
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Kingsoft Corporation Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, 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 circular.

 **KINGSOFT[®]**
Kingsoft Corporation Limited
金山軟件有限公司
(Continued into the Cayman Islands with limited liability)
(Stock Code: 03888)

(1) PROPOSED ADOPTION OF THE KIS SCHEME
(2) PROPOSED ADOPTION OF THE KINGSOFT JAPAN SCHEME
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening the EGM of the Company to be held at Kingsoft Tower, No. 8 Lianshan Alley, Jingshan Road, Jida, Zhuhai, Guangdong, the PRC at 1:00 p.m. on Thursday, 2 January 2014 is set out on pages 9 to 10 of this circular. A proxy form for your use at the EGM is enclosed with this circular. Whether or not you propose to attend the EGM, you are advised to complete the proxy form in accordance with the instructions printed thereon and return it to the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish.

Hong Kong, 16 December 2013

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Chairman	
1. Introduction	4
2. Adoption of the KIS Scheme	4
3. Adoption of the Kingsoft Japan Scheme	6
4. Extraordinary General Meeting	8
5. Recommendation	8
Notice of Extraordinary General Meeting	9
Appendix I — Summary of the Principal Terms of the KIS Scheme	11
Appendix II — Summary of the Principal Terms of the Kingsoft Japan Scheme	18

RESPONSIBILITY STATEMENTS

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context requires otherwise:

“associate”	has the meaning as ascribed thereto in the Listing Rules
“Board”	the board of the Directors
“Business Day”	has the meaning as ascribed thereto in the Listing Rules
“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 Stock Exchange
“connected person”	has the meaning as ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Kingsoft Tower, No. 8 Lianshan Alley, Jingshan Road, Jida, Zhuhai, Guangdong, the PRC at 1:00 p.m. on Thursday, 2 January 2014
“EGM Notice”	the notice convening the EGM as set out on pages 9 to 10 of this circular
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“KIS”	Kingsoft Internet Software Holdings Limited, a company incorporated under the laws of the Cayman Islands and a non-wholly-owned subsidiary of the Company
“KIS Adoption Date”	2 January 2014, the date on which the KIS Scheme is approved and adopted by the shareholders of the Company at the EGM
“KIS Affiliate”	any entity directly or indirectly controlling, controlled by, or under common control with, KIS or any other entity designated by the KIS Board in which KIS or a KIS Affiliate has an interest
“KIS Board”	the board of KIS
“KIS Committee”	the compensation committee of the KIS Board, however, prior to completion of an initial public offering of the KIS Ordinary Shares, the committee shall mean the KIS Board

DEFINITIONS

“KIS Offer Date”	the day on which the granting of the KIS Options are approved by the KIS Committee
“KIS Option(s)”	option(s) to subscribe for the KIS Ordinary Shares granted pursuant to the KIS Scheme
“KIS Ordinary Shares”	the ordinary shares of KIS with par value of US\$0.000025
“KIS Participant”	an employee, director or consultant of KIS, KIS Affiliates or the Company who is selected by the KIS Committee to participate in the KIS Scheme
“KIS Scheme”	the equity incentive scheme of KIS to be adopted by the Company subject to the approval of the Shareholders at the EGM, the principal terms of which in relation to the KIS Options are set out in Appendix I to this circular
“KIS Subscription Price”	the price per KIS Ordinary Share at which a KIS Participant may subscribe for the KIS Ordinary Shares on the exercise of a KIS Option pursuant to the provisions of the KIS Scheme
“Kingsoft Japan”	Kingsoft Japan Inc., a company incorporated under the laws of Japan and a non-wholly-owned subsidiary of the Company
“Kingsoft Japan Adoption Date”	the date on which the Kingsoft Japan Scheme becomes effective subject to the adoption by the shareholders of the Company and Kingsoft Japan in general meeting (whichever is later)
“Kingsoft Japan Board”	the board of directors of Kingsoft Japan or such committee or such sub-committee or person(s) delegated with the power and authority by the board of directors of Kingsoft Japan to administer the Kingsoft Japan Scheme
“Kingsoft Japan Grantee”	any Kingsoft Japan Participant who accepts the Kingsoft Japan Offer in accordance with the terms of the Kingsoft Japan Scheme or (where the context so permits) a person or persons who, in accordance with the laws of succession applicable in respect of the death of a Kingsoft Japan Grantee, is or are entitled to exercise the Kingsoft Japan Option granted to such Kingsoft Japan Grantee (to the extent not already exercised) in consequence of the death of such Kingsoft Japan Grantee
“Kingsoft Japan Invested Entity”	any entity in which Kingsoft Japan and its subsidiaries directly or indirectly holds 20% or more equity interest
“Kingsoft Japan Offer”	the offer of the grant of a Kingsoft Japan Option made in accordance with the provisions of the Kingsoft Japan Scheme
“Kingsoft Japan Offer Date”	in respect of a Kingsoft Japan Option, the date upon which such Kingsoft Japan Option is deemed to be granted in accordance with the provisions of the Kingsoft Japan Scheme

DEFINITIONS

“Kingsoft Japan Options”	option(s) to subscribe for Kingsoft Japan Ordinary Shares granted pursuant to the Kingsoft Japan Scheme, which may be exercised by the Kingsoft Japan Grantee after the initial public offering of Kingsoft Japan in accordance with the vesting period applicable to the Kingsoft Japan Options at the time as determined by the Kingsoft Japan Board during the Kingsoft Japan Option Period and shall be deemed unvested before the initial public offering of Kingsoft Japan, unless otherwise approved by the Kingsoft Japan Board and expressly stated in the Kingsoft Japan Offer
“Kingsoft Japan Option Period”	in respect of any particular Kingsoft Japan Option, such period as the Kingsoft Japan Board may in its absolute discretion determine and notify to each Kingsoft Japan Grantee, from the Kingsoft Japan Offer Date to the date of expiration of the Kingsoft Japan Option, save that such period shall not be more than ten (10) years from the Kingsoft Japan Offer Date subject to the provisions for early termination set out in this Kingsoft Japan Scheme
“Kingsoft Japan Ordinary Shares”	the ordinary shares of Kingsoft Japan
“Kingsoft Japan Participant”	any employee(s) (whether full time or part time employee(s)) of the Group, Kingsoft Japan, any subsidiary of Kingsoft Japan or any Kingsoft Japan Invested Entity; or anybody who provides service or cooperation to Kingsoft Japan and its subsidiary, as determined by the Kingsoft Japan Board pursuant to the relevant laws and regulations
“Kingsoft Japan Scheme”	the share option scheme of Kingsoft Japan to be adopted by the Company subject to the approval of the Shareholders at the EGM and the approval of the shareholders of Kingsoft Japan in general meeting, the principal terms of which are set out in Appendix II to this circular
“Kingsoft Japan Subscription Price”	the price per Kingsoft Japan Ordinary Share at which a Kingsoft Japan Grantee may subscribe for Kingsoft Japan Ordinary Shares on the exercise of a Kingsoft Japan Option pursuant to the provisions of the Kingsoft Japan Scheme
“Latest Practicable Date”	12 December 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning as ascribed thereto in the Listing Rules
“US\$”	United States dollars



Kingsoft Corporation Limited

金山軟件有限公司

(Continued into the Cayman Islands with limited liability)

(Stock Code: 03888)

Directors:

Executive Directors

HongJiang ZHANG

Yuk Keung NG

Tao ZOU

Non-Executive Directors

Jun LEI (Chairman)

Pak Kwan KAU

Chi Ping LAU

Independent Non-Executive Directors

Guangming George LU

David Yuen Kwan TANG

Wenjie WU

Registered Office

Clifton House

75 Fort Street

P.O. Box 1350 GT

George Town

Grand Cayman KY1-1108

Cayman Islands

Principal Place of Business

in Hong Kong

Unit 1309A, 13/F

Cable TV Tower

No. 9 Hoi Shing Road

Tsuen Wan, N.T.

Hong Kong

Hong Kong, 16 December 2013

To the Shareholders

Dear Sir or Madam,

(1) PROPOSED ADOPTION OF THE KIS SCHEME
(2) PROPOSED ADOPTION OF THE KINGSOFT JAPAN SCHEME
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

The purpose of this letter is to provide you the information regarding the proposals in respect of (i) the proposed adoption of the KIS Scheme; and (ii) the proposed adoption of the Kingsoft Japan Scheme, which will be considered at the EGM as set out in the EGM Notice.

2. ADOPTION OF THE KIS SCHEME

Background

KIS is a non-wholly-owned subsidiary of the Company. As at the Latest Practicable Date, the Company holds 53.09% KIS Ordinary Shares and 1% preferred shares of KIS. On the assumption that all the preferred shares of KIS are fully converted into the KIS Ordinary Shares based on the initial conversion ratio of 1:1, KIS is owned as to 54.09% by the Company. The total number of the KIS Ordinary Shares in issue is 1,000,551,482 and no share option scheme has been adopted by KIS.

LETTER FROM THE CHAIRMAN

The KIS Scheme is an equity incentive plan, which involves the granting of the KIS Options, share appreciation right or other share-based award to the KIS Participants. As the KIS Scheme involves the grant of options, the KIS Scheme must comply with the relevant requirements of Chapter 17 of the Listing Rules. In addition, the grant of the share appreciation right or other share-based award to a KIS Participant who is a connected person of the Company (if any) shall comply with the relevant requirements of Chapter 14A of the Listing Rules.

The Company will, where applicable, comply with the relevant requirements of Chapter 14 of the Listing Rules in connection with the deemed disposal as a result of the exercise of the KIS Options or the grant of other share-based award under the KIS Scheme, which may reduce the percentage equity interest of the Company in KIS.

Purpose of the KIS Scheme

The purpose of the KIS Scheme is to aid KIS and KIS Affiliates in recruiting and retaining key employees, directors or consultants of outstanding ability and to motivate such employees, directors or consultants to exert their best efforts on behalf of KIS and KIS Affiliates by providing incentives through the granting of awards, including but not limited to, the KIS Options.

