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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)

CONTINUING CONNECTED TRANSACTIONS ENTERING INTO LOAN FACILITY FRAMEWORK AGREEMENT

LOAN FACILITY FRAMEWORK AGREEMENT

The Board announces that, on 4 December 2023, the Company and Kingsoft Cloud entered into the Loan Facility Framework Agreement in relation to the provision of the Loan Facility in the principal amount of up to RMB1.5 billion during the Facility Period commencing from 5 December 2023 and ending on 31 December 2025.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Kingsoft Cloud is held as to 37.40% by the Company, and as to 12.25% by Xiaomi, an associate of Mr. Jun LEI, a Director and substantial shareholder of the Company. As such, Kingsoft Cloud constitutes a commonly held entity of the Company under Chapter 14A of the Listing Rules. Therefore, the entering into the Loan Facility Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more percentage ratios (as defined in the Listing Rules) applicable to the transactions contemplated under the Loan Facility Framework Agreement exceed 0.1% but are less than 5%, the provision of the Loan Facility under the Loan Facility Framework Agreement and the proposed annual caps are subject to the reporting, announcement, annual review requirement but, exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

I. ENTERING INTO THE LOAN FACILITY FRAMEWORK AGREEMENT

The Board announces that, on 4 December 2023, the Company and Kingsoft Cloud entered into the Loan Facility Framework Agreement in relation to the provision of the Loan Facility in the principal amount of up to RMB1.5 billion during the Facility Period commencing from 5 December 2023 and ending on 31 December 2025.

The principal terms of the Loan Facility Framework Agreement are summarised as follows:

Date : 4 December 2023

Parties : (1). the Company; and
(2). Kingsoft Cloud

Total amount of Loan Facility : In the principal amount of up to RMB1.5 billion.

Subject to the terms of the Loan Facility Framework Agreement, upon fulfillment of the conditions for drawdown, the relevant members of Kingsoft Cloud Group (each a “**Borrower**”) may apply for drawdown by serving a written notice upon the relevant members of the Group (each a “**Lender**”) within 10 working days prior to the relevant drawdown date. The Lender and the Borrower shall separately enter into a specific loan agreement and the corresponding corporate guarantee agreement and charge over fixed assets (where applicable) for the relevant drawdown. The Loan Facility is a one-time line of credit, and any repaid principal amount of the Loan Facility under the relevant specific loan agreement shall not refresh the total amount available for drawdown within the Facility Period under the Loan Facility Framework Agreement.

Purpose of Loan Facility : Unless otherwise consented by the Lender in writing in prior, the Loan Facility shall be used for capital expenditure on computing power equipment procurement as stipulated in the Loan Facility Framework Agreement, or for repayment of outstanding principal amount under the Loan Facility.

Term : The Facility Period shall commence from 5 December 2023 and ending on 31 December 2025 (the “**Final Maturity Date**”). The term of each drawdown of the Loan Facility shall not be exceeding 18 months commencing from the date of the relevant remittance, provided that, all outstanding principal amount of the Loan Facility and the interest accrued thereon shall be repaid in full on or before the Final Maturity Date.

- Conditions precedent for drawdown** : Under the Loan Facility Framework Agreement, each drawdown shall be subject to the fulfillment of the following conditions:
- (1). the representation and warranties made by the relevant Borrower shall be true, complete, accurate and not misleading;
 - (2). the relevant Borrower having served written notice of drawdown upon the Lender;
 - (3). the relevant Borrower and other members of Kingsoft Cloud Group having entered into and duly performed its obligations under the Loan Facility Framework Agreement and the relevant corporate guarantee agreement, without occurrence of any continuous event of default or accelerated repayment;
 - (4). the relevant Borrower and the relevant Lender having entered into and delivered the relevant specific loan agreement and charge over assets (if applicable);
 - (5). the Company and Kingsoft Cloud having obtained all the relevant approvals and authorisations pertaining to the relevant specific loan agreement, corporate guarantee agreement and charge over assets (if applicable);
 - (6). having complied with the applicable requirements of the Listing Rules by the parties; and
 - (7). no occurrence of events having material adverse impact on the Borrower on or before the provision of the Loan Facility.
- Supervision of account** : The bank account for operating receivables of the Borrower shall be functioned as the designated account under supervision, maintaining a fund balance not less than the total amount of unpaid interest accrued on the drawdown made by the Borrower. The Lender shall oversee the Borrower's operating receivables in such account to ensure the Borrower's business operates soundly and possesses ample debt repayment capability.

