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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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** (“the Company”), 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.**

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

**PROPOSAL FOR ADOPTION OF**  
**THE SHARE OPTION SCHEME OF KINGSOFT CLOUD**  
**AND**  
**NOTICE OF EXTRAORDINARY GENERAL MEETING**

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A notice convening the extraordinary general meeting of the Company to be held at Kingsoft Tower, No. 8 Lianshan Alley, Jingshan Road, Jida, Zhuhai, Guangdong, PRC on Wednesday, 27 February 2013 at 2:00 p.m. is set out on pages 7 to 8 of this circular. A proxy form for your use at the extraordinary general meeting is enclosed with this circular. Whether or not you propose to attend the extraordinary general meeting, you are requested 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 extraordinary general meeting 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 should you so desire.

Hong Kong, 7 February 2013

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## CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1–3
<b>Letter from the Chairman</b>	
1. Introduction .....	4
2. Adoption of the Share Option Scheme .....	4–5
3. Extraordinary General Meeting .....	5–6
4. Recommendation .....	6
<b>Appendix 1 — Notice of Extraordinary General Meeting</b> .....	7–8
<b>Appendix 2 — Summary of the Principal Terms of the Share Option Scheme</b> .....	9–19

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## DEFINITIONS

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

“Adoption Date”	27 February 2013, the date on which the Share Option Scheme is conditionally adopted by the shareholders of the Company and Kingsoft Cloud in general meeting
“Associate”	has the meaning as ascribed thereto in Rule 1.01 of Chapter 1 of the Listing Rules
“Auditors”	the auditors for the time being of Kingsoft Cloud
“Business Day”	shall have the meaning ascribed to it under the Listing Rules
“Kingsoft Cloud”	Kingsoft Cloud Holdings Limited, a limited liability company organized under the laws of the Cayman Islands whose registered office is at Harneys Services (Cayman) Limited, 3rd Floor, Queensgate House, 113 South Church Street, P.O. Box 10240, Grand Cayman, KY1-1002, Cayman Islands
“Commencement Date”	in respect of an Option, the date upon which such Option is deemed to be granted and accepted in accordance with the provisions of the Share Option Scheme
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the laws of Hong Kong) as amended from time to time
“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
“EGM Notice”	the notice convening the Extraordinary General Meeting as set out on pages 7 to 8 of this circular
“Eligible Employee(s)”	employee(s) (whether full time or part time employee(s)) of Kingsoft Cloud, its Subsidiaries or any Invested Entity
“Excluded Employee”	any Eligible Employee who is resident in a place where (a) the grant or exercise of the Option pursuant to the terms of the Share Option Scheme is not permitted under the laws and regulations of such place, or (b) in the view of the board of Kingsoft Cloud, the need to comply with applicable laws and regulations in such place makes it necessary or expedient to exclude such Eligible Employee, in each case as determined by the board of Kingsoft Cloud in its absolute discretion

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## DEFINITIONS

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“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at 2:00 p.m. on Wednesday, 27 February 2013 at Kingsoft Tower, No. 8 Lianshan Alley, Jingshan Road, Jida, Zhuhai, Guangdong, PRC
“Grantee(s)”	any Participant who accepts the Offer in accordance with the terms of the Share Option 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 Grantee, is or are entitled to exercise the Option granted to such Grantee (to the extent not already exercised) in consequence of the death of such Grantee
“Kingsoft Cloud Group”	Kingsoft Cloud and its directly or indirectly owned Subsidiaries from time to time
“HK\$”	Hong Kong dollars
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Initial Public Offering”	a firm commitment underwritten initial public offering which results in the ordinary shares of Kingsoft Cloud trading publicly on a recognized regional or national securities exchange
“Invested Entity”	any entity in which the Kingsoft Cloud Group directly or indirectly holds 20% or more equity interest
“Latest Practicable Date”	5 February 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)
“Offer”	the offer of the grant of an Option made
“Offer Date”	the date on which the board of Kingsoft Cloud makes an Offer to any Participant
“Option(s)”	option(s) to subscribe for Shares granted pursuant to the Share Option Scheme
“Option Period”	in respect of any particular Option, such period as the board of Kingsoft Cloud may in its absolute discretion determine and notify to each Grantee, from the Commencement Date to the date of expiration of the Option, save that such period shall not be more than ten (10) years from the Commencement Date subject to the provisions for early termination set out in the Share Option Scheme
“Participant(s)”	any Eligible Employee (excluding any Excluded Employee)

