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KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

金蝶國際軟件集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 268)

**PROPOSED ISSUE OF US\$150,000,000 4.00%
GUARANTEED CONVERTIBLE BONDS DUE 2019**

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

(in alphabetical order)

Credit Suisse (Hong Kong) Limited



Macquarie Capital Securities Limited



The Board is pleased to announce that the Issuer and the Company have entered into the Subscription Agreement with the Joint Lead Managers, pursuant to which the Joint Lead Managers severally (and not jointly) agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Bonds to be issued by the Issuer in the aggregate principal amount of US\$150 million, on the terms and subject to the conditions set out therein. In addition, the Issuer has granted to each of the Joint Lead Managers the Option to subscribe for all or any of the Optional Bonds up to an aggregate principal amount of US\$25 million. The Company agrees to guarantee the due payment of all sums payable in relation to the Bonds. In the event that the Company shall make payments under the Guarantee, the Company intends to make such payments from the Group's internal funding and available financing facilities of the Group.

Based on an initial Conversion Price of HK\$3.90 and assuming full conversion of the Bonds at the initial Conversion Price, the Bonds will be convertible into 348,075,000 Shares (being the aggregate of 298,350,000 Shares to be converted from the Bonds and 49,725,000 Shares from the Optional Bonds) (subject to adjustment), representing approximately 13.66% of the issued share capital of the Company as at the date of this announcement and approximately 12.02% of the issued share capital of the Company as enlarged by the full conversion of the Bonds and the Optional Bonds. The New Shares will rank *pari passu* in all respects with the Shares then in issue on the relevant conversion date.

The Bonds have not been offered or sold and may not be offered or sold in Hong Kong to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The Bonds were offered by way of debt issue to professional investors only.

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

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

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

An application will be made by the Issuer and the Company to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds on the Hong Kong Stock Exchange and an application will be made by the Company to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the New Shares on the Hong Kong Stock Exchange.

The New Shares are to be issued under the General Mandate granted to the Directors at the annual general meeting at the Company held on 8 May 2013. As at the date of announcement, there has been no issue of Shares under the general mandate granted. The issue of the Bonds is not subject to the approval of the Shareholders.

The estimated net proceeds from the Bonds Issue (assuming the Option is not exercised), after deduction of commission and expenses, is approximately US\$147.3 million or if the Optional Bonds are issued in full, US\$171.9 million. The Company expects to use the net proceeds for (i) investment in cloud-management and particularly mobile internet technologies, (ii) the repayment of existing bank loans, (iii) strategic investments and acquisitions, and (iv) for working capital and general corporate purposes.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Joint Lead Managers are independent third parties not connected with the Company or any of its subsidiaries or any of their respective directors, chief executives or substantial shareholders or any of their respective associates.

The Joint Lead Managers have informed the Company that they intend to offer and sell the Bonds to not less than six placees (who will be independent individual, corporate and/or institutional investors). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the placees (and their respective ultimate beneficial owners) will be an independent third party not connected with the Company or any of its subsidiaries or any of their respective directors, chief executives or substantial shareholders or any of their respective associates.

The Joint Lead Managers and their subsidiaries or affiliates may purchase the Bonds for their own account and enter into transactions, including (i) credit derivatives, including assets swaps, repackaging and credit default swaps relating to the Bonds and/or the Company's securities or (ii) equity derivatives and stock transfer transactions relating to the Shares at the same time as the offer and sale of the Bonds or in secondary market transactions (including synthetic short positions for investors of the Bonds).

On 7 April 2014, the Issuer and the Company entered into the Subscription Agreement with the Joint Lead Managers with details as follows:

SUBSCRIPTION AGREEMENT

Date: 7 April 2014

Parties: The Issuer

The Company, as Guarantor

The Joint Lead Managers

Subject to the fulfillment of the conditions set out below under the section headed "Conditions Precedent to Completion", the Joint Lead Managers have severally (and not jointly) agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Bonds with an initial aggregate principal amount of US\$150 million. In addition, the Issuer has granted to each of the Joint Lead Managers the Option to subscribe for all or any of the Optional Bonds up to an aggregate principal amount of US\$25 million. Accordingly, the maximum aggregate principal amount of the Bonds to be issued will be US\$175 million. The Company agrees to guarantee the due payment of all sums payable in relation to the Bonds. In the event that the Company shall make payments under the Guarantee, the Company intends to make such payments from the Group's internal funding and available financing facilities of the Group.

