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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)

**UPDATE ON THE MAJOR TRANSACTION IN RELATION TO
THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF
KINGSOFT CLOUD HOLDINGS LIMITED ON NASDAQ;
CONNECTED TRANSACTIONS
IN RELATION TO SUBSCRIPTIONS;
AND DISTRIBUTION IN SPECIE**

PROPOSED SPIN-OFF AND KINGSOFT CLOUD OFFERING

The Board is pleased to announce that the pricing of the ADSs was fixed on 7 May 2020 (New York time) and the trading in the ADSs on NASDAQ commenced on 8 May 2020 (New York time).

The Offer Price was fixed at US\$17 per ADS (equivalent to approximately HK\$131.75 per ADS). Pursuant to Kingsoft Cloud Offering, 30,000,000 ADSs will be issued and sold by Kingsoft Cloud, representing approximately 13.9% of the issued share capital of Kingsoft Cloud (as enlarged by Kingsoft Cloud Offering), before any exercise of the over-allotment option. Each ADS will represent 15 Kingsoft Cloud Shares.

Assuming full exercise of the over-allotment option, the total number of ADSs to be sold under Kingsoft Cloud Offering will represent approximately 15.6% of the issued share capital of Kingsoft Cloud (as enlarged by Kingsoft Cloud Offering).

The net proceeds to be received by Kingsoft Cloud from Kingsoft Cloud Offering are approximately US\$473.9 million (equivalent to approximately HK\$3,672.7 million), or approximately US\$545.8 million (equivalent to approximately HK\$4,230.0 million) if the Underwriters exercise their option to purchase additional ADSs in full, based on the Offer Price, after deducting underwriting discounts and commissions and the estimated offering expenses payable by Kingsoft Cloud.

On 7 May 2020 (New York time), each of the Company and Xiaomi has subscribed for, and has been allocated by the Underwriters, 1,175,000 ADSs and 2,355,000 ADSs, respectively, in Kingsoft Cloud Offering at the Offer Price and on the same terms as the other ADSs being offered, representing approximately 3.92% and 7.85%, respectively, of the ADSs being offered in Kingsoft Cloud Offering, assuming the Underwriters do not exercise their over-allotment option. The Kingsoft Subscription and Xiaomi Subscription are several and not conditional upon each other. The consideration payable by each of the Company and Xiaomi for the Kingsoft Subscription and the Xiaomi Subscription amounts to approximately US\$19,975,000 and US\$40,035,000, respectively.

ASSURED ENTITLEMENT

To give due regard to the interests of the Shareholders as required by PN15, the Directors resolved to declare a special dividend of approximately HK\$139.1 million to the Shareholders by way of a distribution, which represents (a) a distribution of approximately HK\$0.10135 per Share based on the total number of 1,372,728,717 Shares as at the date of this announcement; or (b) a distribution of Distribution ADSs on the basis of one Distribution ADS for every 1,300 Shares held by the Qualifying Shareholders based on the Offer Price of US\$17 per ADS and to be converted into Hong Kong dollars at the exchange rate of US\$1.00 to HK\$7.75. Details are set out as follows:

- (i) A Qualifying Shareholder holding a whole multiple of a Qualifying Lot (i.e. 1,300 Shares) will be entitled to one Distribution ADS for every whole multiple of a Qualifying Lot held. Such Qualifying Shareholder may elect to receive the Distribution ADS(s) to which he is entitled, or, in lieu of such Distribution ADS(s), a cash payment of approximately HK\$131.75 for every whole multiple of a Qualifying Lot, which is equivalent to the Offer Price in Hong Kong dollars at the exchange rate of US\$1.00 to HK\$7.75.
- (ii) A Qualifying Shareholder who holds Shares in excess of a whole multiple of a Qualifying Lot will be treated in accordance with (i) above, except that such Shareholder will only receive cash payment of HK\$0.10135 per Share for such number of Shares held by him that is over and above a whole multiple of a Qualifying Lot.
- (iii) A Qualifying Shareholder holding less than a Qualifying Lot will be entitled to a cash payment of HK\$0.10135 per Share based on the number of Shares held by him. Such Shareholder will not be able to choose to receive Distribution ADSs.

