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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**  
**CONNECTED TRANSACTION**  
**PROVISION OF GUARANTEE TO KINGSOFT CLOUD GROUP**

On 20 July 2015, the Company entered into the Guarantee Framework Agreement with Kingsoft Cloud Group, pursuant to which the Group (excluding Kingsoft Cloud Group) will provide the Guarantee(s) with an aggregate amount of up to RMB500 million in favour of Kingsoft Cloud Group.

Kingsoft Cloud is a subsidiary of the Company. As at the date of this announcement, Xiaomi, the associate of Mr. Jun LEI, holds more than 10% voting power in Kingsoft Cloud and Mr. Jun LEI is a substantial shareholder of the Company. As such, Kingsoft Cloud is a connected subsidiary of the Company by virtue of Rule 14A.16 of the Listing Rules. Therefore, the entering into the Guarantee Framework Agreement between the Company and Kingsoft Cloud Group will become a connected transaction of the Company under the Listing Rules.

Each of the applicable percentage ratios (as defined in the Listing Rules) in respect of the transaction contemplated under the Guarantee Framework Agreement exceeds 0.1% but is less than 5%. The transaction is subject to the reporting, announcement and annual review requirements, but exempted from the independent shareholders' approval under Chapter 14A of the Listing Rules.

## 1. BACKGROUND

Kingsoft Cloud Group, the subsidiaries of the Company, plans to finance through loan facilities from third parties, including financing leases or loans in relation to purchase of assets to support its further development in the cloud business. With an aim to build Kingsoft Cloud Group into a leading cloud service provider in China in the coming years, the Group (excluding Kingsoft Cloud Group) plans to provide the Guarantee(s) in favour of Kingsoft Cloud Group for the aforementioned loan facilities.

On 20 July 2015, the Company and Kingsoft Cloud Group entered into the Guarantee Framework Agreement, pursuant to which the Group (excluding Kingsoft Cloud Group) plans to provide the Guarantee(s) with an aggregate amount of up to RMB500 million in favour of Kingsoft Cloud Group for the loan facilities to be obtained from third parties, including financing leases or loans in relation to purchase of assets from third parties.

## 2. THE GUARANTEE FRAMEWORK AGREEMENT

The principal terms of the Guarantee Framework Agreement are as follows:

Date: 20 July 2015

Parties: the Company; and  
Kingsoft Cloud Group

Term: from 20 July 2015 to 31 December 2016

Provision of Guarantee: The Company will designate its domestic subsidiary(ies) (excluding Kingsoft Cloud Domestic Group) as the guarantor(s) to provide the Guarantee(s) in favour of Kingsoft Cloud Domestic Group for its loan facilities to be obtained from third parties; the Company itself will be the guarantor or will designate its overseas subsidiary(ies) (excluding Kingsoft Cloud Overseas Group) as the guarantor(s) to provide Guarantee(s) in favour of Kingsoft Cloud Overseas Group for its loan facilities to be obtained from third parties. The provision and the detailed terms of each Guarantee are subject to the written confirmation of the Group (excluding Kingsoft Cloud Group) as the guarantor.

Cap of the aggregate amount of the Guarantee: Up to RMB500 million

Repayment: Kingsoft Cloud Group shall repay each of the debts under the loan facilities obtained from third parties on time. If the Group (excluding Kingsoft Cloud Group) actually undertakes the liabilities under the Guarantee(s) as the guarantor, Kingsoft Cloud Group shall repay the full amount in respect thereof to the Group (excluding Kingsoft Cloud Group) on the same date when the liabilities are undertaken by the Group (excluding Kingsoft Cloud Group), unless the deadline of the repayment is exempted by the Group (excluding Kingsoft Cloud Group).

The Company is entitled, at its own discretion, to request Kingsoft Cloud Group to make a withdrawal under the 2014 Loan Facility, in order to repay the Group (excluding Kingsoft Cloud Group) or third parties respectively, if any of the following circumstances occurs: (i) Kingsoft Cloud Group might not be able to repay relevant debts under the loan facilities obtained from third parties on time as estimated by the Group (excluding Kingsoft Cloud Group); or (ii) the Group (excluding Kingsoft Cloud Group) as the guarantor actually undertakes the liabilities under the Guarantee(s). Such request will be made at the Company's own discretion as a right but not an obligation of the Company under the Guarantee Framework Agreement.

Service fee: The service fee(s) payable by Kingsoft Cloud Group to the Group (excluding Kingsoft Cloud Group) is 0.1% of the principal amount of each loan facility guaranteed according to the Guarantee Framework Agreement. The service fee(s) is determined by taking into consideration of the risk of defaults under the Guarantee Framework Agreement and with reference to the market fair value.

Payment of service fee: The service fee(s) shall be paid by Kingsoft Cloud Group within 10 working days upon the written confirmation of providing Guarantee(s) under the Guarantee Framework Agreement by the Group (excluding Kingsoft Cloud Group) as the guarantor, unless the deadline of the payment is exempted by the Group (excluding Kingsoft Cloud Group).

Default: If Kingsoft Cloud Group breaches any terms under the Guarantee Framework Agreement, the Company is entitled to request Kingsoft Cloud Group to repay all its debts under the loan facilities obtained from third parties in advance at the Company's own discretion.

If any payment from Kingsoft Cloud Group to the Group (excluding Kingsoft Cloud Group) under the Guarantee Framework Agreement is delayed, a penalty of 0.018% of the amount of the payment due shall be paid by Kingsoft Cloud Group to the Group (excluding Kingsoft Cloud Group) on a daily basis.

