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**Kingsoft Corporation Limited**

**金山軟件有限公司**

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

**(Stock Code: 03888)**

## **ANNOUNCEMENT**

### **UPDATE IN RELATION TO THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF KINGSOFT CLOUD HOLDINGS LIMITED**

On 4 May 2020 (New York time), Kingsoft Cloud made a public filing of the Red Herring Prospectus to the SEC. Subject to the final terms of an underwriting agreement to be agreed upon by Kingsoft Cloud, the Underwriters and other relevant parties, if any, and to market conditions, Kingsoft Cloud Offering is expected to consist of an initial offering of 25,000,000 ADSs to be sold by Kingsoft Cloud. The Underwriters will also have an option to purchase up to an additional 3,750,000 ADSs upon exercise of the Over-allotment Option.

Each of the Company and Xiaomi has indicated interest in purchasing up to US\$25 million and US\$50 million, respectively, of the ADSs being offered in Kingsoft Cloud Offering at the initial offer price and on the same terms as the other ADSs being offered. Such indications of interests are not binding agreements or commitments to purchase. The possible subscription by each of the Company and Xiaomi is several and not conditional upon each other. The Company will comply with applicable requirements under the Listing Rules as and when appropriate.

Carmignac Gestion and its affiliates have indicated interest in purchasing, in aggregate, up to US\$50 million of the ADSs being offered in Kingsoft Cloud Offering, subject to certain limitations, at the initial offer price and on the same terms as the other ADSs being offered. Such indications of interests are not binding agreements or commitments to the purchase. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Carmignac Gestion and its affiliates and their beneficial owners are third parties independent of the Company and its connected persons.

The initial offer price of each ADS is expected to be between US\$16.00 (equivalent to approximately HK\$124.00) and US\$18.00 (equivalent to approximately HK\$139.51).

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

References are made to the announcements of the Company dated 14 November 2019, 22 December 2019, 20 March 2020, 17 April 2020 and 28 April 2020 and the circular of the Company dated 26 February 2020 (the “**Circular**”) in relation to the Proposed Spin-off and Kingsoft Cloud Offering. Unless otherwise defined, terms used in this announcement shall have the same meaning as those defined in the Circular.

## **THE PROPOSED SPIN-OFF**

On 4 May 2020 (New York time), Kingsoft Cloud made a public filing of the amendment No. 2 to the registration statement that includes a prospectus with a price range (the “**Red Herring Prospectus**”) to the SEC. Subject to the final terms of an underwriting agreement to be agreed upon by Kingsoft Cloud, the underwriters (the “**Underwriters**”) and other relevant parties, if any, and to market conditions, Kingsoft Cloud Offering is expected to consist of a total offering of 28,750,000 ADSs, representing 431,250,000 Kingsoft Cloud Shares, assuming full exercise of the Over-allotment Option (as defined below) by the Underwriters:

- an initial offering of 25,000,000 ADSs to be sold by Kingsoft Cloud, assuming the Over-allotment Option (as defined below) is not exercised; and
- an over-allotment option, which may be exercised by the Underwriters, of up to 3,750,000 additional ADSs, such option to be granted by Kingsoft Cloud to the Underwriters (the “**Over-allotment Option**”).

## **Indication of Interests**

Each of the Company and Xiaomi Corporation (“**Xiaomi**”) has indicated interest in purchasing up to US\$25 million and US\$50 million, respectively, of the ADSs being offered in Kingsoft Cloud Offering at the initial offer price and on the same terms as the other ADSs being offered. Such indications of interests are not binding agreements or commitments to purchase. The possible subscription by each of the Company and Xiaomi is several and not conditional upon each other. The Company will comply with applicable requirements under the Listing Rules as and when appropriate.

Carmignac Gestion and its affiliates have indicated interest in purchasing, in aggregate, up to US\$50 million of the ADSs being offered in Kingsoft Cloud Offering, subject to certain limitations, at the initial offer price and on the same terms as the other ADSs being offered. Such indications of interests are not binding agreements or commitments to the purchase. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, Carmignac Gestion and its affiliates and their beneficial owners are third parties independent of the Company and its connected persons.

Assuming full exercise of the Over-allotment Option by the Underwriters and the number of Kingsoft Cloud Shares described above being allotted and issued, the shareholding of the Company in Kingsoft Cloud will be diluted and reduced from 50.36% as at the date of this announcement to 43.63% (without taking into account of the subscription by the Company and excluding the provision of the Assured Entitlement and exercise of share options, if any) on a fully diluted basis upon completion of Kingsoft Cloud Offering. Upon completion of the Proposed Spin-off, the Group will lose control over Kingsoft Cloud and Kingsoft Cloud will not be accounted for as a subsidiary of the Company. The Group will derecognise the assets and liabilities of Kingsoft Cloud from the consolidated statement of financial position as well as the carrying amount of non-controlling interests in Kingsoft Cloud. The Group will account for its investment in Kingsoft Cloud as investment in an associate at its fair value when control is lost, and recognise share of profit or loss in investment in Kingsoft Cloud using the equity method of accounting, subsequently.