- (iv) Non-Qualifying Shareholders will not be entitled to elect to receive Distribution ADSs, but will instead receive a cash payment of HK\$0.10135 per Share based on the number of the respective Shares held by them.
- (v) All ownership interests of Shareholders will be determined at the close of business on the Record Date.
- (vi) All cash payments will be rounded down to the nearest Hong Kong dollar.
- (vii) The cash payment of HK\$0.10135 per Share is calculated as follows:

$$\frac{\text{US\$17 per ADS (the Offer Price)}}{1,300 \text{ Shares (the Qualifying Lot)}} \times 7.75 \text{ (the exchange rate of US\$ to HK\$)}$$

IMPLICATIONS UNDER THE LISTING RULES

Kingsoft Cloud is a non-wholly owned subsidiary of the Company immediately prior to completion of the Proposed Spin-off. Following completion of the Proposed Spin-off (taking into account the Kingsoft Subscription), Kingsoft Cloud will cease to be a subsidiary of the Company. Therefore, the Proposed Spin-off constitutes a deemed disposal of the interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules. Based on the size of Kingsoft Cloud Offering, the highest applicable percentage ratio in respect of the Proposed Spin-off exceeds 25% but is less than 75%. Therefore, the Proposed Spin-off constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and the Company has complied with the requirements under paragraph 3(e)(1) of PN15 and the applicable requirements of Chapter 14 of the Listing Rules (including the announcement, circular, appointment of an independent financial adviser and shareholders' approval requirements).

Xiaomi is an associate of Mr. Jun LEI, a Director and substantial shareholder of the Company. Mr. Jun LEI holds a majority of voting power in Xiaomi, save for resolutions with respect to a limited number of reserved matters. As such, Xiaomi is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. The Xiaomi Subscription is therefore a connected transaction of the Company.

Xiaomi held over 10% equity interest in Kingsoft Cloud. Therefore, as at the date of this announcement, Kingsoft Cloud is a connected subsidiary of the Company by virtue of Rule 14A.16 of the Listing Rules. The Kingsoft Subscription is therefore a connected transaction of the Company.

As each of the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Kingsoft Subscription and the Xiaomi Subscription exceeds 0.1% but is less than 5%, each of the Kingsoft Subscription and the Xiaomi Subscription is subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

In view of his interest in Xiaomi, Mr. Jun LEI has abstained from voting on the Board resolutions approving the Kingsoft Subscription and the Xiaomi Subscription. Save as disclosed above, none of the Directors has a material interest in the Kingsoft Subscription and the Xiaomi Subscription and none of them has abstained from voting on the relevant Board resolution.

GENERAL

Qualifying Shareholders are reminded that whether or not it is to their advantage to elect to receive the Distribution in cash in lieu of the Distribution ADSs depends upon their own individual circumstances and preference, and the decision in this regard and all effects resulting therefrom are the responsibility of each individual Qualifying Shareholder.

This announcement is not, and does not form part of, an offer to sell or solicitation of an offer to purchase or subscribe for any securities of Kingsoft Cloud in Hong Kong, the U.S. or any other jurisdiction, and neither this announcement, nor any part of it, shall form the basis of, or be relied on in connection with, any investment decision relating to securities of Kingsoft Cloud. The ADSs referred to in this announcement have not been and will not be registered under the Securities Act, and may not be offered or sold unless registered or an exemption from registration is available.

References are made to the announcements of the Company dated 14 November 2019, 22 December 2019, 20 March 2020, 17 April 2020, 28 April 2020, 4 May 2020, 5 May 2020 and 8 May 2020 and the circular of the Company dated 26 February 2020 in relation to the Proposed Spin-off and Kingsoft Cloud Offering.

A. PROPOSED SPIN-OFF AND KINGSOFT CLOUD OFFERING

Pricing and Commencement of Trading on NASDAQ

The Board is pleased to announce that the pricing of the ADSs was fixed on 7 May 2020 (New York time) and the trading in the ADSs on NASDAQ commenced on 8 May 2020 (New York time).

The Offer Price was fixed at US\$17 per ADS (equivalent to approximately HK\$131.75 per ADS). Pursuant to Kingsoft Cloud Offering, 30,000,000 ADSs will be issued and sold by Kingsoft Cloud, representing approximately 13.9% of the issued share capital of Kingsoft Cloud (as enlarged by Kingsoft Cloud Offering), before any exercise of the over-allotment option. Each ADS will represent 15 Kingsoft Cloud Shares.

