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Kingsoft Corporation Limited

金山軟件有限公司

(Continued into the Cayman Islands with limited liability)

(Stock Code: 03888)

PROPOSED SPIN-OFF AND SEPARATE LISTING OF KINGSOFT CLOUD HOLDINGS LIMITED

Reference is made to the announcement of the Company dated 14 November 2019 in relation to the possible spin-off and separate listing of Kingsoft Cloud on a recognized stock exchange.

The Company has submitted a proposal in relation to the Proposed Spin-off to the Stock Exchange pursuant to PN15 of the Listing Rules and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off.

The Board hereby announces that on 20 December 2019 (New York time), Kingsoft Cloud submitted on a confidential basis to SEC a draft registration statement for a possible IPO (as defined below).

As at the date of this announcement, Kingsoft Cloud is a non-wholly owned subsidiary of the Company. Following completion of the Proposed Spin-off, it is expected that Kingsoft Cloud will cease to be a subsidiary of the Company. The Proposed Spin-off, if materialized, will constitute a deemed disposal of the interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules. Based on the proposed size of the IPO, it is expected that the highest applicable percentage ratio in respect of the Proposed Spin-off may exceed 25% but will be less than 75%. Therefore, the Proposed Spin-off, if proceeded with, will constitute a major transaction of the Company under Chapter 14 of the Listing Rules. The Proposed Spin-off is therefore subject to, among other things, the approval of the Shareholders under paragraph 3(e)(1) of PN15 and Chapter 14 of the Listing Rules. The Company will comply with the applicable requirements of the Listing Rules as and when appropriate.

The Proposed Spin-off and the IPO are subject to, among other things, the obtaining of approvals from the relevant authorities in respect of the listing of, and permission to deal in, securities of Kingsoft Cloud, and the final decisions of the Company and Kingsoft Cloud. Shareholders and potential investors of the Company should be aware that there is no assurance that the Proposed Spin-off and the IPO will take place or as to when it may take place. Shareholders and potential investors of the Company should therefore exercise caution when dealing in or investing in the securities of the Company.

INTRODUCTION

Reference is made to the announcement of the Company dated 14 November 2019 in relation to the possible spin-off and separate listing of Kingsoft Cloud on a recognized stock exchange.

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THE PROPOSED SPIN-OFF

The Proposed Spin-off is currently intended to involve (i) an offering of shares in Kingsoft Cloud represented by ADSs in the United States to be registered with SEC (the “**IPO**”); and (ii) a distribution in specie of ADSs to the Shareholders (or cash alternative for those Shareholders who are entitled to fractional ADSs, who elect to receive cash in lieu of ADSs, who are located in the United States or are U.S. persons, or are otherwise ineligible holders of ADSs).

The IPO is expected to commence as market conditions permit and is subject to Kingsoft Cloud’s filing with SEC a registration statement on Form F-1 in compliance with the U.S. Securities Act of 1933, as amended, and the SEC’s declaring such registration statement effective. As at the date of this announcement, the number and dollar amount of ADSs proposed to be offered and sold in the IPO have not been determined.

INFORMATION ON KINGSOFT CLOUD

Kingsoft Cloud is a limited liability company incorporated in the Cayman Islands and Kingsoft Cloud Group is principally engaged in the provision of cloud storage and cloud computation services.

REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF

The Board considers that the Proposed Spin-off is commercially beneficial to the Company and Kingsoft Cloud and in the interest of the Shareholders as a whole for the following reasons:

- a) The Proposed Spin-off would enable investors to better value the Company with its focus on the Retained Business;
- b) The Proposed Spin-off could better reflect the value of Kingsoft Cloud Group on its own merits and increase its operational and financial transparency through which investors would be able to appraise and assess the performance and potential of Kingsoft Cloud Group separately and distinctly from those of the Retained Group, in turn providing better reward to the shareholders of both Kingsoft Cloud and the Company;
- c) The Proposed Spin-off will enable the Company to fully focus on and deploy its funds towards the development of the Retained Business without needing to consider Kingsoft Cloud Group's funding requirements; and
- d) The value of Kingsoft Cloud Group is expected to be enhanced through the Proposed Spin-off which will in turn benefit the Company as a controlling shareholder of Kingsoft Cloud.

As such, the Board (including the independent non-executive Directors) is of the view that the terms of the Proposed Spin-off are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

ASSURED ENTITLEMENT

In accordance with the requirements of paragraph 3(f) of PN15, the Board proposes to give due regard to the interests of the Shareholders by providing them with an assured entitlement to the shares of Kingsoft Cloud by way of a distribution in specie of existing shares of Kingsoft Cloud represented by ADSs (or cash alternative under certain circumstances mentioned above), in proportion to their respective shareholdings in the Company. The scale and terms of such assured entitlement have not been finalized and will be announced by the Company in due course.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Kingsoft Cloud is a non-wholly owned subsidiary of the Company. Following completion of the Proposed Spin-off, it is expected that Kingsoft Cloud will cease to be a subsidiary of the Company. The Proposed Spin-off, if materialized, will constitute a deemed disposal of the interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules. Based on the proposed size of the IPO, it is expected that the highest applicable percentage ratio in respect of the Proposed Spin-off may exceed 25% but will be less than 75%. Therefore, the Proposed Spin-off, if proceeded with, will constitute a major transaction of the Company under Chapter 14 of the Listing Rules. The Proposed Spin-off is therefore subject to, among other things, the approval of the Shareholders under paragraph 3(e)(1) of PN15 and Chapter 14 of the Listing Rules. The Company will comply with the applicable requirements of the Listing Rules as and when appropriate.

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DEFINITIONS

In this announcement, the following expressions shall have the meaning set out below unless the context requires otherwise:

“ADS(s)”	the American Depositary Share(s) to be issued pursuant to a deposit agreement between Kingsoft Cloud and a depositary, each representing certain number of shares in Kingsoft Cloud, which are expected to be listed on the U.S. Exchange
“Board”	the board of the Directors
“Company”	Kingsoft Corporation Limited, an exempted limited liability company incorporated in the British Virgin Islands on 20 March 1998 and discontinued in the British Virgin Islands and continued into the Cayman Islands on 15 November 2005, with its shares listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Kingsoft Cloud”	Kingsoft Cloud Holdings Limited, a limited liability company incorporated in the Cayman Islands and a non-wholly owned subsidiary of the Company as at the date of this announcement
“Kingsoft Cloud Group”	Kingsoft Cloud and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“PN15”	Practice Note 15 of the Listing Rules
“PRC”	the People’s Republic of China which, for the purpose of this announcement only, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Spin-off”	the proposed spin-off of Kingsoft Cloud, involving the IPO and the proposed separate listing of the ADSs on the U.S. Exchange
“Retained Group”	the Company and its subsidiaries, excluding Kingsoft Cloud Group and Beijing Kingsoft Office Software, Inc.* (北京金山辦公軟件股份有限公司) and its subsidiaries
“Retained Business”	the principal business operated by the Retained Group, i.e. research and development of games, and provision of online games, mobile games and casual game services
“SEC”	the Securities and Exchange Commission of the United States of America
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of nominal value of US\$0.0005 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning as ascribed thereto in the Listing Rules
“U.S.”	the United States
“U.S. Exchange”	either the New York Stock Exchange or National Association of Securities Dealers Automated Quotations (NASDAQ), subject to the determination by Kingsoft Cloud

“US\$” US dollar(s), the lawful currency of the U.S.

“%” Percent

By Order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

Hong Kong, 22 December 2019

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.