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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)

CONNECTED TRANSACTION ENTERING INTO THE PARTNERSHIP AGREEMENT

THE PARTNERSHIP AGREEMENT

The Board announces that, on 12 January 2024, Kingsoft Wuhan (as a limited partner), a subsidiary of the Company, Hangzhou Shuncheng (as the General Partner) and other limited partners entered into the Partnership Agreement in relation to the formation of the Fund with the total expected subscription contribution amount of approximately not less than RMB2,400 million. Pursuant to the Partnership Agreement, Kingsoft Wuhan shall participate in the Fund as a limited partner and agreed to make a contribution in the amount of RMB500 million. Upon establishment of the Fund, it will not become a subsidiary of the Company and its financial results will not be consolidated into the accounts of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of the announcement, the General Partner and certain limited partners constitute connected persons of the Company. Accordingly, the entering into the Partnership Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

Given the relevant parties to the Partnership Agreement and the relevant parties to Xiaomi Intelligent Manufacturing Partnership Agreement contain associates of Mr. Jun LEI, the transactions under the Partnership Agreement and Xiaomi Intelligent Manufacturing Partnership Agreement shall be aggregated pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio is, on an aggregate basis, more than 0.1% but less than 5%, the transaction contemplated under the Partnership Agreement is subject to the reporting and announcement requirements, but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

In view of his interest in the transaction contemplated under the Partnership Agreement, Mr. Jun LEI has abstained from voting on the relevant Board resolutions approving the entering into the Partnership Agreement. Save as disclosed above, none of the Directors has a material interest in the transaction contemplated under the Partnership Agreement and none of them has abstained from voting on the relevant Board resolutions.

I. THE PARTNERSHIP AGREEMENT

The Board announces that, on 12 January 2024, Kingsoft Wuhan (as a limited partner), a subsidiary of the Company, Hangzhou Shuncheng (as the General Partner) and other limited partners entered into the Partnership Agreement in relation to the formation of the Fund with the total expected subscription contribution amount of approximately not less than RMB2,400 million. Pursuant to the Partnership Agreement, Kingsoft Wuhan shall participate in the Fund as a limited partner and agreed to make a contribution in the amount of RMB500 million. Upon establishment of the Fund, it will not become a subsidiary of the Company and its financial results will not be consolidated into the accounts of the Company.

The principal terms of the Partnership Agreement are summarised as follows:

Date

12 January 2024

Parties

- (1). Hangzhou Shuncheng, as the General Partner;
- (2). Kingsoft Wuhan, as a limited partner;
- (3). Hanxing Venture Capital, as a limited partner;
- (4). Tidal Surge, as a limited partner;
- (5). Mr. Qingyuan ZHANG, as a limited partner; and
- (6). the Other Investors, as the limited partners.

Investment Object

The Fund will be mainly engaged in the investment in unlisted companies in the fields of high-technology and Internet from start-up to maturity that are established or operated in China or have significant connections with China, with investment in industries such as in-depth science and technology, advanced manufacturing, new-generation information technology, dual-carbon science and technology, biopharmaceuticals, etc., and layout allocations that include the intelligent Internet of things, high-end equipment, new materials, life and health, green and low-carbon, etc., and to obtain returns for the partners from the capital gains.

Term of the Fund

- (1). Under the Partnership Agreement, the initial completion date (the “**Initial Completion Date**”) shall be the contribution date set out in the notice of initial payment of contribution issued by the executive partner (i.e. Hangzhou Shuncheng) to the initial Limited Partners, or such date as the executive partner may otherwise reasonably determine and notify the limited partners.
- (2). The operation term of the Fund shall end at the eighth anniversary commencing from the Initial Completion Date, and the executive partner shall have the right to extend the operation term of the Fund for a period of one year at its discretion, and subject to the consent of the advisory committee to the proposal raised by the executive partner, the operation term of the Fund may be further extended for a period of one year. Further, subject to the consent of limited partners holding more than 50% of the partnership interest, the operation term of the Fund may be further extended.
- (3). The period commencing from the Initial Completion Date and ending on the fourth anniversary thereof shall be the investment period of the Fund (the “**Investment Period**”). The remaining operation term of the Fund after expiration of the Investment Period is the exit period.
- (4). Upon exit of all the invested projects made by the Fund, the executive partner shall have the right to decide to early dissolve the Fund, and each limited partner shall cooperate actively to facilitate the dissolution formalities.