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## DEFINITIONS

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“Share(s)”	ordinary share(s) of Kingsoft Cloud, par value US\$0.001 or such other nominal amount as shall result from a sub-division, reduction, consolidation, reclassification or reconstruction of the share capital of Kingsoft Cloud
“ Share Option Scheme”	the share option scheme to be adopted by Kingsoft Cloud at the EGM the principal terms of which are set out on pages 9–19 of this circular
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option pursuant to the provisions of the Share Option Scheme
“Subsidiary”	a company which is for the time being a subsidiary (within the meaning of Section 2 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as modified from time to time) of Kingsoft Cloud, whether incorporated in Hong Kong or elsewhere
“Trading day”	a day on which the Stock Exchange is open for the trading of securities
“US\$”	United States dollars
“Vesting Schedule”	in relation to an Option, a schedule for the vesting of Shares comprised in the Option during the Option Period to be determined by the board of Kingsoft Cloud on the Offer Date

 **KINGSOFT**<sup>®</sup>  
**Kingsoft Corporation Limited**  
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(Stock Code: 03888)

**Directors:**

*Executive Directors*

HongJiang ZHANG

Tao ZOU

*Non-executive Directors*

Jun LEI (Chairman)

Pak Kwan KAU

Chi Ping LAU

*Independent Non-Executive Directors*

To Thomas HUI

Guangming George LU

Chuan WANG

*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, 7 February 2013

*To Shareholders*

Dear Sir or Madam,

**PROPOSAL FOR ADOPTION OF  
THE SHARE OPTION SCHEME OF KINGSOFT CLOUD  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**1. INTRODUCTION**

The purpose of this letter is to provide to you the information regarding the proposals to adopt the Share Option Scheme at the Extraordinary General Meeting. Set out in Appendix 1 to this letter is the EGM Notice convening the Extraordinary General Meeting at which you will be requested to consider and, if you think fit, adopt resolutions relating to the adoption of the Share Option Scheme.

**2. ADOPTION OF THE SHARE OPTION SCHEME**

Kingsoft Cloud is a 72.56%-owned subsidiary of the Company. The remaining 17.57% equity interest in Kingsoft Cloud is owned by KSC Partner Holdings Limited and 9.87% equity interest in Kingsoft Cloud is owned by Xiaomi Corporation. Kingsoft Cloud is engaged in the research, development and provision

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## LETTER FROM THE CHAIRMAN

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of cloud technology and services. As at the Latest Practicable Date, no share option scheme has ever been adopted by Kingsoft Cloud.

It is proposed that, subject to the approval of the shareholders of the Company for the adoption of the Share Option Scheme at the Extraordinary General Meeting, the Share Option Scheme will take effect on the date of its adoption at the Extraordinary General Meeting. Operation of the Share Option Scheme will commence after all conditions precedent have been fulfilled.

The directors of the Company and Kingsoft Cloud consider that in order to enable the Kingsoft Cloud Group to motivate the Participants to optimise their future contributions to the Kingsoft Cloud Group and/or to reward them for their past contributions, to enable the Kingsoft Cloud Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Kingsoft Cloud Group and any Invested Entity, it is important that the Kingsoft Cloud Group should provide incentive or rewards to the Participants.

The directors of the Company and Kingsoft Cloud believe that the Share Option Scheme would encourage and motivate the employees of the Invested Entity to make continuous contributions to the success of the Invested Entity which shall in turn benefit Kingsoft Cloud as Kingsoft Cloud will share profit of Invested Entity. Since Kingsoft Cloud is a subsidiary of the Company, hence the benefit received by Kingsoft Cloud from Invested Entity will in turn benefit the Company.

