonds to be converted by the Conversion Price in effect on the relevant Conversion Date (as defined below). A Conversion Right may only be exercised in respect of one or more Bonds. If more than one Bond held by the same holder is converted at any one time by the same holder, the number of Shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the Bonds to be converted.

- (ii) *Fractions of Shares:* Fractions of Shares will not be issued on exercise of Conversion Rights and no cash payment or other adjustment will be made in lieu thereof. However, if the Conversion Right in respect of more than one Bond is exercised at any one time such that Shares to be issued on conversion are to be registered in the same name, the number of such Shares to be issued in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds being so converted and rounded down to the nearest whole number of Shares. Notwithstanding the foregoing, in the event of a consolidation or re-classification of Shares by operation of law or otherwise occurring after 3 April 2014 which reduces the number of Shares outstanding, the Issuer will upon conversion of Bonds pay in cash in Hong Kong dollars a sum equal to such portion of the principal amount of the Bond or Bonds evidenced by the Certificate deposited in connection with the exercise of Conversion Rights, aggregated as provided in Condition 6(A)(i), as corresponds to any fraction of a Share not issued as a result of such consolidation or re-classification aforesaid, provided that such sum exceeds HK\$100. Any such sum shall be paid not later than five Stock Exchange Business Days (as defined in Condition 6(B)(i) after the relevant Conversion Date by a Hong Kong dollar cheque drawn on, or by transfer to a Hong Kong dollar account maintained by the payee with, a bank in Hong Kong, in accordance with instructions given by the relevant Bondholder in the Conversion Notice.

- (iii) *Revival and/or survival after Default*: Notwithstanding the provisions of Condition 6(A)(i), if (a) the Issuer shall default in making payment in full in respect of any Bond which shall have been called or put for redemption on the date fixed for redemption thereof; (b) any Bond has become due and payable prior to the Maturity Date by reason of the occurrence of any of the events under Condition 10; or (c) any Bond is not redeemed on the Maturity Date in accordance with Condition 8(A), the Conversion Right attaching to such Bond will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date upon which the full amount of the moneys payable in respect of such Bond has been duly received by the Principal Agent or the Trustee and notice of such receipt has been duly given to the Bondholders in accordance with Condition 11 and notwithstanding the provisions of Condition 6(A)(i), any Bond in respect of which the Certificate and Conversion Notice (as defined below) are deposited for conversion prior to such date shall be converted on the relevant Conversion Date (as defined below) notwithstanding that the full amount of the moneys payable in respect of such Bond shall have been received by the Principal Agent or the Trustee before such Conversion Date or that the Conversion Period may have expired before such Conversion Date.
- (iv) *Meaning of “Shares”*: As used in these Conditions, the expression “**Shares**” means ordinary shares of par value US\$0.0005 each of the Issuer or shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Issuer.

(B) Conversion Procedure

- (i) *Conversion Notice*: Conversion Rights may be exercised by a Bondholder during the Conversion Period by delivering the relevant Certificate to the specified office of any Conversion Agent during its usual business hours accompanied by a duly completed and signed notice of conversion (a “**Conversion Notice**”) in the form (for the time being current) obtainable from any Conversion Agent, together with (a) the relevant Certificate; and (b) certification by the Bondholder, in the form obtainable from any Conversion Agent, that any amounts required to be paid by the Bondholder under Condition 6(B)(ii) have been or (where permitted by law) will be so paid and on such other matters as may be required under the laws of the jurisdiction of incorporation of the Issuer or jurisdiction in which the specified office of such Conversion Agent is located. Conversion Rights shall be exercised subject in each case to any applicable fiscal or other laws or regulations applicable in the jurisdiction in which the specified office of the Conversion Agent to whom the relevant Conversion Notice is delivered is located.

If such delivery is made after the end of normal business hours or on a day which is not a business day in the place of the specified office of the relevant Conversion Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next following such business day.

Any determination as to whether any Conversion Notice has been duly completed and properly delivered shall be made by the relevant Conversion Agent and shall, save in the case of manifest error, be conclusive and binding on the Issuer, the Trustee, the Conversion Agents and the relevant Bondholder.

Conversion Rights may only be exercised in respect of an Authorised Denomination. A Conversion Notice, once delivered, shall be irrevocable and may not be withdrawn unless the Issuer consents in writing to such withdrawal.

The conversion date in respect of a Bond (the “**Conversion Date**”) shall be deemed to be the Stock Exchange Business Day (as defined below) immediately following the date of the surrender of the Certificate in respect of such Bond and delivery of such Conversion Notice and, if applicable, any such abovementioned certification or any payment to be made or indemnity given under these Conditions in connection with the exercise of such Conversion Right. “**Stock Exchange Business Day**” means any day (other than a Saturday or Sunday) on which the Relevant Stock Exchange (as defined in Condition 6(G) below) is open for the business of dealing in securities.

- (ii) *Stamp Duty etc.*: A Bondholder exercising Conversion Rights must pay directly to the relevant authorities any taxes and/or capital, stamp, issue and registration and transfer taxes and duties (“**Duties**”) arising on such exercise (other than any Duties payable in the Cayman Islands and Hong Kong and, if relevant, in the place of the Alternative Stock Exchange, by the Issuer in respect of the allotment and issue of Shares and listing of the Shares on the Relevant Stock Exchange on conversion, being the “**Issuer Duties**”) (the “**Taxes**”). The Issuer will pay all other expenses arising on the issue of Shares on conversion of Bonds and all charges of the Agents and the share transfer agent for the Shares (the “**Share Transfer Agent**”). The Bondholder (and, if different, the person to whom the Shares are to be issued) must declare in the relevant Conversion Notice that any amounts payable to the relevant tax authorities in settlement of Taxes payable pursuant to this Condition 6(B)(ii) have been, or (where permitted by law) will be, paid.

If the Issuer shall fail to pay any Issuer Duties, the relevant holder shall be entitled to tender and pay the same and the Issuer as a separate and independent stipulation, covenants to reimburse and indemnify each Bondholder in respect of any payment thereof and any penalties payable in respect thereof.

Such Bondholder must also pay all, if any, taxes imposed on it and arising by reference to any disposal or deemed disposal of a Bond or interest therein in connection with the exercise of Conversion Rights by it.

Neither the Trustee nor any of the Agents shall be responsible for paying any Duties, Taxes, expenses or other amounts referred to in this Condition 6(B)(ii) or for determining whether such Duties are payable or the amount thereof and shall not be responsible or liable for any failure by the Issuer or any Bondholder to pay such Duties, Taxes, expenses or other amounts.

- (iii) *Registration*: Upon exercise by a Bondholder of its Conversion Right and compliance with Conditions 6(B)(i) and 6(B)(ii) the Issuer will, as soon as practicable, and in any event not later than seven Stock Exchange Business Days after the Conversion Date, register the person or persons designated for the purpose in the Conversion Notice as holder(s) of the relevant number of Shares in the Issuer’s share register and will, if the Bondholder has also requested in the Conversion Notice and to the extent permitted under applicable law and the rules and procedures of the Central Clearing and Settlement System of Hong Kong (“**CCASS**”) effective from time to time, take all necessary action to procure that Shares are delivered through CCASS for so long as the Shares are listed on the HKSE; or will make such certificate or certificates available for collection at the office of the Issuer’s share registrar in Hong Kong (currently Computershare Hong Kong Investor Services Limited) notified to Bondholders in accordance with Condition 11 or, if so requested in the relevant Conversion Notice, will cause its share registrar to mail (at the risk, and, if sent at the request of such person otherwise than by ordinary mail, at the expense, of the person to whom such certificate or certificates are sent) such certificate or certificates to the person and at the place specified in the Conversion Notice, together (in either case) with any other securities, property or cash required to

be delivered upon conversion and such assignments and other documents (if any) as may be required by law to effect the transfer thereof, in which case a single share certificate will be issued in respect of all Shares issued on conversion of Bonds subject to the same Conversion Notice and which are to be registered in the same name.

The delivery of the Shares to the converting Bondholder (or such person or persons designated in the relevant Conversion Notice) in the manner contemplated above in this Condition 6(B)(iii) will be deemed to satisfy the Issuer's obligation to pay the principal and premium (if any) on such converted Bonds.

If the Conversion Date in relation to the conversion of any Bond shall be after the record date for any issue, distribution, grant, offer or other event as gives rise to the adjustment of the Conversion Price pursuant to Condition 6(C), but before the relevant adjustment becomes effective (the "**Relevant Effective Date**") under the relevant Condition (a "**Retroactive Adjustment**"), upon the relevant adjustment becoming effective the Issuer shall procure the issue to the converting Bondholder (or in accordance with the instructions contained in the Conversion Notice (subject to applicable exchange control or other laws or other regulations)), such additional number of Shares ("**Additional Shares**") as is, together with Shares to be issued on conversion of the Bond(s), equal to the number of Shares which would have been required to be issued on conversion of such Bond if the relevant adjustment to the Conversion Price had been made and become effective on or immediately after the relevant record date and in such event and in respect of such Additional Shares references in this Condition 6(B)(iii) to the Conversion Date shall be deemed to refer to the Relevant Effective Date (notwithstanding that the Relevant Effective Date falls after the end of the Conversion Period).