The initial Conversion Price of HK\$3.90 per Share, represents (i) a premium of approximately 34.02% over the closing price of HK\$2.91 per Share on 7 April 2014, which is the date of the Subscription Agreement, (ii) a premium of approximately 25.00% on which the average of the

closing price of the Shares as quoted on the Hong Kong Stock Exchange for the 5 Trading Days up to and including 7 April 2014 of approximately HK\$3.12 per Share and (iii) a premium of approximately 26.62% over the average of the closing price of the Shares as quoted on the Hong Kong Stock Exchange for the 10 trading days up to and including 7 April 2014 of approximately HK\$3.08 per Share, respectively. The Bonds will be offered and sold outside the United States in reliance upon Regulation S of the Securities Act. None of the Bonds will be offered to the public in Hong Kong nor will they be placed to any connected persons (as defined in the Listing Rules) of the Company or of the Issuer. The Bonds will be offered and sold to not less than six independent placees (who will be independent individual, corporate and/or institutional investors). To the best of the Directors' knowledge, information and belief, each of the placees (and their respective ultimate beneficial owners) will be third parties independent of the Company and are not connected with the Company and its connected persons (as defined in the Listing Rules).

Lock-up Undertaking

Each of the Company and the Issuer has undertaken with the Joint Lead Managers that save for the grant of options or the exercise of any options granted under the Share Option Schemes, it will not, and will procure that no person acting on its or their 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 Lead Managers between the date of the Subscription Agreement and the date which is 90 calendar days after the Closing Date (or (if later) the Option Closing Date) (both dates inclusive), except for the Bonds and the New Shares.

Conditions Precedent to Completion

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

1. Other Contracts: the execution and delivery (on or before the Closing Date) of the other Contracts, each in a form satisfactory to the Joint Lead Managers, by the respective parties;
2. Lock-up: Mr. Xu Shao Chun, the Company's controlling shareholder, shall have executed a lock-up agreement on or before the Closing Date and such lock-up agreement shall be in full force and effect on the Closing Date;

3. Auditors' Letters: upon the date of the Subscription Agreement and the Closing Date, there having been delivered to the Joint Lead Managers letters, in form and substance satisfactory to the Joint Lead Managers, dated the date of the Subscription Agreement (in the case of the first letter) and dated the Closing Date (in the case of the subsequent letter), and addressed to the Joint Lead Managers from the Auditors, provided that such letters shall use a "cut-off" date no more than three business days prior to the respective dates on which they are delivered;
4. Compliance: at the Closing Date and the Option Closing Date (if any):
 - a. the representations and warranties of each of the Issuer and the Company in the Subscription Agreement being true, accurate and correct at, and as if made on such date;
 - b. the Issuer and the Company having performed all of their respective obligations under the Subscription Agreement to be performed on or before such date; and
 - c. there having been delivered to the Joint Lead Managers a certificate confirming no material adverse change, dated as of such date, of a director or a duly authorised signatory of each of the Issuer and the Company to such effect;
5. Material Adverse Change: after the date of the Subscription Agreement, or, if earlier, the dates as of which information is given in the Offering Circulars up to and including the Closing Date and the Option Closing Date (if any), there shall not have occurred any change (nor any development or event involving a prospective change), in the condition (financial or otherwise), prospects, results of operations, profitability, business, management, shareholders' equity, properties or general affairs of the Issuer, the Company or the Group, which, in the opinion of the Joint Lead Managers, is material and adverse in the context of the issue and offering of the Bonds, the giving of the Guarantee and from which to be set out in the Offering Circulars;
6. Other consents: on or prior to the Closing Date, there shall have been delivered to the Joint Lead Managers copies of all consents and approvals required in relation to the issue of the Bonds, the giving of the Guarantee, the issuance of the New Shares upon conversion of the Bonds and the performance of the Issuer or the Company's respective obligations under the Trust Deed, the Agency Agreement and the Bonds (including any consents and approvals required from all lenders);
7. Certificate of No Default: on the Closing Date and the Option Closing Date (if any), there having been delivered to the Joint Lead Managers a certificate of no default dated as of such date, of a director or a duly authorised signatory of each of the Issuer and the Company;
8. Listing: listing approval from the Hong Kong Stock Exchange for the New Shares issuable upon conversion of the Bonds having been obtained and the Hong Kong Stock Exchange having agreed, subject to any conditions reasonably satisfactory to the Joint Lead Managers, to list