#### **4. REASONS FOR AND BENEFITS OF THE GUARANTEE FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 1 December 2014 in relation to the grant of the 2014 Loan Facility by the Company to Kingsoft Cloud. To meet the business needs of Kingsoft Cloud Group, the Company has agreed to provide the 2014 Loan Facility of US\$500 million to Kingsoft Cloud Group in the area of capital expenditure. Xiaomi has agreed to provide guarantee in favour of Kingsoft Cloud for the outstanding amount of the 2014 Loan Facility based on its then shareholding percentage in Kingsoft Cloud.

To reduce the funding costs, Kingsoft Cloud Group would like to explore more alternative means to obtain loan facilities from third parties. With an aim to build Kingsoft Cloud Group into a leading cloud service provider in China in the coming years, the Group (excluding Kingsoft Cloud Group) plans to provide Guarantee(s) in favour of Kingsoft Cloud Group for the aforementioned loan facilities. Furthermore, as stated above, under the Framework Guarantee Agreement, if certain circumstances occurs, the Company is entitled, at its own discretion, to request Kingsoft Cloud Group to make a withdrawal under the 2014 Loan Facility, in order to repay the Group (excluding Kingsoft Cloud Group) or third parties respectively. The aforementioned terms will effectively reduce the risk of defaults by Kingsoft Cloud Group under the Framework Guarantee Agreement.

With the strong financial support (in forms of guarantee and loan) from the Group (excluding Kingsoft Cloud Group), Kingsoft Cloud will focus on the development of its business, which will bring long-term shareholder value to the Company as the controlling shareholder of Kingsoft Cloud.

The Directors (including the independent non-executive Directors) are of the view that the transaction under the Guarantee Framework Agreement is conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Guarantee Framework Agreement and the gross amount of the Guarantee(s) and the service fee(s) are fair and reasonable and in the interests of the Company and the shareholders as a whole.

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

Kingsoft Cloud is a subsidiary of the Company. As at the date of this announcement, Xiaomi, the associate of Mr. Jun LEI, holds more than 10% voting power in Kingsoft Cloud and Mr. Jun LEI is a substantial shareholder of the Company. As such, Kingsoft Cloud is a connected subsidiary of the Company by virtue of Rule 14A.16 of the Listing Rules. Therefore, the entering into the Guarantee Framework Agreement between the Company and Kingsoft Cloud Group will constitute a connected transaction of the Company under the Listing Rules.

Each of the applicable percentage ratios (as defined in the Listing Rules) in respect of the transaction contemplated under the Guarantee Framework Agreement exceeds 0.1% but is less than 5%. The transaction is subject to the reporting, announcement and annual review requirements, but is exempted from the independent shareholders' approval under Chapter 14A of the Listing Rules.

In view of his interest in Xiaomi, Mr. Jun LEI has abstained from voting on the Board resolution approving the Guarantee Framework Agreement. Mr. HongJiang ZHANG and Mr. Yuk Keung NG have abstained from voting on the Board resolution approving the Guarantee Framework Agreement as they are the directors of Kingsoft Cloud. Save as disclosed above, none of the Directors has a material interest in the transaction contemplated under the Guarantee Framework Agreement and none of them has abstained from voting on the relevant Board resolution.

## **6. INFORMATION ABOUT THE PARTIES**

The Group is a leading internet based software developer, distributor and service provider and principally engaged in research, development and operation of online games and office application software, information security software, internet browser, mission critical mobile applications, and provision of cloud storage, cloud computation, online marketing services and internet value-added services across device.

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

## **7. DEFINITIONS**

“2014 Loan Facility”	the loan facility in an amount equivalent to US\$500 million to be granted by the Company to Kingsoft Cloud under the Loan Agreement
“Board”	the board of Directors
“BVI”	British Virgin Islands
“Cayman”	Cayman Islands
“Company”	Kingsoft Corporation Limited, an exempted limited liability company incorporated in the BVI on 20 March 1998 and discontinued in the BVI and continued into the Cayman on 15 November 2005, with its shares listed on the Stock Exchange (stock code: 03888)
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Guarantee Framework Agreement”	the Guarantee Framework Agreement entered into between the Company and Kingsoft Cloud Group on 20 July 2015

“Guarantee(s)”	the guarantee and/or indemnity provided by the Group (excluding Kingsoft Cloud Group) in favour of Kingsoft Cloud Group for its loan facilities to be obtained from third parties, with an aggregate amount of up to RMB500 million according to the Guarantee Framework Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Kingsoft Cloud”	Kingsoft Cloud Holdings Limited, a limited liability company organized under the laws of the Cayman and a connected subsidiary of the Company as at the date of this announcement
“Kingsoft Cloud Domestic Group”	the domestic subsidiaries of Kingsoft Cloud
“Kingsoft Cloud Group”	Kingsoft Cloud and its subsidiaries
“Kingsoft Cloud Overseas Group”	Kingsoft Cloud and its overseas subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loan Agreement”	the loan agreement entered into among the Company, Kingsoft Cloud and Xiaomi on 1 December 2014 in relation to, among others, the grant of the 2014 Loan Facility by the Company to Kingsoft Cloud (please refer to the announcement of the Company dated 1 December 2014 for details)
“PRC”	the People’s Republic of China, which, for the purpose of this announcement only, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Xiaomi”	Xiaomi Corporation, a limited liability company organized under the laws of the Cayman
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“US\$”	United States dollars, the lawful currency of the United States

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

Hong Kong, 20 July 2015

*As at the date of this announcement, 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. Shun Tak WONG, David Yuen Kwan TANG, and Ms. Wenjie WU.*