

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**Kingsoft Corporation Limited**

**金山軟件有限公司**

*(Continued into the Cayman Islands with limited liability)*

**(Stock Code: 03888)**

**CONNECTED TRANSACTIONS  
AND DISCLOSEABLE TRANSACTIONS:  
PROPOSED ISSUE OF SERIES D  
PREFERRED SHARES BY KINGSOFT CLOUD**

On 28 December 2017, the Company, GY Investor, Kingsoft Cloud Group, Certain KSC Shareholder and the Officer entered into the Share Purchase Agreement III, pursuant to which, among others, Kingsoft Cloud as the issuer agreed to issue an aggregate of 117,845,456 Series D Preferred Shares and each of the Company and GY Investor as the subscribers agreed to subscribe for 58,922,728 Series D Preferred Shares for a respective consideration of US\$50 million (equivalent to approximately HK\$390.76 million), respectively.

On the same day, the Company, Shunwei Investor, Kingsoft Cloud Group, Certain KSC Shareholder and the Officer entered into the Share Purchase Agreement IV, pursuant to which, among others, Kingsoft Cloud as the issuer agreed to issue an aggregate of 23,569,092 Series D Preferred Shares and each of the Company and Shunwei Investor as the subscribers agreed to subscribe for 11,784,546 Series D Preferred Shares for a respective consideration of US\$10 million (equivalent to approximately HK\$78.15 million), respectively.

On the same day, the Company, Liyue Investor, Kingsoft Cloud Group, Certain KSC Shareholder and the Officer entered into the Share Purchase Agreement V, pursuant to which, among others, Kingsoft Cloud as the issuer agreed to issue an aggregate of 117,845,456 Series D Preferred Shares and each of the Company and Liyue Investor as the subscribers agreed to further subscribe for 58,922,728 Series D Preferred Shares for a respective consideration of US\$50 million (equivalent to approximately HK\$390.76 million), respectively.

On or prior to the completion of the Share Purchase Agreement III, the Share Purchase Agreement IV and the Share Purchase Agreement V, all the then shareholders of Kingsoft Cloud will enter into the Restated Shareholders Agreement. For the avoidance of doubt, the Share Purchase Agreement III, the Share Purchase Agreement IV and the Share Purchase Agreement V are independent from each other.

The completion of the Share Purchase Agreement and the Share Purchase Agreement II took place on 21 September 2017 and 6 December 2017, respectively. Kingsoft Cloud issued an aggregate of 317,004,277 Series D Preferred Shares, among which, 176,768,184, 58,922,728 and 81,313,365 Series D Preferred Shares were subscribed by the Company, Liyue Investor and Minsheng Investor, respectively, and Kingsoft Cloud also granted the Minsheng Warrant to Minsheng Investor on 6 December 2017, which entitles Minsheng Investor to subscribe for 36,532,091 Series D Preferred Shares.

On the assumption that (i) all preferred shares of Kingsoft Cloud are fully converted into the KSC Ordinary Shares based on the conversion ratio of 1:1; (ii) all shares under the share option scheme and all shares already reserved for issuance under the ESOP are issued; and (iii) the Minsheng Warrant is fully exercised, upon completion of the Share Purchase Agreement III, the Share Purchase Agreement IV and the Share Purchase Agreement V, Kingsoft Cloud will be owned as to approximately 51.73% by the Company, 4.72% by Liyue Investor, 4.72% by Minsheng Investor, 2.36% by GY Investor and 0.47% by Shunwei Investor, and the shareholding of the Company in Kingsoft Cloud will decrease from 51.93% to 51.73%.

The subscriptions by Liyue Investor, Minsheng Investor, GY Investor and Shunwei Investor, on an aggregate basis, constitute a deemed disposal under Chapter 14 of the Listing Rules. As the highest percentage ratio in relation to such deemed disposal exceeds 5% but is less than 25%, the deemed disposal constitutes a discloseable transaction of the Company, which is subject to the announcement requirement under Chapter 14 of the Listing Rules.