Capital Contribution and Payment

The total expected subscription contribution target of the Fund is approximately not less than RMB2,400 million, the table below sets forth the particulars of the contribution commitment to be made by all the initial partners of the Fund as at the date of the announcement:

Name of partner	Type of partner	Contribution amount <i>(RMB million)</i>	Partnership interest <i>(%)</i>
Hangzhou Shuncheng	General Partner	17	1.05
Kingsoft Wuhan	Limited Partner	500	31.33
Hanxing Venture Capital	Limited Partner	490	30.70
Hangzhou Investment	Limited Partner	399	25.00
Hainan Lanlan	Limited Partner	100	6.27
Qingyuan ZHANG	Limited Partner	30	1.88
Dong WANG	Limited Partner	20	1.25
Qian MA	Limited Partner	10	0.63
Jun LI	Limited Partner	10	0.63
Tidal Surge	Limited Partner	10	0.63
Qushui Science and Technology	Limited Partner	10	0.63
TOTAL		1,596	100

The respective subscription contribution to be made by the partners was determined after arm's-length negotiation between the parties to the Partnership Agreement with reference to the capital requirements of the Fund and the partners' proportionate interest therein. Kingsoft Wuhan will finance its contribution with its internal resources.

Unless otherwise agreed between the partners, each partner shall pay its respective contribution amount in full to the designated account in accordance with the notice of payment of contribution served by the executive partner. Unless otherwise agreed between the partners, the executive partner shall serve upon the limited partners at least a 15-working day notice for payment of contribution before the capital contribution date specified in that notice for payment of contribution.

Management of the Fund

(1). Executive Partner and the Manager

Subject to the terms of the Partnership Agreement, the executive partner (but not other partners) shall be in charge with the affairs of the Fund. All partners unanimously agreed to appoint Hangzhou Shuncheng as the executive partner of the Fund. Lhasa Economic and Technological Development Zone Shunwei Capital Investment Consulting Co., Ltd.* (拉薩經濟技術開發區順為資本投資諮詢有限公司) (the “**Manager**”) is the fund manager upon the signing of the Partnership Agreement.

The Fund shall calculate and pay management fees to the Manager, as follows:

- (i). during the Investment Period, the annual management fees payable shall be 2% of the total subscribed capital contribution of each limited partner (exclusive of Special Investor); and
- (ii). thereafter until the end of the operation term, the management fees payable in each quarter of each year shall be the investment costs of the investment projects that have not been withdrawn by the Fund as of the end of the previous calendar quarter borne by limited partners other than the Special Investor (net of the portion of the investment cost that has been permanently written down, in whole or in part) of 0.5% (for the avoidance of doubt, equivalent to an annual management fee rate of 2%).

(2). Investment Decision-making Committee

Under the Partnership Agreement, the Fund shall establish an investment decision-making committee (the “**Investment Decision-making Committee**”), the members of which shall be designated by the Manager, and shall be in charge with the final decision pertaining to the investment projects. No member of the Investment Decision-making Committee shall be entitled to any remuneration.

Distribution

Subject to the terms of the Partnership Agreement, the income of the Fund is initially divided among the partners in accordance with the terms of the Partnership Agreement. Any distributable income attributable to the limited partner based on the preliminary division shall be distributed to the limited partner in the following order:

