
RELATIONSHIP WITH KINGSOFT CORPORATION

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Following completion of the Introduction (assuming no additional Shares are issued under the Equity Incentive Plans), Kingsoft Corporation will be interested in 1,423,246,584 Shares, representing approximately 37.40% of the issued share capital of our Company. As a result, following completion of the Introduction, Kingsoft Corporation will be our controlling shareholder within the meaning under the Listing Rules after the Listing. As of the Latest Practicable Date, Kingsoft Corporation was held as to 22.76% by its single largest shareholder Mr. Lei Jun, the chairman of our Board and a non-executive Director.

Save as disclosed above, there is no other person who will, immediately following completion of the Introduction, be directly or indirectly interested in 30% or more of the Shares then in issue.

NO COMPETITION AND CLEAR DELINEATION OF BUSINESS

Kingsoft Corporation has confirmed that, as of the Latest Practicable Date, none of them or any of its respective close associates had any interest in any business, other than the business of our Group, which competes, or is likely to compete, either directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM KINGSOFT CORPORATION

Immediately prior to our listing on the Nasdaq, our Company is a non-wholly owned subsidiary of Kingsoft Corporation. Following completion of the spin-off and separate listing on May 8, 2020, Kingsoft Cloud ceased to be a subsidiary and has been accounted as an associate of Kingsoft Corporation. For details of the spin-off and separate listing of our Company, see “History, Development and Corporate Structure – Spin-off from Kingsoft Group and Listing on the Nasdaq.”

Having considered the following factors, our Directors are satisfied that we are able to carry on our business independently from Kingsoft Corporation after the Listing.

Delineation of Business with Kingsoft Corporation

Our business has a clear delineation with that of Kingsoft Corporation. Kingsoft Corporation and we provide different products and/or services and have different business scopes. We are a comprehensive cloud service provider with extensive cloud infrastructure, advanced cloud-native products, sophisticated industry-specific solutions and end-to-end fulfillment and deployment for customers. Kingsoft Corporation, on the other hand, is principally involved in (i) design, research, development as well as sales and marketing of the office software products and services of WPS Office; and (ii) research and development of games, and provision of PC games and mobile games services. Additionally, our business operations do not rely on Kingsoft Corporation to gain access to target end users, customers or suppliers. Instead, we have our own business operating systems, which have been in operation and are expected to continue to operate separately and independently from Kingsoft Corporation.

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Management Independence

Our business is managed and conducted by our Board and senior management. Our Board comprises of seven Directors comprising two executive Directors, two non-executive Directors and three independent non-executive Directors. For more information, please see the section headed “Directors and Senior Management.”

Our Directors consider that our Board and senior management will function independently of Kingsoft Corporation because:

- (a) as of the Latest Practicable Date, there are only two overlapping directors between Kingsoft Corporation and us, namely Mr. Lei Jun and Mr. Zou Tao. Mr. Lei Jun serves as a non-executive director and chairman of the board of directors of Kingsoft Corporation, while Mr. Zou Tao serves as an executive director and the chief executive officer of Kingsoft Corporation. On the other hand, Mr. Lei Jun serves as our non-executive Director and Chairman and Mr. Zou Tao serves as our executive Director, Vice Chairman and acting CEO. Mr. Lei Jun is not responsible for the daily management and operations of our Group, while Mr. Zou Tao shall also abstain from voting on resolutions on matters involving transactions with, in particular connected transactions with Kingsoft Corporation in any case. Except for Mr. Lei Jun and Mr. Zou Tao, there are no other overlapping directors or senior management members between Kingsoft Corporation and us during the Track Record Period. For more information, please see the section headed “Directors and Senior Management.” Please see subsection headed “– Corporate Governance Measures” for detailed corporate measures to avoid potential conflicts of interest between our Group and Kingsoft Corporation;
- (b) each Director is aware of his or her fiduciary duties as a Director which require, among other things, that such Director shall act for the benefit and in the best interests of our Company and not allow any conflict between his or her duties as a Director and his or her other personal interests;
- (c) our daily management and operations are carried out by a senior management team while none of them have overlapping senior management positions at Kingsoft Corporation except Mr. Zou Tao, who nevertheless shall abstain from voting on resolutions on matters involving transactions with, in particular connected transactions with Kingsoft Group in any case. All of our senior management members have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;
- (d) we have three independent non-executive Directors, comprising more than one-third of the total members of our Board, who have sufficient knowledge, experience and competence to provide a balance of the potentially interested Directors with a view to promote the interests of our Company and the Shareholders as a whole, and certain matters of our Company must be subject to the review and approval of such independent non-executive Directors. For example, we have established the Audit