Kingsoft Cloud is a subsidiary of the Company. As at the date of this announcement, Xiaomi, the associate of Mr. Jun LEI, holds more than 10% voting power in Kingsoft Cloud and Mr. Jun LEI is the chairman and substantial shareholder of the Company. As such, Kingsoft Cloud is a connected subsidiary of the Company by virtue of Rule 14A.16 of the Listing Rules. Therefore, the issue of Series D Preferred Shares by Kingsoft Cloud to the Company constitutes a connected transaction of the Company under the Listing Rules. As the highest applicable percentage ratio in respect of the issue of the Series D Preferred Shares by Kingsoft Cloud to the Company in the Share Purchase Agreement, the Share Purchase Agreement II, the Share Purchase Agreement III, the Share Purchase Agreement IV and the Share Purchase Agreement V on an aggregate basis exceeds 5%, such subscriptions by the Company constitute connected transactions of the Company, which are subject to the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to the Listing Rules, Shunwei Investor is a connected person of the Company by virtue of being an associate of Mr. Jun LEI, the chairman and substantial shareholder of the Company. Therefore, the issue of 11,784,546 Series D Preferred Shares by Kingsoft Cloud to Shunwei Investor constitutes a connected transaction of the Company under the Listing Rules. As the highest applicable percentage ratio in respect of the issue of 11,784,546 Series D Preferred Shares by Kingsoft Cloud to Shunwei Investor exceeds 0.1% but is less than 5%, such transaction constitutes a connected transaction of the Company and is subject to the announcement requirement under Chapter 14A of the Listing Rules.

Pursuant to the Restated Shareholders Agreement, each of GY Investor, Shunwei Investor, Liyue Investor and the Company is entitled to an exit right in certain circumstances. As the exercise of the exit right of the Company is at the discretion of the Company, the Company will comply with the applicable requirements under the Listing Rules when it exercises the exit right granted by Kingsoft Cloud under the Restated Shareholders Agreement. As each of the highest applicable percentage ratios in respect of the grant of exit right to GY Investor and Liyue Investor is below 5%, such transactions are exempted from the announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. As the highest applicable percentage ratio in respect of the grant of the exit right to Shunwei Investor exceeds 0.1% but is below 5%, such transaction is subject to the announcement requirement, but exempted from the independent Shareholders' approval under Chapter 14A of the Listing Rules.

Mr. Tao ZOU, Mr. Jun LEI and Mr. Yuk Keung NG have abstained from voting on the Board resolutions relating to the transactions contemplated under the Share Purchase Agreement III, the Share Purchase Agreement IV and the Share Purchase Agreement V as they are the directors of Kingsoft Cloud. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Share Purchase Agreement III, the Share Purchase Agreement IV and the Share Purchase Agreement V and none of them has abstained from voting on the relevant Board resolutions.

The Company will convene an EGM for purposes of, among other matters, seeking approval from the independent Shareholders with respect to the Share Purchase Agreement III, the Share Purchase Agreement IV and the Share Purchase Agreement V. In view of his interest in Shunwei Investor, Mr. Jun LEI will abstain from voting in favour of the resolution approving the Share Purchase Agreement IV and the transactions contemplated thereunder at the EGM. Save as disclosed above, to the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no other Shareholders or any of their respective associates have material interest in the Share Purchase Agreement III, the Share Purchase Agreement IV, the Share Purchase Agreement V and the transactions contemplated thereunder, thus no other Shareholders or any of their respective associates are required to abstain from voting in favour of the resolutions approving the Share Purchase Agreement III, the Share Purchase Agreement IV, the Share Purchase Agreement V and the transactions contemplated thereunder at the EGM.

Gram Capital Limited has been engaged by the Company to act as the independent financial adviser to the independent board committee and the independent Shareholders in respect of the Share Purchase Agreement III, the Share Purchase Agreement IV, the Share Purchase Agreement V and the transactions contemplated thereunder. Gram Capital Limited is a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

A circular containing, among other matters, (i) further details of the Share Purchase Agreement III, the Share Purchase Agreement IV and the Share Purchase Agreement V; (ii) the recommendation from the independent board committee in respect of the Share Purchase Agreement III, the Share Purchase Agreement IV, the Share Purchase Agreement V and the transactions contemplated thereunder; (iii) the advice of the independent financial adviser to the independent board committee and the independent Shareholders in respect of the Share Purchase Agreement III, the Share Purchase Agreement IV, the Share Purchase Agreement V and the transactions contemplated thereunder; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders by the end of January 2018 as additional time is required for the preparation of the circular.