Source and number of the KIS Ordinary Shares subject to the KIS Options to be granted

The maximum number of the KIS Ordinary Shares which may be issued under the KIS Scheme is 64,497,718 KIS Ordinary Shares, representing 6.44% of the total number of the KIS Ordinary Shares in issue as at the KIS Adoption Date, unless otherwise (i) approved by the shareholders of the Company and KIS, or (ii) in case KIS ceases being a subsidiary of the Company, approved by the shareholders of KIS.

Conditions precedent to the KIS Scheme becoming effective

The adoption of the KIS Scheme is conditional upon the passing of the necessary resolutions by the directors and shareholders of KIS and the Company.

As at the Latest Practicable Date, the KIS Scheme has been approved by the shareholders of KIS. Subject to the approval of the Shareholders for the adoption of the KIS Scheme at the EGM, the KIS Scheme will take effect on the KIS Adoption Date.

Documents available for inspection

A copy of the KIS Scheme will be available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Unit 1309A, 13/F, Cable TV Tower, No. 9 Hoi Shing Road, Tsuen Wan, N.T., Hong Kong during the 14-day period immediately preceding the EGM (including the date of the EGM).

General information

Upon adoption of the KIS Scheme, the Company will disclose the required information in relation to the KIS Scheme in its subsequent annual report and interim report in accordance with the disclosure requirements under 17.07 of the Listing Rules.

LETTER FROM THE CHAIRMAN

In order to ensure that the purpose of the KIS Scheme is achieved and subject to the relevant requirements of Chapter 17 of the Listing Rules (where applicable), the KIS Committee will have the power, authority and discretion to determine, among other things, the terms and conditions of any award (including KIS Option(s)) to be granted pursuant to the KIS Scheme, including but not limited to, the exercise price, grant price, or purchase price, any minimum period for which the award must be held for before it can be exercised, any performance targets which must be achieved before an award can be exercised.

As at the Latest Practicable Date, none of the directors of the Company or KIS are appointed as trustees of the KIS Scheme or have a direct or indirect interest in the trustees of the KIS Scheme.

A summary of all principal terms of the KIS Scheme in relation to the KIS Options is set out in **Appendix I** to this circular.

3. ADOPTION OF THE KINGSOFT JAPAN SCHEME

Background

Kingsoft Japan is a non-wholly-owned subsidiary of the Company, in which the Company carries 51% voting rights. As at the Latest Practicable Date, the total number of the Kingsoft Japan Ordinary Shares in issue is 36,120.

Pursuant to the shareholders resolutions of Kingsoft Japan dated 2 November 2006 and 31 July 2007, Kingsoft Japan adopted the share option schemes, pursuant to which the maximum number of the Kingsoft Japan Ordinary Shares to be issued upon exercise of all options amounted to 1,000 Kingsoft Japan Ordinary Shares. As at the Latest Practicable Date, the options, representing 225 Kingsoft Japan Ordinary Shares to be issued upon exercise, have been forfeited and no further options under such schemes are to be granted. The exercise of all such options is conditional upon a successful initial public offering of Kingsoft Japan. Save as disclosed above, there is no other option scheme adopted by Kingsoft Japan as at the Latest Practicable Date.

The Company will, where applicable, comply with the relevant requirements of Chapter 14 of the Listing Rules in connection with the deemed disposal as a result of the exercise of the Kingsoft Japan Options under the Kingsoft Japan Scheme, which may reduce the percentage equity interest of the Company in Kingsoft Japan.

Purpose of the Kingsoft Japan Scheme

The purpose of the Kingsoft Japan Scheme is to provide incentives or rewards to Kingsoft Japan Participants thereunder for their contribution to Kingsoft Japan and its subsidiaries and/or to enable Kingsoft Japan to recruit and retain high-calibre employees and attract human resources that are valuable to Kingsoft Japan, its subsidiaries and Kingsoft Japan Invested Entities.

Source and number of the Kingsoft Japan Ordinary Shares subject to the Kingsoft Japan Options to be granted

The maximum number of the Kingsoft Japan Ordinary Shares to be issued upon exercise of all options to be granted under the Kingsoft Japan Scheme may not in aggregate exceed 2,837 Kingsoft Japan Ordinary Shares (representing approximately 7.85% of the total number of the Kingsoft Japan Ordinary Shares in issue as at the Kingsoft Japan Adoption Date) which is lower than 10% of the

LETTER FROM THE CHAIRMAN

Kingsoft Japan Ordinary Shares in issue as at the Kingsoft Japan Adoption Date, i.e. 3,612 Kingsoft Japan Options and assuming that no Kingsoft Japan Ordinary Shares will be issued or repurchased by Kingsoft Japan from the Latest Practicable Date to the Kingsoft Japan Adoption Date.

Unless otherwise approved by the Kingsoft Japan Board and expressly stated in the Kingsoft Japan Offer, the Kingsoft Japan Options may be exercised by the Kingsoft Japan Grantee only after the initial public offering of Kingsoft Japan in accordance with the vesting period applicable to the Kingsoft Japan Options at the time as determined by the Kingsoft Japan Board during the Kingsoft Japan Option Period. Subject to the Kingsoft Japan Scheme, any Kingsoft Japan Option shall be deemed unvested before the initial public offering of Kingsoft Japan.

Conditions precedent to the Kingsoft Japan Scheme becoming effective

The adoption of the Kingsoft Japan Scheme is conditional upon the passing of the resolutions by shareholders of Kingsoft Japan and the Company.

As at the Latest Practicable Date, subject to the approvals of the Shareholders at the EGM and the shareholders of Kingsoft Japan in general meeting for the adoption of the Kingsoft Japan Scheme, the Kingsoft Japan Scheme will take effect on the Kingsoft Japan Adoption Date.

Adjustment to the exercise price and number of the Kingsoft Japan Ordinary Shares subject to the Kingsoft Japan Options

The Kingsoft Japan Scheme has a mechanism for adjustment of the Kingsoft Japan Subscription Price and/or the number of the Kingsoft Japan Ordinary Shares subject to the Kingsoft Japan Options and to the Kingsoft Japan Scheme in the event of a capitalization issue (including a bonus issue), rights issue, sub-division or consolidation of the Kingsoft Japan Ordinary Shares or reduction of capital. The details of such adjustments are set out under paragraph 12 of **Appendix II** to this circular.

The Company further confirms that it will comply with the relevant requirements of the Listing Rules in all future adjustments to be made to the Kingsoft Japan Subscription Price and/or the number of the Kingsoft Japan Ordinary Shares subject to the Kingsoft Japan Options and to the Kingsoft Japan Scheme.

Documents available for inspection

A copy of the Kingsoft Japan Scheme will be available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Unit 1309A, 13/F, Cable TV Tower, No. 9 Hoi Shing Road, Tsuen Wan, N.T., Hong Kong during the 14-day period immediately preceding the EGM (including the date of the EGM).

General information

Upon adoption of the Kingsoft Japan Scheme, the Company will disclose the required information in relation to the Kingsoft Japan Scheme in its subsequent annual report and interim report in accordance with the disclosure requirements under 17.07 of the Listing Rules.

In order to ensure that the purpose of the Kingsoft Japan Scheme is achieved and subject to the relevant requirements of Chapter 17 of the Listing Rules (if applicable), the Kingsoft Japan Board will have the power, authority and discretion to determine, among other things, the terms and conditions

LETTER FROM THE CHAIRMAN

of Kingsoft Japan Options to be granted pursuant to the Kingsoft Japan Scheme, including but not limited to, the exercise price, grant price, or purchase price, any minimum period for which the Kingsoft Japan Options must be held for before it can be exercised, any performance targets which must be achieved before a Kingsoft Japan Option can be exercised.

As at the Latest Practicable Date, none of the directors of the Company or Kingsoft Japan are appointed as trustees of the Kingsoft Japan Scheme or have a direct or indirect interest in the trustees of the Kingsoft Japan Scheme.

A summary of all principal terms of the Kingsoft Japan Scheme is set out in **Appendix II** to this circular.

4. EXTRAORDINARY GENERAL MEETING

A notice convening the EGM to be held at Kingsoft Tower, No. 8 Lianshan Alley, Jingshan Road, Jida, Zhuhai, Guangdong, the PRC at 1:00 p.m. on Thursday, 2 January 2014 is set out on pages 9 to 10 of this circular.

As at the Latest Practicable Date, and to the best knowledge, belief and information of the Directors having made all reasonable enquiries, no Shareholder is required under the Listing Rules to abstain from voting on the resolutions to be proposed at the EGM.

Whether or not you are able to attend the EGM, you are advised to complete the enclosed form of proxy and return the same to the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at a general meeting must be taken by poll except where the chairman of the EGM in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by way of a show of hands. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

5. RECOMMENDATION

The Directors are of the opinion that all the proposed resolutions are in the best interest of the Company and its Shareholders as a whole and recommend you to vote in favour of all the resolutions as set out in the EGM Notice.

Yours faithfully,
By Order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman



Kingsoft Corporation Limited

金山軟件有限公司

(Continued into the Cayman Islands with limited liability)

(Stock Code: 03888)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting of Kingsoft Corporation Limited (the “**Company**”) will be held at Kingsoft Tower, No. 8 Lianshan Alley, Jingshan Road, Jida, Zhuhai, Guangdong, the PRC at 1:00 p.m. on Thursday, 2 January 2014 for the purpose of considering and, if thought fit, passing the following ordinary resolutions of the Company (unless otherwise indicated, capitalized terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 16 December 2013):

ORDINARY RESOLUTIONS

1. “**THAT**, the equity incentive scheme of Kingsoft Internet Software Holdings Limited (the “**KIS Scheme**”), the terms of which are contained in the document marked “A” produced to the meeting and for the purpose of identification signed by the Chairman of the meeting be and is hereby approved and adopted and the directors of the Company be and are hereby authorised to execute such documents and take such action as they deem appropriate to implement and give effect to the KIS Scheme.”
2. “**THAT**, the share option scheme of Kingsoft Japan Inc. (the “**Kingsoft Japan Scheme**”), the terms of which are contained in the document marked “B” produced to the meeting and for the purpose of identification signed by the Chairman of the meeting be and is hereby approved and adopted and the directors of the Company be and are hereby authorised to execute such documents and take such action as they deem appropriate to implement and give effect to the Kingsoft Japan Scheme.”