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Committee, which is comprised of independent non-executive Directors only in accordance with the applicable rules and requirements under the U.S. Exchange Act and Nasdaq rules. Additionally, all of our independent non-executive Directors are different and will continue to be different from the independent non-executive directors of Kingsoft Corporation, which will also provide checks and balances over the decision-making of the Board on significant transactions, related party transactions and other transactions involving any actual or potential conflicts of interest;

- (e) our Directors are not entitled to vote (nor shall be counted in quorum) in relation to any resolution of the Directors in respect of any contract or arrangement or any other proposal in which such Directors or any of their close associates have any material interest except for certain circumstances as set out in the Articles. For details, see “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III; and
- (f) we have adopted a series of corporate governance measures to manage potential conflicts of interest, if any, between our Group and Kingsoft Corporation which would support our independent management in accordance with our Articles, relevant corporate governance policies, the U.S. Exchange Act, Nasdaq rules, the Listing Rules as well as other applicable rules, laws and regulations. Please see the paragraph headed “– Corporate Governance Measures” in this section below for further information.

Operational Independence

Our Group is not operationally dependent on Kingsoft Corporation and our Group is able to continue to operate independently from Kingsoft Corporation after the Listing. We do not rely on Kingsoft Corporation for the execution of our business strategies, operations of our business systems and platforms, staffing, or engagement in sales and marketing activities. We have and will continue to have a separate management team and separate functional departments including accounting, internal audit, administration, human resources, legal and company secretarial departments, and all of our essential administration and operations will be carried out by a team of staff employed by our Company independently from Kingsoft Corporation. In this regard, our Directors and senior management are responsible for the conduct of our business. Save for certain license arrangements with Kingsoft Corporation, as disclosed in the “Connected Transactions”, we have independent access to our customers and an independent management team to oversee our day-to-day operations and do not rely on Kingsoft Corporation for any relevant material licenses, intellectual properties and research and development facilities necessary to carry on and operate our business, facilities, or equipment. We have sufficient operational capacity in terms of capital and employees to operate independently without relying on Kingsoft Corporation. In addition, saved as disclosed in this listing document, none of Kingsoft Corporation, Directors or their respective close associates have been our major supplier, which provides any critical services or materials for our operation.

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We have also entered into certain agreements with Kingsoft Corporation, and the transactions contemplated under such agreements will constitute our continuing connected transactions under the Listing Rules following the Listing.

Intellectual Property Licenses

On December 18, 2019, Kingsoft Corporation, as the licensor, and we, as the licensee, entered into a trademark license agreement (the “**Trademark License Agreement**”) and a patent license agreement (the “**Patent License Agreement**,” and together with the Trademark License Agreement, the “**2019 License Agreements**”). Pursuant to the 2019 License Agreements, we have obtained non-exclusive licenses from Kingsoft Group to use (i) some of its registered trademarks during their terms of registration, including “金山雲” and “Kingsoft Cloud”; (ii) some of its trademarks, which are still in the process of registration applications, during the period of such applications and the term of the registrations if such trademarks become registered afterwards; and (iii) some of its registered patents during their terms of registration. Pursuant to the Trademark License Agreement, Kingsoft Group is prohibited from using or licensing any third party to use all material licensed trademarks in cloud storage and cloud computing areas save for usage in relation to Kingsoft Group’s overall introductory information. In addition, to the best knowledge of the Directors, after confirmed with Kingsoft Corporation, the Group has been exclusively using all material patents in cloud storage and cloud computing areas pursuant to the Patent License Agreement during the Track Record Period and up to the Latest Practicable Date. As such, the Directors are of the view that despite the terms of the 2019 License Agreements only provided for a non-exclusive license of the relevant trademarks and patents to the Company, the Group has been enjoying exclusive use of such trademarks and patents and does not expect there to be material changes to such use of the licensed trademarks and patents.