## 1. INTRODUCTION

References are made to the announcement of the Company dated 12 September 2017 in relation to the issue of Series D Preferred Shares by Kingsoft Cloud to the Company and Liyue Investor (the “**First Announcement**”) and the announcement of the Company dated 11 October 2017 in relation to the issue of Series D Preferred Shares by Kingsoft Cloud to the Company and Minsheng Investor (the “**Second Announcement**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the First Announcement and the Second Announcement.

On 28 December 2017, the Company, Precious Steed Limited (“**GY Investor**”), Kingsoft Cloud Group, Certain KSC Shareholder and the Officer entered into a share purchase agreement (the “**Share Purchase Agreement III**”), pursuant to which, among others, Kingsoft Cloud as the issuer agreed to issue an aggregate of 117,845,456 Series D Preferred Shares and each of the Company and GY Investor as the subscribers agreed to subscribe for 58,922,728 Series D Preferred Shares for a respective consideration of US\$50 million (equivalent to approximately HK\$390.76 million), respectively.

On the same day, the Company, Shunwei Growth III Limited (“**Shunwei Investor**”), Kingsoft Cloud Group, Certain KSC Shareholder and the Officer entered into a share purchase agreement (the “**Share Purchase Agreement IV**”), pursuant to which, among others, Kingsoft Cloud as the issuer agreed to issue an aggregate of 23,569,092 Series D Preferred Shares and each of the Company and Shunwei Investor as the subscribers agreed to subscribe for 11,784,546 Series D Preferred Shares for a respective consideration of US\$10 million (equivalent to approximately HK\$78.15 million), respectively.

On the same day, the Company, Liyue Investor, Kingsoft Cloud Group, Certain KSC Shareholder and the Officer entered into a share purchase agreement (the “**Share Purchase Agreement V**”), pursuant to which, among others, Kingsoft Cloud as the issuer agreed to issue an aggregate of 117,845,456 and each of the Company and Liyue Investor as the subscribers agreed to further subscribe for 58,922,728 Series D Preferred Shares for a respective consideration of US\$50 million (equivalent to approximately HK\$390.76 million), respectively.

On or prior to the completion of the Share Purchase Agreement III, the Share Purchase Agreement IV and the Share Purchase Agreement V, all the then shareholders of Kingsoft Cloud will enter into the Restated Shareholders Agreement. For the avoidance of doubt, the Share Purchase Agreement III, the Share Purchase Agreement IV and the Share Purchase Agreement V are independent from each other.

The completion of the Share Purchase Agreement and the Share Purchase Agreement II took place on 21 September 2017 and 6 December 2017, respectively. Kingsoft Cloud issued an aggregate of 317,004,277 Series D Preferred Shares, among which, 176,768,184, 58,922,728 and 81,313,365 Series D Preferred Shares were subscribed by the Company, Liyue Investor and Minsheng Investor, respectively, and Kingsoft Cloud also granted the Minsheng Warrant to Minsheng Investor on 6 December 2017, which entitles Minsheng Investor to subscribe for 36,532,091 Series D Preferred Shares.

On the assumption that (i) all preferred shares of Kingsoft Cloud are fully converted into the KSC Ordinary Shares based on the conversion ratio of 1:1; (ii) all shares under the share option scheme and all shares already reserved for issuance under the ESOP are issued; and (iii) the Minsheng Warrant is fully exercised, upon completion of the Share Purchase Agreement III, the Share Purchase Agreement IV and the Share Purchase Agreement V, Kingsoft Cloud will be owned as to approximately 51.73% by the Company, 4.72% by Liyue Investor, 4.72% by Minsheng Investor, 2.36% by GY Investor and 0.47% by Shunwei Investor, and the shareholding of the Company in Kingsoft Cloud will decrease from 51.93% to 51.73%.