It is therefore proposed that the Share Option Scheme for the benefit of the Participants be adopted at the Extraordinary General Meeting. A summary of the principal terms of the Share Option Scheme is set out in Appendix 2 to this letter. A copy of the Share Option Scheme will be available for inspection during normal business hours at the principal place of business of the Company 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 Extraordinary General Meeting and at the Extraordinary General Meeting itself.

The maximum number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme may not in aggregate exceed 49,550,000 Shares (representing 5.37% of the Shares in issue) which is lower than 10 percent of the Shares in issue as at the Adoption Date.

The Share Option Scheme is in compliance with Chapter 17 of the Listing Rules. At the Extraordinary General Meeting, shareholders are asked to consider and if thought fit, to pass ordinary resolutions as set out in the EGM Notice to approve the Share Option Scheme.

### **3. EXTRAORDINARY GENERAL MEETING**

Set out in Appendix 1 to this letter is the EGM Notice to convene the Extraordinary General Meeting to be held at Kingsoft Tower, No. 8 Lianshan Alley, Jingshan Road, Jida, Zhuhai, Guangdong, PRC on Wednesday, 27 February 2013 at 2:00 p.m.. Ordinary resolutions in respect of the adoption of the Share Option Scheme will be proposed at the Extraordinary General Meeting.

As at the Latest Practicable Date, and to the best knowledge, belief and information of the directors of the Company and Kingsoft Cloud having made all reasonable enquiries, no shareholder is required under

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## LETTER FROM THE CHAIRMAN

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the Listing Rules to abstain from voting on the resolution regarding the proposed adoption of the Share Option Scheme at the EGM.

**Whether or not you are able to attend the Extraordinary General Meeting, you are requested 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 Extraordinary General Meeting or any adjournment thereof.** Completion and return of the form of proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, all votes at a general meeting will be taken by poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

### **RECOMMENDATION**

The directors of the Company are of the opinion that all the proposed resolutions are in the best interest of the Company and Kingsoft Cloud and their shareholders as a whole and recommend you to vote in favour of all the resolutions to be proposed at the Extraordinary General Meeting to adopt the Share Option Scheme.

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



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**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the Extraordinary General Meeting of Kingsoft Corporation Limited (the “**Company**”) will be held at 2:00 p.m. on Wednesday, 27 February 2013 at Kingsoft Tower, No. 8 Lianshan Alley, Jingshan Road, Jida, Zhuhai, Guangdong, PRC for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution, as Ordinary Resolution of the Company:

**Ordinary Resolution**

“**THAT**, the share option scheme of Kingsoft Cloud Holdings Limited (the “**Share Option 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 Share Option Scheme.”

By Order of the Board  
**Kingsoft Corporation Limited**  
**Michelle Feng Harnett**  
*Secretary*

Hong Kong, 7 February 2013

*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 extraordinary general meeting 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 extraordinary general meeting, 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 extraordinary general meeting 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 taking by poll.

*As at the date of this notice, the executive Directors are Messrs. HongJiang ZHANG and Tao ZOU; the non-executive Directors are Messrs. Jun LEI, Pak Kwan KAU and Chi Ping LAU; and the independent non-executive Directors are Messrs. To Thomas HUI, Guangming George LU and Chuan WANG.*

**RESPONSIBILITY STATEMENT**

This circular, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, 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.

**SUMMARY OF THE SHARE OPTION SCHEME**

The following is a summary of the principal terms of the Share Option Scheme to be approved at the Extraordinary General Meeting. Reference to paragraphs are to paragraphs of this Appendix.

**(1) Purpose of the Share Option Scheme**

The Share Option Scheme is to provide incentives or rewards to Participants thereunder for their contribution to the Kingsoft Cloud Group and/or to enable the Kingsoft Cloud Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Kingsoft Cloud Group and any Invested Entity.

**(2) Participants and basis of determining eligibility**

The basis of eligibility of any of the classes of Participants to the grant of any Options shall be determined by the directors of Kingsoft Cloud from time to time on the basis of their contribution to the development and the growth of the Kingsoft Cloud Group and the Invested Entity.

For the avoidance of doubt only, the grant of any options by Kingsoft Cloud for the subscription of Shares to any person who falls within any of the classes of Participants shall not, by itself, unless the directors of Kingsoft Cloud otherwise determine, be construed as a grant of Options under the Share Option Scheme.