the Bonds (or, in each case, the Joint Lead Managers being satisfied that such listing will be granted); and

9. Legal Opinions: on or before the Closing Date and the Option Closing Date (if any), there having been delivered to the Joint Lead Managers opinions, in form and substance satisfactory to the Joint Lead Managers, dated the Closing Date or the Option Closing Date, as the case may be and such other resolutions, consents, authorities and documents relating to the issue of the Bonds, as the Joint Lead Managers may require.

The Joint Lead Managers may, at their discretion, waive compliance with the whole or any part of the conditions precedent.

As at the date of this announcement, all the above conditions precedent, except for the execution and delivery by Mr. Xu Shao Chun of his lock-up agreement dated the date of the Subscription Agreement and the delivery of the Auditor's letter to the Joint Lead Manager dated the date of the Subscription Agreement, to the completion of the Subscription Agreement are yet to be satisfied and/or (as the case may be) waived.

It is the intention of the Company to satisfy or procure the satisfaction of the above conditions precedent of the Subscription Agreement before the Closing Date.

Termination of the subscription under the Subscription Agreement

The Joint Lead Managers may, by notice to the Issuer and the Company given at any time prior to payment of the net subscription monies for the Bonds (or the Optional Bonds, as the case may be) to the Issuer, in their sole discretion terminate the Subscription Agreement in any of the following circumstances:

1. if there shall have come to the notice of the Joint Lead Managers any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties and representations contained in the Subscription Agreement, or any failure to perform any of the Company's or the Issuer's undertakings or agreements in the Subscription Agreement;
2. if any of the conditions specified in the paragraph headed "Conditions Precedent to the Subscription Agreement" has not been satisfied or waived by the Joint Lead Managers on or prior to the Closing Date;
3. if in the opinion of the Joint Lead Managers, there shall have been, since the date of the Subscription Agreement, any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions (including any disruption to trading generally, or trading in any securities of the Company on any stock exchange or in any over-the-counter market) or currency exchange rates or foreign exchange controls such as would in its view, be likely to prejudice materially the success of the issue of the Bonds and distribution of the Bonds or dealings in the Bonds in the secondary market;
4. if, in the opinion of the Joint Lead Managers, there shall have occurred any of the following events: (i) a suspension or a material limitation in trading in securities generally on the New

York Stock Exchange, the London Stock Exchange plc, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and/or the Hong Kong Stock Exchange and/or any other stock exchange on which the Company's securities are traded; (ii) a suspension or a material limitation in trading in the Company's securities on the Hong Kong Stock Exchange and/or any other stock exchange on which the Company's securities are traded; or (iii) a general moratorium on commercial banking activities in the United States, Hong Kong, the PRC and/or the United Kingdom declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States, Hong Kong, the PRC or the United Kingdom; or (iv) a change or development involving a prospective change in taxation materially affecting the Issuer, the Company, the Bonds, the Guarantee and the New Shares to be issued upon conversion of the Bonds or the transfer thereof; or (v) any new law or regulation or any change or development involving a prospective change in existing laws or regulations which would have a Material Adverse Effect on the Issuer, the Company, the Bonds, the Guarantee or the New Shares; or

5. if, in the opinion of the Joint Lead Managers, there shall have occurred any event or series of events (including without limitation the occurrence of any local, national or international outbreak or escalation of disaster, hostility, insurrection, armed conflict, act of terrorism, act of God or epidemic) as would in their view be likely to prejudice materially the success of the issue of the Bonds and distribution of the Bonds or dealings in the Bonds in the secondary market.

Subject to the foregoing, completion of the subscription and issue of the Bonds will take place on the Closing Date.