## **Offer Price**

The initial offer price of each ADS is expected to be between US\$16.00 (equivalent to approximately HK\$124.00) and US\$18.00 (equivalent to approximately HK\$139.51). Based on the current price range, the market capitalisation of Kingsoft Cloud will, immediately upon completion of Kingsoft Cloud Offering, be between approximately US\$4.00 billion (equivalent to approximately HK\$31.00 billion) and US\$4.50 billion (equivalent to approximately HK\$34.88 billion) (assuming the Over-allotment Option is not exercised).

It is expected that Kingsoft Cloud and the Underwriters will determine the final offer price and enter into an underwriting agreement in respect of Kingsoft Cloud Offering on or about 7 May 2020 (New York time).

## **Intended Use of Proceeds**

The net proceeds to be received by Kingsoft Cloud from Kingsoft Cloud Offering are estimated to be approximately US\$392.00 million (equivalent to approximately HK\$3,038.12 million), or approximately US\$451.60 million (equivalent to approximately HK\$3,500.04 million) if the Underwriters exercise their option to purchase additional ADSs in full, based on an assumed initial offer price of US\$17.00 per ADS, the midpoint of the estimated initial offer price range set forth on the front cover of the Red Herring Prospectus, after deducting underwriting discounts and commissions and the estimated offering expenses payable by Kingsoft Cloud.

Kingsoft Cloud intends to use the net proceeds for the following purposes: (i) approximately 50% to further invest in upgrading and expanding the infrastructure of Kingsoft Cloud Group; (ii) approximately 25% to further invest in technology and product development, especially in artificial intelligence, big data, cloud technologies and internet of things; (iii) approximately 15% to fund the expansion of the ecosystem and international presence of Kingsoft Cloud Group; and (iv) approximately 10% to supplement the working capital of Kingsoft Cloud Group for general corporate purposes.

## **Conditions to Kingsoft Cloud Offering**

Kingsoft Cloud Offering is conditional on, among other things, the following:

- the Red Herring Prospectus being declared effective by the SEC and NASDAQ granting approval for the listing of the ADSs; and
- the entering into by Kingsoft Cloud, the Underwriters and other relevant parties, if any, of an underwriting agreement for the initial purchase by the Underwriters of the number of ADSs to be specified therein, the satisfaction of certain conditions to closing set forth in the underwriting agreement and the underwriting agreement not being terminated in accordance with its terms or otherwise, on or before the date and time to be specified therein.

If these or any other applicable conditions are not fulfilled or waived (if applicable) prior to the dates and times to be specified, Kingsoft Cloud Offering and thus the Proposed Spin-off will lapse and a notice will be published by the Company as soon as practicable after such lapse.

## **Estimated Preliminary Results of Kingsoft Cloud Group for the First Quarter of 2020**

In addition to the estimated revenues and the gross profit margin of Kingsoft Cloud Group for the three months ended 31 March 2020, the details of which were disclosed in the announcement of the Company dated 28 April 2020, the Red Herring Prospectus contains, among other things, additional estimated preliminary results of Kingsoft Cloud Group for the first quarter of 2020. It is estimated that the operating loss margin of Kingsoft Cloud Group for the three months ended 31 March 2020 was not more than the operating loss margin of 25.8% for the three months ended 31 December 2019. Furthermore, it is estimated that the net loss margin of Kingsoft Cloud Group for the three months ended 31 March 2020 was not more than 27.4%, as compared to the net loss margin of 20.4% for the three months ended 31 December 2019. The increase in the net loss margin was primarily due to the estimated foreign exchange loss in the three months ended 31 March 2020, as compared to the foreign exchange gains recorded in the three months ended 31 December 2019, as

a result of the fluctuations of the exchange rates of RMB against US\$. These estimated preliminary results are prepared in accordance with U.S. GAAP and are based on the information currently available to Kingsoft Cloud as at the date of the Red Herring Prospectus. Accordingly, the actual results may differ from the estimated preliminary results presented therein and will not be finalized until after the completion of Kingsoft Cloud Offering.

## **ASSURED ENTITLEMENT**

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

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

*For the purpose of this announcement, unless otherwise indicated, the exchange rate of US\$1.00 = HK\$7.7503 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rate or any other rate or at all on the date or dates in question or any other date.*

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

Hong Kong, 4 May 2020

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