**(3) Grant of Options**

- (i) Subject to the terms of the Share Option Scheme, the board of Kingsoft Cloud shall be entitled at any time within a period of 10 years commencing on the Adoption Date to offer the grant of any Option(s) to any Participant as the board of Kingsoft Cloud may in its absolute discretion select and subject to such conditions as the board of Kingsoft Cloud may think fit, Option(s) to subscribe for such number of Shares as the board of Kingsoft Cloud may determine at the Subscription Price, and, on acceptance of the offer, grant such part of the Option(s) as accepted to the Participant.
- (ii) The Share Option Scheme, however, does not stipulate any minimum period for which an Option must be held before it can be exercised.

- (iii) There is no performance target that has to be achieved before the exercise of any Option except otherwise imposed by the board of Kingsoft Cloud pursuant to Clause 4.01 of the Share Option Scheme and stated in the Offer. Clause 4.01 of the Share Option Scheme states that the board of Kingsoft Cloud shall be entitled at any time and from time to time within the life of the Share Option Scheme to offer to grant to any Participant as the board of Kingsoft Cloud may in its absolute discretion select, and subject to such conditions as the board of Kingsoft Cloud may think fit, Option(s) to subscribe for such number of Shares as the board of Kingsoft Cloud may determine at the Subscription Price.
- (iv) Kingsoft Cloud may not grant any Options after inside information has come to the knowledge of the Company and Kingsoft Cloud until an announcement of such information has been made. In particular, Kingsoft Cloud may not grant any Options during the period commencing one month immediately before the earlier of (i) the date of the board meeting of the Company (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement.

#### **(4) Subscription Price**

The Subscription Price in respect of any particular Option shall be such price as determined by the board of Kingsoft Cloud in its absolute discretion at the time of the making of the Offer but in any case the Subscription Price of Options granted after Kingsoft Cloud or the Company has resolved to seek a separate Initial Public Offering and up to date of Kingsoft Cloud's Initial Public Offering must not be lower than the new issue price (if any) in the Kingsoft Cloud's Initial Public Offering. In particular, any Options granted during the period commencing six months before the lodgment of Form A1 (or its equivalent) up to the date of Kingsoft Cloud's Initial Public Offering are subject to this requirement. The Subscription Price of Options granted during such period shall be subject to adjustment to a price not lower than the new issue price in Kingsoft Cloud's Initial Public Offering.

#### **(5) Exercise of Options**

- (i) An Option must be personal to the Grantee and must not be assignable and no 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 Option. Any breach of the foregoing shall entitle Kingsoft Cloud to cancel any outstanding Option or part thereof granted to such Grantee without any compensation.
- (ii) An offer of grant of an Option may be accepted by a Participant within a period of twenty-eight (28) days from the Offer Date provided that no Offer shall be open for acceptance after the expiry of the Share Option Scheme or after the Share Option Scheme has been terminated. No consideration is payable on acceptance of the grant of Option(s).
- (iii) An Option may be exercised at any time during the Option Period in accordance with the terms of the Share Option Scheme.

**(6) Rights on ceasing to be a Participant**

In the event of the Grantee ceasing to be a 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 that (i) 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 board of Kingsoft Cloud) 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 Grantee's service contract with Kingsoft Cloud or the relevant Subsidiary or the relevant Invested Entity; or (ii) the Grantee's voluntary or unilaterally termination of his or her employment, the Grantee shall be entitled to exercise the vested 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 Grantee was at work with the Kingsoft Cloud Group or the Invested Entity whether salary is paid in lieu of notice or not.

**(7) Rights on death**

In the event that the Grantee ceases to be a 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 6 arises prior to his or her death), the legal personal representative(s) of this Grantee shall be entitled within a period of six (6) months from the date of death (or such longer period as the board of Kingsoft Cloud may determine) to exercise the vested Option in full (to the extent which has become exercisable and not already exercised).