By Order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

Hong Kong, 16 December 2013

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (a) A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company but must attend the meeting in person to represent you. If more than one proxy is so appointed, the appointment shall specify the number of shares of the Company in respect of which each such proxy is so appointed.
- (b) To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or the adjourned meeting (as the case may be).
- (c) Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the EGM if the member so desires and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (d) Where there are joint holders of any share of the Company, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such holders be present at the EGM personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
- (e) Voting for the ordinary resolutions set out in the notice will be taken by poll.

As at the date of this notice, the Executive Directors are Messrs. HongJiang ZHANG, Yuk Keung NG and Tao ZOU; the Non-Executive Directors are Messrs. Jun LEI, Pak Kwan KAU and Chi Ping LAU; the Independent Non-Executive Directors are Messrs. Guangming George LU, David Yuen Kwan TANG, and Ms. Wenjie WU.

The following is a summary of the principal terms of the KIS Scheme in relation to the KIS Options to be approved and adopted at the EGM. It does not form part of, nor is it intended to be part of, the terms of the KIS Scheme and it should not be taken as affecting the interpretation of the terms of the KIS Scheme:

1. PURPOSE OF THE SCHEME

The purpose of the KIS Scheme is to aid KIS and KIS Affiliates in recruiting and retaining key employees, directors or consultants of outstanding ability and to motivate such employees, directors or consultants to exert their best efforts on behalf of KIS and KIS Affiliates by providing incentives through the granting of awards, including but not limited to, the KIS Options.

2. ELIGIBLE PARTICIPANTS

An employee, director or consultant of KIS, KIS Affiliates or the Company who is selected by the KIS Committee may participate in the KIS Scheme. The KIS Committee will determine the KIS Participants on the basis of their contribution to the development and growth to KIS and its subsidiaries and the Company.

3. GRANT OF OPTIONS

- (i) Subject to any specific designation in the KIS Scheme, the KIS Committee has the exclusive power, authority and discretion to:
 - (a) designate KIS Participants to receive the awards (including the KIS Options);
 - (b) determine the type or types of awards to be granted to each KIS Participant;
 - (c) determine the number of awards to be granted and the number of the KIS Ordinary Shares to which an award will relate;
 - (d) determine the terms and conditions of any award granted pursuant to the KIS Scheme, including, but not limited to, the exercise price, grant price, or purchase price, the repurchase and redeem of any award, any minimum period for which the award must be held for before it can be exercised, any performance targets which must be achieved before an award can be exercised, any restrictions or limitations on the award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an award, and accelerations or waivers thereof, any provisions related to non-competition and recapture of gain on an award, based in each case on such considerations as the KIS Committee in its sole discretion determines;
 - (e) determine whether, to what extent, and pursuant to what circumstances and amount an award may be settled in, or the exercise price of an award may be paid in, cash, KIS Ordinary Shares, other awards, or other property, or an award may be canceled, forfeited, or surrendered; and
 - (f) establish trust and restructure the administration of the KIS Scheme for tax purposes without the consent of a KIS Participant if such action would provide tax benefit to the KIS Participant without diminishing any of his/her rights under any award theretofore granted to such KIS Participant under the KIS Scheme.

- (ii) There is no general requirement on the minimum period for which a KIS Option must be held or the performance targets which must be achieved before it can be exercised under the terms of the KIS Scheme. However, at the time of granting any KIS Options, the KIS Committee may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations including (without limitation) those in relation to the minimum period of the KIS Options to be held and/or the performance targets to be achieved as the KIS Committee may determine in its absolute discretion.

4. SUBSCRIPTION PRICE

The KIS Subscription Price in respect of any particular KIS Option shall be such price as determined by the KIS Committee in its absolute discretion but in any case shall be in compliance with the Listing Rules from time to time unless KIS ceases to be a subsidiary of the Company.

In the event that the Company resolves to seek a separate listing of KIS on the Main Board or GEM of the Stock Exchange or an overseas stock exchange, the KIS Subscription Price determined pursuant to the above paragraph granted after the Company resolves to seek such listing and up to the listing date of KIS must be adjusted to not lower than the new issue price of KIS upon such listing. In particular, any KIS Options granted during the period commencing six months before the lodgement of Form A1 (or its equivalent for listing on GEM or the overseas stock exchange) and up to the listing date of KIS are subject to the requirement set out in this paragraph. Such grant of KIS Options during such period shall also comply with the then applicable Listing Rules (or GEM Listing Rules).

5. EXERCISE OF OPTIONS

- (i) A KIS Option shall be personal to the KIS Participant and shall not be assignable or transferable.
- (ii) The exercise date of a KIS Option shall be the later of the date a notice of exercise is received by KIS and, if applicable, the date payment is received by KIS.
- (iii) No KIS Participant shall have the voting, dividend, transfer and other rights, including those arising on a liquidation of the Company or KIS, attaching to the KIS Ordinary Shares subject to a KIS Option and (if appropriate) any such rights attaching to the KIS Options themselves until the KIS Participant has given written notice of exercise of the KIS Option, paid in full for such KIS Ordinary Shares and, if applicable, has satisfied any other conditions imposed by the KIS Committee pursuant to the KIS Scheme. The KIS Ordinary Shares to be allotted upon the exercise of a KIS Option will rank *pari passu* in all respect with and shall have the same voting, dividend, transfer and other rights as attached to other fully paid KIS Ordinary Shares in issue after the KIS Participant has given written notice of exercise of the KIS Option, paid in full for such KIS Ordinary Shares and, if applicable, has satisfied any other conditions imposed by the KIS Committee pursuant to the KIS Scheme.

6. TIME OF EXERCISE OF OPTIONS AND DURATION OF THE SCHEME

The KIS Scheme shall be effective as of the KIS Adoption Date and shall terminate ten years later, subject to earlier termination by KIS in general meeting pursuant to the KIS Scheme.

No KIS Options may be granted under the KIS Scheme after the tenth anniversary of the KIS Adoption Date, but the KIS Options therefore granted may extend beyond that date.

The KIS Options granted under the KIS Scheme shall be exercisable at such time and upon such terms and conditions, if any, may be determined by the KIS Committee, but in no event shall a KIS Option be exercisable more than ten years after the KIS Offer Date.

7. LAPSE OF OPTIONS

A KIS Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the expiry date relevant to that KIS Option;
- (b) the date of commencement of the winding-up of KIS (as determined in accordance with the Companies Law (as amended) of the Cayman Islands);
- (c) the date on which the KIS Participant ceases to be eligible by reason of the termination of his/her relationship with KIS and/or any of KIS Affiliates on any one or more of the grounds that he/she has been guilty of serious misconduct or has been convicted of any criminal offence involving his/her integrity or honesty or in relation to an employee of KIS and/or any of KIS Affiliates (if so determined by the KIS Committee) on any other ground on which an employer would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the KIS Participant's service contract with KIS or KIS Affiliate. A resolution of the board of KIS or KIS Affiliate to the effect that the relationship of a KIS Participant has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; and
- (d) the date on which certain circumstances as provided in the related option agreement or otherwise agreed upon between KIS and the KIS Participant are satisfied.

8. MAXIMUM TOTAL AMOUNT AND INDIVIDUAL LIMIT

(a) maximum total amount limit

The maximum number of the KIS Ordinary Shares which may be issued upon exercise of the KIS Options to be granted under the KIS Scheme is 64,497,718 KIS Ordinary Shares, representing 6.44% of the total number of the KIS Ordinary Shares in issue as at the KIS Adoption Date unless otherwise (i) approved by the shareholders of the Company and KIS; (ii) in case KIS ceases being a subsidiary of the Company, approved by the shareholders of KIS, which is lower than 10% of the total number of the KIS Ordinary Shares in issue as at the KIS Adoption Date, unless otherwise approved by the shareholders of the Company and KIS. The KIS Options lapsed in accordance with the terms of the KIS Scheme will not be counted for the purpose of calculating the total number of the KIS Ordinary Shares.

The KIS Committee may seek shareholders' approval of the Company and KIS in general meeting for refreshing the 10% limit under the KIS Scheme save that the total number of the KIS Ordinary Shares which may be issued upon exercise of all options to be granted under the KIS Scheme and any other share option schemes of KIS under the limit as "refreshed" shall not exceed 10% of the total number of the KIS Ordinary Shares in issue as at the date of approval of the limit as "refreshed". The KIS Options previously granted under the KIS Scheme or any other share option schemes of KIS (including the options outstanding, cancelled, lapsed or exercised in accordance with the terms of the KIS Scheme or any other share option schemes of KIS) will not be counted for the purpose of calculating the limit as "refreshed". For the purpose of seeking the approval of the shareholders of the

Company and KIS, a circular containing the information as required under the Listing Rules must be sent to the shareholders of the Company and KIS.

The KIS Committee may seek separate approval of the shareholders of the Company and KIS in general meeting for granting the KIS Options beyond the 10% limit provided that the KIS Options in excess of the limit are granted only to the KIS Participants specifically identified by the Company before such approval is sought. A circular must be sent to the shareholders of the Company and KIS containing a generic description of the specified KIS Participants who may be granted such KIS Options, the number and terms of the KIS Options to be granted, the purpose of granting such KIS Options to the specified KIS Participants with an explanation as to how the terms of the KIS Options serve such purpose and the information as required under the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

The maximum number of the KIS Ordinary Shares which may be issued upon exercise of all outstanding KIS Options granted and yet to be exercised under the KIS Scheme and any other share option schemes of KIS must not exceed 30 percent of the total number of the KIS Ordinary Shares in issue from time to time. No KIS Options may be granted under the KIS Scheme if this will result in the limit set out in this paragraph being exceeded.

(b) maximum individual limit

The total number of the KIS Ordinary Shares issued and to be issued upon exercise of the KIS Options granted to each KIS Participant (including both exercised and outstanding KIS Options) in any 12-month period must not exceed 1 percent of the total number of the KIS Ordinary Shares in issue.