## **2. PRINCIPAL TERMS OF THE SHARE PURCHASE AGREEMENT III, THE SHARE PURCHASE AGREEMENT IV, THE SHARE PURCHASE AGREEMENT V AND THE RESTATED SHAREHOLDERS AGREEMENT**

### **2.1 the Share Purchase Agreement III, the Share Purchase Agreement IV and the Share Purchase Agreement V**

Unless specified below, the major terms of the Share Purchase Agreement III, the Share Purchase Agreement IV and the Share Purchase Agreement V are substantially the same as most of the commercial terms set out in the Share Purchase Agreement and the Share Purchase Agreement II, which are summarized as follows:

**Date:** 28 December 2017

**Parties:** Kingsoft Cloud (as the issuer) and other members of Kingsoft Cloud Group;

the Company and GY Investor (as the subscribers under the Share Purchase Agreement III);

the Company and Shunwei Investor (as the subscribers under the Share Purchase Agreement IV);



the Company and Liyue Investor (as the subscribers under the Share Purchase Agreement V); and

Certain KSC Shareholder and the Officer

**Subject Matter:** Kingsoft Cloud agreed to issue an aggregate of 117,845,456 Series D Preferred Shares, and each of the Company and GY Investor agreed to subscribe for 58,922,728 Series D Preferred Shares under the Share Purchase Agreement III.

Kingsoft Cloud agreed to issue an aggregate of 23,569,092 Series D Preferred Shares, and each of the Company and Shunwei Investor agreed to subscribe for 11,784,546 Series D Preferred Shares under the Share Purchase Agreement IV.

Kingsoft Cloud agreed to issue an aggregate of 117,845,456 Series D Preferred Shares, and each of the Company and Liyue Investor agreed to subscribe for 58,922,728 Series D Preferred Shares under the Share Purchase Agreement V.

**Conditions  
Precedent:**

*Conditions to the obligations of Kingsoft Cloud*

The performance of the obligations of Kingsoft Cloud under respective share purchase agreements is subject to the satisfaction of, on or prior to the completion of the respective share purchase agreements, the conditions, including but not limited to the followings:

- (i). all the representations and warranties provided by the subscribers under the respective share purchase agreements being true, correct and complete in all material respects; and
- (ii). other reasonable and customary conditions.

### *Conditions to the obligations of the subscribers*

The performance of the obligations of the subscribers under the respective share purchase agreements is subject to the satisfaction of, on or prior to the respective completion of the respective share purchase agreements, the conditions, including but not limited to the followings:

- (i). all the representations and warranties provided by Kingsoft Cloud Group being true, correct and complete in all material respects;
- (ii). any and all consents and waivers from third parties necessary for the lawful subscription for the Series D Preferred Shares having been obtained by Kingsoft Cloud Group; and
- (iii). other reasonable and customary conditions.

**Completion:** The completion of the respective share purchase agreements shall take place upon the fulfilment or waiver of their respective conditions precedent.

**Consideration:** Under the Share Purchase Agreement III, the aggregate consideration is US\$100 million (equivalent to approximately HK\$781.52 million) at the same unit price per share of approximately US\$0.85 per Series D Preferred Share (equivalent to approximately HK\$6.64), including US\$50 million (equivalent to approximately HK\$390.76 million) payable by the Company and US\$50 million (equivalent to approximately HK\$390.76 million) payable by GY Investor to Kingsoft Cloud for their respective subscriptions of 58,922,728 Series D Preferred Shares.

Under the Share Purchase Agreement IV, the aggregate consideration is US\$20 million (equivalent to approximately HK\$156.30 million) at the same unit price per share of approximately US\$0.85 per Series D Preferred Share (equivalent to approximately HK\$6.64), including US\$10 million (equivalent to approximately HK\$78.15 million) payable by the Company and US\$10 million (equivalent to approximately HK\$78.15 million) payable by Shunwei Investor to Kingsoft Cloud for their respective subscriptions of 11,784,546 Series D Preferred Shares.

Under the Share Purchase Agreement V, the aggregate consideration is US\$100 million (equivalent to approximately HK\$781.52 million) at the same unit price per share of approximately US\$0.85 per Series D Preferred Share (equivalent to approximately HK\$6.64), including US\$50 million (equivalent to approximately HK\$390.76 million) payable by the Company and US\$50 million (equivalent to approximately HK\$390.76 million) payable by Liyue Investor to Kingsoft Cloud for their respective subscriptions of 58,922,728 Series D Preferred Shares.