The Underwriters have an option to purchase up to an additional 4,500,000 ADSs pursuant to the over-allotment option granted by Kingsoft Cloud to the Underwriters, solely to cover over-allotments in the sale of the ADSs. Such over-allotment option may be exercised in whole or in part by the Underwriters at any time not later than 30 days after the date of Kingsoft Cloud's final prospectus.

Assuming full exercise of the over-allotment option, the total number of ADSs to be sold under Kingsoft Cloud Offering will represent approximately 15.6% of the issued share capital of Kingsoft Cloud (as enlarged by Kingsoft Cloud Offering).

The net proceeds to be received by Kingsoft Cloud from Kingsoft Cloud Offering are approximately US\$473.9 million (equivalent to approximately HK\$3,672.7 million), or approximately US\$545.8 million (equivalent to approximately HK\$4,230.0 million) if the Underwriters exercise their option to purchase additional ADSs in full, based on the Offer Price, after deducting underwriting discounts and commissions and the estimated offering expenses payable by Kingsoft Cloud.

Subscriptions of the ADSs by the Company and Xiaomi

On 7 May 2020 (New York time), each of the Company and Xiaomi has subscribed for, and has been allocated by the Underwriters, 1,175,000 ADSs and 2,355,000 ADSs, respectively, in Kingsoft Cloud Offering at the Offer Price and on the same terms as the other ADSs being offered, representing approximately 3.92% and 7.85%, respectively, of the ADSs being offered in Kingsoft Cloud Offering, assuming the Underwriters do not exercise their over-allotment option. The Kingsoft Subscription and Xiaomi Subscription are several and not conditional upon each other. The consideration payable by each of the Company and Xiaomi for the Kingsoft Subscription and the Xiaomi Subscription amounts to approximately US\$19,975,000 and US\$40,035,000, respectively.

The Company has funded the Kingsoft Subscription from its internal resources.

Assuming full exercise of the over-allotment option by the Underwriters, 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% immediately prior to completion of Kingsoft Cloud Offering to 43.02% of the issued share capital of Kingsoft Cloud (as enlarged by Kingsoft Cloud Offering) (excluding the provision of the assured entitlement and exercise of share options, if any).

Information of Kingsoft Cloud

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

Set out below is the financial information of Kingsoft Cloud Group prepared in accordance with U.S. GAAP for the two financial years ended 31 December 2019 based on its prospectus issued in connection with Kingsoft Cloud Offering:

	For the year ended 31 December 2018	For the year ended 31 December 2019
		<i>RMB: million</i>
Loss before income tax	(996.8)	(1,102.2)
Net loss	(1,006.4)	(1,111.2)

As at 31 December 2019, the net assets of Kingsoft Cloud Group were approximately RMB3,537.3 million.

Financial Impact of the Proposed Spin-Off

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.

The fair value in respect of the Company's equity interest in Kingsoft Cloud as at the date of completion of the Proposed Spin-off is determined by market share price of Kingsoft Cloud, as Kingsoft Cloud will be a listed company upon completion of the Proposed Spin-off. The fair value of the Company's equity interest in Kingsoft Cloud and the net asset value of Kingsoft Cloud attributable to the Company are estimated to be approximately RMB11 billion and RMB1 billion, respectively, with reference to the Offer Price in Kingsoft Cloud Offering and consolidated financial statements of Kingsoft Cloud as at 31 December 2019. The deemed disposal gain as a results of the Proposed Spin-off to be recognized in the Group's consolidated statement of profit or loss is expected to be approximately RMB10 billion based on the aforesaid basis. As at 31 December 2019, the consolidated total assets of Kingsoft Cloud were approximately RMB6 billion and consolidated total liabilities and non-controlling interests of Kingsoft Cloud were approximately RMB5 billion. If Kingsoft Cloud was accounted as an associate instead of a subsidiary of the Group at 31 December 2019, total assets of the Group would increase by approximately RMB5 billion (being investment in an associate of approximately RMB11 billion, less total assets of Kingsoft Cloud of approximately RMB6 billion), and total liabilities and non-controlling interests of the Group would decrease by approximately RMB5 billion. Had the Proposed Spin-off taken place at the beginning of the year (i.e. 1 January 2019) and Kingsoft Cloud was accounted as an associate instead of a subsidiary of the Group for the year ended 31 December 2019, loss after tax of the Group would decrease by approximately RMB0.8 billion (being consolidated loss after tax of Kingsoft Cloud of approximately RMB1.4 billion, less share of loss of an associate of approximately RMB0.6 billion).