The person or persons specified for that purpose in the Conversion Notice will become the holder of record of the number of Shares issuable upon conversion with effect from the date he is or they are registered as such in the Issuer's register of members (the "**Registration Date**").

The Shares issued upon exercise of Conversion Rights will be fully paid and will in all respects rank *pari passu* with the fully paid Shares in issue on the relevant Registration Date except for any right excluded by mandatory provisions of applicable law and except that such Shares will not rank for (or, as the case may be, the relevant holder shall not be entitled to receive) any rights, distributions or payments the record or other due date for the establishment of entitlement for which falls prior to the relevant Registration Date.

If the record date for the payment of any dividend or other distribution in respect of the Shares is on or after the Conversion Date in respect of any Bond, but before the Registration Date (disregarding any Retroactive Adjustment of the Conversion Price referred to in this Condition 6(B)(iii) prior to the time such Retroactive Adjustment shall have become effective), the Issuer will calculate and pay to the converting Bondholder or his designee an amount in Hong Kong dollars (the "**Equivalent Amount**") equal to the Fair Market Value (as defined below) of such dividend or other distribution to which he would have been entitled had he on that record date been such a shareholder of record and will make the payment at the same time as it makes payment of the dividend or other distribution, or as soon as practicable thereafter, but, in any event, not later than seven days thereafter. The Equivalent Amount shall be paid by a Hong Kong dollar cheque drawn on, or by transfer to a Hong Kong dollar account maintained by the payee with, a bank in Hong Kong, in accordance with instructions given by the relevant Bondholder in the Conversion Notice.

- (iv) *Interest Accrual*: If any notice requiring the redemption of any Bonds is given pursuant to Condition 8(B) or Condition 8(C) on or after the fifteenth Hong Kong business day prior to a record date which has occurred since the last Interest Payment Date (or in the case of the first Interest Period, since the Issue Date) in respect of any dividend or distribution payable in respect of the Shares where such notice specifies a date for redemption falling on or prior to the date which is 14 days after the Interest Payment Date next following such record date, interest shall (subject as hereinafter provided) accrue on Bonds in respect of which Conversion Rights shall have been exercised and in respect of which the Conversion Date falls after such record date and on or prior to the Interest Payment Date next following such record date in each case from and including the preceding Interest Payment Date (or, if such Conversion Date falls before the first Interest Payment Date, from, and including, the Issue Date) to, but excluding, such Conversion Date; provided that no such interest shall accrue on any Bond in the event that the Shares issued on conversion thereof shall carry an entitlement to receive such dividend or distribution or in the event the Bond carries an entitlement to receive an Equivalent Amount. Any such interest shall be paid not later than 14 days after the relevant Conversion Date by a Hong Kong dollar cheque drawn on, or by transfer to a Hong Kong dollar account maintained by the payee with, a bank in Hong Kong, in accordance with instructions given by the relevant Bondholder in the Conversion Notice.

(C) Adjustments to Conversion Price

The Conversion Price will be subject to adjustment as follows:

- (1) **Consolidation, Subdivision or Reclassification**: If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

Where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

(2) **Capitalisation of Profits or Reserves**:

- (i) If and whenever the Issuer shall issue any Shares credited as fully paid to the holders of Shares (“**Shareholders**”) by way of capitalisation of profits or reserves including, Shares paid up out of distributable profits or reserves and/or share premium account (except any Scrip Dividend) and which would not have constituted a Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

Where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

(ii) In the case of an issue of Shares by way of a Scrip Dividend where 95 per cent. of the Current Market Price on the date of announcement of the terms of such issue of Shares multiplied by the number of Shares issued exceeds the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A is the aggregate nominal amount of the issued Shares immediately before such issue;

B is the aggregate nominal amount of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend and (ii) the denominator is such Current Market Price of the Shares issued by way of Scrip Dividend in respect of each existing Share in lieu of the whole, or the relevant part, of the Relevant Cash Dividend; and

C is the aggregate nominal amount of Shares issued by way of such Scrip Dividend;

or by making such other adjustment as an Independent Investment Bank shall certify to the Trustee is fair and reasonable.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

- (3) **Distributions:** If and whenever the Issuer shall pay or make any Distribution to the Shareholders (except to the extent that the Conversion Price falls to be adjusted under Condition 6(C)(2) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price of one Share on the date on which the Distribution is publicly announced; and
- B is the Fair Market Value on the date of such announcement of the portion of the Distribution attributable to one Share.

Such adjustment shall become effective on the date that such Distribution is actually made or if a record date is fixed therefor, immediately after such record date. In making any calculation pursuant to this Condition 6(C)(3), such adjustments (if any) shall be made as an Independent Investment Bank may consider appropriate to reflect (a) any consolidation or subdivision of the Shares, (b) issues of Shares by way of capitalisation of profits or reserves, or any like or similar event, (c) the modification of any rights to dividends of Shares or (d) any change in the fiscal year of the Issuer.

- (4) **Rights Issues of Shares or Options over Shares:** If and whenever the Issuer shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case at less than 95 per cent. of the Current Market Price per Share on the date of the announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the number of Shares in issue immediately before such announcement;
- B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Shares comprised therein would subscribe for, purchase or otherwise acquire at such Current Market Price per Share; and
- C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be.

- (5) **Rights Issues of Other Securities:** If and whenever the Issuer shall issue any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price of one Share on the date on which such issue or grant is publicly announced; and
- B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or the issue or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be.

- (6) **Issues at less than Current Market Price:** If and whenever the Issuer shall issue (otherwise than as mentioned in Condition 6(C)(4) above) any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) and, for the avoidance of doubt, other than Shares issued on the exercise of the right of conversion under the 3.00 per cent. convertible bonds due 2018 issued by the Issuer on or about 23 July 2013 in accordance with their terms) or issue or grant (otherwise than as mentioned in Condition 6(C)(4) above) options, warrants or other rights (other than the Conversion Rights under the Bonds, which excludes any further bonds issued pursuant to Condition 17) to subscribe for, purchase or otherwise acquire Shares in each case at a price per Share which is less than 95 per cent. of the Current Market Price on the date of announcement of the terms of such issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{C}$$

Where:

- A is the number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares;
- B is the number of Shares which the aggregate consideration (if any) receivable for the issue of such additional Shares would purchase at such Current Market Price per Share; and
- C is the number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue by the Issuer of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue or grant of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue or grant of such options, warrants or other rights.

(7) **Other Issues at less than Current Market Price:** Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this Condition 6(C)(7), if and whenever the Issuer or any of its Subsidiaries (otherwise than as mentioned in Condition 6(C)(4), 6(C)(5) or 6(C)(6)), or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its Subsidiaries) any other company, person or entity shall issue any securities (other than the Bonds, which excludes any further bonds issued pursuant to Condition 17) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Issuer upon conversion, exchange or subscription at a consideration per Share which is less than 95 per cent. the Current Market Price on the date of announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the number of Shares in issue immediately before such issue;
- B is the number of Shares which the aggregate consideration receivable by the Issuer for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and
- C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities.

- (8) **Modification of Rights of Conversion etc.:** If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in Condition 6(C)(7) (other than in accordance with the terms of such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is reduced and is less than 95 per cent. of the Current Market Price on the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price of one Share on the date on which such modification is announced; and
- B is the difference between the Fair Market Value of the modification on a per Share basis on the date of such announcement and the consideration received for the modification on a per Share basis of such modification.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

- (9) **Other Offers to Shareholders:** If and whenever the Issuer or any of its Subsidiaries or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its Subsidiaries) any other company, person or entity issues, sells or distributes any securities in connection with an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under Condition 6(C)(4), Condition 6(C)(5), Condition 6(C)(6) or Condition 6(C)(7)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price of one Share on the date on which such issue is publicly announced; and
- B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue, sale or delivery of the securities.

(10) **Other Events:** If the Issuer determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this Condition 6, the Issuer shall, at its own expense, consult an Independent Investment Bank to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination by the Independent Investment Bank such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that where the events or circumstances giving rise to any adjustment pursuant to this Condition 6 have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of events or circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 6 as may be advised by the Independent Investment Bank to be in its opinion appropriate to give the intended result. Notwithstanding the foregoing, the per Share value of any such adjustment shall not exceed the per Share value of the dilution in the Shareholders' interest in the Issuer's equity caused by such events or circumstances.

(D) Adjustment upon Change of Control

If a Change of Control (as defined below) shall occur, the Issuer shall give notice of that fact to the Bondholders (the "**Change of Control Notice**") in accordance with Condition 11 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 Bondholders (such period, the "**Change of Control Conversion Period**"), the Conversion Price shall be adjusted in accordance with the following formula:

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

where:

"NCP" means the new Conversion Price.

"OCP" means the Conversion Price in effect on the relevant Conversion Date.

"CP" means 40 per cent. 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 Issue Date to but excluding the Maturity Date,

provided that the Conversion Price shall not be reduced pursuant to this Condition 6(D) below the level permitted by applicable laws and regulations from time to time (if any), and, for the avoidance of doubt, no adjustment under this Condition 6(D) 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.