**(8) Rights on a takeover or a scheme of arrangement**

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 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 Cloud shall use all reasonable endeavours to procure that such offer is extended to all the Grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the vested Options (to the extent not already exercised) granted to them, shareholders of Kingsoft Cloud. If such offer becomes or is declared unconditional, a Grantee shall be entitled to exercise his or her vested Option(s) (to the extent not already exercised) to its full extent or to the extent specified in the Grantee's notice to Kingsoft Cloud in exercise of his or her vested Option(s) at any time within ten (10) Business Days after the date on which such offer becomes or is declared unconditional.

**(9) Rights on winding-up**

In the event a notice is given by Kingsoft Cloud 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 Cloud, Kingsoft Cloud shall on the same date as or soon after it dispatches such notice to each shareholder give notice thereof to all Grantees and thereupon, each Grantee shall be entitled to exercise all or any of his or her vested 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 Cloud by giving notice in writing to Kingsoft Cloud, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given whereupon Kingsoft Cloud 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 Shares to the Grantee credited as fully paid, which Shares shall rank pari passu with all other Shares in issue on the date prior to the passing of the resolution to wind-up Kingsoft Cloud to participate in the distribution of assets of Kingsoft Cloud available in liquidation.

**(10) Rights on compromise or arrangement between Kingsoft Cloud and its creditors**

In the event of a compromise or arrangement between Kingsoft Cloud and its creditors (or any class of them) or between Kingsoft Cloud and its shareholders (or any class of them), in connection with a scheme for the reconstruction or amalgamation of Kingsoft Cloud, Kingsoft Cloud shall give notice thereof to all 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 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 Option(s) (to the extent which has become exercisable and not already exercised), but the exercise of the vested Option(s) shall be conditional upon such compromise or arrangement being sanctioned by the Court and becoming effective. Kingsoft Cloud may thereafter require such Grantee to transfer or otherwise deal with the Shares issued as a result of such exercise of his or her vested Option(s) so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

**(11) Rights on repurchase of Shares between Kingsoft Cloud and the Grantee**

- (a) In the event that (i) the Grantee has breached the confidentiality obligation, non-compete obligation, non-solicitation obligation that such Grantee owes to the Kingsoft Cloud Group or the Invested Entity under relevant employment agreements, confidentiality and intellectual property rights assignment agreements, non-compete and non-solicitation agreements or the Share Option Scheme in any material respect, or (ii) the Grantee has ceased to be a Participant due to the termination of his or her employment on one or more of the grounds specified in paragraph 6, all the unvested Options held by such Grantee shall automatically be cancelled and cease vesting, all the vested but unexercised Options held by such Grantee shall automatically lapse, and Kingsoft Cloud shall have the right to, at any time and from time to time, repurchase from the Grantee all or any part of the Shares allotted to such Grantee upon the exercise of an Option at nil consideration. Kingsoft Cloud may give notice in writing to such Grantee requesting the repurchase of his/her Shares, and the Grantee shall use his/her best efforts to cooperate with Kingsoft Cloud and complete the Kingsoft Cloud's repurchase of such Shares as soon as practicable and in any event within ten (10) days after his/her receipt of such notice. Kingsoft Cloud's right to repurchase Shares from the Grantee shall automatically terminate upon Kingsoft Cloud's Initial Public Offering.
- (b) In the events of the Grantee ceasing to be a Participant for any reason other than the termination of his or her employment on one or more of the grounds specified in paragraph 6, Kingsoft Cloud shall have the right (but not obligation) to, at any time and from time to time, repurchase from the Grantee:
- (i) all or any part of the Shares allotted to him/her upon the exercise of an Option at a price mutually agreed between Kingsoft Cloud and the Grantee, which shall in no event exceed  $IP \times [1 + (0.01 \times N)]$  per Share (the "**Maximum Repurchase Price**"), where IP = the lowest of (a) US\$0.02 per Share, (b) the fair market value per Share appraised by a qualified and

independent third party designated by the board of Kingsoft Cloud in good faith, and (c) the price per Share applied in the latest private financing during the past six (6) months; and  $N =$  (a) zero (0), if such Grantee ceases to be a Participant prior to the fourth (4th) anniversary of the Commencement Date, or (b) a fraction the numerator of which is the number of calendar days between the Commencement Date and the date of such Grantee ceasing to be a Participant, and the denominator of which is 365, if such Grantee ceases to be a Participant on or after the fourth (4th) anniversary of the Commencement Date); and