- (1). distributed to the limited partners until their cumulative distribution amount is equal to the sum of its subscribed capital contribution utilized for the aggregate of the following: (a) the investment principal of these investment projects and all previously realized investment projects; (b) the written-off portion of the investment principal of the unrealized investment projects; and (c) the Fund fees of the investment costs sharing of all realized or written-off investment projects, which is calculated in accordance with the terms of the Partnership Agreement (“**Return of Realized Investment Costs**”);
- (2). in the event of any balance after the distribution of Return of Realized Investment Costs, a threshold return calculated at a simple interest rate of 8% per year (the “**Threshold Return**”) shall be distributed to the limited partners;
- (3). following the completion of the distribution provided above, 20% of the total amount of (a) the Threshold Return and (b) the accumulated distribution in this item (3) shall be given to the General Partner as a catch-up distribution;
- (4). following the completion of the distribution provided above, 80/20 split between the limited partners and the General Partner until the cumulative amount distributed by the Fund to the limited partners is equal to 250% of the Return of Realized Investment Costs;
- (5). following the completion of the distribution provided above, distribution shall be made to the General Partner (as a catch-up) until the cumulative amount received by the General Partner regarding such limited partner is equal to 25% of the sum of (a) the cumulative amount distributed by the Fund to the limited partner net of its Return of Realized Investment Costs and (b) the total cumulative distribution amount received by the General Partner regarding the limited partner;
- (6). following the completion of the distribution provided above, 75/25 split between the limited partners and the General Partner until the cumulative amount distributed by the Fund to the limited partners is equal to 300% of the Return of Realized Investment Costs;
- (7). following the completion of the distribution provided above, distribution shall be made to the General Partner (as a catch-up) until the cumulative amount received by the General Partner regarding such limited partner is equal to 30% of the sum of (a) the cumulative amount distributed by the Fund to the limited partner net of its Return of Realized Investment Costs and (b) the total cumulative distribution amount received by the General Partner regarding the limited partner; and
- (8). following the completion of the distribution provided above, 70/30 split between the limited partners and the General Partner.

Prior to the liquidation of the Fund, the executive partner shall make reasonable efforts to realize the investment of the Fund, avoiding non-cash distributions. However, the Fund may be distributed in a non-cash manner if the realization of the Fund's investments proves unattainable or if the executive partner determines in its reasonable judgement that non-cash distribution better align with the overall interests of all partners.

Loss and Debt Sharing

Subject to the terms and conditions of the Partnership Agreement, any losses incurred due to the project investment made by the Fund shall be borne by all partners participating such project investment in proportion to their interests, and other losses and debts of the Fund shall be borne by all partners in proportion to their respective subscribed contribution.

Transfer of the Partnership Interest

Subject to the terms of the Partnership Agreement, without prior written consent of the executive partner, the limited partner shall not transfer or otherwise dispose of, directly or indirectly, all or part of its partnership interest, or charge, pledge or otherwise create encumbrances thereon.

Without special consent at the partners' meeting, the General Partner shall not transfer all or part of its partnership interest to any non-related persons (shall have the meaning ascribed to it under the Partnership Agreement). For the avoidance of doubt, the General Partner may transfer all or part of the partnership interest held by it to its related persons (shall have the meaning ascribed to it under the Partnership Agreement) by its independent decision without consent of the other partners.

Effectiveness of the Partnership Agreement

The Partnership Agreement shall be effective upon signing by all parties thereto.

II. REASONS FOR AND BENEFITS OF ENTERING INTO THE PARTNERSHIP AGREEMENT

The Group has been continuously looking for investment opportunities with a view to strengthen its financial investment and enhance the Group's long-term growth potential.

The General Partner of the Fund and the Manager have a proven track record in capturing market trends and delivering solid investment returns. The Fund is set up to focus on the new wave of industrial transformation and deep technology innovation venture opportunities. By leveraging the General Partner's strong coverage and portfolio management resources, the Group is seeking financial returns and better capital utilization.

The Directors (including the independent non-executive Directors) are of the view that the transactions under the Partnership Agreement are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Partnership Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

III. INFORMATION ON THE PARTIES

The Group and Kingsoft Wuhan

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 provision of PC games and mobile games services.

Kingsoft Wuhan is a company incorporated in the PRC and a subsidiary of the Company. Kingsoft Wuhan is mainly engaged in provision of premises leasing and property management services for members of the Group in Wuhan.

The General Partner

The general partner (Hangzhou Shuncheng Enterprise Management Partnership (Limited Partnership)* (杭州順承企業管理合夥企業 (有限合夥))) is a limited partnership incorporated in China, and is mainly engaged in enterprise management and investment. As at the date of this announcement, its general partner is Hangzhou Shunchuang Corporate Management Co., Ltd.* (杭州順創企業管理有限公司), which is controlled by Mr. Jun LEI.

Hanxing Venture Capital

Hanxing Venture Capital is a company incorporated in the PRC, mainly engaged in venture capital investment (limited to investment in unlisted companies); and investment activities with its own funds (the operation for all projects that involve business permits will rely on relevant permits or approvals). As at the date of this announcement, Hanxing Venture Capital is wholly owned by Xiaomi Technology, which is controlled by Xiaomi through contractual arrangements, and Xiaomi is an associate of Mr. Jun LEI.