If the last day of a Change of Control Conversion Period shall fall during the period of seven days ending on (and including) any Interest Record Date (as defined in Condition 7(A)), the Change of Control Conversion Period shall be extended such that its last day will be the fifteenth day following the last day of such 7-day period.

For the purposes of Conditions 6(D) and 8(D):

“**Control**” means the acquisition or control of more than 50 per cent. of the Voting Rights of the issued share capital of the Issuer or the right to appoint and/or remove all or the majority of the members of the Issuer’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;

a “**Change of Control**” occurs when:

- (i) any person or persons (other than Mr. Jun Lei, Mr. Pak Kwan Kau and Mr. Shuen Lung Cheung) acting together acquires Control of the Issuer if such person or persons does not or do not have, and would not be deemed to have, Control of the Issuer on the Issue Date; or
- (ii) 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 Issuer;

a “**person**” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Issuer’s board of directors or any other governing board and does not include the Issuer’s wholly-owned direct or indirect Subsidiaries; and

“**Voting Rights**” means the right generally to vote at a general meeting of shareholders of the Issuer.

(E) Undertakings

The Issuer has undertaken in the Trust Deed, inter alia, that so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders or with the approval of the Trustee where, in the opinion of the Trustee, it is not materially prejudicial to the interests of Bondholders to give such approval:

- (i) it will use all reasonable endeavours (a) to maintain a listing for all the issued Shares on the HKSE (as defined in Condition 6(G)), and (b) to obtain and maintain a listing for all the Shares issued on the exercise of the Conversion Rights on the HKSE, and (c) if the Issuer is unable to obtain or maintain such listing, to use all reasonable endeavours to obtain and maintain a listing for all the issued Shares on an Alternative Stock Exchange as the Issuer may from time to time determine (with the prior written consent of the Trustee) and will forthwith give notice to the Bondholders in accordance with Condition 11 of the listing or delisting of the Shares (as a class) by any of such stock exchange;
- (ii) it will use all reasonable endeavours to maintain the listing of the Bonds on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) and if the Issuer is unable to maintain such listing or such listing is unduly onerous, to use all reasonable endeavours to obtain and maintain a listing on another internationally recognised stock exchange as the Issuer may from time to time determine (with the prior written consent of the Trustee) and will forthwith give notice to the Bondholders in accordance with Condition 11 of the listing or delisting of the Bonds by any such stock exchange;

- (iii) it will pay the expenses of the issue of, and all expenses of obtaining listing for, Shares arising on conversion of the Bonds (save for the Taxes specified in Condition 6(B)(ii)); and
- (iv) it will not make any reduction of its ordinary share capital or any uncalled liability in respect thereof or of any share premium account or capital redemption reserve fund except, in each case, where the reduction is permitted by applicable law and results in (or would, but for the provision of these Conditions relating to rounding or the carry forward of adjustments, result in) an adjustment to the Conversion Price or is otherwise taken into account for the purposes of determining whether such an adjustment should be made provided always that the Issuer shall not be prohibited from purchasing its Shares to the extent permitted by law.

In the Trust Deed, the Issuer has also undertaken with the Trustee that so long as any Bond remains outstanding:

- (i) it will reserve, free from any other pre-emptive or other similar rights, out of its authorised but unissued ordinary share capital the full number of Shares liable to be issued on conversion of the Bonds from time to time remaining outstanding and shall ensure that all Shares delivered on conversion of the Bonds will be duly and validly issued as fully-paid; and
- (ii) it will not make any offer, issue, grant or distribute or take any action the effect of which would be to reduce the Conversion Price below the par value of the Shares of the Issuer, provided always that the Issuer shall not be prohibited from purchasing its Shares to the extent permitted by law.

The Issuer has also given certain other undertakings in the Trust Deed for the protection of the Conversion Rights.

(F) Provisions Relating to Changes in Conversion Price

- (i) *Minor adjustments:* On any adjustment, the resultant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the Conversion Price if such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made. Notice of any adjustment shall be given by the Issuer to Bondholders in accordance with Condition 11 and to the Trustee promptly after the determination thereof.
- (ii) *Decision of an Independent Investment Bank:* If any doubt shall arise as to whether an adjustment falls to be made to the Conversion Price or as to how an adjustment to the Conversion Price under Condition 6(C) should be made, and following consultation between the Issuer and an Independent Investment Bank, a written opinion of such Independent Investment Bank in respect thereof shall be conclusive and binding on the Issuer, the Bondholders and the Trustee, save in the case of manifest error. Notwithstanding the foregoing, the per Share value of any such adjustment shall not exceed the per Share value of the dilution in the Shareholders' interest in the Issuer's equity caused by such events or circumstances.

- (iii) *Minimum Conversion Price*: Notwithstanding the provisions of this Condition 6, the Issuer undertakes that: (a) the Conversion Price shall not in any event be reduced to below the nominal or par value of the Shares as a result of any adjustment hereunder unless under applicable law then in effect the Bonds may be converted at such reduced Conversion Price into legally issued, fully paid and non-assessable Shares; and (b) it shall not take any action, and shall procure that no action is taken, that would otherwise result in an adjustment to the Conversion Price to below such nominal or par value or any minimum level permitted by applicable laws or regulations.
- (iv) *Reference to “fixed”*: Any references herein to the date on which a consideration is “fixed” shall, where the consideration is originally expressed by reference to a formula which cannot be expressed as an actual cash amount until a later date, be construed as a reference to the first day on which such actual cash amount can be ascertained.
- (v) *Multiple events*: Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of an Independent Investment Bank, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such Independent Investment Bank to be in its opinion appropriate in order to give such intended result.
- (vi) *Upward/downward adjustment*: No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation or re-classification of the Shares as referred to in Condition 6(C)(1) above. The Issuer may at any time and for a specified period of time only, following notice being given to the Trustee and the Bondholders in accordance with Condition 11, reduce the Conversion Price, subject to Condition 6(F)(iii).
- (vii) *Trustee not obliged to Monitor*: Neither the Trustee nor any Agent shall be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price or to make any calculation (or verification thereof) in connection with the Conversion Price and will not be responsible to Bondholders for any loss arising from any failure by it to do so or for any delay by the Issuer in making a determination or any erroneous determination in connection with the Conversion Price.
- (viii) *Notice of Change in Conversion Price*: The Issuer shall give notice to the Bondholders in accordance with Condition 11 and, for so long as the Bonds are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, the Issuer shall also give notice to the Singapore Stock Exchange, of any change in the Conversion Price. Any such notice relating to a change in the Conversion Price shall set forth the event giving rise to the adjustment, the Conversion Price prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.
- (ix) *Share Scheme Shares/Options*: Notwithstanding any provision in this Condition 6, no adjustment will be made to the Conversion Price when Shares or other securities (including rights or options) are issued, offered, exercised, allotted or granted to, or for the benefit of, among others, employees and/or former employees (including directors and/or former directors) of the Issuer or any Subsidiary pursuant to any share option scheme, share award scheme, restricted share scheme or employee incentive plan (“**Share Scheme Shares/Options**”) unless any grant or issue of Share Scheme Shares/Options (which, but for this provision, would have required adjustment pursuant to Condition 6) would result in the total number of Shares which may be issued upon

exercise of such Share Scheme Shares/Options granted during any 12-month period up to and including the date of such grant representing, in aggregate, over three per cent. of the average number of issued and outstanding Shares during such 12-month period, in which case only such portion of the grant or issue of Share Scheme Shares/Options that exceeds three per cent. of the average number of issued and outstanding Shares during the relevant 12-month period shall be taken into account in determining adjustment of the Conversion Price pursuant to Condition 6.

(G) Definitions

For the purposes of these Conditions:

“**Alternative Stock Exchange**” means at any time, in the case of the Shares, if they are not at that time listed and traded on the HKSE, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in;

“**Closing Price**” means, in respect of a Share for any Trading Day, the closing market price quoted by the HKSE or, as the case may be, the Alternative Stock Exchange for such Trading Day;

“**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 ending on and including the Trading Day immediately preceding such date; provided that if at any time during such five Trading Day period the Volume Weighted Average Price shall have been based on a price ex-dividend (or ex-any other entitlement) and during some other part of that period the Volume Weighted Average Price shall have been based on a price cum-dividend (or cum-any other entitlement) then:

- (a) if the Shares to be issued or transferred and delivered do not rank for the dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Shares shall have been based on a price cum-dividend (or cum-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or entitlement per Share; or
- (b) if the Shares to be issued or transferred and delivered rank for the dividend or entitlement in question, the Volume Weighted Average Price on the dates on which the Shares shall have been based on a price ex-dividend (or ex-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by the Fair Market Value of any such dividend or entitlement per Share;

and provided that if on each of the said five Trading Days the Volume Weighted Average Price shall have been based on a price cum-dividend (or cum-any other entitlement) in respect of a dividend (or other entitlement) which has been declared or announced but the Shares to be issued or transferred and delivered do not rank for that dividend (or other entitlement), the Volume Weighted Average Price on each of such dates shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or entitlement per Share;