**Security for the
Loan Facility**

: *Corporate guarantee agreement*

With respect to the relevant Loan Facility under the Loan Facility Framework Agreement and the relevant specific loan agreement, (i) in the event of the Borrower is a subsidiary of Kingsoft Cloud in the PRC, all the subsidiaries of Kingsoft Cloud in the PRC (other than such Borrower) shall provide corporate guarantee, on a joint and several basis, for the due performance of such Borrower's obligations under the relevant specific loan agreement in accordance with the terms of the relevant corporate guarantee agreement to be entered into by the relevant subsidiaries of Kingsoft Cloud in the PRC; and (ii) in the event of the Borrower is an offshore subsidiary of Kingsoft Cloud, all the offshore subsidiaries of Kingsoft Cloud (other than such Borrower) shall provide corporate guarantee, on a joint and several basis, for the due performance of such Borrower's obligations under the relevant specific loan agreement in accordance with the terms of the relevant corporate guarantee agreement to be entered into by the relevant offshore subsidiaries of Kingsoft Cloud. Further, Kingsoft Cloud shall undertake to the Company that it will deploy resources in a manner permitted under the applicable laws and regulations to procure the repayment of all outstanding Loan Facility under the Loan Facility Framework Agreement in full.

Charge over fixed assets

With respect to the relevant Loan Facility under the Loan Facility Framework Agreement and the relevant specific loan agreement, Kingsoft Cloud Group shall create charge over fixed assets as stipulated in the Loan Facility Framework Agreement in favour of the Group in the following manner:

- (1). for the first drawdown under the Loan Facility Framework Agreement (the “**Unsecured Loan Facility**”), subject to satisfaction of the conditions below, no charge over fixed assets is required: (i) drawdown amount of up to RMB500 million; (ii) the Unsecured Loan Facility to be made on or before 31 January 2024; and (iii) the term of such Unsecured Loan Facility shall not be exceeding 10 months;
- (2). other than the relevant drawdown satisfying the conditions as set out in sub-paragraph (1) above, for the aggregate outstanding drawdown amount of up to RMB500 million, the relevant Borrower shall provide charge over fixed assets in favour of the relevant Lender and the registration of the charge (if required) shall be duly completed before 29 February 2024, and the value of the charged fixed assets shall not be less than the relevant drawdown amount x 120%;
- (3). for the aggregate outstanding drawdown amount exceeding RMB500 million, the relevant Borrower shall provide charge over fixed assets in favour of the relevant Lender and the registration of the charge (if required) shall be duly completed before the drawdown, and the value of the charged fixed assets shall not be less than the relevant drawdown amount x 120%.

In respect of the portion of the aforesaid loan which has been duly repaid, the Borrower may apply for the release of the corresponding security within the amount of the repaid debt. However, in any event, the amount secured by the fixed assets charge for all outstanding borrowings under the Loan Facility Framework Agreement shall not be less than (amount of all outstanding debts – outstanding drawdown amount under the Unsecured Loan Facility) x 120% until all the borrowings secured by the fixed assets charge for waiver have been repaid in full. After full repayment of the Unsecured Loan Facility, the amount of security over the fixed assets secured for all outstanding borrowings under the Loan Facility Framework Agreement shall be not less than the amount of all outstanding debts x 120%.

In the event that the value of the aforesaid fixed assets is impaired due to market conditions, depreciation and other reasons, Kingsoft Cloud shall provide further satisfactory collateral in accordance with the terms of the Loan Facility Framework Agreement and the relevant charge over fixed assets.

Interest rate

- : Under the Loan Facility Framework Agreement, subject to the terms of the specific loan agreement, interest shall accrue on the principal amount of the relevant Loan Facility from the drawdown date, being the date of the relevant drawdown amount remitted to the Borrower in accordance with the terms of the specific loan agreement, at the following rates:
 - (1). The interest rate for borrowings of less than one year shall be a fixed lending rate of 3.75% per annum.
 - (2). The interest rate for borrowings of more than one year shall be the higher of: (i) the Loan Prime Rate (LPR) for loans of more than one year (inclusive) and less than five years (if any) published by the People’s Bank of China (PBOC) applicable on the date of drawdown plus 60 basis points (1 basis point = 0.01%); and (ii) the fixed lending rate of 4.05% per annum.

The interest shall be accrued daily based on a 360-day year commencing from the drawdown date, and is payable on a quarterly basis.

The interest rate was agreed upon between the Company and Kingsoft Cloud with reference to the commercial practice and the LPR published by PBOC from time to time, after arm's-length negotiations taking into account of the Group's cost of capital.