Information of the Group and Xiaomi

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

Xiaomi is a limited liability company listed on the Stock Exchange and Mr. Jun LEI holds a majority of voting power in Xiaomi, save for resolutions with respect to a limited number of reserved matters. Xiaomi is an internet company with smartphones and smart hardware connected by an IoT platform at its core.

Reasons for and Benefits of the Subscriptions

The Company's shareholding in Kingsoft Cloud is expected to be reduced due to (i) dilution caused by the issue and sale of Kingsoft Cloud Shares in Kingsoft Cloud Offering and (ii) the distribution in specie to be conducted by the Company to its eligible shareholders as required by PN15.

The Directors consider the Kingsoft Subscription and the Xiaomi Subscription are beneficial to the Company for the following reasons:

- the Company will be able to replenish its shareholding in Kingsoft Cloud through the subscription of the ADSs; and
- the Kingsoft Subscription and the Xiaomi Subscription will provide financial supports to the business development and promote the fast growth of Kingsoft Cloud, which in turn will enhance the shareholder value of the Company.

The Board (including the independent non-executive Directors) are of the view that the Kingsoft Subscription and the Xiaomi Subscription are on normal commercial terms which are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

B. ASSURED ENTITLEMENT

Basis of Entitlement

To give due regard to the interests of the Shareholders as required by PN15, the Directors resolved to declare a special dividend of approximately HK\$139.1 million to the Shareholders by way of a distribution, which represents (a) a distribution of approximately HK\$0.10135 per Share based on the total number of 1,372,728,717 Shares as at the date of this announcement; or (b) a distribution of Distribution ADSs on the basis of one Distribution ADS for every 1,300 Shares held by the Qualifying Shareholders based on the Offer Price of US\$17 per ADS and to be converted into Hong Kong dollars at the exchange rate of US\$1.00 to HK\$7.75. Details are set out as follows:

- (i) A Qualifying Shareholder holding a whole multiple of a Qualifying Lot (i.e. 1,300 Shares) will be entitled to one Distribution ADS for every whole multiple of a Qualifying Lot held. Such Qualifying Shareholder may elect to receive the Distribution ADS(s) to which he is entitled, or, in lieu of such Distribution ADS(s), a cash payment of approximately HK\$131.75 for every whole multiple of a Qualifying Lot, which is equivalent to the Offer Price in Hong Kong dollars at the exchange rate of US\$1.00 to HK\$7.75.
- (ii) A Qualifying Shareholder who holds Shares in excess of a whole multiple of a Qualifying Lot will be treated in accordance with (i) above, except that such Shareholder will only receive cash payment of HK\$0.10135 per Share for such number of Shares held by him that is over and above a whole multiple of a Qualifying Lot.
- (iii) A Qualifying Shareholder holding less than a Qualifying Lot will be entitled to a cash payment of HK\$0.10135 per Share based on the number of Shares held by him. Such Shareholder will not be able to choose to receive Distribution ADSs.
- (iv) Non-Qualifying Shareholders will not be entitled to elect to receive Distribution ADSs, but will instead receive a cash payment of HK\$0.10135 per Share based on the number of the respective Shares held by them.
- (v) All ownership interests of Shareholders will be determined at the close of business on the Record Date.
- (vi) All cash payments will be rounded down to the nearest Hong Kong dollar.
- (vii) The cash payment of HK\$0.10135 per Share is calculated as follows:

$$\frac{\text{US\$17 per ADS (the Offer Price)}}{1,300 \text{ Shares (the Qualifying Lot)}} \times 7.75 \text{ (the exchange rate of US\$ to HK\$)}$$

The Directors consider the above basis of entitlement to be fair and reasonable.

Qualifying Shareholders

Qualifying Shareholders are the Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Shareholders who are, or who are acting for the account or benefit of, Non-Qualifying Shareholders.

Non-Qualifying Shareholders

Non-Qualifying Shareholders are the Shareholders (including beneficial owners) who are:

- (i) on the Record Date, resident or located in places outside Hong Kong in respect of which the Board considers the exclusion from receiving the ADSs under the Distribution to be necessary or expedient on account of either the legal restrictions under the laws of the relevant place or the requirements of a regulatory body or stock exchange in that place, in accordance with Rule 13.36(2) of the Listing Rules;
- (ii) without limitation to the generality of the foregoing, located in the U.S. or who are U.S. Persons;
- (iii) otherwise unable to make the certifications required in the Form of Election in order to be entitled to receive the Distribution ADSs; or
- (iv) Kingsoft Cloud Affiliates.