For the avoidance of doubt, the unit price per share of approximately US\$0.85 (equivalent to approximately HK\$6.64) per Series D Preferred Share is calculated based on the total issued shares of Kingsoft Cloud immediately before the issue of Series D Preferred Shares on the assumption that (i) all issued and outstanding preferred shares of Kingsoft Cloud immediately before the issue of Series D Preferred Shares are fully converted into the KSC Ordinary Shares based on the conversion ratio of 1:1; and (ii) all shares under the share option scheme and all share already reserved for issuance under the ESOP immediately before the issue of Series D Preferred Shares are issued. Such unit price is the same for all subscriptions for the Series D Preferred Shares under the Share Purchase Agreement, the Share Purchase Agreement II, the Share Purchase Agreement III, the Share Purchase Agreement IV and the Share Purchase Agreement V.

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

**Payment:**

The above mentioned consideration shall be paid by the respective subscribers to Kingsoft Cloud by wire transfer of immediately available funds in U.S. dollars to an account designated by Kingsoft Cloud upon completion of the respective share purchase agreements. If any portion of the consideration is to be paid by a currency other than U.S. dollar, the exchange rate between such currency and U.S. dollar shall be the selling rate of U.S. dollar quoted by Bank of China at 9:00 a.m. on the date of the completion of the respective share purchase agreements.



## **2.2 Restated Shareholders Agreement**

Pursuant to the Restated Shareholders Agreement, the holders of Series D Preferred Shares have the right to request Kingsoft Cloud to purchase the Series D Preferred Shares held by them in the event that (i) series D qualified public offering has yet to complete within a certain period of time; (ii) any of the holders of series B preferred shares of Kingsoft Cloud has requested Kingsoft Cloud to purchase the series B preferred shares held by it pursuant to the Restated Shareholders Agreement; or (iii) any of the holders of series C preferred shares of Kingsoft Cloud has requested Kingsoft Cloud to purchase the series C preferred shares held by it pursuant to the Restated Shareholders Agreement.

The purchase price (the “**Redemption Price**”) for Kingsoft Cloud to purchase the Series D Preferred Shares upon exercising the exit right by any holder of the Series D Preferred Shares shall be calculated using the following formula:

Redemption Price shall be the applicable purchase price paid by such holder of Series D Preferred Shares and a return at a fixed compound rate per annum as stipulated in the Restated Shareholders Agreement calculated from the date of the actual issuance of such Series D Preferred Shares (with respect to the Series D Preferred Shares subscribed by the holder thereof by exercising the Minsheng Warrant, from the effective date of the Minsheng Warrant provided that Minsheng Warrant has been exercised in full before the redemption) to the date on which such holder of the Series D Preferred Shares elects to exercise its exit right plus all declared but unpaid dividends on the respective Series D Preferred Shares held by the holder thereof requested to be purchased pursuant to the Restated Shareholders Agreement.

## **3. THE PRINCIPAL TERMS OF SERIES D PREFERRED SHARES**

The principal terms of the Series D Preferred Shares are set out in the First Announcement.

#### 4. FINANCIAL INFORMATION ABOUT KINGSOFT CLOUD GROUP

The unaudited accounts of Kingsoft Cloud Group were prepared under the International Financial Reporting Standards.

The net profit/(loss) before and after taxation of Kingsoft Cloud Group based on the unaudited accounts are as follows:

	<b>For the year ended 31 December 2015</b>	<b>For the year ended 31 December 2016</b>	<b>For the nine months ended 30 September 2017</b>
			<i>RMB million</i>
Net profit/(loss) before taxation	approximately (238.06)	approximately (508.22)	approximately (605.44)
Net profit/(loss) after taxation	approximately (238.06)	approximately (507.02)	approximately (604.58)
Net profit/(loss) excluding extraordinary items before taxation	approximately (238.06)	approximately (475.76)	approximately (614.19)

The total assets and net assets value of Kingsoft Cloud Group based on the unaudited combined management accounts for the nine months ended 30 September 2017 are approximately RMB2,679.09 million and RMB(543.39) million, respectively.