Pursuant to the 2019 License Agreements, the Company may use six licensed patents and 248 licensed trademarks within the specified scopes and the licenses shall remain valid until (i) the expiry of the trademarks (the expiry dates of which range from September 2022 to October 2023 and are renewable upon expiry) or the patents (the expiry dates of which range from June 30, 2031 to December 31, 2031), or (ii) when the licenses became invalid, whichever is earlier. The licenses for any trademark or patent will become invalid under the conditions of, among others, (i) the expiry of the relevant trademark or patent, or the relevant trademark or patent ceases to be owned by Kingsoft Corporation (applicable to such trademark or patent only); (ii) any member of the Group ceases to be a member of the Group; (iii) the Group violates the 2019 License Agreements and fails to rectify such violations upon Kingsoft Corporation’s request; (iv) the Group violates the 2019 License Agreements, which caused loss in goodwill and/or economics of Kingsoft Group; and (v) Kingsoft Corporation ceases to be our single largest shareholder or our controlling shareholder (as defined in the Listing Rules). In addition, as of the Latest Practicable Date, we were in the process of renewing certain licensed trademarks and confirmed that there were no legal obstacles in such renewal trademarks.

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Since (i) we primarily engage in the provision of cloud solutions and do not compete directly or indirectly with Kingsoft Corporation and its associates; and (ii) we had an established track record of operation and development in cloud solutions sectors since the commencement of our business, our Directors are of the view that there is negligible commercial justification for Kingsoft Corporation to terminate or license out such trademarks and patents under the 2019 License Agreements, which are mainly related to cloud solutions business or our brand names, for operating businesses that will compete directly or indirectly with us. In addition, despite being the registered holders of material trademarks such as 金山雲 and “Kingsoft Cloud”, Kingsoft Corporation would only manage such licensed trademarks pursuant to the 2019 License Agreements, but not directly involved in the business operation and day-to-day management of the Group.

In any case, we have been taking active steps to minimise our reliance on trademarks and patents licensed from Kingsoft Group over the years. In particular, under the unlikely scenario where we can no longer use the relevant trademarks or patents under the 2019 License Agreements, or have to compete with other companies using the same trademarks or patents, our Directors are of the view that it will not have any material adverse effect to our business operation or financial performances as: (i) such licensed patents are not critical to our current business operation and we no longer rely on the relevant patents to carry out our business with the development and registration of our wholly-owned patents in cloud solutions and our business; and (ii) we will proactively initiate license renewal discussion with Kingsoft Corporation in advance, to ensure the continuous usage of the trademarks we have also registered various wholly-owned alternative trademarks and will replace the existing trademarks under the 2019 License Agreements in the unlikely event that we are no longer able to use the trademarks thereunder. For details of our registered trademarks, please see “Appendix IV – Statutory and General Information – B. Further Information About Our Business – 2. Intellectual Property Rights.”

For further details, see “Connected Transactions – Summary of Continuing Connected Transactions – A. Fully-exempt Continuing Connected Transactions – Intellectual Property Licenses.”

Other Continuing Connected Transactions with Kingsoft Corporation

We also entered into the Kingsoft Framework Agreement with Kingsoft Corporation, pursuant to which, (i) we will provide cloud services to the Kingsoft Group, including but not limited to the cloud storage, cloud computing services and comprehensive cloud solutions, and (ii) Kingsoft Group will provide the comprehensive property management and administrative services to us, including but not limited to property management services and other related administrative support for our office space. For further details, please refer to “Connected Transactions.”

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Our Directors, including the independent non-executive Directors, are of the view that since (i) the terms of the relevant continuing connected transactions were fair, reasonable and entered into on an arm's-length and long-term basis with favorable considerations; (ii) the terms were in the best interests of our Group and the Shareholders as a whole; and (iii) the total revenues contributed by Kingsoft Group accounted for approximately 2.8%, 1.8%, 1.7% and 2.4% of our total revenues and the total procurement from Kingsoft Group accounted for 0.5%, 0.2%, 0.1% and 0.2% of our total procurement, which contains the addition of fixed asset and construction in progress and cost of revenue excluding depreciation and amortization costs, respectively, for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, the Group is therefore not reliant on Kingsoft Corporation despite the relevant continuing connected transactions. For further details, please refer to "Connected Transactions."