Repayment : Subject to the terms of the Loan Facility Framework Agreement, the relevant Borrower shall repay the outstanding drawdown amount under the relevant specific loan agreement together with the unpaid interest accrued thereon in full on or before the maturity date as provided in the specific loan agreement, and in any event, the relevant Borrower shall repay all outstanding drawdown amount together with unpaid interest accrued thereon under the Loan Facility Framework Agreement on or before the Final Maturity Date.

The advance of the Loan Facility will be financed by the internal resources of the Group.

II. PROPOSED ANNUAL CAPS OF THE LOAN FACILITY AGREEMENT

The proposed annual cap in respect of the Loan Facility under the Loan Facility Agreement for each financial year during the Facility Period shall not exceed RMB1.5 billion. The proposed annual caps were determined with reference to (i) the total principal amount of Loan Facility under the Loan Facility Framework Agreement to be granted by the Group to Kingsoft Cloud Group; (ii) the Group's internal financial resources currently available; and (iii) the benefits of entering into the Loan Facility Framework Agreement as set out below in the section headed "REASONS FOR AND BENEFITS OF ENTERING INTO THE LOAN FACILITY FRAMEWORK AGREEMENT".

III. REASONS FOR AND BENEFITS OF ENTERING INTO THE LOAN FACILITY FRAMEWORK AGREEMENT

Kingsoft Cloud Group is engaged in cloud technology research and development, and offering related services. With over a decade of dedicated work in the cloud service industry, it has amassed significant technological expertise and a talented workforce, and it holds a pivotal role in the Group's overall cloud strategy. Computing power services, as an extension of cloud computing, continue to see high market demand, and is expected to have substantial room for future growth. By providing financial support to Kingsoft Cloud, we aim to actively boost its presence in the computing power sector, further fostering strategic collaboration within the Group's cloud business ecosystem.

Meanwhile, the provision of financial support by us to Kingsoft Cloud establishes a solid foundation for Kingsoft Cloud in acquiring computing power equipment and seizing opportunities in this rapidly evolving industry, which is advantageous for enhancing the Company's long-term shareholder value.

The Directors (including the independent non-executive Directors) are of the view that the transactions under the Loan Facility Framework Agreement are on normal commercial terms, and the terms of the Loan Facility Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IV. THE GROUP'S CREDIT RISK ASSESSMENT ON THE BORROWER

Prior to entering into the relevant specific loan agreement under the Loan Facility Framework Agreement, the Group has carried out due diligence and credit assessment works on the relevant Borrower to understand and verify various information including the Borrower's background, financial conditions and the purpose of the Loan Facility. It has obtained and reviewed the following information and documents to assess the background, financial strength and repayment ability of the Borrower, including but not limited to:

- (1). reviewing and assessing the current financial position and 2024 and 2025 cash flow projections of Kingsoft Cloud Group, and based on the current financial situation taking into account of the short-term credit nature of the Unsecured Loan Facility, which must be repaid within 10 months, and in conjunction with other credit risk assessment steps taken, the Company agreed to provide the Unsecured Loan Facility without fixed asset collateral;
- (2). corporate documents of the relevant Borrower and other members of Kingsoft Cloud Group such as articles of incorporation, certificate of incorporation, register of members and constitutional documents of the relevant Borrower;
- (3). the annual report for the year ended 31 December 2022 and interim report for the six months ended 30 June 2023 of Kingsoft Cloud Group published on the websites of Kingsoft Cloud, Nasdaq and the Stock Exchange;

- (4). audited financial statements of the relevant Borrower for the financial years ended 31 December 2022 and management accounts of the relevant Borrower for the eleven months ended 30 November 2023; and
- (5). the borrower's business information, financial information, the commercial substance of the purpose of the borrowing, the adequacy of the justification for the borrowing, the reasonableness of the term of the borrowing and the amount of the borrowing, as well as the repayment credit enhancement program.

Based on the due diligence conducted and the risk assessment results, and having assessed the financial position of Kingsoft Cloud Group and evaluated the relevant Borrower's credit worthiness, the Company agreed to provide the Loan Facility and entered into the Loan Facility Framework Agreement. The Directors consider that the credit risks involved in the grant of the Loan Facility to the relevant Borrower are acceptable, having taken into account (i) corporate guarantee to be provided by the relevant subsidiaries of Kingsoft Cloud; (ii) the charge over fixed assets to be created in favour of the Group; (iii) the reputation, integrity and background of Kingsoft Cloud Group; (iv) the listing status of Kingsoft Cloud Group; and (v) the designated account of the relevant Borrower under supervision by the Company and/or the relevant Lender.