There is no original acquisition cost of the Series D Preferred Shares as such shares are to be newly issued for the purpose of the Share Purchase Agreement III, the Share Purchase Agreement IV and the Share Purchase Agreement V.

According to the International Financial Reporting Standards 10, a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such issue of the Series D Preferred Shares will have no impact on goodwill, nor will it give rise to a gain or loss on the issuance date. Kingsoft Cloud will continue to be a subsidiary of the Company.

#### 5. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The subscriptions of the Series D Preferred Shares by GY Investor, Shunwei Investor, Liyue Investor and the Company show strong confidence in Kingsoft Cloud. The issue of the Series D Preferred Shares will provide financial supports to the business development and promote the fast growth of Kingsoft Cloud, which in turn will enhance the shareholder value of the Company. Further, through subscriptions of the Series D Preferred Shares by the Company, the Company will remain as the majority shareholder of Kingsoft Cloud upon completion of the Share Purchase Agreement III, the Share Purchase Agreement IV and the Share Purchase Agreement V.

The proceeds from the issue of the Series D Preferred Shares under the Share Purchase Agreement III, the Share Purchase Agreement IV and the Share Purchase Agreement V, being an aggregate of US\$220 million (equivalent to approximately HK\$1,719.34 million), shall be used by Kingsoft Cloud Group for (i) the development of its principal businesses of Kingsoft Cloud Group; (ii) the capital expenditures and general working capital of Kingsoft Cloud Group; (iii) the repayment of the outstanding principal amount and any accrued but unpaid interest thereon under the Loan Agreement and the loan provided by the Zhongguancun sub-branch of the Bank of Beijing to Kingsoft Cloud Group with an aggregate principal amount of up to RMB400 million (equivalent to approximately HK\$476.96 million); (iv) cash pledge in favor of the Company to secure repayment of the loan under the Loan Agreement; or (v) the other purposes as approved by the board of Kingsoft Cloud pursuant to the Share Purchase Agreement III, the Share Purchase Agreement IV and the Share Purchase Agreement V.

The Directors (including the independent non-executive Directors) consider that the terms of the Share Purchase Agreement III, the Share Purchase Agreement IV and the Share Purchase Agreement V are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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

The subscriptions by Liyue Investor, Minsheng Investor, GY Investor and Shunwei Investor, on an aggregate basis, constitute a deemed disposal under Chapter 14 of the Listing Rules. As the highest percentage ratio in relation to such deemed disposal exceeds 5% but is less than 25%, the deemed disposal constitutes a discloseable transaction of the Company, which is subject to the announcement requirement under Chapter 14 of the Listing Rules.

Kingsoft Cloud is a subsidiary of the Company. As at the date of this announcement, Xiaomi, the associate of Mr. Jun LEI, holds more than 10% voting power in Kingsoft Cloud and Mr. Jun LEI is the chairman and substantial shareholder of the Company. As such, Kingsoft Cloud is a connected subsidiary of the Company by virtue of Rule 14A.16 of the Listing Rules. Therefore, the issue of Series D Preferred Shares by Kingsoft Cloud to the Company constitutes a connected transaction of the Company under the Listing Rules. As the highest applicable percentage ratio in respect of the issue of Series D Preferred Shares by Kingsoft Cloud to the Company in the Share Purchase Agreement, the Share Purchase Agreement II, the Share Purchase Agreement III, the Share Purchase Agreement IV and the Share Purchase Agreement V on an aggregate basis exceeds 5%, such subscriptions by the Company constitute discloseable transactions and connected transactions of the Company, which are subject to the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to the Listing Rules, Shunwei Investor is a connected person of the Company by virtue of being an associate of Mr. Jun LEI, the chairman and substantial shareholder of the Company. Therefore, the issue of 11,784,546 Series D Preferred Shares by Kingsoft Cloud to Shunwei Investor constitutes a connected transaction of the Company under the Listing Rules. As the highest applicable percentage ratio in respect of the issue of 11,784,546 Series D Preferred Shares by Kingsoft Cloud to Shunwei Investor exceeds 0.1% but is less than 5%, such transaction constitutes a connected transaction of the Company and is subject to the announcement requirement under Chapter 14A of the Listing Rules.