Where any further grant of the KIS Options to a KIS Participant would result in the total number of the KIS Ordinary Shares issued and to be issued upon exercise of all the KIS Options granted and to be granted to such person (including exercised, cancelled and outstanding KIS Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of the KIS Ordinary Shares in issue, such further grant must be separately approved by the shareholders of the Company and KIS in general meeting with such KIS Participant and his/her associates abstaining from voting. A circular must be sent to the shareholders of the Company and KIS and the circular must disclose the identity of the KIS Participant, the number and terms of the KIS Options to be granted and the KIS Options previously granted to such KIS Participant and the information as required under the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules. The number and terms (including the KIS Subscription Price) of the KIS Options to be granted to such KIS Participant must be fixed before the approval of the shareholders of the Company and KIS and the date of the meeting of the KIS Board for proposing such further grant of the KIS Option(s) should be taken as the KIS Offer Date for the purpose of calculating the KIS Subscription Price under note (1) to Rule 17.03(9) of the Listing Rules.

9. MAXIMUM NUMBER PER PARTICIPANT WHO IS A CONNECTED PERSON

If the KIS Committee determines to offer to grant the KIS Options to a director, chief executive or substantial shareholder of the Company or KIS, or any of their respective associates, such grant shall be subject to the approval by the independent non-executive Directors of the Company at the time of determination and in the event that the KIS Committee offers to grant the KIS Options to an independent non-executive Director, the vote of such independent non-executive Director shall not be counted for the purpose of approving such grant.

If the KIS Committee determines to offer to grant the KIS Options to a substantial shareholder or an independent non-executive Director of the Company, or any of their respective associates, and that grant would result in the KIS Ordinary Shares issued and to be issued upon exercise of all KIS Options already granted and to be granted (including the KIS Options exercised, cancelled and outstanding) to such person under the KIS Scheme and any other share option schemes of KIS in the 12-month period up to and including the KIS Offer Date (i) representing in aggregate over 0.1%, or such other percentage as may be from time to time provided under the Listing Rules, of the KIS Ordinary Shares in issue on the KIS Offer Date; and (ii) (where the KIS Ordinary Shares are listed on the Stock Exchange), having an aggregate value, based on the closing price of the securities on the KIS Offer Date, in excess of HK\$5 million. Such grant shall be subject to, in addition to the approval of the independent non-executive Director of the Company, the issue of a circular to the shareholders of the Company and KIS and separate approval of the shareholders of the Company and KIS by way of poll convened and held in accordance with the relevant memorandum of association and articles of association at which all connected persons of the Company or KIS shall abstain from voting in favor of the resolution concerning the grant of such KIS Options at the general meeting, and/or such other requirements prescribed under the Listing Rules from time to time. Unless provided otherwise under the Listing Rules, the date of the board meeting of KIS at which such KIS Board proposes to grant the proposed KIS Options to that eligible KIS Participant shall be taken as the KIS Offer Date for the purpose of calculating the KIS Subscription Price. Any change in the terms of the KIS Options granted to a substantial Shareholder or an independent non-executive Director, or any of their respective associates must be approved by the shareholders of the Company and KIS in their respective general meetings.

The circular to be issued to the shareholders of the Company and KIS shall contain the following information:

- (a) the details of the number and terms (including the KIS Subscription Price) of the KIS Options to be granted to each such eligible KIS Participant, which must be fixed before the shareholders' meeting and the KIS Offer Date (which shall be the date of board meeting at which the KIS Committee proposes to grant the proposed KIS Options to that eligible KIS Participant);
- (b) a recommendation from the independent non-executive Directors of the Company (excluding one who is the relevant KIS Participant) to the independent Shareholders of the Company as to voting;
- (c) the information required under Rules 17.02(2)(c) and (d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules;
- (d) the information required under Rule 2.17 of the Listing Rules.

10. CANCELLATION OF OPTIONS

Any cancellation of the KIS Options granted but not exercised may be effected on such terms as may be agreed with the relevant KIS Participant, as the KIS Committee may in its absolute discretion sees fit and in a manner that complies with applicable legal requirements for such cancellation under the applicable laws.

Where KIS cancels the KIS Options to a KIS Participant and issues new ones to the same KIS Participant, the issue of such new KIS Options may only be made under the KIS Scheme with available unissued options (excluding the cancelled options) within the limited approved by the shareholders of the Company and KIS.

11. REORGANISATION OF CAPITAL STRUCTURE

In the event of a capitalization issue, rights issue, sub-division or consolidation of the KIS Ordinary Shares or reduction of capital of KIS (other than an issue of the KIS Ordinary Shares as consideration in respect of a transaction to which KIS is a party), the KIS Committee in its sole discretion and without liability to any person shall make such substitution or adjustment in the KIS Subscription Price or the number of the KIS Ordinary Shares subject to the KIS Options already granted and to the KIS Scheme in accordance with the requirement under Rule 17.03 (13) of the Listing Rules. Any adjustments shall be made on the basis that the proportion of the issued share capital of KIS to which a KIS Participant is entitled after such adjustments shall remain the same as that to which he/she was entitled before the occurrence of the event giving rise to such adjustments and no such adjustments shall be made the effect of which would be to enable any KIS Ordinary Share to be issued at less than its nominal value. The issue of securities of KIS as consideration in a transaction may not be regarded as a circumstance requiring an adjustment. An independent financial adviser or auditors of KIS (acting as experts and not as arbitrators) must certify in writing to the KIS Committee and the Board that the adjustments satisfy the requirements of Rule 17.03(13) of the Listing Rules in respect of any such adjustments.

12. ALTERATION OR TERMINATION

The KIS Board may amend or alter the KIS Scheme, but no amendment or alteration shall be made, (a) without the approval of the shareholders of the KIS, if such action would (except as is provided in the section headed “11. Reorganisation of Capital Structure” in this appendix), increase the total number of the KIS Ordinary Shares reserved for the purposes of the KIS Scheme or change the maximum number of KIS Ordinary Shares for which KIS Options may be granted to any KIS Participant, in each case only to the extent such approval is required by the principal national securities exchange on which the KIS Ordinary Shares are listed or admitted to trading, or (b) without the consent of a KIS Participant, if such action would diminish any of the rights of the KIS Participant under any KIS Option theretofore granted to such KIS Participant under the KIS Scheme; provided, however, that the KIS Committee may amend the KIS Scheme in such manner as it deems necessary to permit the granting of the KIS Options meeting the requirements of any applicable laws. For the purpose of this paragraph, unless KIS ceases being a subsidiary of the Company, the abovementioned applicable laws shall include, but not be limited to, (a) the provisions relating to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of KIS Participants without the prior approval of the shareholders of the Company and KIS; (b) any alteration to the terms and conditions of the KIS Scheme which are of a material nature or any change to the terms of the KIS Options granted must be approved by the shareholders of the Company and KIS, except where the alterations take effect automatically under the existing terms of the KIS Scheme; (c) the amended terms of this KIS Scheme or the KIS Options shall remain in compliance with Chapter 17 of the Listing Rules, unless waived by the Stock Exchange; and (d) any change to the authority of the directors or the administrator of the KIS Scheme in relation to any alteration to the terms of the KIS Scheme must be separately approved by the shareholders of the Company and KIS.

Except with respect to amendments made pursuant to the above paragraph, no amendment or modification of the KIS Scheme shall adversely affect in any material way any KIS Options previously granted pursuant to the KIS Scheme without the prior written consent of the KIS Participant.

KIS may by resolution in general meeting at any time terminate the operation of the KIS Scheme and in such event no further KIS Options will be offered, but the provisions of the KIS Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any KIS Options (to the extent not already exercised) granted prior to the termination. The KIS Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the KIS Scheme.

13. ADMINISTRATION OF THE SCHEME

Notwithstanding any provision in the KIS Scheme, the KIS Committee shall, at all time, administer the KIS Scheme and exercise its power pursuant to the terms of this KIS Scheme in accordance with the relevant requirements under the Listing Rules.

14. CONDITIONS OF THE SCHEME

The KIS Scheme shall take effect subject to the passing of the resolutions by the directors and shareholders of the Company and KIS to adopt the KIS Scheme.

In the event that the above conditions are not satisfied, the KIS Scheme shall have no effect whatsoever.

As of the time when KIS ceases being a subsidiary of the Company, the provisions under the KIS Scheme in relation to the Listing Rules shall cease to be effective.

The following is a summary of the principal terms of the Kingsoft Japan Scheme to be approved and adopted at the EGM. It does not form part of, nor is it intended to be part of, the terms of the Kingsoft Japan Scheme and it should not be taken as affecting the interpretation of the terms of the Kingsoft Japan Scheme:

1. PURPOSE OF THE SCHEME

The purpose of the Kingsoft Japan Scheme is to provide incentives or rewards to Kingsoft Japan Participants thereunder for their contribution to Kingsoft Japan and its subsidiaries and/or to enable Kingsoft Japan to recruit and retain high-calibre employees and attract human resources that are valuable to Kingsoft Japan, its subsidiaries and Kingsoft Japan Invested Entities.

2. PARTICIPANTS AND BASIS OF DETERMINING ELIGIBILITY

A Kingsoft Japan Participant under the Kingsoft Japan Scheme is an employee (whether full time or part time employee(s)) of the Group, Kingsoft Japan, any subsidiary of Kingsoft Japan or any Kingsoft Japan Invested Entity; or anybody who provides service or cooperation to Kingsoft Japan and its subsidiary, as determined by the Kingsoft Japan Board pursuant to the relevant laws and regulations.

The basis of eligibility of any of the classes of Kingsoft Japan Participants to the grant of any Kingsoft Japan Options shall be determined by the Kingsoft Japan Board from time to time on the basis of their contribution to the development and growth of Kingsoft Japan and its subsidiaries and the Kingsoft Japan Invested Entity.