The Directors consider that the terms and conditions of the Subscription Agreement and the Bonds are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

PRINCIPAL TERMS OF THE BONDS

The principal terms of the Bonds are summarised as follows:

| | |
|---------------------|---|
| Issuer | : Crotona Assets Limited |
| Guarantor | : Kingdee International Software Group Company Limited |
| Joint Lead Managers | : Credit Suisse (Hong Kong) Limited and Macquarie Capital Securities Limited |
| Issue | : U.S. dollar-denominated 4.00 per cent. guaranteed convertible bonds due 2019 in an aggregate principal amount of US\$150 million (with an option to increase the principal amount up to US\$25 million), convertible into the Company's fully-paid ordinary shares of par value HK\$0.025 each. |
| Maturity Date | : 14 April 2019 (five years) |

- Issue Price : 100% of the principal amount of the Bonds
- Guarantee : The due payment of all sums expressed to be payable by the Issuer and the due performance by the Issuer of its obligations under the Trust Deed and the Bonds has been unconditionally and irrevocably guaranteed by the Company.
- Interest : 4.00% per annum of the principal amount of the Bonds, payable semi-annually in arrear in equal instalments of US\$20 per Calculation Amount (as defined below) on 14 April and 14 October in each year.
- Interest in respect of any Bond shall be calculated per US\$1,000 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 4.00%, 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).
- Default Interest : If the Issuer fails to pay any sum in respect of the Bonds when the same becomes due and payable, interest shall accrue on the overdue sum at the rate of 5.00% per annum from the due date. Such default interest shall accrue on the basis of the actual number of days elapsed and a 360-day year.
- Conversion Period : At any time on or after 25 May 2014 up to the close of business (at the place where the bond certificate evidencing such Bond is deposited for conversion) on the 10th day 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 the close of business (at the place aforesaid) on a date no later than 15 days (both days inclusive and in the place aforesaid) prior to the date fixed for redemption thereof or if notice requiring redemption has been given by such Bondholder pursuant to the Terms and Conditions then up to the close of business (at the place aforesaid) on the day prior to the giving of such notice.
- Conversion Price : HK\$3.90 per Share, subject to adjustment for, among other things, consolidation, subdivision or reclassification of Shares, capitalisation of profits or reserves, distributions, rights issues of Shares or options over Shares, rights issues of other securities, issues at less than Current Market Price (as defined in the Terms and Conditions), other issues at less than Current Market Price (as defined in the Terms and Conditions), modification of rights of conversion, other offers to Shareholders and other dilutive events as described in the Terms and Conditions.

- Redemption at Maturity : Unless previously redeemed, converted or purchased and cancelled, the Issuer will redeem each Bond at its principal amount together with accrued and unpaid interest thereon on the Maturity Date. The Issuer may not redeem the Bonds at its option prior to that date except as provided under certain circumstances set out below.
- Redemption at the Option of the Issuer : On giving not less than 30 nor more than 60 days' notice to the Bondholders and the Trustee (which notice will be irrevocable), the Issuer:
- (i) may at any time after 14 April 2017 and prior to the Maturity Date redeem in whole, but not in part, the Bonds for the time being outstanding at their principal amount together with interest accrued but unpaid to the date fixed for redemption, provided that the Closing Price of the Shares (as derived from the daily quotations sheet of the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange and translated into United States dollars at the prevailing rate) for each of 20 out of 30 consecutive Trading Days, the last of which occurs not more than five Trading Days prior to the date upon which notice of such redemption is published was at least 130 per cent. of the principal Conversion Price then in effect immediately prior to the date upon which notice of such redemption is given (translated into United States dollars at a fixed exchange rate); or
 - (ii) may at any time prior to the Maturity Date redeem in whole, but not in part, the Bonds for the time being outstanding at their principal amount together with interest accrued but unpaid to the date fixed for redemption provided that prior to the date of such notice at least 90 per cent. in principal amount of the Bonds originally issued (including any Optional Bonds) has already been converted, redeemed or purchased and cancelled.
- Redemption at the Option of the Bondholders : The Issuer will, at the option of the holder of any Bond, redeem all or some only of such holder's Bonds on 14 April 2017 (the "**Put Option Date**") at their principal amount together with interest accrued but unpaid to such date. To exercise such right, the holder must deposit at the specified office of any paying agent a duly completed and signed put notice in the form for the time being current, obtainable from the specified office of any paying agent, together with the bond certificate evidencing the Bonds to be redeemed not more than 60 days and not less than 30 days prior to the Put Option 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, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Bondholders (which notice shall be irrevocable) at the principal amount together with interest accrued but unpaid to such date, if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that the Issuer (or if the Guarantee was called, the Company) has or will become obliged to pay any additional tax amounts as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or 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 7 April 2014, and (ii) such obligation cannot be avoided by the Issuer (or as the case may be, the Company) 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 (or as the case may be, the Company) would be obliged to pay such additional tax amounts were a payment in respect of the Bonds then due.