- (ii) all vested but unexercised Options held by him at a price mutually agreed between Kingsoft Cloud and the Grantee, which shall in no event exceed the difference between the Subscription Price of such Options and the Maximum Repurchase Price.
- (c) In the event the outstanding Shares shall be subdivided (by share dividend, share split, or otherwise), into a greater number of Shares, the applicable Maximum Repurchase Price then in effect shall, concurrently with the effectiveness of such subdivision, be proportionately decreased. In the event the outstanding Shares shall be combined or consolidated, by reclassification or otherwise, into a lesser number of Shares, the applicable Maximum Repurchase Price then in effect shall, concurrently with the effectiveness of such combination or consolidation, be proportionately increased. Any adjustment shall become effective at the close of business on the date of subdivision or combination becomes effective. Kingsoft Cloud may give notice in writing to such Grantee requesting the repurchase of his/her Shares and/or Options, and the Grantee shall use his/her best efforts to cooperate with Kingsoft Cloud and complete Kingsoft Cloud's repurchase of such Shares and/or Options as soon as practicable and in any event within ten (10) days after his/her receipt of such notice. Kingsoft Cloud's right to repurchase Shares from the Grantee shall automatically terminate upon Kingsoft Cloud's Initial Public Offering.

## (12) Allotment

The Shares to be allotted upon the exercise of an Option (i) shall not, prior to Kingsoft Cloud'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 Grantee (or his or her legal representative(s)) to any third party unless otherwise approved by the board of Kingsoft Cloud in writing; and (ii) will be subject to all the provisions of the articles of association of Kingsoft Cloud 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 Cloud as attached to the other fully paid Shares in issue as from the day when the name of the Grantee is registered on the register of members of Kingsoft Cloud 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 Grantee is registered on the register of members of Kingsoft Cloud 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 Grantee is registered on the register of members of Kingsoft Cloud, provided always that when the date of exercise of the Option falls on a day upon which the register of members of Kingsoft Cloud is closed then the exercise of the Option shall become effective on the first Business Day on which the register of members of Kingsoft Cloud is re-opened. A Share allotted upon the exercise of an Option shall not carry voting rights until the completion of the registration of the Grantee as the holder thereof.

The Grantee shall, unless otherwise approved by the board of Kingsoft Cloud in writing, irrevocably and unconditionally constitute and appoint Mr. ZHANG HongJiang (張宏江) or any other director of Kingsoft Cloud serving as an Eligible Employee as determined by the board of Kingsoft Cloud from time

to time with full power of substitution as the Grantee's true and lawful attorney and irrevocable proxy, for and on behalf of the Grantee, to vote each of the Shares allotted to him/her upon the exercise of an Option as the Grantee's proxy, at every meeting of the shareholders of Kingsoft Cloud or any adjournment thereof or in connection with any written consent of Kingsoft Cloud's shareholders. The foregoing proxy shall be irrevocable and coupled with an interest prior to Kingsoft Cloud's Initial Public Offering, and shall automatically terminate upon Kingsoft Cloud's Initial Public Offering. The Grantee shall revoke any proxies previously granted by the Grantee with respect to the Shares on the Commencement Date.

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

### **(13) Lapse of Options**

An 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:

- (a) the expiry of the Option Period;
- (b) the date on which the Grantee ceases to be a Participant;
- (c) The date on which the Grantee is found to be an Excluded Employee;
- (d) the expiry of any of the periods referred to in paragraph 6 or 7;
- (e) the date on which the offer (or, as the case may be, the revised offer) referred to in paragraph 8 closes;
- (f) subject to paragraph 9, the date of the commencement of the winding-up of Kingsoft Cloud;
- (g) the date on which the Grantee ceases to be a 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 board of Kingsoft Cloud) 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 Grantee's service contract with Kingsoft Cloud or the relevant Subsidiary or the relevant Invested Entity or (ii) the Grantee's voluntary or unilaterally termination of his or her employment. A resolution of the board of Kingsoft Cloud or the board of directors of the relevant Subsidiary or the board of directors of the relevant Invested Entity to the effect that employment of a 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 Grantee;
- (h) subject to paragraph 10, the date when the proposed compromise or arrangement becomes effective;