Leveraging of shareholder network and ecosystem

We enjoy strong synergies with our strategic shareholders, including Kingsoft Corporation and Xiaomi, and are able to leverage their sales network and ecosystem to expand our customer base by, among other things, engaging in business partnership with a number of companies which are associates, affiliates or invested companies of our strategic shareholders, including without limitation, Kingsoft Corporation and Xiaomi. Despite the initial opportunities that such synergies and business partnership may bring to our Group, such synergies and partnerships form only a part of a multi-facet path to our business expansion and profitability as set out in the section headed "Business – Business Sustainability and Path to Profitability – Overall Background in Support of Our Profitability Potential." As any of the Group's transactions with Kingsoft Corporation and Xiaomi and their associates will be required to be conducted on an arm's length basis as required under Chapter 14A of the Listing Rules, any sustainable business expansion resulting from partnership with any of them will be driven by mutual commercial benefits, and in turn, core competence and competitive advantages of our Group in terms of product and service offerings instead of the shareholding relationship. Such core competence and competitive advantages will be similarly applicable in cultivating our relationship with independent third party customers and will allow our Group to expand its coverage in a holistic manner. Our Directors are, therefore, of the view that any business cooperation and partnership with Kingsoft Corporation and Xiaomi will not lead to any material operational reliance on them.

Based on the above, our Directors believe that we are able to operate independently of Kingsoft Corporation.

Financial Independence

Our Group has an independent financial reporting system and makes financial decisions according to our Group's own business needs. We have internal control and accounting systems and an independent finance department for discharging the treasury function. We have opened accounts with banks independently and do not share any bank account with Kingsoft Corporation, and we have made tax filings and paid tax independently of Kingsoft Corporation pursuant to applicable laws or regulations. We have adequate internal resources to support our daily operation. More importantly, we have been and are capable of obtaining equity and debt financing from third parties.

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During the Track Record Period, our Group had certain amounts due to related parties including a subsidiary of Kingsoft Corporation. As at June 30, 2021, our Group had cash, cash equivalents and restricted cash of RMB2,954.6 million. On October 13, 2021, in order to further strengthen our liquidity position and diversify our resources to fund our increasing capital expenditures to meet the expected growth of our business, we entered into an entrusted loan agreement with Chengdu Kingsoft Digital Entertainment Technology Co., Ltd.* (成都金山數字娛樂科技有限公司) (“**Chengdu Kingsoft Digital**”), a controlled entity of Kingsoft Corporation and Bank of East Asia (China) Co., Ltd. Beijing Branch (“**BEA China**”), pursuant to which Chengdu Kingsoft Digital agreed to provide a facility of RMB500 million to us to facilitate our daily operational cash flow (the “**Shareholder Loan**”), with BEA China acting as the trustee to the Shareholder Loan. Please refer to “Financial Information – Capital Expenditures” for details relating to our Group’s capital expenditure. The maturity date of the facility is one year from the date of agreement and the interest rate of the Shareholder Loan is determined as the loan prime rate (LPR) for a one-year RMB benchmark loan, which was published on July 20, 2021, plus 0.8%. Our Directors are of the view that the Shareholder Loan was negotiated on an arm’s length basis, concluded on normal commercial terms with no security over any of our assets, and allow us to strengthen our liquidity position at competitive costs. The Shareholder Loan of RMB500 million was fully repaid in November 2022.