Since registration or filing or other procedures or formalities, subject to certain exceptions, would need to be carried out in relation to the Distribution to comply with the relevant securities legislation or regulation in the U.S., Non-Qualifying Shareholders are deemed to include, without limitation to the generality of the above, Shareholders (including beneficial owners) who are located in the U.S. or who are U.S. Persons.

The Company reserves the right to adopt the same approach in respect of any other jurisdiction(s) where the applicable laws of the relevant jurisdiction make it necessary or expedient to do so.

Overseas Shareholders and Stock Connect Investors

Under Rule 13.36(2) of the Listing Rules, where a listed issuer proposes to distribute securities to its shareholders, it may exclude relevant overseas shareholders in circumstances where the directors consider the exclusion to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place.

Based on the register of members of the Company as at 30 April 2020, all the Shareholders had registered addresses in Hong Kong, except for 10 Shareholders in the PRC, one in Singapore and one in Canada. The Directors have been advised that there are no restrictions or requirements on the Distribution to the Shareholder in the PRC. None of the Shareholders in Singapore and Canada has sufficient number of Shares to enable each of them to be entitled to any Distribution ADS, and will be entitled to a cash payment of HK\$0.10135 per Share based on the number of Shares held by him.

Notwithstanding the above, the Board reserves the right to exclude any other registered Shareholder whose address as shown on the register of members of the Company on the Record Date is located in any other overseas jurisdiction from the Distribution, if the Board believes that such distribution may be administratively prohibitive or inexpedient or violate any applicable legal and/or regulatory requirements in the relevant jurisdiction. If and when necessary, the Company will separately notify any such Shareholder of the arrangement regarding the Distribution.

As at the date of this announcement, pursuant to Article 24 of the Implementation Rules for Registration, Depository and Clearing Services under the Mainland-Hong Kong Stock Markets Connect Programme (《內地與香港股票市場交易互聯互通機制登記、存管、結算業務實施細則》), if the Stock Connect Investors receive any securities not listed on the Stock Exchange, they will not be allowed to buy or sell such securities through the Stock Connect. Considering the practical difficulty of the Stock Connect Investors in realizing the benefit of the Distribution ADSs, Stock Connect Investors will not be able to elect to receive the Distribution ADSs and so will only receive the cash distribution instead, the amount of which is subject to finalized distribution arrangement determined by the Company. This arrangement is in accordance with Question No. 4 of the Frequently Asked Questions Series 29 released by the Stock Exchange on 17 November 2014 and last updated on 13 July 2018.

A Shareholder with an address outside Hong Kong should consult his own professional advisers as to whether or not he is permitted to receive the Distribution ADSs pursuant to the Distribution or if any governmental or other consent is required or other formalities are required to be observed and whether there are any other restrictions in relation to the future sale of any Distribution ADSs or ADSs. An overseas Qualifying Shareholder residing in a jurisdiction where it would be illegal for him/her/it to elect for or to receive the Distribution ADSs under the Distribution will be deemed to have received the Form of Election for information purpose only.

Form of Election

A Qualifying Shareholder holding 1,300 Shares or more may, by completing Section 1 of the Form of Election, elect to receive a cash payment in lieu of all of the Distribution ADSs to which the Qualifying Shareholder would be entitled under the Distribution (save in the case of HKSCC Nominees Limited, which may elect to receive cash payment for part or the whole of its entitlement under the Distribution). Such cash payment will be calculated based on the Offer Price of US\$17 per ADS in Kingsoft Cloud Offering and at an exchange rate of US\$1 to HK\$7.75, rounded down to the nearest Hong Kong dollar. ADSs are to be held electronically in book entry form through the facilities of DTC directly in the name of the Qualifying Shareholder (only if the Qualifying Shareholder is a participant in DTC) or indirectly through

the Qualifying Shareholder's account at a broker dealer or other financial institution which is a direct or indirect participant in DTC. As soon as practicable after closing of Kingsoft Cloud Offering, at the direction of Kingsoft Cloud and the Company, BNY Mellon Depository Receipts, as depository to Kingsoft Cloud, will issue to the account of (i) the Qualifying Shareholder (if the Qualifying Shareholder is a participant in DTC) or (ii) the broker dealer or other financial institution which is a direct or indirect participant in DTC, as designated by the Qualifying Shareholder, in either case the number of Distribution ADSs to which such Qualifying Shareholder is entitled.

