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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)

VOLUNTARY ANNOUNCEMENT
PROPOSED ISSUE OF SERIES D+ PREFERRED SHARES
BY KINGSOFT CLOUD

This announcement is made by Kingsoft Corporation Limited (the “**Company**”) on a voluntary basis.

References are made to the announcements of the Company dated 12 September 2017, 11 October 2017, 28 December 2017 and 29 January 2018 in relation to, among others, the issue of series D preferred convertible shares with par value of US\$0.001 per share by Kingsoft Cloud Holdings Limited (“**Kingsoft Cloud**”, a subsidiary of the Company as at the date of this announcement) and the announcement of the Company dated 2 December 2019 in relation to, among others, the proposed issue of series D+ preferred convertible shares with par value of US\$0.001 per share by Kingsoft Cloud (the “**Announcements**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements.

The Board hereby announces that, on 16 December 2019, Kingsoft Cloud Group entered into a share purchase agreement (the “**Share Purchase Agreement**”) with Certain KSC Shareholder, the Officer and Design Time Limited (the “**CCBI Investor**”), pursuant to which, among others, Kingsoft Cloud as the issuer agreed to issue 22,035,999 series D+ preferred convertible shares with par value of US\$0.001 per share (the “**Series D+ Preferred Shares**”) and CCBI Investor as the subscriber agreed to subscribe for 22,035,999 Series D+ Preferred Shares for a consideration of US\$20 million (equivalent to approximately HK\$155.942 million). The proposed issue and subscription are subject to completion of the transaction contemplated under the share purchase agreement dated 2 December 2019 entered into among Kingsoft Cloud Group, Certain KSC Shareholder, the Officer and CIIF Investor.

On the assumption that (i) all preferred shares of Kingsoft Cloud are fully converted into the KSC Ordinary Shares based on the conversion ratio of 1:1; and (ii) all shares under the share option scheme and all shares already reserved for issuance under the ESOP (including the trust deed) are issued, upon completion of the transaction contemplated under the Share Purchase Agreement, Kingsoft Cloud will be owned as to approximately 0.7491% by CCBI Investor, and the shareholding of the Company in Kingsoft Cloud will decrease from 48.1982% to 47.8371%. Kingsoft Cloud will remain as the subsidiary of the Company.

The Board further announces that on or prior to the completion of the Share Purchase Agreement, all the then shareholders of Kingsoft Cloud will enter into a restated shareholders agreement (the “**Restated Shareholders Agreement**”), pursuant to which the holders of Series D+ Preferred Shares have the right to request Kingsoft Cloud to purchase the Series D+ Preferred Shares held by them in the event that (i) series D qualified public offering has yet to complete within a certain period of time; (ii) any of the holders of series B preferred shares of Kingsoft Cloud has requested Kingsoft Cloud to purchase the series B preferred shares held by it pursuant to the Restated Shareholders Agreement; (iii) any of the holders of series C preferred shares of Kingsoft Cloud has requested Kingsoft Cloud to purchase the series C preferred shares held by it pursuant to the Restated Shareholders Agreement; or (iv) any of the holders of series D preferred shares of Kingsoft Cloud has requested Kingsoft Cloud to purchase the series D preferred shares held by it pursuant to the Restated Shareholders Agreement.

The purchase price (the “**Redemption Price**”) for Kingsoft Cloud to purchase the Series D+ Preferred Shares upon exercising the exit right by any holder of the Series D+ Preferred Shares shall be calculated using the following formula: Redemption Price shall be the applicable purchase price paid by such holder of Series D+ Preferred Shares and a return at a fixed compound rate per annum as stipulated in the Restated Shareholders Agreement calculated from the date of the actual issuance of such Series D+ Preferred Shares to the date on which such holder of the Series D+ Preferred Shares elects to exercise its exit right plus all declared but unpaid dividends on the respective Series D+ Preferred Shares held by the holder thereof requested to be purchased pursuant to the Restated Shareholders Agreement.

Kingsoft Cloud Group is principally engaged in the research, development and provision of cloud technology and services. CCBI Investor is a limited liability company incorporated in the British Virgin Islands and is principally engaged in investments. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, CCBI Investor and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

The subscription for Series D+ Preferred Shares by CCBI Investor constitutes a deemed disposal under Chapter 14 of the Listing Rules. As the highest applicable percentage ratio in relation to such deemed disposal is less than 5%, the deemed disposal is exempted from the reporting, announcement and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

Pursuant to the Restated Shareholders Agreement, CCBI Investor is entitled to an exit right in certain circumstances. As the highest applicable percentage ratio in respect of the grant of the exit right to CCBI Investor is less than 5%, such transaction is exempted from the reporting, announcement and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

For the purpose of this announcement, unless the context otherwise requires, conversion of US\$ into HK\$ is based on the approximate exchange rate of US\$1.00 to HK\$7.7971. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ or US\$ have been, could have been or may be converted at such or any other rate or at all.

By Order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

Hong Kong, 16 December 2019

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.