“**Distribution**” means, on a per Share basis, (i) any distribution of assets in specie by the Issuer for any financial period whenever paid or made and however described (and for these purposes a distribution of assets in specie includes without limitation an issue of Shares or other securities credited as fully or partly paid (other than Shares credited as fully paid) by

way of capitalisation of reserves, but excludes a Scrip Dividend adjusted for under (ii)); and (ii) any cash dividend or distribution (including, without limitation, a Scrip Dividend) of any kind by the Issuer for any financial period (whenever paid and however described) unless it comprises a purchase or redemption of Shares by or on behalf of the Issuer (or a purchase of Shares by or on behalf of a Subsidiary of the Issuer) where the average purchase or redemption price (before expenses) on any one day in respect of such purchases or redemptions does not exceed 105 per cent. of the Current Market Price (provided that for this purpose, references to “Volume Weighted Average Price” in the definition of “Current Market Price” shall become “Closing Price”) of the Shares on that day;

“**Fair Market Value**” means, with respect to any asset, security, option, warrant or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Investment Bank, provided that (i) the fair market value of a cash dividend paid or to be paid per Share shall be the amount of such cash dividend per Share determined as at the date of announcement of such dividend; (ii) where options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such Independent Investment Bank) the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five trading days on the relevant market commencing on the first such trading day such options, warrants or other rights are publicly traded;

“**HKSE**” means The Stock Exchange of Hong Kong Limited;

“**Independent Investment Bank**” means an independent investment bank of international repute (acting as an expert) selected by the Issuer and notified in writing to the Trustee. If the Company fails to select an Independent Investment Bank when required by the Conditions, the Trustee may (at its absolute discretion) (but shall not be obliged to) select the Independent Investment Bank;

“**Relevant Cash Dividend**” means the aggregate cash dividend or distribution declared by the Issuer, including any cash dividend in respect of which there is any Scrip Dividend;

“**Relevant Stock Exchange**” means at any time, in respect of the Shares, the HKSE or the Alternative Stock Exchange;

“**Scrip Dividend**” means any Shares issued in lieu of the whole or any part of any Relevant Cash Dividend being a dividend which the Shareholders concerned would or could otherwise have received (and for the avoidance of doubt, to the extent that an adjustment is made under Condition 6(C)(3) in respect of the Relevant Cash Dividend, no adjustment is to be made for the amount by which the Current Market Price of the Shares exceeds the Relevant Cash Dividend or part thereof for which an adjustment is already made under Condition 6(C)(2)(ii));

“**Trading Day**” means a day when the Hong Kong Stock Exchange or, as the case may be an Alternative Stock Exchange, is open for dealing business, provided that if no closing price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of dealing days; and

“**Volume Weighted Average Price**” means, 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.

References to any issue or offer or grant to Shareholders “as a class” or “by way of rights” shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders, other than Shareholders by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

7 Payments

(A) Method of Payment

Payment of principal and interest due other than on an Interest Payment Date will be made by transfer to the registered account of the Bondholder or by Hong Kong dollar cheque drawn on a bank in Hong Kong mailed to the registered address of the Bondholder if it does not have a registered account. Such payment will only be made after surrender of the relevant Certificate at the specified office of any of the Agents.

Interest on Bonds due on an Interest Payment Date will be paid on the due date for the payment of interest to the holder shown on the Register at the close of business on the fifteenth day before the due date for the payment of interest (the “**Interest Record Date**”). Payments of interest on each Bond will be made by transfer to the registered account of the Bondholder or by Hong Kong dollar cheque drawn on a bank in Hong Kong mailed to the registered address of the Bondholder if it does not have a registered account.

If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

(B) Registered Accounts

For the purposes of this Condition 7, a Bondholder’s registered account means the Hong Kong dollar account maintained by or on behalf of it with a bank in Hong Kong, details of which appear on the Register at the close of business on the second Payment Business Day (as defined below) before the due date for payment, and a Bondholder’s registered address means its address appearing on the Register at that time.

(C) Fiscal Laws

All payments are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

(D) Payment Initiation

Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a Payment Business Day (as defined below in Condition 7(F)), for value on the first following day which is a Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder) on the due date for payment (or, if it is not a Payment Business Day, the immediately following Payment Business Day) or, in the case of a payment of principal and interest due other than on an Interest Payment Date, if later, on the Payment Business Day on which the relevant Certificate is surrendered at the specified office of an Agent.

(E) Delay In Payment

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day, if the Bondholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

(F) Payment Business Day

In this Condition 7, “**Payment Business Day**” means a day other than a Saturday or Sunday on which commercial banks are open for business in Hong Kong and the city in which the specified office of the Principal Agent is located and, in the case of the surrender of a Certificate, in the place where the Certificate is surrendered.

(G) Agents

The initial Agents and their initial specified offices are listed below. The Issuer reserves the right at any time, with the prior written approval of the Trustee, to vary or terminate the appointment of any Agent and appoint additional or replacement Agents provided that it will maintain (i) a Principal Agent, (ii) an Agent having a specified office in Singapore where the Bonds may be presented or surrendered for payment or redemption, so long as the Bonds are listed on the SGX-ST and the rules of that exchange so require (and such agent in Singapore shall be a Paying Agent, Transfer Agent and Conversion Agent and shall be referred to in these terms and conditions as the “**Singapore Agent**”) and (iii) if requested by the Trustee, a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000, and (iv) a Registrar with a specified office outside Hong Kong and the United Kingdom. Notice of any changes in any Agent or their specified offices will promptly be given to the Bondholders.

So long as the Bonds are listed on the SGX-ST and the rules of that exchange so require, in the event that the Global Certificate is exchanged for definitive Certificates, the Issuer shall appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption. In addition, in the event that the Global Certificate is exchanged for definitive Certificates, announcement of such exchange shall be made through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates, including details of the Singapore agent.

8 Redemption, Purchase and Cancellation

(A) Maturity

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Issuer will redeem each Bond at its principal amount together with accrued and unpaid interest thereon on 11 April 2019 (the “**Maturity Date**”). The Issuer may not redeem the Bonds at its option prior to that date except as provided in Condition 8(B) or Condition 8(C) (but without prejudice to Condition 10).

(B) Redemption for Taxation Reasons

The Bonds may be redeemed, at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Bondholders in accordance with Condition 11 (which notice shall be irrevocable), on the date specified in the Tax Redemption Notice for redemption (the "**Tax Redemption Date**") at their principal amount as at such date together with interest accrued to such date (if any), if (a) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of the 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 (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due. Prior to the publication of any Tax Redemption Notice pursuant to this Condition 8(B), the Issuer shall deliver to the Trustee a certificate signed by two directors of the Issuer stating that the obligation referred to in (a) above of this Condition 8(B) cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (b) above of this Condition 8(B), in which event it shall be conclusive and binding on the Bondholders.

On the Tax Redemption Date, the Issuer (subject to the following paragraph of this Condition 8(B)) shall redeem the Bonds at their principal amount, together with interest accrued to the Tax Redemption Date (if any).

If the Issuer issues a Tax Redemption Notice, each Bondholder will have the right to elect that his Bond(s) shall not be redeemed and that the provisions of Condition 9 shall not apply in respect of any payment to be made in respect of such Bond(s) which falls due after the relevant Tax Redemption Date, whereupon no Additional Tax Amounts shall be payable in respect thereof pursuant to Condition 9 and payment of all amounts shall be made subject to the deduction of withholding of any taxation required to be withheld or deducted. To exercise such a right, the relevant Bondholder must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of election, in the form for the time being current, obtainable from the specified office of any Paying Agent (the "**Tax Option Exercise Notice**") together with the Certificate evidencing the Bonds to be redeemed, on or before the day falling 10 days prior to the Tax Redemption Date. A Tax Option Exercise Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's consent.

(C) Redemption at the Option of the Issuer

On giving not less than 30 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the Trustee and the Bondholders in accordance with Condition 11, the Bonds may be redeemed by the Issuer in whole, but not in part, on the date (the "**Option Redemption Date**") specified in the Option Redemption Notice at their principal amount together with interest accrued to such date (if any):

- (i) at any time after 11 April 2017, provided that the daily Volume Weighted Average Price of a Share, for 20 out of the 30 consecutive Trading Days immediately prior to the date upon which the Optional Redemption Notice is given was at least 130 per cent. 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 the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 90 per cent. or more in principal amount of the Bonds originally issued.

(D) Redemption for Relevant Event

Following the occurrence of a Relevant Event (as defined below), the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of such holder's Bonds on the Relevant Event Put Date at their principal amount together with interest accrued to such date (if any). To exercise such right, the holder of the relevant Bond must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "**Relevant Event Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed by not later than 60 days following a Relevant Event, or, if later, 60 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 11. The "**Relevant Event Put Date**" shall be the fourteenth day after the expiry of such period of 60 days as referred to above.

A Relevant Event Put Exercise Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's consent. The Issuer shall redeem the Bonds the subject of the Relevant Event Put Exercise Notice (subject to delivery of the relevant Certificate as aforesaid) on the Relevant Event Put Date.