Any Qualifying Shareholder holding 1,300 Shares or more should note that he is able to receive the Distribution ADSs only if he specifies in Section 2 of the Form of Election information as to the details of his DTC participant account and/or the details of his broker or dealer who is a direct or indirect DTC participant, the details of that broker/dealer's DTC participant name, account, and contact telephone number to which the Distribution ADSs can be credited and such broker or dealer accepts such Distribution ADSs for crediting. Information specified on the Form of Election must be completed and valid, failing which, the Qualifying Shareholder will be deemed to have elected to receive the cash payment in lieu of the Distribution ADSs to which he is entitled. Qualifying Shareholders who have elected to receive Distribution ADSs must instruct and coordinate with their respective brokers/dealers on their elections and the settlement of their respective Distribution ADSs.

To be valid, the Form of Election, together with the power of attorney (where applicable) other authority under which it is signed (where applicable) or notarially certified copy thereof, must also be returned, either in person or by post, to the office of the share registrar of the Company, namely, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Hong Kong, so as to arrive no later than 4:30 p.m. on Thursday, 4 June 2020. No acknowledgment of receipt of the Form of Election will be issued. Any Form of Election will be treated as invalid if:

- it is incomplete; or
- the Shareholder is unable to provide the correct details of his broker or dealer (including details of the DTC participant, account and other information listed on the form) and the account to which the Distribution ADSs are to be credited; or
- the broker or dealer is not a direct or indirect DTC participant or refuses to accept Distribution ADSs, such that the Distribution ADSs could not be credited for the account specified in Section 2 of the Form of Election.

Cheques for all cash payments are expected to be despatched by ordinary post to the address specified in the register of members, at the risk of the relevant Shareholder, as soon as practicable after completion of Kingsoft Cloud Offering. Qualifying Shareholders entitled to receive Distribution ADSs may only receive their Distribution ADSs after completion of Kingsoft Cloud Offering. Accordingly, Qualifying Shareholders who wish to trade their Distribution ADSs must observe the settlement date and may need to specify the settlement cycles to prevent failed settlements and should consult their own advisors. The Company will make an announcement once the settlement date with regard to the Distribution ADSs and the despatch date of the cheque of cash payment have been determined. Any Qualifying

Shareholder who holds Shares as a nominee, trustee or registered holder in any other capacity will not be treated differently from any other registered holders. Any beneficial owner of Shares which are registered in the name of a nominee, trustee or registered holder in any other capacity should make arrangements with such nominee, trustee or registered holder in relation to the Distribution. Any such person may consider whether he wishes to arrange for the registration of the relevant Shares in the name of the beneficial owner prior to ex-entitlement of the Distribution, however, any costs, taxes or duties associated therewith or arising therefrom will be borne solely by such Shareholder.

To qualify for entitlements to the Distribution, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the share registrar of the Company, namely, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 20 May 2020. A Qualifying Shareholder holding 1,300 Shares or above who wishes either (i) to receive cash in lieu of all his Distribution ADSs or (ii) to receive Distribution ADSs, must return the duly completed Form of Election to the share registrar of the Company not later than 4:30 p.m. on Thursday, 4 June 2020.

Restrictions on Sales of the Distribution ADSs for 40 Days after Delivery

The ordinary shares underlying the Distribution ADSs and the Distribution ADSs have not been and will not be registered under the Securities Act and, therefore, the Distribution ADSs will be distributed only to Qualifying Shareholders who are non U.S. Persons in an offshore transaction in reliance on Regulation S under the Securities Act.

In accordance with the requirements of U.S. securities laws, Qualifying Shareholders receiving the Distribution ADSs will not be permitted to offer, sell, pledge or otherwise transfer their Distribution ADSs within the U.S. or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act) during the period of 40 days commencing on the date of the last transfer of the Distribution ADSs to Qualifying Shareholders.

Expected timetable for the Distribution

The expected timetable for the Distribution is as follows:

All time and dates referred to below are Hong Kong time unless otherwise indicated.