3. GRANT OF OPTIONS

- (i) On and subject to the terms of the Kingsoft Japan Scheme, the Kingsoft Japan Scheme shall be entitled at any time within a period of 10 years from the Kingsoft Japan Adoption Date to offer to grant to any Kingsoft Japan Participant as the Kingsoft Japan Board may in its absolute discretion select, and subject to such conditions as the Kingsoft Japan Board may think fit, Kingsoft Japan Option(s) to subscribe for such number of Kingsoft Japan Ordinary Shares as the Kingsoft Japan Board may determine at the Kingsoft Japan Subscription Price.
- (ii) There is no performance target that has to be achieved before the exercise of any Kingsoft Japan Option except otherwise imposed by the Kingsoft Japan Board and stated in the Kingsoft Japan Offer.

4. SUBSCRIPTION PRICE

The Kingsoft Japan Subscription Price in respect of any particular Kingsoft Japan Option shall be such price as determined by the Kingsoft Japan Board in its absolute discretion at the time of the making of the Kingsoft Japan Offer (which shall be stated in the offer letter) but in any case the Kingsoft Japan Subscription Price of the Kingsoft Japan Options granted after Kingsoft Japan or the Company has resolved to seek a separate initial public offering and up to date of Kingsoft Japan's initial public offering must not be lower than the new issue price (if any) in Kingsoft Japan's initial public offering. In particular, any Kingsoft Japan Options granted during the period commencing six months before the lodgment of Form A1 (or its equivalent) up to the date of Kingsoft Japan's initial public offering are subject to this requirement. The Kingsoft Japan Subscription Price of the Kingsoft Japan Options granted during such period shall be subject to adjustment to a price not lower than the new issue price in Kingsoft Japan's initial public offering. Such grant of Kingsoft Japan Options during such period shall also comply with the then applicable Listing Rules (or GEM Listing Rules).

5. EXERCISE OF OPTIONS

- (i) A Kingsoft Japan Option must be personal to the Kingsoft Japan Grantee and must not be assignable and no Kingsoft Japan Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Kingsoft Japan Option. Any breach of the foregoing shall entitle Kingsoft Japan to cancel any outstanding Kingsoft Japan Option or part thereof granted to such Kingsoft Japan Grantee without any compensation.
- (ii) A Kingsoft Japan Offer shall be made to a Kingsoft Japan Participant by letter in such form as the Kingsoft Japan Board may from time to time determine requiring the Kingsoft Japan Participant to undertake to hold the Kingsoft Japan Option on the terms on which it is to be granted and to be bound by the provisions of this Kingsoft Japan Scheme and shall remain open for acceptance by the Kingsoft Japan Participant concerned for a period of twenty-eight (28) days from the Kingsoft Japan Offer Date provided that no Kingsoft Japan Offer shall be open for acceptance after the expiry of this Kingsoft Japan Scheme or after this Kingsoft Japan Scheme has been terminated in accordance with the Kingsoft Japan Scheme. No consideration is payable on acceptance of each grant of Kingsoft Japan Option(s).
- (iii) A Kingsoft Japan Offer shall be deemed to have been accepted and the Kingsoft Japan Option to which such Kingsoft Japan Offer relates shall be deemed to have been granted and to have taken effect when the acceptance form attached to the Kingsoft Japan Offer with the number of Kingsoft Japan Ordinary Shares in respect of which the Kingsoft Japan Offer is accepted clearly stated therein is duly completed, signed and returned in accordance with the paragraph 5(ii) by the Kingsoft Japan Grantee and is received by Kingsoft Japan at its principal office or such other address as is specified in the relevant offer letter.
- (iv) To the extent that the Kingsoft Japan Offer is not accepted within twenty-eight (28) days from the Kingsoft Japan Offer Date in the manner indicated in the paragraph 5(iii), it will be deemed to have been irrevocably declined and lapsed automatically.

6. SPECIAL CIRCUMSTANCES IN RELATION TO THE EXERCISE

Subject as hereinafter provided in this Kingsoft Japan Scheme, the Kingsoft Japan Option may be exercised by the Kingsoft Japan Grantee (or his or her legal personal representatives) in accordance with the vesting schedule applicable to that Kingsoft Japan Option at the specific time or times as determined by the Kingsoft Japan Board, at any time after the completion of Kingsoft Japan's initial public offering and during the Kingsoft Japan Option Period provided that:

- (i) after the completion of Kingsoft Japan's initial public offering, in the event of the Kingsoft Japan Grantee ceasing to be a Kingsoft Japan Participant for any reason other than his or her death or the termination of his or her employment on one or more of the grounds specified in paragraph 8(vii), the Kingsoft Japan Grantee shall be entitled to exercise the vested Kingsoft Japan Option(s) in full (to the extent which has become exercisable and not already exercised) within a period of one (1) month from the date of such cessation, which will be taken to be the last day on which the Kingsoft Japan Grantee was at work with Kingsoft Japan and its subsidiaries or the Kingsoft Japan Invested Entity whether salary is paid in lieu of notice or not;

- (ii) after the completion of Kingsoft Japan's initial public offering, in the event of the Kingsoft Japan Grantee ceasing to be a Kingsoft Japan Participant by reason of death (provided that none of the events which would be a ground for termination of his or her employment under paragraph 8(vii) arises prior to his or her death), the legal personal representative(s) of this Kingsoft Japan Grantee shall be entitled to exercise the vested Kingsoft Japan Option(s) in full (to the extent which has become exercisable and not already exercised) within a period of six (6) months from the date of death (or such longer period as the Kingsoft Japan Board may determine);
- (iii) after the completion of Kingsoft Japan's initial public offering, in the event of a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Kingsoft Japan Ordinary Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, Kingsoft Japan shall use all reasonable endeavours to procure that such offer is extended to all the Kingsoft Japan Grantees on the same terms, *mutatis mutandis*, and assuming that they will become, by the exercise in full of the vested Kingsoft Japan Options (to the extent not already exercised) granted to them, shareholders of Kingsoft Japan. If such offer becomes or is declared unconditional, a Kingsoft Japan Grantee shall be entitled to exercise his or her vested Kingsoft Japan Option(s) (to the extent not already exercised) to its full extent or to the extent specified in the Kingsoft Japan Grantee's notice to Kingsoft Japan in exercise of his or her vested Kingsoft Japan Option(s) at any time within ten (10) Business Days after the date on which such offer becomes or is declared unconditional;
- (iv) after the completion of Kingsoft Japan's initial public offering, in the event a notice is given by Kingsoft Japan to its shareholders to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up Kingsoft Japan, Kingsoft Japan shall on the same date as or soon after it dispatches such notice to each shareholder give notice thereof to all Kingsoft Japan Grantees (together with a notice of the existence of the provisions of this paragraph) and thereupon, each Kingsoft Japan Grantee (or where permitted under this subparagraph (iii) his or her legal personal representative(s)) shall be entitled to exercise all or any of his or her vested Kingsoft Japan Options (to the extent which has become exercisable and not already exercised) at any time not later than five (5) Business Days prior to the proposed general meeting of Kingsoft Japan by giving notice in writing to Kingsoft Japan, accompanied by a remittance for the full amount of the aggregate Kingsoft Japan Subscription Price for the Kingsoft Japan Ordinary Shares in respect of which the notice is given whereupon Kingsoft Japan shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Kingsoft Japan Ordinary Shares to the Kingsoft Japan Grantee credited as fully paid, which Kingsoft Japan Ordinary Shares shall rank *pari passu* with all other Kingsoft Japan Ordinary Shares in issue on the date prior to the passing of the resolution to wind-up Kingsoft Japan to participate in the distribution of assets of Kingsoft Japan available in liquidation;

- (v) after the completion of Kingsoft Japan's initial public offering, in the event of a compromise or arrangement between Kingsoft Japan and its creditors (or any class of them) or between Kingsoft Japan and its shareholders (or any class of them), in connection with a scheme for the reconstruction or amalgamation of Kingsoft Japan, Kingsoft Japan shall give notice thereof to all Kingsoft Japan Grantees on the same day as it gives notice of the meeting to its shareholders or creditors to consider such a scheme or arrangement, and thereupon any Kingsoft Japan Grantee (or his or her legal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date falling two (2) calendar months thereafter and the date on which such compromise or arrangement is sanctioned by the court be entitled to exercise his or her vested Kingsoft Japan Option(s) (to the extent which has become exercisable and not already exercised), but the exercise of the vested Kingsoft Japan Option(s) shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. Kingsoft Japan may thereafter require such Kingsoft Japan Grantee to transfer or otherwise deal with the Kingsoft Japan Ordinary Shares issued as a result of such exercise of his or her vested Option(s) so as to place the Kingsoft Japan Grantee in the same position as nearly as would have been the case had such Kingsoft Japan Ordinary Shares been subject to such compromise or arrangement; and

- (vi) notwithstanding anything to the contrary contained herein, in the event that (i) the Kingsoft Japan Grantee has breached the confidentiality obligation, non-compete obligation, non-solicitation obligation that such Kingsoft Japan Grantee owes to Kingsoft Japan, its subsidiaries or the Kingsoft Japan Invested Entity under relevant employment agreements, confidentiality and intellectual property rights assignment agreements, non-compete and non-solicitation agreements or this Kingsoft Japan Scheme or any exhibit hereof (as applicable) in any material respect, or (ii) the Kingsoft Japan Grantee has ceased to be a Kingsoft Japan Participant due to the termination of his or her employment on one or more of the grounds specified in paragraph 8(vii), all the unvested Kingsoft Japan Options held by such Kingsoft Japan Grantee shall automatically be cancelled and cease vesting, all the vested but unexercised Kingsoft Japan Options held by such Kingsoft Japan Grantee shall automatically lapse, and Kingsoft Japan shall have the right to, at any time and from time to time, repurchase from the Kingsoft Japan Ordinary Grantee all or any part of the Kingsoft Japan Ordinary Shares allotted to such Kingsoft Japan Grantee upon the exercise of a Kingsoft Japan Option at nil consideration. Kingsoft Japan may give notice in writing to such Kingsoft Japan Grantee requesting the repurchase of his/her Kingsoft Japan Ordinary Shares, and the Kingsoft Japan Grantee shall use his/her best efforts to cooperate with Kingsoft Japan and complete Kingsoft Japan's repurchase of such Kingsoft Japan Ordinary Shares as soon as practicable and in any event within ten (10) days after his/her receipt of such notice. Kingsoft Japan's right to repurchase Kingsoft Japan Ordinary Shares from the Kingsoft Japan Grantee pursuant to this paragraph shall automatically terminate upon Kingsoft Japan's initial public offering.