As of June 30, 2022, our total amount due to Kingsoft Group was RMB542.6 million (US\$81.0 million). For further details, please refer to “Financial Information – Discussion of Selected Items from the Consolidated Balance Sheets – Related Party Transactions – Amounts due to related parties.” Notwithstanding the financial assistance received from Kingsoft Group, our Directors believe that we are financially independent from Kingsoft Corporation on the basis that we have a strong financial position and have sufficient funds to operate our business independently, considering that (i) our cash and cash equivalents amounted to RMB2,732.3 million (US\$407.9 million) as of June 30, 2022, (ii) our short-term investments amounted to RMB2,619.7 million (US\$391.1 million) as of June 30, 2022, which consisted of cash deposits at fixed rates with original maturities within 12 months and provided us with sufficient liquidity and financial security; and (iii) our total bank loan facility from independent third party banks amounted to RMB1,571.0 million (US\$234.5 million) as of June 30, 2022 while our total unutilized portion amounted to approximately RMB304.7 million (US\$45.5 million), all of which were obtained in the form of unsecured loans with no guarantees provided by Kingsoft Corporation and were not restricted for any specific purposes by the relevant independent third party banks. Considering (i) the total amount due to Kingsoft Group represented no more than 25% of our total cash and cash equivalent and short-term investments as of June 30, 2022; (ii) we have unutilized bank loan facility of RMB304.7 million (US\$45.5 million) from independent third party banks as of June 30, 2022; and (iii) our improving performances on operating cash flow positions as of June 30, 2022, our Directors were of the view that, notwithstanding the recorded net operating cash outflow during the Track Record Period, we have sufficient working capital for our present requirements and for the next 12 months from the date of this listing document, and that our business will be sustainable without any financial support from Kingsoft Corporation and Xiaomi Group. For further details, please refer to the section headed “Financial Information – Liquidity and Capital Resources – Working Capital”.

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Save as disclosed above in this listing document, there will be no outstanding financial guarantee/assistance provided by Kingsoft Corporation to our Group and vice versa upon the Listing, nor do we have any share pledges or guarantees provided by Kingsoft Corporation and its respective close associates on our borrowings.

Based on the above, our Directors are of the view that they, as well as the senior management of our Company, are capable of carrying on our business independently of, and will not place undue reliance on, Kingsoft Corporation after the Listing.

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders' interest. We will adopt the following measures to safeguard good corporate governance standards and to avoid potential conflicts of interest between our Group and Kingsoft Corporation:

- (a) where a transaction or arrangement of the Company is subject to Shareholders' approval under the Listing Rules, if Kingsoft Corporation has a material interest in the transaction or arrangement, Kingsoft Corporation shall abstain from voting on the resolutions approving the transaction or arrangement at the general meeting, and any votes cast by or on behalf of Kingsoft Corporation in contravention of such requirement shall not be counted in the quorum in the voting;

our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with Kingsoft Corporation or any of its associates, our Company will comply with the applicable Listing Rules;

- (b) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interest between our Group and Kingsoft Corporation (the "**Annual Review**") and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (c) Kingsoft Corporation will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;
- (d) our Company will disclose decisions (with basis) on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements;

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- (e) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expense; and
- (f) we have appointed Guotai Junan Capital Limited as our compliance adviser to provide advice and guidance in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Conflicts Panel

In addition to the above measures to avoid potential conflicts of interests between our Group and Kingsoft Corporation, upon occurrence of actual or potential conflict of interest, the Company also plans to establish upon the Listing a conflicts panel (the “**Conflicts Panel**”) to (i) specifically assist the non-conflicted Directors considering and voting on any matters (the “**Conflicted Matters**”) where there is actual or potential conflict of interest arising out of the transactions to be entered into between the Group and either Kingsoft Group, Xiaomi and any of the Directors or their respective close associates, and (ii) to enhance management independence and resolve perceived and/or actual conflicts between Kingsoft Group/Xiaomi and the Group. The Conflicts Panel will consist of members of the Company's senior management with no overlapping roles and duties with Kingsoft Group or Xiaomi. The remaining members of the Conflicts Panel may include senior representative from the Company's legal department. The members of the Conflicts Panel and the chair of the Conflicts Panel shall be appointed by the Board on the recommendation of the committee(s) of the Board, taking into account the nature of the matters to be considered. The Board may remove any member from the Panel at any time with or without cause.

The objectives of the Conflicts Panel are to:

- (a) if requested by any Directors, provide advice and views as to whether any matter being considered and put to vote by the Board shall be regarded as a Conflicted Matter; if so, provide advice and views, with basis, to the non-conflicted Directors who will vote (the “**Voting Directors**”) as to whether the transactions underlying the Conflicted Matters are in the interests of the Company and its shareholders as a whole (the “**Executive Views**”); and
- (b) with respect to any Conflicted Matter approved by the Board, subject to the abstention mechanism of the Board, monitor any material irregular business activities that may result from the carrying out of the relevant transactions underlying the Conflicted Matters.