- (i) the date on which the Grantee commits a breach of paragraph 5(i);
- (j) the date on which the board of Kingsoft Cloud shall exercise Kingsoft Cloud's right to cancel the Option at any time after the Grantee commits a breach of paragraph 11(a);
- (k) if the directors of Kingsoft Cloud at their absolute discretion determine that the Grantee (other than an Eligible Employee) or his or her Associate has committed any breach of any contract entered into between the Grantee or his or her Associate on the one part and the Kingsoft Cloud Group or any Invested Entity on the other part or that the 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 directors of Kingsoft Cloud shall determine that the Options granted to the Grantee under the Share Option Scheme be lapsed. In such event, his or her Options will lapse automatically and will not in any event be exercisable on or after the date on which the directors of Kingsoft Cloud have so determined; or
- (l) on the date which the Grantee indicates in writing to Kingsoft Cloud that he or she will not exercise the Option(s), notwithstanding that he or she has previously accepted the said grant.

#### **(14) Maximum number of Shares**

The total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme shall not in aggregate exceed 49,550,000 Shares which is lower than 10 percent of the total number of Shares in issue on the Adoption Date unless otherwise approved by the shareholders of the Company and Kingsoft Cloud in general meeting. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the total number of Shares.

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

Kingsoft Cloud may seek separate approval by the shareholders of the Company and Kingsoft Cloud in general meeting for granting Options beyond the 10 percent limit provided that the Options in excess of the limit are granted only to Participants specifically identified by Kingsoft Cloud before such approval is sought. A circular must be sent to the shareholders of the Company and Kingsoft Cloud containing a generic description of the specified Participants who may be granted such Options, the number and terms of the Options to be granted, the purpose of granting such Options to the specified Participants with an explanation as to how the terms of 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 Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of

Kingsoft Cloud must not exceed 30 percent of the total number of Shares in issue from time to time. No Options may be granted under the Share Option Scheme if this will result in the limit set out in this paragraph being exceeded.

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

Where any further grant of Options to a Participant would result in the total number of Shares issued and to be issued upon exercise of all the Options granted and to be granted to such person (including exercised, cancelled and outstanding 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 Shares in issue, such further grant must be separately approved by the shareholders of the Company and Kingsoft Cloud in general meeting with such Participant and his Associates abstaining from voting. A circular must be sent to the shareholders of the Company and Kingsoft Cloud and the circular must disclose the identity of the Participant, the number and terms of the Options to be granted and Options previously granted to such 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 Subscription Price) of the Options to be granted to such Participant must be fixed before the approval of the shareholders of the Company and Kingsoft Cloud and the date of the meeting of the board of Kingsoft Cloud for proposing such further grant of Option(s) should be taken as the date of Offer for the purpose of calculating the Subscription Price.

The number of Shares subject to Options and to the Share Option Scheme may be adjusted, in such manner as an independent financial adviser or Auditors (acting as experts and not as arbitrators) must certify in writing to the board of Kingsoft Cloud to be in their opinion fair and reasonable, in the event of a capitalisation issue, rights issue, subdivision or consolidation of shares or reduction of capital of Kingsoft Cloud provided that no such adjustment shall be made in the event of an issue of Shares as consideration in respect of a transaction to which Kingsoft Cloud is a party.

**(15) Maximum number per Grantee who is a connected person**

Each grant of Options to a director, chief executive (other than a proposed director or chief executive of the Company or Kingsoft Cloud) or substantial shareholder of the Company or Kingsoft Cloud, or any of their respective Associates, under the Share Option Scheme or any other share option scheme of Kingsoft Cloud 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 Grantee of the Options).

Where any grant of Options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective Associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including 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 Shares in issue; and
- (b) (where the Shares are listed on the Stock Exchange), having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of Options must be approved by the shareholders of the Company and Kingsoft Cloud. A circular must be sent to all shareholders of the Company and Kingsoft Cloud. All Connected Persons of the Company must abstain from voting in favour at such general meeting. 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 Options must be taken on a poll. Any change in the terms of the 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 Cloud in general meeting.