If the Issuer gives a Tax Redemption Notice, each Bondholder will have the right to elect that its Bond(s) shall not be redeemed and that the relevant provisions of the Terms and Conditions of the Bonds shall not apply in respect of any payment of principal or interest to be made in respect of such Bond(s) whereupon no additional amounts shall be payable in respect thereof and payment of all amounts shall be made subject to the deduction or withholding of any tax required to be deducted or withheld.

Redemption for Delisting or Change of Control : If at any time (i) the Shares cease to be listed or admitted to trading or suspended for trading for a period equal to or exceeding 30 consecutive Trading Days on the Hong Kong Stock Exchange or, if applicable, the Alternative Stock Exchange; or (ii) a Change of Control occurs, 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 redemption date at their principal amount together with interest accrued but unpaid to the date fixed for redemption.

Transferability : The Bonds will be freely transferable.

Form and Denomination : The Bonds are issued in registered form in the denomination of US\$200,000 each and integral multiples of US\$1,000 in excess thereof.

- Status : The Bonds constitute direct, unconditional, unsubordinated and (subject to the negative pledge covenant) 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 and of the Company under the Guarantee shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to the negative pledge covenant, at all times rank at least equally with all of their respective other present and future unsecured and unsubordinated obligations.
- Negative Pledge : So long as any of the Bonds remains outstanding, neither the Issuer nor the Company will, and the Issuer and the Company shall procure that none of their respective subsidiaries will, create, permit to subsist or arise or have outstanding, any Encumbrance, upon the whole or any part of their respective present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or to secure any guarantee of or indemnity in respect of any Relevant Indebtedness unless, at the same time or prior thereto, the Bonds are secured equally and rateably (a) therewith or by the same Encumbrance or (b) by such other security, guarantee, indemnity or other arrangement as either (i) the Trustee in its absolute discretion shall deem to be not materially less beneficial to the interests of the Bondholders or (ii) shall be approved by an extraordinary resolution of the Bondholders.
- Clearing Systems : The Bonds will be represented by beneficial interests in the global bond certificate, which will be registered in the name of a nominee of, and deposited on the issue date with a common depository for, Euroclear and Clearstream, Luxembourg. Beneficial interests in the global bond certificate will be shown on, and transfers thereof will be effected only through records maintained by, Euroclear and Clearstream, Luxembourg. Except as described herein, certificates for Bonds will not be issued in exchange for beneficial interests in the global bond certificate.
- Listing : An application will be made by (i) the Issuer and the Company to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds on the Hong Kong Stock Exchange; and (ii) the Company to the Hong Kong Stock Exchange, for the listing of, and permission to deal in, the New Shares on the Hong Kong Stock Exchange.

EFFECT ON THE SHARE CAPITAL

Assuming full conversion of the Bonds at the initial Conversion Price of HK\$3.90 per Share, the Bonds will be convertible into approximately 348,075,000 Shares (being the aggregate of 298,350,000 Shares to be converted from the Bonds and 49,725,000 Shares from the Optional Bonds) (subject to adjustment), representing approximately 13.66% of the issued share capital of the Company as at the date of this announcement and approximately 12.02% of the issued share capital of the Company as enlarged by the full conversion of the Bonds and the Optional Bonds. The New Shares to be issued upon conversion of the Bonds will rank *pari passu* in all respects with the Shares then in issue on the relevant Conversion Date.