Within 20 days of the occurrence of a Relevant Event, the Issuer shall give notice thereof to the Trustee and to the Bondholders in accordance with Condition 11. The notice regarding the Relevant Event shall contain a statement informing Bondholders of their entitlement to exercise their Conversion Rights as provided in these Conditions and their entitlement to exercise their rights to require redemption of their Bonds pursuant to this Condition. Such Notice shall also specify: (a) the date of such Relevant Event and, all information material to Bondholders concerning the Relevant Event; (b) the Relevant Event Put Date; (c) the last date by which a Relevant Event Put Exercise Notice must be given; (d) the adjusted Conversion Price pursuant to Condition 6(D) if applicable; (e) the procedures that Bondholders must follow and the requirements that Bondholders must satisfy in order to exercise the Relevant Event Put Right or Conversion Right; and (f) the information required by Condition 8(H).

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether a Relevant Event or any event which could lead to a Relevant Event has occurred or may occur.

For the purposes of this Condition 8(D):

"Relevant Event" 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 (a "**change in law**") that results in (x) the Issuer, its Subsidiaries and its consolidated affiliated entities (collectively, the "**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 Group (as in existence immediately prior to such change in law) as of the last date of the period described in the Issuer's consolidated financial statements for the most recent fiscal quarter and (y) the Issuer being unable to continue to derive substantially all of the

economic benefits from the business operations conducted by the Group (as in existence immediately prior to such change in law) in the same manner as reflected in the Issuer's consolidated financial statements for the most recent fiscal quarter and (B) the Issuer 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 Issuer is able to continue to derive substantially all of the economic benefits from the business operations conducted by the Group (as in existence immediately prior to such change in law), taken as a whole, as reflected in the Issuer's consolidated financial statements for the most recent fiscal quarter (including after giving effect to any corporate restructuring or reorganisation plan of the Group) or (y) that such change in law would not materially adversely affect the Issuer's ability to make principal and interest payments on the Bonds when due or to convert the Bonds in accordance with these Conditions.

(E) Redemption at the Option of the Bondholders

The Issuer will, at the option of the holder of any Bond, redeem all or some of that holder's Bonds on 11 April 2017 (the "**Put Option Date**"), at the principal amount of the Bonds together with interest accrued to such date (if any). To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice (the "**Put Option Notice**") together with the Certificate evidencing the Bonds to be redeemed not earlier than 60 days and not later than 30 days prior to the Put Option Date. A Put Option Notice, once delivered, shall be irrevocable (and may not be withdrawn unless the Issuer consents to such withdrawal) and the Issuer shall redeem the Bonds the subject of a Put Option Notice delivered as aforesaid on the Put Option Date.

(F) Purchase

The Issuer or any of its Subsidiaries may, subject to applicable laws and regulations, at any time and from time to time purchase Bonds at any price in the open market or otherwise.

(G) Cancellation

All Bonds which are redeemed, converted or purchased by the Issuer or any of its Subsidiaries, will forthwith be cancelled. Certificates in respect of all Bonds cancelled will be forwarded to or to the order of the Registrar and such Bonds may not be reissued or resold.

(H) Redemption Notices

All notices to Bondholders given by or on behalf of the Issuer pursuant to this Condition 8 will be irrevocable and will be given in accordance with Condition 11 specifying: (a) the Conversion Price as at the date of the relevant notice; (b) the last day on which Conversion Rights may be exercised; (c) the Volume Weighted Average Price and Current Market Price of the Shares on the latest practicable date prior to the publication of the notice; (d) the applicable redemption amount and accrued interest payable (if any); (e) the date for redemption; (f) the manner in which redemption will be effected; and (g) the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the notice.

If more than one notice of redemption is given (being a notice given by either the Issuer or a Bondholder pursuant to this Condition), the first in time shall prevail. Neither the Trustee nor the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under these Conditions.

9 Taxation

All payments of principal and interest made by or on behalf of the Issuer in respect of the Bonds shall be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied collected, withheld or assessed by or on behalf of the Cayman Islands or any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law of the Cayman Islands. In such event, the Issuer shall pay such additional amounts (“**Additional Tax Amounts**”) as will result in the receipt by the Bondholders of such amounts as would have been received by them had no such deduction or withholding been required, except that no Additional Tax Amounts shall be payable in respect of any Bond:

- (i) *Other connection*: to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the Cayman Islands other than the mere holding of the Bond or by the receipt of amounts in respect of the Bond;
- (ii) *Presentation more than 30 days after the relevant date*: (in the case of a payment of principal) if the Certificate in respect of such Bond is surrendered more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on surrendering the relevant Certificate for payment on the last day of such period of 30 days;
- (iii) *Payment to individuals*: where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any law implementing European Union Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000; or
- (iv) *Payment by another Paying and Conversion Agent*: presented for payment by or on behalf of a Bondholder who would have been able to avoid such withholding or deduction by presenting the relevant Bond to another Paying Agent in a Member State of the European Union.

“**Relevant Date**” means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount payable has not been received by the Trustee or the Principal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders and cheques despatched or payment made.

References in these Conditions to principal and interest shall be deemed also to refer to any additional amounts which may be payable under this Condition or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

The provisions of this Condition 9 shall not apply in respect of any payments of interest which fall due after the relevant Tax Redemption Date in respect of any Bonds which are the subject of a Bondholder election pursuant to Condition 8(B).

10 Events of Default

If any of the following events (each an “**Event of Default**”) occurs the Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent. in principal amount of the Bonds then outstanding, or if so directed by an Extraordinary Resolution, shall (subject in either case to being indemnified and/or secured and/or prefunded by the holders to its satisfaction), give notice to the Issuer that the Bonds are, and they shall immediately become due and repayable at their principal amount together with accrued interest (if any) to the date of payment (subject as provided below and without prejudice to the right of Bondholders to exercise the Conversion Right in respect of their Bonds in accordance with Condition 6) if:

- (i) *Non-Payment*: the Issuer fails to pay the principal of or any interest on any of the Bonds when due and such failure continues for a period of seven days; or
- (ii) *Failure to deliver Shares*: any failure by the Issuer to deliver any Shares as and when the Shares are required to be delivered following Conversion of Bonds and such failure continues for a period of seven days; or
- (iii) *Breach of Other Obligations*: the Issuer does not perform or comply with any one or more of its other obligations in the Bonds or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 30 days after written notice of such default shall have been given to the Issuer by the Trustee; or
- (iv) *Cross-Default*: (a) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (b) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (c) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(iv) have occurred equals or exceeds HK\$100,000,000 or its equivalent (as determined on the basis of the middle spot rate for the relevant currency against the Hong Kong dollar as quoted by any leading bank on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity); or
- (v) *Enforcement Proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against, in the opinion of the Trustee, any substantial part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries and is not discharged or stayed within 60 days; or
- (vi) *Security Enforced*: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Principal Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) against any substantial part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries and is not discharged or stayed within 60 days; or
- (vii) *Winding-up*: an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Issuer or any of its Principal Subsidiaries (except for a members’ voluntary solvent winding up of a Subsidiary) and

such order is not discharged or stayed within 60 days, or the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (a) on terms approved by an Extraordinary Resolution of the Bondholders, or (b) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries; or

- (viii) *Insolvency*: the Issuer or any of its Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a substantial part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any substantial part of such debts or a moratorium is agreed or declared in respect of or affecting all or any substantial part of (or of a particular type of) the debts of the Issuer or any of its Principal Subsidiaries; an administrator or liquidator of the Issuer or any of its Principal Subsidiaries or the whole or any substantial part of the assets and turnover of the Issuer or any of its Principal Subsidiaries is appointed and such appointment is not discharged or stayed within 60 days; or
- (ix) *Nationalisation*: (a) any step is lawfully taken by any competent governmental authority with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a substantial part of the assets of the Issuer or any of its Principal Subsidiaries or (b) the Issuer, or any of its Principal Subsidiaries is prevented by any competent governmental authority from exercising normal control over all or, in the opinion of the Trustee, a substantial part of its property, assets and turnover; or
- (x) *Authorisation and Consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds and the Trust Deed, (b) to ensure that those obligations are legally binding and enforceable, and (c) to make the Bonds and the Trust Deed admissible in evidence in the courts of the Cayman Islands and Hong Kong is not taken, fulfilled or done; or
- (xi) *Illegality*: it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds or the Trust Deed; or
- (xii) *Analogous Events*: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 10(v) to 10(viii) (both inclusive).