Hangzhou Investment

Hangzhou Investment is a company incorporated in the PRC, mainly engaged in investment activities and equity investment with its own funds. As at the date of this announcement, Hangzhou Investment is wholly owned by Hangzhou Financial Investment Group Co., Ltd.* (杭州市金融投資集團有限公司), which is a state-owned enterprise under municipal administration.

Hainan Lanlan

Hainan Lanlan is a company incorporated in the PRC, mainly engaged in fundamental software services, animation and game digital content services, information processing and storage support services, data processing services, information technology consulting services, and other digital businesses. As at the date of this announcement, Hainan Lanlan is accounted as a wholly-owned subsidiary of a consolidated variable interest entity of JOYY Inc., a company listed on the Nasdaq Global Select Market (Nasdaq: YY).

Tidal Surge

Tidal Surge is a limited partnership registered under the laws of the PRC, and is mainly engaged in investment activities with its own funds; data processing services; Internet data services; financing consulting services; bill information consulting services; social economy consulting services; big data services; Blockchain technology related software and services; accepting entrustment from financial institutions to engage in information technology and process outsourcing services (excluding financial information services); conference and exhibition services; organizing cultural and artistic exchange activities; marketing planning; business secretarial services; advertising design and agency; artificial intelligence basic resource and technology platform; engineering and technology research and experimental development; emerging energy technology research and development; project planning and public relations services; technical services, technology development, technology consultation, technology exchange, technology transfer, technology promotion; undertaking the engineering construction business of the head office; outsourcing engineering projects; property management; corporate management; commercial complex management services; supply chain management services; non-financing guarantee services; corporate credit rating services; and corporate headquarters management. As at the date of this announcement, the general partner of Tidal Surge is Beijing Qiwen Yiwei Investment Co., Ltd.* (北京奇文壹緯投資有限責任公司) (“**Qiwen Yiwei**”), which is wholly owned by Mr. Ke GE, a director of Kingsoft Office.

Qushui Science and Technology

Qushui Science and Technology is a company incorporated in the PRC, mainly engaged in new material research and development, technology transfer; software technology development, technical services, technology consultation, technology transfer; electronic products, arts and crafts, household appliances, daily necessities, knitted textiles, apparel, footwear, hats, machinery and equipment, computer software and hardware and auxiliary equipment; design, research and development and sales of furniture, floors and wooden doors; import and export of goods and technology; and value-added telecommunications business. As at the date of this announcement, its shares are listed on the Shenzhen Stock Exchange (stock code: 301336.SZ).

Mr. Qingyuan ZHANG

As at the date of the announcement, Mr. Qingyuan ZHANG is a director and chief executive officer of Kingsoft Office.

Save as disclosed above, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this announcement, Hangzhou Investment, Hainan Lanlan, Qushui Science and Technology, Dong WANG, Qian MA, Jun LI and their respective ultimate beneficial owners (as the case may be) are third parties independent of the Company and its connected persons.

IV. IMPLICATIONS UNDER THE LISTING RULES

As at the date of the announcement, (i) the general partner of Hangzhou Shuncheng, being the General Partner, is held as to 51% by Mr. Jun LEI, a Director and substantial shareholder of the Company; (ii) Hanxing Venture Capital is wholly owned by Xiaomi Technology, which is controlled by Xiaomi through contractual arrangements, and Xiaomi is an associate of Mr. Jun LEI; (iii) Qiwen Yiwei, being the general partner of Tidal Surge, is wholly owned by Mr. Ke GE, a director of Kingsoft Office; and (iv) Mr. Qingyuan ZHANG is a director and chief executive of Kingsoft Office. Therefore, each of Hangzhou Shuncheng and Hanxing Venture Capital constitutes an associate of Mr. Jun LEI, and thus constitutes a connected person of the Company; and each of Tidal Surge and Mr. Qingyuan ZHANG constitutes a connected person of the Company at the subsidiary level pursuant to Chapter 14A of the Listing Rules. Therefore, the entering into the Partnership Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

Given the relevant parties to the Partnership Agreement and the relevant parties to Xiaomi Intelligent Manufacturing Partnership Agreement contain associates of Mr. Jun LEI, the transactions under the Partnership Agreement and Xiaomi Intelligent Manufacturing Partnership Agreement shall be aggregated pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio is, on an aggregate basis, more than 0.1% but less than 5%, the transaction contemplated under the Partnership Agreement is subject to the reporting and announcement requirements, but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

In view of his interest in the transactions contemplated under the Partnership Agreement, Mr. Jun LEI has abstained from voting on the relevant Board resolutions approving the entering into the Partnership Agreement. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Partnership Agreement and none of them has abstained from voting on the relevant Board resolutions.