The following table summarises the potential effects on the shareholding structure of the Company as a result of the issue of the Bonds (by reference to the information on shareholdings available to the Company as at the date of this announcement and assuming full conversion of the Bonds) without taking into account the effect of the stock lending arrangement below:

| Shareholder | As at the date of this announcement | | Assuming the Bonds are fully converted into Shares at the initial conversion price of HK\$3.90 | | Assuming the Bonds and the Optional Bonds are fully converted into Shares at the initial conversion price of HK\$3.90 | |
|-----------------------------|-------------------------------------|-------------------|--|-------------------|---|-------------------|
| | Number of Shares | Approximate % | Number of Shares | Approximate % | Number of Shares | Approximate % |
| Xu Shao Chun (Note 1) | 769,341,824 | 30.19 | 769,341,824 | 27.02 | 769,341,824 | 26.56 |
| Directors (Note 2) | 3,103,626 | 0.12 | 3,103,626 | 0.11 | 3,103,626 | 0.11 |
| Public | | | | | | |
| — Bondholders | — | — | 298,350,000 | 10.48 | 348,075,000 | 12.02 |
| — Other Public Shareholders | <u>1,776,151,507</u> | <u>69.69</u> | <u>1,776,151,507</u> | <u>62.39</u> | <u>1,776,151,507</u> | <u>61.32</u> |
| Total | <u><u>2,548,596,957</u></u> | <u><u>100</u></u> | <u><u>2,846,946,957</u></u> | <u><u>100</u></u> | <u><u>2,896,671,957</u></u> | <u><u>100</u></u> |

Note:

- Of the 769,341,824 Shares, 4,983,200 Shares were held directly by Mr. Xu Shao Chun, 408,472,000 Shares were held through Oriental Gold Limited and 355,886,624 Shares were held through Billion Ocean Limited. Oriental Gold Limited and Billion Ocean Limited are controlled by Mr. Xu Shao Chun.
- Of the 3,103,626 Shares, 311,626 were held by Mr. Yang Jian, 112,000 were held by Mr. Chen Deng Kun and 2,480,000 were held by Mr. Ho Ching Hua and 200,000 Shares were held by Mr. Wu Cheng.

USE OF PROCEEDS

The estimated net proceeds from the Bonds Issue (assuming the Option is not exercised), after deduction of commission and expenses, is approximately US\$147.3 million, or if the Optional Bonds are issued in full, approximately US\$171.9 million. The Group intends to apply the proceeds for (i) investment in cloud-management and particularly mobile internet technologies, (ii) the repayment of existing bank loans, (iii) strategic investments and acquisitions, and (iv) for working capital and general corporate purposes.

REASONS FOR AND BENEFITS OF THE ISSUE OF THE BONDS

The issue and conversion of the Bonds will enlarge and diversify the shareholder base of the Group whilst providing an opportunity to raise further capital for the purposes as set out in the paragraph headed “Use of Proceeds” above. Taking into account that the terms of the issue of the Bonds and the Conversion Price represents a premium to the closing price of the Shares as quoted on the Hong Kong Stock Exchange on 7 April 2014, the Directors are of the view that the terms and conditions of the Bonds, the Guarantee and the issue of the New Shares are fair and reasonable and are in the interests of the Shareholders and the Group as a whole.

GENERAL MANDATE

The issue of the Bonds and the New Shares is not subject to Shareholders’ approval. By a resolution of the shareholders of the Company passed at the annual general meeting held on 8 May 2013, the Company granted a general mandate to the Directors to allot and issue no more than 503,839,893 Shares (representing approximately 20% of the total nominal amount of the share capital of the Company in issue on the date of passing of the resolution). As at the date of this announcement, the General Mandate has not been utilised. The New Shares will be allotted and issued under such general mandate. Approximately 348,075,000 Shares (being the aggregate of 298,350,000 Shares to be converted from the Bonds and 49,725,000 Shares from the Optional Bonds) will be allotted and issued based on the initial Conversion Price of HK\$3.90.