For the purposes of this Condition 10:

“Principal Subsidiary” means any Subsidiary of the Issuer:

- (a) as to which one or more of the following conditions is satisfied:
 - (i) its revenue or (in the case of a Subsidiary of the Issuer which itself has Subsidiaries) consolidated revenue attributable to the Issuer is at least 5 per cent. of the consolidated revenue of the Issuer and its Subsidiaries, including the Issuer and its consolidated Subsidiaries’ revenue of Subsidiaries not consolidated and of associated companies and after adjustments for minority interests; or

- (ii) its gross assets or (in the case of a Subsidiary of the Issuer which itself has Subsidiaries) consolidated gross assets attributable to the Issuer are at least 5 per cent. of the sum of (x) the consolidated gross assets of the Issuer and its Subsidiaries, and (y) the Issuer and its consolidated Subsidiaries' share of the gross assets or (in the case of a Subsidiary of the Issuer which itself has Subsidiaries) consolidated gross assets of each Subsidiary of the Issuer whose accounts are not consolidated with the accounts of the Issuer and after adjustment for minority interests; or
- (iii) its profit after tax ("**profit after tax**") or (in the case of a Subsidiary of the Issuer which itself has Subsidiaries) consolidated profit after tax attributable to the Issuer, is at least 5 per cent. of the consolidated profit after tax of the Issuer and its Subsidiaries, including the Issuer and its consolidated Subsidiaries' share of profit after tax of Subsidiaries not consolidated and of associated companies and after adjustments for minority interests,

all as calculated by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) (or, if not available, the latest management accounts) of the Subsidiary of the Issuer and the then latest audited consolidated financial statements of the Issuer provided that: (A) in the case of a Subsidiary of the Issuer acquired after the end of the financial period to which the then latest relevant audited accounts relate, the reference to the then latest audited accounts for the purposes of the calculation above shall, until audited accounts for the financial period in which the acquisition is made are published, be deemed to be a reference to the accounts adjusted to consolidate the latest audited accounts of the Subsidiary in the accounts; (B) if, in the case of a Subsidiary of the Issuer which itself has one or more Subsidiaries, no consolidated accounts are prepared and audited, its consolidated net assets and consolidated net profits shall be determined on the basis of pro forma consolidated accounts of the relevant Subsidiary and its Subsidiaries prepared for this purpose by the Issuer; (C) if the accounts of a subsidiary of the Issuer (not being a Subsidiary referred to in proviso (A) above of this definition) are not consolidated with those of the Issuer, then the determination of whether or not such subsidiary of the Issuer is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts of the Issuer and its Subsidiaries; or

- (b) to which is transferred all or substantially all of the assets of a Subsidiary of the Issuer which immediately prior to the transfer was a Principal Subsidiary, provided that, with effect from such transfer, the Subsidiary which so transfers its assets and undertakings shall cease to be a Principal Subsidiary (notwithstanding paragraph (a) above) and the Subsidiary of the Issuer to which the assets are so transferred shall become or remain a Principal Subsidiary,

and a certificate of a director of the Issuer certifying that, in his opinion, a Subsidiary is or is not, or was or was not, a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Bondholders. The certificate shall be accompanied by an extraction of the figures used and of the calculations made by the Issuer in determining the Principal Subsidiaries of the Issuer.

11 Notices

All notices to Bondholders shall be validly given if mailed to them at their respective addresses in the Register or published in a leading newspaper having general circulation in Asia (which is expected to be the Asian Wall Street Journal) and so long as the Bonds are listed on the SGX-ST and if the rules of the SGX-ST so require, published in a leading newspaper having general circulation in Singapore (which is expected to be The Business Times). Any such notice shall be deemed to have been given on the later of the date of such publication and the seventh day after being so mailed, as the case may be.

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System (as defined in the form of the Global Certificate), notices to Bondholders shall be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions, and such notice shall be deemed to be received by the Bondholders on the date of delivery of such notice to Euroclear or Clearstream or the Alternative Clearing System.

12 Prescription

Claims in respect of amounts due in respect of the Bonds shall be prescribed and become void unless made as required by Condition 7 within 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date.

13 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar or any Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity as the Issuer and such Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

14 Meetings of Bondholders, Modification and Waiver

(A) Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in principal amount of the Bonds for the time being outstanding or, at any adjourned such meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (a) to modify the maturity of the Bonds, the Option Redemption Date or the dates on which interest is payable in respect of the Bonds, (b) to modify the circumstances in which the Issuer or Bondholders are entitled to redeem the Bonds pursuant to Conditions 8(B), 8(C), 8(D), or 8(E), (c) to reduce or cancel the principal amount, interest or Equivalent Amount payable in respect of the Bonds or changing the method of calculation of interest, (d) to change the currency of denomination or payment of the Bonds, (e) to modify (except by a unilateral and unconditional reduction in the Conversion Price) or cancel the Conversion Rights, or (f) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 66 per cent., or at any adjourned meeting not less than 33 per cent., in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of Bonds outstanding shall be as valid and effective as a duly passed Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(B) Modification and Waiver

The Trustee may agree, without the consent of the Bondholders, to (a) any modification of any of the provisions of the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Bonds or these Conditions (together the “**Documentation**”) which in the Trustee’s opinion is of a formal, minor or technical nature, or is made to correct a manifest error, or to comply with mandatory provisions of law, and (b) any other modification to the Documentation (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Documentation which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders. The Trustee may, without the consent of the Bondholders, determine any Event of Default or a Potential Event of Default (as defined in the Trust Deed) should not be treated as such, provided that in the opinion of the Trustee, the interests of Bondholders will not be materially prejudiced thereby. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, any such modification and any authorisation or waiver which is in writing shall be notified by the Issuer to the Bondholders promptly in accordance with Condition 11.

(C) Entitlement of the Trustee

In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in this Condition 14) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders.

In the event of the passing of an Extraordinary Resolution in accordance with Condition 14(A), a modification, waiver or authorisation in accordance with Condition 14(B), the Issuer will procure that the Bondholders be notified in accordance with Condition 11.

15 Enforcement

The Trustee may, at any time, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed and the Bonds, but it needs not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or shall have been so requested in writing by the holders of not less than 25 per cent. in principal amount of the Bonds then outstanding and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing.

16 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility including from taking proceedings unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

The Trustee may rely without liability to Bondholders on any report, confirmation or certificate or any advice of any accountants, lawyers, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice, in which case such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Bondholders.

17 Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further securities either having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition 17 and forming a single series with the Bonds. Any further securities forming a single series with the outstanding securities of any series (including the Bonds) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of securities of other series where the Trustee so decides.

18 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

19 Governing Law and Submission to Jurisdiction

(A) Governing Law

The Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(B) Jurisdiction

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Bonds (“**Proceedings**”) may be brought in such courts. Pursuant to the Trust Deed, the Issuer has irrevocably submitted to the jurisdiction of such courts.

(C) Agent for Service of Process

Pursuant to the Trust Deed, the Issuer has irrevocably appointed an agent in England to receive service of process in any Proceedings in England based on any of the Bonds.

THE GLOBAL CERTIFICATE

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Terms and Conditions of the Bonds set out in this Offering Circular Terms defined in the Terms and Conditions of the Bonds have the same meaning in the paragraphs below. The following is a summary of those provisions.

Meetings

The registered holder (as defined in the Terms and Conditions of the Bonds) (and any proxy or representative appointed by it) of the Global Certificate will be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each HK\$1,000,000 in principal amount of Bonds for which the Global Certificate is issued. The Trustee may allow a person with an interest in Bonds in respect of which the Global Certificate has been issued to attend and speak (but not to vote) at a meeting of Bondholders on appropriate proof of his identity and interest.

Cancellation

Cancellation of any Bond by the Issuer following its redemption, conversion or purchase by the Issuer will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

Conversion

Subject to the requirements of Euroclear and Clearstream (or any Alternative Clearing System), the Conversion Rights attaching to the Bonds in respect of which the Global Certificate is issued may be exercised by the presentation thereof to or to the order of the Principal Agent of one or more Conversion Notices duly completed by or on behalf of a holder of a book-entry interest in such Bonds. Deposit of the Global Certificate with the Principal Agent together with the relevant Conversion Notice(s) shall not be required. The exercise of the Conversion Right shall be notified by the Principal Agent to the Registrar and the holder of the Global Certificate.

Payment

Payments of principal and interest in respect of Bonds represented by the Global Certificate will be made without presentation or if no further payment falls to be made in respect of the Bonds, against presentation and surrender of the Global Certificate to or to the order of the Principal Agent or such other Paying Agent as shall have been notified to the Bondholders for such purpose.

Such payment will be made to, or to the order of, the person whose name is entered in the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January.

Notices

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System, notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Terms and Conditions of the Bonds.

Bondholder's Redemption

The Bondholder's redemption options in Conditions 8(D) and 8(E) of the Terms and Conditions of the Bonds may be exercised by the holder of the Global Certificate giving notice to the Principal Agent of the principal amount of Bonds in respect of which the option is exercised and presenting the Global Certificate for endorsement or exercise (if required) within the time limits specified in the Terms and Conditions of the Bonds.

Redemption at the Option of the Issuer

The options of the Issuer provided for in Conditions 8(B) and 8(C) of the Terms and Conditions of the Bonds shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by such Conditions.

Bondholder's Tax Option

The option of Bondholders not to have the Bonds redeemed as provided in Condition 8(B) of the Terms and Conditions of the Bonds shall be exercised by the presentation to any Paying Agent, or to the order of such Paying Agent, of a duly completed Tax Option Exercise Notice within the time limits set out in and containing the information required by Condition 8(B).