V. 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 (Stock Code: 3888.HK)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules unless specifically stated in this announcement
“Director(s)”	the director(s) of the Company
“Fund”	Hangzhou Shunzhong Venture Capital Partnership (Limited Partnership)* (杭州順眾創業投資合夥企業 (有限合夥)), a limited partnership to be formed in accordance with the terms of the Partnership Agreement
“General Partner” or “Hangzhou Shuncheng”	Hangzhou Shuncheng Enterprise Management Partnership (Limited Partnership)* (杭州順承企業管理合夥企業 (有限合夥)), in which Mr. Jun LEI holds 51% of its general partner
“Group”	the Company and its subsidiaries
“Hanxing Venture Capital”	Hanxing Venture Capital Co., Ltd.* (瀚星創業投資有限公司), a company incorporated in the PRC
“Hangzhou Investment”	Hangzhou Investment Holdings Co., Ltd.* (杭州市投資控股有限公司), a company incorporated in the PRC
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Kingsoft Office”	Beijing Kingsoft Office Software, Inc. (北京金山辦公軟件股份有限公司), a subsidiary of the Company and was listed on the STAR Market of the Shanghai Stock Exchange in November 2019 (Stock Code: 688111.SH)

“Kingsoft Wuhan”	Wuhan Kingsoft Software Co., Ltd.* (武漢金山軟件有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company
“Hainan Lanlan”	Hainan Lanlan Network Technology Co., Ltd.* (海南藍嵐網絡科技有限公司), a company incorporated in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Other Investors”	Hangzhou Investment, Hainan Lanlan, Dong WANG, Qian MA, Jun LI, and Qushui Science and Technology
“Partnership Agreement”	the partnership agreement dated 12 January 2024 entered into between the General Partner, Kingsoft Wuhan, Hanxing Venture Capital, Mr. Qingyuan ZHANG, Tidal Surge and the Other Investors in relation to the formation of the Fund (pending signatures of, or affixing with common seal by, certain Other Investors)
“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
“Qushui Science and Technology”	Chengdu Qushui Science and Technology Co., Ltd.* (成都趣睡科技股份有限公司), a company incorporated in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Special Investor”	limited partner(s) recognized by the executive partner as special investors and identified as such in an appendix to the Partnership Agreement. For the avoidance of doubt, there is no Special Investors identified in the Partnership Agreement as at the date of this announcement
“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

“Tidal Surge”	Hainan Tidal Surge Investment Partnership (Limited Partnership)* (海南潮汐涌動投資合夥企業 (有限合夥)), a limited partnership registered under the laws of the PRC
“Xiaomi”	Xiaomi Corporation, a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange (stock code: 1810.HK)
“Xiaomi Beijing”	Beijing Xiaomi Enterprise Management Co., Ltd.* (北京小米企業管理有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of Xiaomi
“Xiaomi Intelligent Manufacturing Partnership Agreement”	the partnership agreement dated 2 March 2023 entered into between, among others, Xiaomi Beijing, Xiaomi Wuhan and Kingsoft Wuhan in relation to the formation of Beijing Xiaomi Intelligent Manufacturing Equity Investment Fund Partnership (Limited Partner)* (北京小米智造股權投資基金合夥企業 (有限合夥))
“Xiaomi Technology”	Xiaomi Technology Co., Ltd.* (小米科技有限責任公司), a company incorporated in the PRC
“Xiaomi Wuhan”	Wuhan One Eight One Zero Enterprise Management Co., Ltd.* (武漢壹捌壹零企業管理有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of Xiaomi
“%”	percent

By order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

Hong Kong, 12 January 2024

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.

* For identification purposes only