STOCK LENDING ARRANGEMENT

In connection with the Bonds Issue, Oriental Gold Limited, a company incorporated in the British Virgin Islands wholly owned by Mr. Xu Shao Chun, has agreed to make available to Credit Suisse AG (“CSAG”) on the basis that CSAG in turn agrees to make available to Credit Suisse Securities (Europe) Limited (“CSSEL”) for purposes of stock lending by CSSEL to investors of the Bonds procured by CSSEL and for purposes of on-lending by CSSEL to Macquarie Bank Limited (“Macquarie”) to facilitate stock lending by Macquarie to investors in the Bonds procured by Macquarie, a total of 130,000,000 Shares (the “Lent Shares”). The purpose of this stock lending arrangement is that the Lent Shares may be held or sold by the investors of the Bonds to hedge against the risk of falling of prices of the Shares.

During the terms of the lending arrangement, Oriental Gold Limited will not have the right to recall the Shares and it will not have voting rights on the Lent Shares. It is expected that the Lent Shares will be returned to Oriental Gold Limited on or before the earlier of (i) the date on which all the Bonds are redeemed or converted and (ii) 14 April 2017.

FUND RAISING IN THE PAST 12 MONTHS

The Company has not carried out any capital fund raising activities during the 12 months immediately preceding the date of this announcement.

GENERAL

The Company is an investment holding company. The principal activities of the Group are developing, manufacturing and selling of software products and provision of software-related technical services in the PRC. The Issuer, a company incorporated in the British Virgin Islands, is 100% owned by the Company and is principally engaged in investment holding.

Application will be made by the Issuer and the Company to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds on the Hong Kong Stock Exchange and application will be made by the Company to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the New Shares.

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

None of the Bonds will be offered to the public in Hong Kong.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meaning:

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| “Agency Agreement” | the paying, conversion and transfer agency agreement to be entered into between the Issuer, the Company, the Trustee and the agents named therein |
| “Alternative Stock Exchange” | in the case of the Shares, if they 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 |
| “Auditors” | PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the external auditor of the Company |
| “Board” | board of directors of the Company |
| “Bonds” | the USD Denominated 4.00% convertible bonds due 2019 of an initial aggregate principal amount of US\$150 million |
| “Bondholder(s)” | holder(s) of the Bonds from time to time |
| “Bonds Issue” | the issue and subscription of the Bonds pursuant to the Subscription Agreement |

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| “Closing Date” | 14 April 2014 or such later date, being not later than 28 April 2014 as the Company, the Issuer and the Joint Lead Managers may agree |
| “Company” | Kingdee International Software Group Company Limited, a company incorporated in Cayman Islands with limited liabilities whose shares are listed on the Hong Kong Stock Exchange (Stock Code: 268) and guarantor of the Bonds |
| “Change of Control” | occurs when: <ul style="list-style-type: none"> (a) the Controlling Shareholder ceases to be the single largest shareholder of the Company; (b) any person or persons, acting together, (other than the Controlling Shareholder) acquires Control of the Company; or (c) the Company consolidates with or merges into or sells or transfers all or substantially all of the Company’s assets to any other person, unless the consolidation, merger, sale or transfer will not result in the other person or persons acquiring Control over the Company or the successor entity |
| “Contracts” | the Agency Agreement and the Trust Deed |
| “Control” | the acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of the Company or the right to appoint and/or remove all or the majority of the members of the Company’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise |
| “Controlling Shareholder” | the aggregate shareholding of Mr. Xu Shao Chun and: <ul style="list-style-type: none"> (a) any heir, estate, lineal descendent (or spouse thereof), spouse or parent of Mr. Xu Shao Chun; or (b) any trust, corporation, partnership or other entity, of which the direct or indirect beneficiaries, equity holders, partners or owners are Mr. Xu Shao Chun and/or such other persons referred to in paragraph (a) above |
| “Conversion Date” | the conversion date in respect of the Bonds |
| “Conversion Price” | the price at which Shares will be issued upon conversion which will initially be HK\$3.90 per Share and will be subject to adjustment in the manner provided in the Terms and Conditions |