Registration of Title

Certificates in definitive form for individual holdings of Bonds will not be issued in exchange for interests in Bonds in respect of which the Global Certificate is issued, except if either Euroclear or Clearstream (or any Alternative Clearing System) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

Transfers

Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

Enforcement

For all purposes, each person who is for the time being shown in the records of Euroclear or Clearstream (or of any Alternative Clearing System) as a holder of a particular principal amount of Bonds in respect of which this Global Certificate has been issued, (in which regard any certificate or other document issued by Euroclear or Clearstream or any Alternative Clearing System as to the principal amount of Bonds represented by this Global Certificate standing to the account of any person shall be conclusive and binding for all purposes) shall be recognised as the holder of such principal amount of Bonds.

DESCRIPTION OF THE SHARES

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company.

The Company was continued into the Cayman Islands as an exempted company with limited liability on 15 November 2005 under the Cayman Companies Law. The Memorandum of Association (the “**Memorandum**”) and the Articles comprise its constitution.

Memorandum of Association

The Memorandum of the Company was adopted on 3 September 2007 with effect from 9 October 2007 and states, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

Articles of Association

The Articles of the Company were adopted on 3 September 2007 with effect from 9 October 2007 and include provisions to the following effect.

Shares

Classes of Shares

The share capital of the Company consists of ordinary shares. The authorised share capital of the Company is US\$1,200,000 consisting of 2,400,000,000 shares of US\$0.0005 each.

Share Certificates

Every person whose name is entered as a member in the register of members shall be entitled without payment to receive a certificate for his shares. The Cayman Companies Law prohibits the issue of bearer shares to any person other than an authorised or recognised custodian defined in the Cayman Companies Law. The requirement on all service providers to implement appropriate due diligence procedures on the identity of a client in order to “know your client” as a result of proceeds of crime legislation mandates that special procedures should be followed when issuing bearer shares.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by two Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic as specified in such resolution or that such

certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words “restricted voting” or “limited voting” or “non-voting” or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than four persons as joint holders of any share.

Directors

Power to Allot and Issue Shares and Warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

Power to Dispose of the Assets of the Company or Any Subsidiary

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

Compensation or Payments for Loss of Office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

Loans and Provision of Security for Loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and their associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

Disclosure of Interest in Contracts with the Company or Any of its Subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company. However, where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

- the giving of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a member or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associate(s) is derived) or of the voting rights;
- any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, his associate(s) and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates; or
- any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held

office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. A Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Company may establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds or personal pension plans for the benefit of, or give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company, or who are or were at any time directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the spouses, widows, widowers, families and dependents of any such persons. The Company may also establish and subsidise or subscribe to any institutions, associations, clubs or funds calculated to be for the benefit of or to advance the interests and well-being of the Company or of any such other company as aforesaid or of any such persons as aforesaid, and may make payments for or towards the insurance of any such persons as aforesaid, and subscribe or guarantee money for charitable or benevolent objects or for any exhibition or for any public, general or useful object. The Company may do any of the matters aforesaid, either alone or in conjunction with any such other company as aforesaid. Any Director holding any such employment or office shall be entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or employment.

Appointment, Retirement and Removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election. There is no shareholding qualification for Directors.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in

writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgement of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two.

In addition to the foregoing, the office of a director shall be vacated:

- if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;
- if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;
- if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- if he is prohibited from being a director of the Company by law;
- if he ceases to be a director of the Company by virtue of any provision of law or is removed from office pursuant to the Articles;
- if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or
- if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

Borrowing Powers

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarised above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

Register of Directors and Officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers.

Proceedings of Our Board of Directors

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

Alterations to Constitutional Documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

Variation of Rights of Existing Shares or Classes of Shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

Alteration of Capital

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

Reduction of share capital – subject to the Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital.

Special Resolution – Majority Required

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed. An "ordinary resolution", by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than fourteen clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

Voting Rights (Generally, on a Poll and Right to Demand a Poll)

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote, and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls

or instalments is treated for the foregoing purpose as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded or otherwise required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles). A poll may be demanded by:

- the chairman of the meeting; or
- at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

Annual General Meetings

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

Accounts and Audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law and the Listing Rules to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the Listing Rules, the Company may send summarised financial statements to shareholders who has, in accordance with the Listing Rules, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the Listing Rules, and must be sent to the shareholders not less than twenty-one days before the general meeting to those shareholders that have consented and elected to receive the summarised financial statements.

The Company shall at each annual general meeting appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members. The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

Notice of Meetings and Business to be Conducted Thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- the declaration and sanctioning of dividends;
- the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- the election of Directors in place of those retiring;
- the appointment of auditors;
- the fixing of the remuneration of the Directors and of the auditors;
- the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the Listing Rules and the number of any securities repurchased by the Company since the granting of such mandate; and
- the granting of any mandate or authority to the Board to repurchase securities in the Company.

Transfer of Shares

Subject to the Cayman Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognise any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share, the Shares concerned are free of any lien in favour of the Company and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a newspaper circulating generally in Hong Kong or, where applicable, any other newspapers in accordance with the requirements of the Stock Exchange, at such times and for such periods as the Board may determine. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

Power of the Company to Purchase its Own Shares

The Company is empowered by the Cayman Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by code, rules or regulations issued from time to time by the Hong Kong Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

Power of any Subsidiary of the Company to Own Shares

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

Dividends and Other Methods of Distributions

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and
- all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

- that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the moneys so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

Calls on Shares and Forfeiture of Shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment.

The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

Inspection of Corporate Records

Members of the Company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

Quorum for Meetings and Separate Class Meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

Rights of Minorities in Relation to Fraud or Oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression.

Procedure on Liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

- if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

Untraceable Members

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

- all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;
- upon the expiry of the 12 years and three months period (being the 3 months notice period referred to in sub-paragraph below), the Company has not during that time received any indication of the existence of the member; and
- the Company has caused an advertisement to be published in accordance with the Listing Rules giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

Subscription Rights Reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of Bonds and Shares is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds or Shares and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Bonds should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of Bonds and Shares. Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.

Cayman Islands

The following is a discussion of certain Cayman Islands income tax consequences of an investment in the Bonds. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under the laws of the Cayman Islands, payments of interest, additional amounts (if any), principal (including Early Redemption Amounts) and premium on the Bonds and dividends and capital in respect of the Shares will not be subject to taxation and no withholding will be required on the payment of principal and premium to any holder of the Bonds or the Shares, as the case may be, nor will gains derived from the disposal of the Bonds or the Shares be subject to Cayman Islands income or corporation tax. The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty.

No stamp duty is payable in respect of the issue of the Bonds or the Shares. An instrument of transfer in respect of a Bond or certificates representing the Bonds is stampable if executed in or brought into the Cayman Islands. No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to our Company or its operations; and
- in addition, that no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of our Company; or
 - (ii) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (1999 Revision).

The undertaking for our Company is for a period of twenty years from 13 December 2005.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong on payments of principal in respect of the Bonds. No tax is payable in Hong Kong by withholding or otherwise in respect of payments of dividends on the Shares.

Profits Tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “**Inland Revenue Ordinance**”) as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising from the sale, disposal, conversion or redemption of the Bonds where such sale, disposal, conversion or redemption is or forms part of a trade, profession or business carried on in Hong Kong and the sum has a Hong Kong source.

Interest on the Bonds will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- (a) a corporation carrying on a trade, profession or business in Hong Kong; or
- (b) a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

In the case of a financial institution (as defined in the Inland Revenue Ordinance), interest on the Bonds will be subject to Hong Kong profits tax where such interest arises through or from the carrying on by the financial institution of its business in Hong Kong.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising from the sale or disposal of the Shares where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue, nor will Hong Kong stamp duty be chargeable on the transfer or conversion of a Bond (for so long as the register of holders of the Bonds is maintained outside Hong Kong).

Hong Kong stamp duty is payable on any purchase and sale of Shares. The duty is charged on each of the purchaser and the seller at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares bought and sold. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of Shares. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK\$5. Where a sale or purchase of Shares is effected by a person who is not resident in Hong Kong and any stamp duty payable thereon is not paid, the relevant instrument of transfer (if any) is chargeable with such duty in default and the transferee is liable to pay such duty.

PRC

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Bonds is based upon applicable laws, rules and regulations in effect as of the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations in the PRC.

Taxation on Capital Gains

The EIT Law imposes a tax at the rate of 10% on capital gains realised by an enterprise holder of Bonds that is a “non-resident enterprise” which does not have an establishment or place of business in China or, where despite the existence of establishment or place of business in China, the relevant gain is not effectively connected with such establishment or place of business in China, to the extent such capital gains are sourced within China. The Individual Income Tax Law imposes a tax at the rate of 20% on capital gains realised by a foreign individual who is neither domiciled nor resident in China; to the extent such capital gains are sourced within China. Pursuant to these provisions of the EIT Law and the Individual Income Tax Law, although the matter is unclear, if we are considered a PRC resident enterprise, capital gains realised by non-resident enterprise holders and non-resident individual holders of the Bonds may be treated as income derived from sources within China and be subject to PRC income tax. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that exempts capital gains tax under certain conditions, such exemption may apply to qualified non-resident investors in the Bonds.

Stamp Duty

Although the matter is unclear, if we are considered a PRC resident enterprise, PRC stamp duty may be chargeable upon the issue or transfer of a Bond.