- (vii) In the events of the Kingsoft Japan Grantee ceasing to be a Kingsoft Japan Participant for any reason other than the termination of his or her employment on one or more of the grounds specified in paragraph 8(vii), Kingsoft Japan shall have the right (but not obligation) to, at any time and from time to time, repurchase from the Kingsoft Japan Grantee:
- (a) all or any part of the Kingsoft Japan Ordinary Shares allotted to him/her upon the exercise of a Kingsoft Japan Option at a price mutually agreed between Kingsoft Japan and the Kingsoft Japan Grantee, which, unless otherwise determined by the Kingsoft Japan Board in its absolute discretion, shall in no event exceed $IP \times [1 + 0.01 \times N]$ per Kingsoft Japan Ordinary Share (the “**Maximum Repurchase Price**”), where IP = the lowest of (a) the Kingsoft Japan Subscription Price applicable to the Kingsoft Japan Option held by such Kingsoft Japan Grantee, (b) the net profit per Kingsoft Japan Ordinary Share times the monthly average price-to-earnings ratio of major rivals that are public companies in the same industry as Kingsoft Japan and the monthly average price-to-earnings ratio is calculated one month prior to the repurchase date, (c) the fair market value per Kingsoft Japan Ordinary Shares raised by a qualified and independent third party designated by the Kingsoft Japan Board in good faith, and (d) the price per Kingsoft Japan Ordinary Share applied in the latest private financing during the past six (6) months; and N = (a) zero (0), if such Kingsoft Japan Grantee ceases to be a Kingsoft Japan Participant prior to the fourth (4th) anniversary of the Kingsoft Japan Offer Date, or (b) a fraction the numerator of which is the number of calendar days between the Kingsoft Japan Offer Date and the date of such Kingsoft Japan Grantee ceasing to be a Kingsoft Japan Participant, and the denominator of which is 365, if such Kingsoft Japan Grantee ceases to be a Kingsoft Japan Participant on or after the fourth (4th) anniversary of the Kingsoft Japan Offer Date); and
 - (b) all vested but unexercised Kingsoft Japan Options held by him/her at a price mutually agreed between Kingsoft Japan and the Kingsoft Japan Grantee, which shall in no event exceed the difference between the Kingsoft Japan Subscription Price of such Kingsoft Japan Options and the Maximum Repurchase Price.

In the event the outstanding Kingsoft Japan Ordinary Shares shall be subdivided (by share dividend, share split, or otherwise), into a greater number of Kingsoft Japan Ordinary Shares, the applicable Maximum Repurchase Price then in effect shall, concurrently with the effectiveness of such sub-division, be proportionately decreased. In the event the outstanding Kingsoft Japan Ordinary Shares shall be combined or consolidated, by reclassification or otherwise, into a lesser number of Kingsoft Japan Ordinary Shares, the applicable Maximum Repurchase Price then in effect shall, concurrently with the effectiveness of such combination or consolidation, be proportionately increased. Any adjustment under this paragraph shall become effective at the close of business on the date of sub-division or combination becomes effective. Kingsoft Japan may give notice in writing to such Kingsoft Japan Grantee requesting the repurchase of his/her Kingsoft Japan Ordinary Shares and/or Kingsoft Japan Options, and the Kingsoft Japan Grantee shall use his/her best efforts to cooperate with Kingsoft Japan and complete Kingsoft Japan’s repurchase of such Kingsoft Japan Ordinary Shares and/or Kingsoft Japan Options as soon as practicable and in any event within ten (10) days after his/her receipt of such notice. Kingsoft Japan’s right to repurchase Kingsoft Japan Ordinary Shares from the Kingsoft Japan Grantee pursuant to this paragraph 6(vii) shall automatically terminate upon Kingsoft Japan’s initial public offering.

For the avoidance of doubt, notwithstanding anything to the contrary contained herein, (i) none of the Kingsoft Japan Options may be exercised on or before the completion of the Kingsoft Japan's initial public offering, unless otherwise approved by the Kingsoft Japan Board and expressly stated in the Kingsoft Japan Offer; and (ii) in the event that any Kingsoft Japan Grantee ceases to be a Kingsoft Japan Participant for any reason on or before the completion of Kingsoft Japan's initial public offering, such Kingsoft Japan Grantee shall not be entitled to exercise any vested Kingsoft Japan Option(s) and all such vested but unexercised Kingsoft Japan Options held by such Kingsoft Japan Grantee shall automatically lapse.

7. ALLOTMENT

The Kingsoft Japan Ordinary Shares to be allotted upon the exercise of a Kingsoft Japan Option (i) shall not, prior to Kingsoft Japan's initial public offering, be sold, assigned, transferred, pledged, hypothecated, mortgaged, encumbered or otherwise disposed through one or a series of transactions, directly or indirectly, by any Kingsoft Japan Grantee (or his or her legal representative(s)) to any third party unless otherwise approved by the Kingsoft Japan Board in writing; and (ii) will be subject to all the provisions of the articles of association of Kingsoft Japan for the time being in force and will rank *pari passu* in all respects with and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation of Kingsoft Japan as attached to the other fully paid Kingsoft Japan Ordinary Shares in issue as from the day when the name of the Kingsoft Japan Grantee is registered on the register of members of Kingsoft Japan and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date when the name of the Kingsoft Japan Grantee is registered on the register of members of Kingsoft Japan other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date when the name of the Kingsoft Japan Grantee is registered on the register of members of Kingsoft Japan, provided always that when the date of exercise of the Kingsoft Japan Option falls on a day upon which the register of members of Kingsoft Japan is closed then the exercise of the Kingsoft Japan Option shall become effective on the first Business Day on which the register of members of Kingsoft Japan is re-opened. A Kingsoft Japan Ordinary Share allotted upon the exercise of a Kingsoft Japan Option shall not carry voting rights until the completion of the registration of the Kingsoft Japan Grantee as the holder thereof.

The Kingsoft Japan Grantee shall, unless otherwise approved by the Kingsoft Japan Board in writing, irrevocably and unconditionally constitute and appoint Mr. Yongbiao Weng (翁永颯) or any other director of Kingsoft Japan serving as an eligible employee of Kingsoft Japan as determined by the Kingsoft Japan Board from time to time with full power of substitution as the Kingsoft Japan Grantee's true and lawful attorney and irrevocable proxy, for and on behalf of the Kingsoft Japan Grantee, to vote each of the Kingsoft Japan Ordinary Shares allotted to him/her upon the exercise of a Kingsoft Japan Option as the Kingsoft Japan Grantee's proxy, at every meeting of the shareholders of Kingsoft Japan or any adjournment thereof or in connection with any written consent of Kingsoft Japan's shareholders. The foregoing proxy shall be irrevocable and coupled with an interest prior to Kingsoft Japan's initial public offering, and shall automatically terminate upon Kingsoft Japan's initial public offering.

Mr. Yongbiao Weng (翁永颯) is the director of Kingsoft Japan. The main reason why Mr. Yongbiao Weng (翁永颯) is appointed to be the Kingsoft Japan Grantee's proxy is to manage voting process more efficiently. Since there will be many Kingsoft Japan Grantees, each of the Kingsoft Japan Grantee will hold very small percentage of voting power. While the Kingsoft Japan Grantee is still entitled to economic benefit of the Kingsoft Japan Ordinary Shares he/she holds, the voting power of the Kingsoft Japan Ordinary Shares has little effect on the Kingsoft Japan Grantee. It is easier for the Kingsoft Japan Grantees to appoint one person to be their proxy who is also a trustworthy person in Kingsoft Japan. If there is not such appointment in place, the voting at Kingsoft Japan shareholders' meeting would be scattered and difficult to manage.

8. LAPSE OF OPTIONS

A Kingsoft Japan Option, (i) if vested, shall automatically lapse (to the extent not already exercised), or (ii) if unvested, shall automatically be cancelled and cease vesting, in each case on the earliest of:

- (i) the expiry of the Kingsoft Japan Option Period;
- (ii) subject to paragraph 6, the date on which the Kingsoft Japan Grantee ceases to be a Kingsoft Japan Participant;
- (iii) the date on which the Kingsoft Japan Grantee is found to be an employee who is resident in a place where (a) the grant or exercise of the Kingsoft Japan Options pursuant to the terms of this Kingsoft Japan Scheme is not permitted under the laws and regulations of such place, or (b) in the view of the Kingsoft Japan Board, the need to comply with applicable laws and regulations in such place makes it necessary or expedient to exclude such Kingsoft Japan Participant, in each case as determined by the Kingsoft Japan Board in its absolute discretion;
- (iv) the expiry of any of the periods referred to in paragraph 6(i) and paragraph 6(ii);
- (v) the date on which the offer (or, as the case may be, the revised offer) referred to in paragraph 6(iii) closes;
- (vi) subject to paragraph 6(iv), the date of the commencement of the winding-up of Kingsoft Japan;
- (vii) the date on which the Kingsoft Japan Grantee ceases to be a Kingsoft Japan Participant by reason of (i) the termination of his or her employment on any one or more of the grounds that he or she has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or (if so determined by the Kingsoft Japan Board) on any other ground on which an employer would be entitled to terminate his or her employment at common law or pursuant to any applicable laws or under the Kingsoft Japan Grantee's service contract with Kingsoft Japan or the relevant subsidiary or the relevant Kingsoft Japan Invested Entity or (ii) the Kingsoft Japan Grantee's voluntary or unilaterally termination of his or her employment. A resolution of the Kingsoft Japan Board or the board of directors of its relevant subsidiary or the board of directors of the relevant Kingsoft Japan Invested Entity to the effect that employment of a Kingsoft Japan Grantee has or has not been terminated on one or more of the grounds specified in this sub-paragraph shall be conclusive and binding on the Kingsoft Japan Grantee;
- (viii) subject to paragraph 6(v), the date when the proposed compromise or arrangement becomes effective;
- (ix) the date on which the Kingsoft Japan Grantee commits a breach of paragraph 5(i);
- (x) the date on which the Kingsoft Japan Board shall exercise Kingsoft Japan's right to cancel the Kingsoft Japan Option at any time after the Kingsoft Japan Grantee commits a breach of paragraph 6(vi);

- (xi) if the Kingsoft Japan Board at their absolute discretion determine that the Kingsoft Japan Grantee (other than a Kingsoft Japan Participant) or his or her associate has committed any breach of any contract entered into between the Kingsoft Japan Grantee or his or her associate on the one part and the Kingsoft Japan or its subsidiaries or any Kingsoft Japan Invested Entity on the other part or that the Kingsoft Japan Grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his or her creditors generally, the Kingsoft Japan Board shall determine that the Kingsoft Japan Options granted to the Grantee under the Kingsoft Japan Scheme be lapsed. In such event, his or her Kingsoft Japan Options will lapse automatically and will not in any event be exercisable on or after the date on which the Kingsoft Japan Board have so determined; or
- (xii) on the date which the Kingsoft Japan Grantee indicates in writing to Kingsoft Japan that he or she will not exercise the Kingsoft Japan Option(s), notwithstanding that he or she has previously accepted the said grant.