The circular referred to in this paragraph shall contain:

- (a) details of the number and terms (including the Option Period, the minimum period (if any) for which an Option must be held before it can be exercised, performance targets (if any), the Subscription Price, the basis of determination of Subscription Price, the amount (if any) payable on acceptance of the Option and the rights attached to the Shares or the Option) of the 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 Subscription Price;
- (b) a recommendation from the independent non-executive directors of the Company (excluding one who is a Grantee of the 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.

#### **(16) Cancellation of Options**

Any cancellation of Options granted but not exercised shall require approval of the board of Kingsoft Cloud with the relevant Grantees and their Associates abstaining from voting.

Any vote taken at the meeting to approve such cancellation must be taken by poll. Cancelled Options may be re-issued after such cancellation has been approved, provided that re-issued Options shall only be granted in compliance with the terms of the Share Option Scheme.

Where Kingsoft Cloud cancels Options and issues new ones to the same Grantee, the issue of such new Options may only be made under a scheme with available unissued Options (excluding the cancelled Options) within the limit approved by shareholders as mentioned in paragraph 14.

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

**(17) Reorganisation of Capital Structure**

In the event of a capitalisation issue, rights issue, consolidation or subdivision of shares or reduction of capital of Kingsoft Cloud (other than an issue of Shares as consideration in respect of a transaction to which Kingsoft Cloud is a party), such corresponding adjustments (if any) shall be made in:

- (a) the number of Shares subject to the Options so far as unexercised; and/or
- (b) the Subscription Price; and/or
- (c) the method of exercise of the Option(s); and/or
- (d) the maximum number of Shares referred to in paragraph 14,

as an independent financial adviser or Auditors shall certify in writing to the board of Kingsoft Cloud to be in their opinion fair and reasonable, provided that any adjustments shall be made on the basis that the proportion of the issued share capital of Kingsoft Cloud to which a Grantee is entitled after such adjustments shall remain the same as that to which he was entitled before such adjustments and no such adjustments shall be made the effect of which would be to enable any Share to be issued at less than its nominal value and no such adjustments will be required in circumstances where there is an issue of Shares or other shares of the Kingsoft Cloud Group as consideration in a transaction.

In addition, in respect of any such adjustments as provided in this paragraph, other than any made on a capitalisation issue, an independent financial adviser or the Auditors must confirm in writing to the directors of Kingsoft Cloud that the adjustment satisfy the requirements of the relevant provision of the Listing Rules.

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

**(18) Alteration of the Share Option Scheme**

The Share Option Scheme may be altered in any respect by resolution of the board of Kingsoft Cloud except that:

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

- (f) any change to the authority of the board of Kingsoft Cloud in relation to any alteration to the terms of the Share Option Scheme,

must be approved by a resolution by the shareholders of the Company and Kingsoft Cloud in general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme, provided that the amended terms of the Share Option Scheme or the 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 Option(s) granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such number of Grantees as shall together hold Options in respect of not less than three-fourths in nominal value of all Shares then subject to Options granted under the Share Option Scheme.

Kingsoft Cloud must provide to all Grantees all details relating to changes in the terms of the Share Option Scheme during the life of the Share Option Scheme immediately upon such changes taking effect.

### **(19) Termination**

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

### **(20) Conditions of the Share Option Scheme**

The Share Option Scheme shall take effect subject to the passing of the resolution of shareholders of the Company and Kingsoft Cloud to adopt the Share Option Scheme

If the above conditions are not satisfied, the Share Option Scheme shall forthwith determine, any Option(s) granted or agreed to be granted pursuant to the Share Option Scheme and any 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 Share Option Scheme.

### **ADDITIONAL INFORMATION**

Upon the grant of any Option(s), the board of Kingsoft Cloud will consider factors such as the Subscription Price, the Option Period, the vesting period, performance targets (if any) and other conditions which the board of Kingsoft Cloud has the discretion to prescribe, to enable the purpose of the Share Option Scheme to be served.

None of the directors of the Company or Kingsoft Cloud are appointed as trustees of the Share Option Scheme or have a direct or indirect interest in the trustees of the Share Option Scheme.