EU Directive Regarding Taxation of Savings Income

Under the European Union Savings Directive (formerly known as Council Directive 2003/48/EC) on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State. Other than interest income, the scope of the Savings Directive covers a broad range of savings income. The Directive also creates an automatic information exchange system between EU tax authorities.

Formal adoption of the Savings Directive took place on March 2014. European Union Member States have until 1 January 2015 to comply with its provisions. Investors who are in any doubt as to their position vis-à-vis the Savings Directive should consult their professional advisers.

The Proposed Financial Transactions Tax (“FTT”)

In February 2013, the European Commission published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States). The proposed FTT mirrors a similar proposal from September 2011; the aim of both proposals is to set minimum tax rates for all transactions on financial markets where at least one EU party (financial institution) was involved. Note that the proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the certainty and timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of Bonds are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

We have entered into a subscription agreement with the Joint Bookrunners, dated 3 April 2014 (the “**Subscription Agreement**”), pursuant to which and subject to certain conditions contained in the Subscription Agreement, we have agreed to issue to the Joint Global Coordinators, and the Joint Global Coordinators agreed to subscribe for, or procure subscribers for, the aggregate principal amount of the Bonds.

We have undertaken to the Joint Bookrunners that neither us nor any person acting on our 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 Shares to be issued on conversion of the Bonds, Shares issued on conversion of the 2013 convertible bonds or Shares issued pursuant to exercise of the share options granted under our share option schemes.

Mr. LEI Jun, Color Link Management Limited, Smart Dimension Limited, TCH Saffron Limited and Topclick Holdings Limited have each executed a shareholder lock-up undertaking. Each of these shareholders has undertaken in favour of each of the Joint Global Coordinators that, for a period from the date of the respective undertaking until 90 days from the Issue Date, neither it nor its nominee nor any person acting on its behalf will without the prior written approval of the Joint Global Coordinators (except pursuant to any pledge or agreement as disclosed in our 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) (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, 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.

The Subscription Agreement provides that the obligations of the Joint Global Coordinators are subject to certain conditions precedent, and entitles the Joint Global Coordinators to terminate it in certain circumstances prior to payment being made to us. We have agreed to indemnify the Joint Bookrunners against certain liabilities in connection with the offer and sale of the Bonds.

The Joint Bookrunners and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities (“**Banking Services or Transactions**”). The Joint Bookrunners and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with us for which they have received, or will receive, fees and expenses.

The Joint Bookrunners and/or their respective affiliates, or our affiliates, may purchase Bonds for their own account (without a view to distributing such Bonds) and enter into transactions, including (i) credit derivatives, including asset swaps, repackaging and credit default swaps relating to the Bonds and/or our securities or (ii) equity derivatives and stock loan transactions relating to the Shares at the same time as the offer and sale of the Bonds or in secondary market transactions. Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any of our other securities, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering. Accordingly, references herein to the Bonds being ‘offered’ should be read as including any offering of the Bonds to the Joint Bookrunners and/or their respective affiliates, or our affiliates for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Bonds. If this is the case, liquidity of trading in the Bonds may be constrained. See “Risk Factors – Risks Relating to the Bonds, the Shares and the Offering – There may not be a liquid market for the Bonds, and Bondholders may not be able to sell their Bonds at an attractive price or at all.” We and the Joint Bookrunners are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors.

In the ordinary course of their various business activities, the Joint Global Coordinators and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve our securities and instruments, including the Bonds. Typically, such Joint Global Coordinators and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the our securities, including potentially the Bonds offered hereby. Any such short positions could adversely affect future trading prices of the Bonds offered hereby. The Joint Global Coordinators and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or our other financial instruments, and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments.

In connection with the issue of the Bonds, the Stabilising Manager or any person acting on behalf of the Stabilising Manager may, to the extent permitted by applicable laws and directives, over-allot the Bonds or effect transactions with a view to supporting the price of the Bonds and/or the Shares at a level higher than that which might otherwise prevail, but in so doing, the Stabilising Manager or any person acting on behalf of the Stabilising Manager shall act as principal and not as our agent. However, there is no assurance that the Stabilising Manager or any person acting on behalf of the Stabilising Manager will undertake stabilisation action. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be borne/retained by the Stabilising Manager or, as the case may be, the Joint Global Coordinators in the manner agreed by them.

No action has been or will be taken that would, or is intended to, permit a public offering of the Bonds, or the possession or distribution of this Offering Circular or any amendment or supplement thereto or any offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

- 1. United States:** The Bonds and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Bonds are being sold outside the United States in reliance on Regulation S under the Securities Act. Each of the Joint Bookrunners has represented and warranted that it has not offered or sold, and agreed that it will not offer or sell, any Bonds constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act or other exemptions under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds or the Shares to be issued upon conversion of the Bonds. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.
- 2. United Kingdom:** Each of the Joint Bookrunners has represented, warranted and agreed that:

 - (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to us; and
 - (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.
- 3. Hong Kong:** Each of the Joint Bookrunners has represented and agreed that:

 - (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (i) to “professional investors” as defined in the SFO and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
 - (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under that Ordinance.

- 4. Singapore:** Each of the Joint-Bookrunners has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint-Bookrunners has represented and agreed that this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds may not be circulated or distributed, nor may the Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than: (1) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”); (2) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA; or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased in reliance of an exemption under Sections 274 or 275 of the SFA, the Bonds shall not be sold within the period of six months from the date of the initial acquisition of the Bonds, except to any of the following persons:

- (i) an institutional investor (as defined in Section 4A of the SFA);
- (ii) a relevant person (as defined in Section 275(2) of the SFA); or
- (iii) any person pursuant to an offer referred to in Section 275(1A) of the SFA,

unless expressly specified otherwise in Section 276(7) of the SFA or Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or (in the case of such corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the SFA or (in the case of such trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

5. **Japan:** The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each of the Joint Bookrunners has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.
6. **Cayman Islands:** Each of the Joint Bookrunners has represented, warranted and agreed that the offer to sell the Bonds is private and not intended for the public and, further that each of the Joint Bookrunners has not made and will not make any invitation to the public in the Cayman Islands or to residents of the Cayman Islands to offer or sell the Bonds.
7. **Switzerland:** This Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Bonds described herein. The Bonds may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Bonds constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations, and neither this Offering Circular nor any other offering or marketing material relating to the Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

GENERAL INFORMATION

Clearing Systems and Settlement

The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code number 105509260 and the International Securities Identification Number for the Bonds is XS1055092602. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium, and the address of Clearstream is 42 Avenue JF Kennedy, L-1855 Luxembourg.

Listing of Shares

Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares arising on conversion of the Bonds.

Listing of Bonds

Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Circular. Approval in-principle granted by the SGX-ST for the listing and quotation of the Bonds on the Official List of the SGX-ST is not to be taken as indication of the merits of the Company or any other subsidiary or associated company of the Company, the Bonds or the Shares. The Bonds will be traded on the SGX-ST in a minimum board lot size of HK\$500,000 with a minimum of four board lots per transaction or its equivalent in foreign currencies for so long as the Bonds are listed on the SGX-ST.

For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Company shall appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that the Global Certificate is exchanged for definitive Certificates. In addition, in the event that the Global Certificate is exchanged for definitive Certificates, an announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates, including details of the paying agent in Singapore.

Authorisations and Consents

The Company has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by resolutions of the Board of Directors of the Company passed on 18 March 2014.

No Material Adverse Change

There has been no material adverse change in the financial or trading position or prospects of the Company or the Group since 31 December 2013.

Litigation

From time to time, the Company may be involved in litigation or arbitration proceedings that arise from its ordinary course of business. However, except as disclosed in the Offering Circular, neither the Company nor any of its subsidiaries is involved in any litigation or arbitration proceedings which are material in the context of the Bonds nor is the Company aware that any such proceedings are pending or threatened.

Available Documents

The latest annual report and consolidated accounts of the Company and the latest unaudited interim consolidated accounts of the Company, as well as the Trust Deed and the Agency Agreement, will be available for inspection, at the principal offices of the Company at Kingsoft Tower, No. 33, Xiaoying West Road, Beijing, 100085, PRC during normal business hours on any weekday, except public holidays, so long as any of the Bonds are outstanding.

Reliance by the Trustee

The Trustee is entitled under the Trust Deed to rely without liability to the Bondholders on certificates prepared by our Directors and accompanied by a certificate or report prepared by an internationally recognised firm of accountants to us whether or not addressed to the Trustee, and whether or not the same are subject to any limitation on the liability of the internationally recognised firm of accountants to us and whether by reference to a monetary cap or otherwise limited or excluded and shall be obliged to do so where the certificate or report is delivered pursuant to our obligation to procure such delivery under the Terms and Conditions of the Bonds or the Trust Deed. Any such certificate or report shall be conclusive and binding on us, the Trustee and the Bondholders.

Independent Auditors

Our audited consolidated annual financial statements as of and for each of the three years ended 31 December 2011, 2012 and 2013, which are incorporated by reference in this Offering Circular, have been audited by Ernst & Young, independent auditors, as stated in their report appearing therein.

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