9. MAXIMUM NUMBER OF SHARES

The total number of Kingsoft Japan Ordinary Shares which may be issued upon exercise of all Kingsoft Japan Options to be granted under this Kingsoft Japan Scheme shall not in aggregate exceed 2,837 Kingsoft Japan Ordinary Shares (representing approximately 7.85% of the total number of the Kingsoft Japan Ordinary Shares in issue as at the Kingsoft Japan Adoption Date), which is lower than 10 percent of the total number of Kingsoft Japan Ordinary Shares in issue on the Kingsoft Japan Adoption Date, unless otherwise approved by the shareholders of Kingsoft Japan and the Company in general meeting. Options lapsed in accordance with the terms of this Kingsoft Japan Scheme will not be counted for the purpose of calculating the total number of Kingsoft Japan Ordinary Shares under this paragraph.

Kingsoft Japan may seek approval of the shareholders of the Company and Kingsoft Japan in general meeting for refreshing the 10 percent limit under the Kingsoft Japan Scheme save that the total number of Kingsoft Japan Ordinary Shares which may be issued upon exercise of all Kingsoft Japan Options to be granted under the Kingsoft Japan Scheme and any other share option schemes of Kingsoft Japan under the limit as “refreshed” shall not exceed 10 percent of the total number of Kingsoft Japan Ordinary Shares in issue as at the date of approval of the limit as “refreshed”. Kingsoft Japan Options previously granted under this Kingsoft Japan Scheme or any other share option schemes of Kingsoft Japan (including Kingsoft Japan Options outstanding, cancelled, lapsed or exercised in accordance with the terms of this Kingsoft Japan Scheme or any other share option schemes of Kingsoft Japan) will not be counted for the purpose of calculating the limit as “refreshed”. For the purpose of seeking the approval of shareholders of the Company and Kingsoft Japan under this paragraph, a circular containing the information as required under the Listing Rules must be sent to the shareholders of the Company and Kingsoft Japan.

Kingsoft Japan may seek separate approval by the shareholders of the Company and Kingsoft Japan in general meeting for granting the Kingsoft Japan Options beyond the 10 percent limit provided that the Kingsoft Japan Options in excess of the limit are granted only to Kingsoft Japan Participants specifically identified by Kingsoft Japan before such approval is sought. A circular must be sent to the shareholders of the Company and Kingsoft Japan containing a generic description of the specified Kingsoft Japan Participants who may be granted such Kingsoft Japan Options, the number and terms of the Kingsoft Japan Options to be granted, the purpose of granting such Kingsoft Japan Options to the specified Kingsoft Japan Participants with an explanation as to how the terms of Kingsoft Japan Options serve such purpose and the information as required under the Listing Rules and the disclaimer required under rule 17.02(4) of the Listing Rules.

Notwithstanding any to the contrary herein, the maximum number of Kingsoft Japan Ordinary Shares which may be issued upon exercise of all outstanding Kingsoft Japan Options granted and yet to be exercised under this Kingsoft Japan Scheme and any other share option schemes of Kingsoft Japan must not exceed 30 percent of the total number of Kingsoft Japan Ordinary Shares in issue from time to time. No options may be granted under this Kingsoft Japan Scheme if this will result in the limit set out in this paragraph being exceeded.

Subject to the below paragraph, the total number of Kingsoft Japan Ordinary Shares issued and to be issued upon exercise of the Kingsoft Japan Options granted to each Kingsoft Japan Participant (including both exercised and outstanding Kingsoft Japan Options) in any 12-month period must not exceed 1 percent of the total number of Kingsoft Japan Ordinary Shares in issue.

Where any further grant of Kingsoft Japan Options to a Kingsoft Japan Participant would result in the total number of Kingsoft Japan Ordinary Shares issued and to be issued upon exercise of all the Kingsoft Japan Options granted and to be granted to such person (including exercised, cancelled and outstanding Kingsoft Japan Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1 percent of the total number of Kingsoft Japan Ordinary Shares in issue, such further grant must be separately approved by the shareholders of the Company and Kingsoft Japan in general meeting with such Kingsoft Japan Participant and his/her associates abstaining from voting. A circular must be sent to the shareholders of the Company and Kingsoft Japan and the circular must disclose the identity of the Kingsoft Japan Participant, the number and terms of the Kingsoft Japan Options to be granted and Kingsoft Japan Options previously granted to such Kingsoft Japan Participant and the information as required under the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules. The number and terms (including the Kingsoft Japan Subscription Price) of the Kingsoft Japan Options to be granted to such Kingsoft Japan Participant must be fixed before the approval of the shareholders of the Company and Kingsoft Japan and the date of the meeting of the Kingsoft Japan Board for proposing such further grant of Kingsoft Japan Option(s) should be taken as the date of Kingsoft Japan Offer for the purpose of calculating the Kingsoft Japan Subscription Price.

Subject to paragraph 9, the number of Kingsoft Japan Ordinary Shares subject to Kingsoft Japan Options and to this Kingsoft Japan Scheme may be adjusted, in such manner as an independent financial adviser or the auditors of Kingsoft Japan (acting as experts and not as arbitrators) shall, where applicable, comfort in writing to the Kingsoft Japan Board and the Board pursuant to paragraph 12, in the event of a capitalization issue (including a bonus issue), rights issue, sub-division or consolidation of shares or reduction of capital provided that no such adjustment shall be made in the event of an issue of Kingsoft Japan Ordinary Shares as consideration in respect of a transaction to which Kingsoft Japan is a party.

10. MAXIMUM NUMBER PER GRANTEE WHO IS A CONNECTED PERSON

Each grant of Kingsoft Japan Options to a director, chief executive (other than a proposed director or chief executive of the Company or Kingsoft Japan) or substantial shareholder of the Company or Kingsoft Japan, or any of their respective associates, under the Kingsoft Japan Scheme or any other share option scheme of Kingsoft Japan or any of its subsidiaries must comply with the requirements of Rule 17.04 of the Listing Rules and must be subject to approval by the independent non-executive Directors of the Company (excluding independent non-executive Director who is a Kingsoft Japan Grantee of the Kingsoft Japan Options).

Where any grant of Kingsoft Japan Options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the Kingsoft Japan Ordinary Shares issued and to be issued upon exercise of all Kingsoft Japan Options already granted and to be granted (including Kingsoft Japan Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the relevant class of Kingsoft Japan Ordinary Shares in issue; and
- (b) (where the Kingsoft Japan Ordinary Shares are listed on the Stock Exchange), having an aggregate value, based on the closing price of the Kingsoft Japan Ordinary Shares at the date of each grant, in excess of HK\$5 million,

such further grant of Kingsoft Japan Options must be approved by the shareholders of the Company and Kingsoft Japan. A circular must be sent to all shareholders of the Company and Kingsoft Japan. Any connected persons who are required to abstain from voting in favour at the general meeting may vote against the resolution at the general meeting provided that their intention to do so has been stated in relevant circular to shareholders. Any vote taken at the meeting to approve the grant of such Kingsoft Japan Options must be taken on a poll. Any change in the terms of the Kingsoft Japan Options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates must be approved by the shareholders of the Company and Kingsoft Japan in general meeting.

The circular referred to in this paragraph shall contain:

- (a) details of the number and terms (including the Kingsoft Japan Option Period, the minimum period (if any) for which a Kingsoft Japan Option must be held before it can be exercised, performance targets (if any), the Kingsoft Japan Subscription Price, the basis of determination of Kingsoft Japan Subscription Price, the amount (if any) payable on acceptance of the Kingsoft Japan Option and the rights attached to the Kingsoft Japan Ordinary Shares or the Kingsoft Japan Option) of the Kingsoft Japan Options to be granted to each such grantee, which must be fixed before the shareholders' meeting and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the Kingsoft Japan Subscription Price;
- (b) a recommendation from the independent non-executive directors of the Company (excluding one who is a Kingsoft Japan Grantee of the Kingsoft Japan Options) on whether or not to vote in favour of the proposed grant;
- (c) the information required under Rules 17.02(2)(c) and (d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules;
- (d) the information required under Rule 2.17 of the Listing Rules.

11. CANCELLATION OF OPTIONS

Any cancellation of Kingsoft Japan Options granted but not exercised shall require approval of the Kingsoft Japan Board with the relevant Kingsoft Japan Grantees and their associates abstaining from voting.

Any vote taken at the meeting to approve such cancellation must be taken by poll.

Where Kingsoft Japan cancels Kingsoft Japan Options and issues new ones to the same Kingsoft Japan Grantee, the issue of such new Kingsoft Japan Options may only be made under a scheme with available unissued Kingsoft Japan Options (excluding the cancelled Kingsoft Japan Options) within the limit approved by shareholders as mentioned in paragraph 9.

For the avoidance of doubt, Kingsoft Japan Options which have been exercised shall not be included as cancelled Kingsoft Japan Options.