In discharging the above duties, the Conflicts Panel shall have the right of access to relevant information and people, to the extent permitted by law or regulation and to independent external advisors engaged at the expense of the Company, which may include legal counsel, auditors, or property or business valuers on an as-needed basis.

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The following set forth the general operating protocols of the Conflicts Panel:

- (a) the Conflicts Panel shall review the matters that any of the Directors refers to the Panel to confirm whether there exists any perceived and/or actual conflict of interest, in particular between Kingsoft Group/Xiaomi and the Group, in respect of such matter;
- (b) the chair of the Conflicts Panel shall coordinate with the members thereof to review the underlying information pertaining the matters put forth and request the relevant departments to provide supplemental information where necessary;
- (c) the chair of the Conflicts Panel shall convene meetings or initiate discussions among members of the Conflicts Panel as necessary to decide whether the matter being put forth shall be considered by as a Conflicted Matter and prepare the aforesaid Executive Views to the Voting Directors if a Conflicted Matter was raised; and
- (d) in respect of each Conflicted Matter, provide the Executive Views together with substantiating reasons to the Voting Directors as soon as practicable before the relevant resolution in respect of the Conflicted Matter is being put to vote.

The Conflicts Panel shall review and reassess the adequacy of its charter annually and recommend any proposed changes to the Board for approval. The Conflicts Panel shall annually review its own performance, working in conjunction with the Nomination Committee and the Board.

Conflict of Interest Management Policy

The Company will also adopt a “conflict of interest management policy” to manage and monitor any potential conflicts of interest at the managerial level upon the Listing. The legal department of the Group is responsible for coordinating and monitoring the daily management of conflicts of interest. In particular, the legal department will review, approve and confirm the conflict of interest declaration of members of the senior management team of the Company. Where necessary, the legal department will investigate and determine whether there exist any material conflicts of interest, and where necessary, propose remedial measures to ensure management independence. The results of such review will be reported to the Conflicts Panel for consideration and approval, where necessary. Further, the Nomination Committee will, from time to time, review the effectiveness of the Conflicts Panel, and the independence of the Directors in terms of the performance of their duties to ensure effective management of actual and/or potential conflict of interest. The Nomination Committee is entitled to seek independent professional advice from external counsels or consultant in appropriate circumstances at the Company’s expense.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage potential conflicts of interest between our Group and Kingsoft Corporation, and to protect minority Shareholders’ interests after the Listing.

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UNDERTAKINGS BY THE CONTROLLING SHAREHOLDERS TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Pursuant to Rule 10.07 of the Listing Rules, Kingsoft Corporation has undertaken to the Stock Exchange and the Company that, it will not and will procure that the relevant registered holder(s) will not without the prior written consent of the Stock Exchange or unless otherwise in compliance with the applicable requirement of the Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of its shareholdings in the Company is made in this listing document and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), either directly or indirectly, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the securities of the Company in respect of which it is shown by this document to be the beneficial owner; and
- (b) in the period of six months from the expiry of the First Six-Month Period, either directly or indirectly, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder of the Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, Kingsoft Corporation has undertaken to the Stock Exchange and the Company that, within the period commencing on the date by reference to which disclosure of its shareholding in the Company is made in this listing document and ending on the date which is 12 months from the Listing Date, it will and will procure that the relevant registered holder(s) will:

- (i). when it pledges or charges any securities of the Company beneficially owned by it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a *bona fide* commercial loan pursuant to Note 2 to Rule 10.07 of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of securities so pledged or charged; and
- (ii). when it receives indications, either verbal or written, from the pledgee or chargee of any securities of the Company that any of the pledged or charged securities will be disposed of, immediately inform the Company of such indications.

The Company will inform the Stock Exchange as soon as it has been informed of the matters referred to in paragraphs (i) and (ii) above by Kingsoft Corporation and subject to the then applicable requirements of the Listing Rules disclose such matters by way of an announcement.