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| “Conversion Ratio” | the principal amount of each Convertible Bond (translated into HKD at the fixed exchange rate of HK\$7.7571 = US\$1.00) divided by the applicable Conversion Price |
| “Directors” | directors of the Company |
| “Encumbrance” | a mortgage, charge, pledge, lien or other encumbrance or security interest securing any obligation of any person |
| “Group” | the Company and its subsidiaries |
| “Guarantee” | the unconditional and irrevocable guarantee given by the Company in relation to the performance by the Issuer of its obligations under the Trust Deed and the Bonds |
| “HK\$” or “HKD” | Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region |
| “Hong Kong” | the Hong Kong Special Administration Region of the PRC |
| “Hong Kong Stock Exchange” | The Hong Kong Stock Exchange of Hong Kong Limited |
| “Issuer” | Crotona Assets Limited, a company incorporated in the British Virgin Islands and a company owned as to 100% by the Group |
| “Joint Lead Managers” | Credit Suisse (Hong Kong) Limited and Macquarie Capital Securities Limited, in their capacity as Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers |
| “Listing Rules” | The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Maturity Date” | 14 April 2019 |
| “New Shares” | Shares to be allotted and issued by the Company upon conversion of the Bonds |
| “Offering Circulars” | the preliminary and final offering circulars to be prepared by the Issuer and the Company in relation to the Bonds and the listing of the Bonds on the Hong Kong Stock Exchange |
| “Option” | the option to subscribe for all or any of the Optional Bonds, exercisable on one or more occasions, in whole or in part, at any time on or before the 30th day after the Closing Date |
| “Optional Bonds” | the additional USD Denominated 4.00% Bonds due 2019 of up to an aggregate principal amount of US\$25 million |

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| “Option Closing Date” | a date to be specified by the Joint Lead Managers upon exercise of the option to subscribe for all or any of the Optional Bonds, being a date not later than 15 business days after the date of exercise of such option |
| “PRC” | the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan) |
| “Regulation S” | Regulation S under the Securities Act |
| “Relevant Indebtedness” | any future and present indebtedness in the form of or represented by debentures, loan stock, bonds, notes, bearer participation certificates, depositary receipts, certificates of deposit or other similar securities or instruments or by bills of exchange drawn or accepted for the purpose of raising money which are, or are capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or on any other securities market (whether or not initially distributed by way of private placement) |
| “Securities Act” | the United States Securities Act of 1933, as amended |
| “SFO” | the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) |
| “Shareholders” | holder(s) of the Shares |
| “Shares” | ordinary shares of HK\$0.025 each in the issued share capital of the Company |
| “Share Option Schemes” | the share option schemes as disclosed in the Company’s annual report issued on 3 April 2014 |
| “Subscription Agreement” | the subscription agreement between the Company, the Issuer and the Joint Lead Managers dated 7 April 2014 in respect of the subscription of the Bonds |
| “Terms and Conditions” | the terms and conditions of the Bonds |
| “Trading Day” | 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 of the Shares is reported for one or more consecutive dealing days, such day or days will be disregarded in any relevant calculation and will be deemed not to have been dealing days when ascertaining any period of dealing days |

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| “Trustee” | The Bank of New York Mellon, London Branch, the trustee to be appointed in relation to the Bonds |
| “Trust Deed” | the trust deed to be entered between the Company, the Issuer and the Trustee |
| “United States” | the United States of America |
| “US\$” or “USD” or “USD Dollar” | United States dollars, the lawful currency of the United States |
| “%” | per cent. |

In this announcement, unless otherwise stated, amounts denominated in US\$ have been converted into HK\$ at the rate of US\$1.00 = HK\$7.7571 for illustration purpose only. The exchange rates do not constitute representations that any amount has been, could have been, or may be exchanged at this or any other rates at all.

By order of the Board
Kingdee International Software Group Company Limited
Xu Shao Chun
Chairman

Hong Kong, 8 April 2014

As at the date hereof, the Board comprises Mr. Xu Shao Chun (Chairman of the Board and Chief Executive Officer), Mr. Chen Deng Kun and Mr. Yang Jian as executive directors; Ms. Dong Ming Zhu as non-executive director; and Mr. Gary Clark Biddle, Mr. Ho Ching-hua, Mr. Wu Cheng and Mr. Liu Chia Yung as independent non-executive directors.