12. REORGANISATION OF CAPITAL STRUCTURE

In the event of a capitalization issue, (including a bonus issue), rights issue, consolidation or sub-division of shares or reduction of capital (other than an issue of Kingsoft Japan Ordinary Shares as consideration in respect of a transaction to which Kingsoft Japan is a party), such corresponding adjustments (if any) shall be made in:

- (i) the number of Kingsoft Japan Ordinary Shares subject to the Kingsoft Japan Options so far as unexercised; and/or
- (a) In the event of a sub-division of shares, capitalization issue, (including a bonus issue), or consolidation of shares, the number of shares to be issued upon exercising each Kingsoft Japan Option that remains unexercised, shall be adjusted according to the following formula, with any fraction less than one percent of a share resulting from this adjustment rounded down, and without any cash compensation. For the purpose of these terms, (i) sub-division ratio shall mean a fraction of which the denominator is the total number of shares issued and outstanding before the sub-division and the numerator is the total number of shares issued and outstanding after the sub-division, (ii) capitalization ratio shall mean a fraction of which the denominator is the total number of shares issued and outstanding before the capitalization issue (including a bonus issue) and the numerator is the total number of shares issued and outstanding after the capitalization issue (including a bonus issue), and (iii) consolidation ratio shall mean a fraction of which the denominator is the total number of shares issued and outstanding before the consolidation and the numerator is the total number of shares issued and outstanding after the consolidation (the same shall apply hereinafter). The number of shares adjusted this way shall apply, (i) in cases of a sub-division of shares, on and after the date following the base allotment date under Section 183(2)(i) of the Japanese Company Law, (ii) in cases of a capitalization issue (including a bonus issue), on and after the date following the base date for allotment if such a base date is fixed, or on and after the date following that effective date of the capitalization issue (including a bonus issue) if a base date is not fixed, and (iii) in cases of a consolidation of shares, on and after the date following this effective date.

Number of shares subject to the Kingsoft Japan Options after adjustment = Number of shares subject to the Kingsoft Japan Options before adjustment × Ratio of the sub-division, capitalization or consolidation (as the case may be)

- (b) Kingsoft Japan may adjust the number of shares to be issued upon exercise of each Kingsoft Japan Option, in cases of a rights issue reasonably and in compliance with all applicable Listing Rules and other laws and regulations.
- (ii) the Kingsoft Japan Subscription Price; and/or
 - (a) In the event of a sub-division of shares, capitalization issue, (including a bonus issue), or consolidation of shares, the Kingsoft Japan Subscription Price for each Kingsoft Japan Option that remains unexercised shall be adjusted according to the following formula, with any fraction less than one yen resulting from this adjustment counted as one yen. With respect to the time of application, paragraph 12(i)(a) which refers to the adjusted number of shares to be issued upon exercise of each Kingsoft Japan Option shall also *mutatis mutandis* apply to that of this adjusted Kingsoft Japan Subscription Price.

Kingsoft Japan Subscription Price after adjustment = Kingsoft Japan Subscription Price before adjustment × 1/Ratio of sub-division, capitalization or consolidation (as the case may be)

- (b) The Kingsoft Japan Options that remain unexercised shall be adjusted according to the following formula, with any fraction less than one yen resulting from this adjustment counted as one yen, in the event of a rights issue involving (1) any new shares to be issued or (2) any treasury shares to be disposed of by Kingsoft Japan, with the rights issue price per share less than the current value (current value approximately mean (1) until Kingsoft Japan’s initial public offering, the Kingsoft Japan Subscription Price immediately prior to the adjustment, and (2) after the Kingsoft Japan’s initial public offering, the market price of the Kingsoft Japan Ordinary Shares on the date before the base date for the rights issue, or if there is no such base date, on the date before the last date on which the shareholders of Kingsoft Japan may be eligible to participate in the rights issue, or, in the event that Kingsoft Japan Ordinary Shares are listed on the Stock Exchange, the closing price as shown in the daily quotation sheet of the Stock Exchange on the last day of trading before going ex-entitlement).

The Kingsoft Japan Subscription Price adjusted in this way shall be applicable (1) on and after the date following the base date for offerings or allotment if such a base date is fixed, or (2) on and after the date following that effective date (or the end of the period specified under Item 2 of Article 209 of the Japanese Company Law) of the issuance of shares if a base date is not fixed.

$$\begin{array}{l}
 \text{Kingsoft Japan} \\
 \text{Subscription Price} \\
 \text{after adjustment}
 \end{array}
 =
 \begin{array}{l}
 \text{Kingsoft Japan} \\
 \text{Subscription Price} \\
 \text{before adjustment}
 \end{array}
 \times
 \left[
 \frac{\text{Number of the issued and outstanding shares} + \left(\frac{\text{Number of shares to be issued} \times \text{Rights issue price per share}}{\text{Current value}} \right)}{\text{Number of the issued and outstanding shares} + \text{Number of shares to be issued}}
 \right]$$

The above formula shall be subject to the following:

“Number of the issued and outstanding shares” shall mean the total number of the issued and outstanding shares in Kingsoft Japan as of the date before the effective date of the rights issue giving rise to adjustment of Kingsoft Japan Subscription Price.

“Number of shares to be issued” shall, in the case a rights issue in the form of disposition of treasury shares by Kingsoft Japan, be read as “number of treasury shares to be disposed of” with regard to the treasury shares to be disposed of by Kingsoft Japan in the event of adjustment due to any such disposition.

(iii) the maximum number of Kingsoft Japan Ordinary Shares referred to in paragraph 9,

provided that any adjustments referred to in the paragraphs (i), (ii) and (iii) above shall be made on the basis that the proportion of the issued and outstanding share capital of Kingsoft Japan to which a Kingsoft Japan Grantee is entitled after such adjustments shall remain the same as or be less than that to which he/she was entitled before the occurrence of the event giving rise to such adjustments and no such adjustments will be required in circumstances where there is an issue of Kingsoft Japan Ordinary Shares or other securities of Kingsoft Japan and its subsidiaries as consideration in a transaction.

In addition, in respect of any such adjustments as provided in this paragraph, other than any made on a capitalization issue (including a bonus issue), an independent financial adviser or the auditors of Kingsoft Japan must confirm in writing to the Board and the Kingsoft Japan Board that the adjustment satisfy the requirements of the relevant provision of the Listing Rules.

The capacity of the independent financial adviser or the auditors of Kingsoft Japan in this paragraph is that of experts and not of arbitrators and their certification shall be final and binding on Kingsoft Japan and the Kingsoft Japan Grantees.

The costs of the independent financial advisers or the auditors of Kingsoft Japan shall be borne by Kingsoft Japan.

13. ALTERATION OF THE SCHEME

The Kingsoft Japan Scheme may be altered in any respect by resolution of the Kingsoft Japan Board except that:

- (a) any changes to the definitions of Kingsoft Japan Participant, Kingsoft Japan Grantee and Kingsoft Japan Option Period;
- (b) any alteration to the provisions of the Kingsoft Japan Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of Kingsoft Japan Grantees;
- (c) any changes to the provisions of Clauses 3, 4, 5, 6, 7, 8, 9, 12, 13 and 14 of the Kingsoft Japan Scheme;
- (d) any alteration to the terms and conditions of the Kingsoft Japan Scheme which are of a material nature;
- (e) any change to the terms of the Kingsoft Japan Options granted;
- (f) any change to the authority of the Kingsoft Japan Board in relation to any alteration to the terms of the Kingsoft Japan Scheme,

must be approved by a resolution by the shareholders of the Company and Kingsoft Japan in general meeting, except where such alterations take effect automatically under the existing terms of the Kingsoft Japan Scheme, provided that the amended terms of the Kingsoft Japan Scheme or the

Kingsoft Japan Options shall still comply with the requirements of Chapter 17 of the Listing Rules and that no such alteration shall operate to affect adversely the terms of issue of any Kingsoft Japan Option(s) granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such number of Kingsoft Japan Grantees.

Kingsoft Japan must provide to all Kingsoft Japan Grantees all details relating to changes in the terms of the Kingsoft Japan Scheme during the life of the Kingsoft Japan Scheme.

14. TERMINATION

Kingsoft Japan may by resolution in general meeting at any time terminate the operation of the Kingsoft Japan Scheme and in such event no further Kingsoft Japan Options will be offered but the provisions of the Kingsoft Japan Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Kingsoft Japan Options (to the extent not already exercised) granted prior to the termination. Kingsoft Japan Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Kingsoft Japan Scheme.

15. CONDITIONS OF THE SCHEME

The Kingsoft Japan Scheme shall take effect subject to the passing of the resolution of shareholders of Kingsoft Japan to the extent possible and effective under the laws and regulations of Japan and the Company to adopt this Kingsoft Japan Scheme. The Kingsoft Japan Scheme shall take effect to the extent possible and effective under the laws and regulations of Japan, and directions and practices of relevant regulatory agency in Japan.

If the above conditions are not satisfied, the Kingsoft Japan Scheme shall forthwith determine, any Kingsoft Japan Option(s) granted or agreed to be granted pursuant to the Kingsoft Japan Scheme and any Kingsoft Japan Offer of such a grant shall be of no effect and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Kingsoft Japan Scheme.

16. DURATION AND ADMINISTRATION OF THE SCHEME

Subject to paragraph 14, this Kingsoft Japan Scheme shall be valid and effective for a period of ten (10) years commencing on the date on which the conditions set out in paragraph 15 are satisfied, after which period no further Kingsoft Japan Options will be granted but the provisions of this Kingsoft Japan Scheme shall remain in full force and effect in all other respects. Kingsoft Japan Options complying with the provisions of the Listing Rules which are granted during the duration of this Kingsoft Japan Scheme and remain unexercised immediately prior to the end of the ten-year period shall continue to be exercisable in accordance with their terms of grant within the Kingsoft Japan Option Period (such period shall not be more than ten years commencing from the Kingsoft Japan Offer Date) for which such Kingsoft Japan Options are granted, notwithstanding the expiry of this Kingsoft Japan Scheme.

This Kingsoft Japan Scheme shall be subject to the administration of the Kingsoft Japan Board and the Board (including the independent non-executive Directors) whose decision (save as otherwise provided herein) shall be final and binding on all parties.