As a measure in respect of the recoverability and collection of the outstanding loan and accrued interests, the Group will keep monitoring the status of the relevant Borrower through, among others, paying attention to publicly available information of Kingsoft Cloud Group, conducting updated credit assessments of the relevant Borrower and obtaining and reviewing updated financial statements and business information thereof, so as to identify any irregularities of the relevant Borrower and material financial events in relation to the Loan Facility on a regular basis.

V. INTERNAL CONTROL MEASURES

In connection with the relevant drawdown of the Loan Facility and in order to monitor the performance of the relevant specific loan agreement and security documents, and to mitigate the default risk associated with the Loan Facility, the Company has taken the following internal control measures, and considers that such measures are adequate and sufficient to safeguard its assets:—

- (1). the senior management of the Company will conduct continuous monitoring of the operations of the Kingsoft Cloud Group through fostering and maintaining regular communication and active interaction between the parties, and to ensure the use of Loan Facility according to the purpose thereof;

- (2). the designated staff of the accounting department of the Company will review each application for drawdown and closely monitor the aggregated outstanding drawdown balances and report the latest status to the chief financial officer/financial controller of the Company at least on a monthly basis to ensure that it does not exceed the annual cap. Monitor the account under supervision to maintain a balance level to ensure it covers the entire unpaid interest amount over the Facility Period; as well as keep track of the income status of Kingsoft Cloud Group's business to continuously assess the risk of Loan Facility repayment;
- (3). the chief financial officer/financial controller of the Company will report to the Board on semi-annual basis in relation to the transaction status;
- (4). the Company will set an alert alarm when the aggregated outstanding drawdown balances is about to reach the annual cap. In case that the aggregated principal amount of the Loan Facility is expected to exceed the annual cap, the Company could timely re-comply with the requirements under Chapter 14A of the Listing Rules; and
- (5). the internal control department and relevant personnel of the Company will monitor and ensure all transactions contemplated under the Loan Facility Framework Agreement, the specific loan agreement, the corporate guarantee agreement and charge over fixed assets are carried out pursuant to its respective terms.

VI. INFORMATION ON THE PARTIES

The Group is principally engaged in the design, research and development, and sales and marketing of the office software products and services of WPS Office; and research and development of games, and the provision of PC games and mobile games services.

Kingsoft Cloud is a company incorporated under the laws of the Cayman Islands as an exempted company with limited liability and is a leading independent cloud service provider in China, the ADSs of which, each represents 15 shares, are listed on Nasdaq and the shares of which are listed on the Stock Exchange.

Mr. Jun LEI and Mr. Tao ZOU are Directors of the Company and directors of Kingsoft Cloud, both of them have abstained from voting for any board resolutions in relation to Loan Facility Framework Agreement.

VII. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Kingsoft Cloud is held as to 37.40% by the Company, and as to 12.25% by Xiaomi, an associate of Mr. Jun LEI, a Director and substantial shareholder of the Company. As such, Kingsoft Cloud constitutes a commonly held entity of the Company under Chapter 14A of the Listing Rules. Therefore, the entering into the Loan Facility Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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VIII. DEFINITION

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“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 Stock Exchange
“Director(s)”	the director(s) of the Company
“Facility Period”	the period commencing from 5 December 2023 and ending on 31 December 2025
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People's Republic of China
“Kingsoft Cloud”	Kingsoft Cloud Holdings Limited, an associate of the Company, and the American Depository Shares and the shares of which are listed on NASDAQ and the Stock Exchange, respectively
“Kingsoft Cloud Group”	Kingsoft Cloud and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Loan Facility”	a loan facility in the principal amount of not exceeding RMB1.5 billion under the Loan Facility Framework Agreement
“Loan Facility Framework Agreement”	the loan facility framework agreement dated 4 December 2023 entered into between the Company and Kingsoft Cloud in relation to the provision of Loan Facility

“PRC” or “China”	the People’s Republic of China which, for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“%”	per cent

By order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

Hong Kong, 4 December 2023

As at the date of this announcement, the Executive Director is Mr. Tao ZOU; the Non-executive Directors are Messrs. Jun LEI, Pak Kwan KAU and Leiwen YAO; the Independent Non-executive Directors are Messrs. Shun Tak WONG, Zuotao CHEN and Ms. Wenjie WU.