Pursuant to the Restated Shareholders Agreement, each of GY Investor, Shunwei Investor, Liyue Investor and the Company is entitled to an exit right in certain circumstances. As the exercise of the exit right of the Company is at the discretion of the Company, the Company will comply with the applicable requirements under the Listing Rules when it exercises the exit right granted by Kingsoft Cloud under the Restated Shareholders Agreement. As each of the highest applicable percentage ratios in respect of the grant of exit right to GY Investor and Liyue Investor is below 5%, such transaction is exempted from the announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. As the highest applicable percentage ratio in respect of the grant of the exit right to Shunwei Investor exceeds 0.1% but is below 5%, such transaction is subject to the announcement requirement, but exempted from the independent Shareholders' approval under Chapter 14A of the Listing Rules.

Mr. Tao ZOU, Mr. Jun LEI and Mr. Yuk Keung NG have abstained from voting on the Board resolutions relating to the transactions contemplated under the Share Purchase Agreement III, the Share Purchase Agreement IV and the Share Purchase Agreement V as they are the directors of Kingsoft Cloud. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Share Purchase Agreement III, the Share Purchase Agreement IV and the Share Purchase Agreement V and none of them has abstained from voting on the relevant Board resolutions.

The Company will convene an extraordinary general meeting (the "EGM") for purposes of, among other matters, seeking approval from the independent Shareholders with respect to the Share Purchase Agreement III, the Share Purchase Agreement IV and the Share Purchase Agreement V. In view of his interest in Shunwei Investor, Mr. Jun LEI will abstain from voting in favour of the resolution approving the Share Purchase Agreement IV and the transactions contemplated thereunder at the EGM. Save as disclosed above, to the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no other Shareholders or any of their respective associates have material interest in the Share Purchase Agreement III, the Share Purchase Agreement IV, the Share Purchase Agreement V and the transactions contemplated thereunder, thus no other Shareholders or any of their respective associates are required to abstain from voting in favour of the resolutions approving the Share Purchase Agreement III, the Share Purchase Agreement IV, the Share Purchase Agreement V and the transactions contemplated thereunder at the EGM.

Gram Capital Limited has been engaged by the Company to act as the independent financial adviser to the independent board committee and the independent Shareholders in respect of the Share Purchase Agreement III, the Share Purchase Agreement IV, the Share Purchase Agreement V and the transactions contemplated thereunder. Gram Capital Limited is a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

A circular containing, among other matters, (i) further details of the Share Purchase Agreement III, the Share Purchase Agreement IV and the Share Purchase Agreement V; (ii) the recommendation from the independent board committee in respect of the Share Purchase Agreement III, the Share Purchase Agreement IV, the Share Purchase Agreement V and the transactions contemplated thereunder; (iii) the advice of the independent financial adviser to the independent board committee and the independent Shareholders in respect of the Share Purchase Agreement III, the Share Purchase Agreement IV, the Share Purchase Agreement V and the transactions contemplated thereunder; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders by the end of January 2018 as additional time is required for the preparation of the circular.

## **7. INFORMATION OF THE PARTIES**

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

Kingsoft Cloud Group is principally engaged in the research, development and provision of cloud technology and services.

GY Investor is principally engaged in equity investments in private companies. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, GY Investor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Shunwei Investor is principally engaged in the activity of making growth investments in a variety of companies at various stages of development. Shunwei Investor is a connected person of the Company by virtue of being an associate of Mr. Jun LEI, the chairman and substantial shareholder of the Company.

Liyue Investor is principally engaged in equity investments in private companies. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Liyue Investor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

*For the purpose of this announcement, unless the context otherwise requires, conversion of US\$ into HK\$ is based on the approximate exchange rate of US\$1.00 to HK\$7.8152, and conversion of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 to HK\$1.1924. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$, US\$ or RMB have been, could have been or may be converted at such or any other rate or at all.*

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

Hong Kong, 28 December 2017

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