Events	2020
Dealings in the ADSs on NASDAQ commenced at ^{Note}	9:30 p.m. on Friday, 8 May
Latest day for dealing in the Shares on a cum-entitlement basis	Monday, 18 May
First day of dealing in the Shares on an ex-entitlement basis	Tuesday, 19 May
Latest time for lodging transfers of Shares cum-entitlement to the Distribution	4:30 p.m. on Wednesday, 20 May
Record Date for determining the entitlement to the Distribution	Wednesday, 20 May
Despatch of the Form of Election on	Friday, 22 May
Latest time for lodging the Form of Election	4:30 p.m. on Thursday, 4 June
Distribution of Distribution ADSs or despatch of cheques for cash payment in lieu thereof on or about	Tuesday, 16 June (New York time)

Note: Dealings in the ADSs on NASDAQ commenced at 9:30 a.m. on 8 May 2020 (New York time).

Please note that the timetable is subject to change depending on the timetable of Kingsoft Cloud Offering. If there are changes to the above timetable, the Company will publish an announcement to inform the Shareholders.

C. IMPLICATIONS UNDER THE LISTING RULES

Kingsoft Cloud is a non-wholly owned subsidiary of the Company immediately prior to completion of the Proposed Spin-off. Following completion of the Proposed Spin-off (taking into account the Kingsoft Subscription), Kingsoft Cloud will cease to be a subsidiary of the Company. Therefore, the Proposed Spin-off constitutes a deemed disposal of the interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules. Based on the size of Kingsoft Cloud Offering, the highest applicable percentage ratio in respect of the Proposed Spin-off exceeds 25% but is less than 75%. Therefore, the Proposed Spin-off constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and the Company has complied with the requirements under paragraph 3(e)(1) of PN15 and the applicable requirements of Chapter 14 of the Listing Rules (including the announcement, circular, appointment of an independent financial adviser and shareholders' approval requirements).

Xiaomi is an associate of Mr. Jun LEI, a Director and substantial shareholder of the Company. Mr. Jun LEI holds a majority of voting power in Xiaomi, save for resolutions with respect to a limited number of reserved matters. As such, Xiaomi is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. The Xiaomi Subscription is therefore a connected transaction of the Company.

Xiaomi held over 10% equity interest in Kingsoft Cloud. Therefore, as at the date of this announcement, Kingsoft Cloud is a connected subsidiary of the Company by virtue of Rule 14A.16 of the Listing Rules. The Kingsoft Subscription is therefore a connected transaction of the Company.

As each of the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Kingsoft Subscription and the Xiaomi Subscription exceeds 0.1% but is less than 5%, each of the Kingsoft Subscription and the Xiaomi Subscription is subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

In view of his interest in Xiaomi, Mr. Jun LEI has abstained from voting on the Board resolutions approving the Kingsoft Subscription and the Xiaomi Subscription. Save as disclosed above, none of the Directors has a material interest in the Kingsoft Subscription and the Xiaomi Subscription and none of them has abstained from voting on the relevant Board resolution.

D. RECORD DATE AND LODGING THE FORM OF ELECTION

Based on the expected timetable of the Distribution, the Record Date for determining the entitlement to the Distribution is Wednesday, 20 May 2020.

In order to qualify for the Distribution, all transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company by no later than 4:30 p.m. on Wednesday, 20 May 2020. The Form of Election must be returned on or before 4:30 p.m. on Thursday, 4 June 2020.

E. GENERAL

Qualifying Shareholders are reminded that whether or not it is to their advantage to elect to receive the Distribution in cash in lieu of the Distribution ADSs depends upon their own individual circumstances and preference, and the decision in this regard and all effects resulting therefrom are the responsibility of each individual Qualifying Shareholder.

This announcement is not, and does not form part of, an offer to sell or solicitation of an offer to purchase or subscribe for any securities of Kingsoft Cloud in Hong Kong, the U.S. or any other jurisdiction, and neither this announcement, nor any part of it, shall form the basis of, or be relied on in connection with, any investment decision relating to securities of Kingsoft Cloud. The ADSs referred to in this announcement have not been and will not be registered under the Securities Act, and may not be offered or sold unless registered or an exemption from registration is available.

F. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“ADS(s)”	the American Depositary Share(s) to be issued pursuant to a deposit agreement between Kingsoft Cloud and a depository, each representing certain number of shares in Kingsoft Cloud, which are expected to be listed on the NASDAQ
“Board”	the board of the Directors
“Company”	Kingsoft Corporation Limited, an exempted limited liability company incorporated in the British Virgin Islands on 20 March 1998 and discontinued in the British Virgin Islands and continued into the Cayman Islands on 15 November 2005, with its shares listed on the Main Board of the Stock Exchange
“control(s)”	the power to direct the management and policies of the person in question, whether through the ownership of voting securities, by contract, or otherwise and “controlled” shall be construed accordingly
“Director(s)”	the director(s) of the Company
“Distribution	the proposed special dividend of the Company, to be satisfied by the distribution in specie of ADSs to Qualifying Shareholders of the Company
“Distribution ADS(s)”	the ADSs to be distributed to Qualifying Shareholders pursuant to the Distribution
“DTC”	The Depository Trust Company
“Form of Election”	the form of election to be completed by Qualifying Shareholders pursuant to which each Qualifying Shareholder may elect to receive Distribution ADSs or cash in lieu of all the Distribution ADSs to which they are entitled
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Kingsoft Cloud”	Kingsoft Cloud Holdings Limited, a limited liability company incorporated in the Cayman Islands
“Kingsoft Cloud Affiliate”	(i) any person(s) that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, Kingsoft Cloud; or (ii) an executive officer, a director, or a large shareholder that is in a relationship of control with Kingsoft Cloud
“Kingsoft Cloud Group”	Kingsoft Cloud and its subsidiaries
“Kingsoft Cloud Offering”	the offering of Kingsoft Cloud Shares represented by ADSs on the NASDAQ registered with the SEC
“Kingsoft Cloud Share(s)”	the new share(s) to be issued by Kingsoft Cloud and represented by ADSs under Kingsoft Cloud Offering with a par value of US\$0.001 each
“Kingsoft Subscription”	the subscription of 1,175,000 ADSs by the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“NASDAQ”	the National Association of Securities Dealers Automated Quotations
“Non-Qualifying Shareholders”	(i) on the Record Date, resident or located in places outside Hong Kong in respect of which the Directors consider the exclusion from receiving the ADSs under the Distribution to be necessary or expedient on account of either the legal restrictions under the laws of the relevant place or the requirements of a regulatory body or stock exchange in that place, in accordance with Rule 13.36(2) of the Listing Rules; (ii) without limitation to the generality of the foregoing, located in the U.S. or who are U.S. Persons; (iii) otherwise unable to make the certifications required in the Form of Election in order to be entitled to receive the Distribution ADSs; or (iv) Kingsoft Cloud Affiliates
“Offer Price”	US\$17 (equivalent to approximately HK\$131.75), the initial public offering price per ADS under Kingsoft Cloud Offering
“PN15”	Practice Note 15 of the Listing Rules

“PRC”	the People’s Republic of China
“Proposed Spin-off”	the proposed spin-off of Kingsoft Cloud involving Kingsoft Cloud Offering and the proposed separate listing of the ADSs on the NASDAQ
“Qualifying Lot”	1,300 Shares
“Qualifying Shareholders”	Qualifying Shareholders are the Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Shareholders who are, or who are acting for the account or benefit of, Non-Qualifying Shareholders
“Record Date”	20 May 2020, the date by reference to which entitlements to the Distribution are determined
“SEC”	The Securities and Exchange Commission of the United States of America
“Securities Act”	the United States Securities Act of 1933, as amended
“Share(s)”	the ordinary share(s) of US\$0.0005 each in the capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Connect”	Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect
“Stock Connect Investor(s)”	the PRC southbound trading investor(s) holding the Company’s securities through the Stock Connect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Underwriters”	the underwriters to Kingsoft Cloud Offering
“U.S.”	the United States of America
“US\$”	United States dollars, the lawful currency of the U.S.
“U.S. Person(s)”	as defined in Rule 902 under the Securities Act

“Xiaomi”	Xiaomi Corporation 小米集團, a limited liability company incorporated in the Cayman Islands and listed on the Stock Exchange (stock code: 1810)
“Xiaomi Subscription”	the subscription of 2,355,000 ADSs by Xiaomi
“%”	per cent

For the purpose of this announcement, unless otherwise indicated, the exchange rate of US\$1.00 = HK\$7.75 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, 8 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.