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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 TRANSFER OF EQUITY INTEREST IN KINGSOFT JAPAN**

The Board announces that the Company entered into the Equity Transfer Agreement with Cheetah, a wholly-owned subsidiary of KIS, on 18 March 2014, pursuant to which the Company agreed to sell and Cheetah agreed to purchase the Kingsoft Japan Shares in consideration of JPY614,040,000 (equivalent to approximately HK\$46,482,967). Upon completion of the Transaction, KIS, through Cheetah, will hold 20% equity interests in Kingsoft Japan.

Cheetah is a connected subsidiary of the Company by virtue of Rule 14A.11 (5) of the Listing Rules. As such, the entering into the Equity Transfer Agreement between the Company and Cheetah constitutes a connected transaction of the Company under the Listing Rules. As the highest relevant applicable percentage ratio (as defined in the Listing Rules) in respect of the Transaction exceeds 0.1% but is less than 5%, the Transaction is subject to reporting, annual review and announcement requirements, but exempted from the independent shareholders' approval requirement.

### **1 INTRODUCTION**

The Board announces that the Company entered into the Equity Transfer Agreement with Cheetah, a wholly-owned subsidiary of KIS, on 18 March 2014, pursuant to which the Company agreed to sell and Cheetah agreed to purchase the Kingsoft Japan Shares in consideration of JPY614,040,000 (equivalent to approximately HK\$46,482,967). Upon completion of the Transaction, the Company will continue to hold 51% of the equity interests of Kingsoft Japan directly and indirectly. Among others, 20% of the equity interests of Kingsoft Japan will be held by KIS, through Cheetah. Further, as Cheetah shall, pursuant to the Equity Transfer Agreement, vest its entire voting power at any general meeting of Kingsoft Japan to the Company for an indefinite term such that the Company may exercise such voting power in its absolute discretion, the Company will continue to control the exercise of an aggregate of 51% voting power in Kingsoft Japan. Kingsoft Japan will continue to be a subsidiary of the Company upon completion of the Transaction.

## 2 THE PRINCIPAL TERMS OF THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are summarized as follows:

Date	18 March 2014
Parties	the Company (as vendor)  Cheetah (as purchaser)
Subject of the Transaction	The subject of the Transaction is the 7,224 issued ordinary shares of Kingsoft Japan directly held by the Company at the date of this announcement, representing 20% of the total issued share capital of Kingsoft Japan as at the date of the announcement.
Consideration	<p>The consideration for the Transaction is JPY614,040,000 (equivalent to approximately HK\$46,482,967), which is determined after arm's length negotiation between the Company and Cheetah with reference to (i) the business expansion ability of Kingsoft Japan; and (ii) the development potential of the Japanese market.</p> <p>Cheetah will pay in US dollars in a lump sum to the bank account designated by the Company before 28 March 2014. Such consideration is converted based on the selling rate for Japanese yen to US dollars as announced by Industrial and Commercial Bank of China (Asia) Limited on the payment date.</p>
Other terms	<p>Upon completion of the Transaction, Cheetah shall not in any way transfer, charge, mortgage, encumber or create any interest over or in relation to the Kingsoft Japan Shares in favor of any third party without the prior written consent of the Company.</p> <p>Cheetah shall vest its entire voting power at any general meeting of Kingsoft Japan to the Company for an indefinite term such that the Company may exercise such voting power in its absolute discretion, until such term is otherwise terminated by both parties in writing.</p> <p>Notwithstanding the aforementioned terms, Cheetah is entitled to attend any general meeting and receive any dividend as a shareholder of Kingsoft Japan.</p>

### 3 INFORMATION ABOUT KINGSOFT JAPAN

Kingsoft Japan, a non-wholly-owned subsidiary of the Company, together with other members of Kingsoft Japan Group, is principally engaged in the distribution and operation of office application software, security software, application for Android mobile or iPhone and other business solutions in the Japanese market. As at the date of the announcement, the Company, directly and indirectly, holds 51% equity interests in Kingsoft Japan, respectively. The remaining 49% equity interests in Kingsoft Japan were held by other independent third parties.

In accordance with the International Accounting Standards, the net profits/(loss) (before and after taxation and extraordinary items) of Kingsoft Japan for the two financial years ended 31 December 2013 are set out as follows:

	<b>Year ended 31 December 2013 (RMB)</b>	<b>Year ended 31 December 2012 (RMB)</b>
Net profits/(loss) before taxation and extraordinary items	approximately 8.34 million	approximately (10.68) million
Net profits/(loss) after taxation and extraordinary items	approximately 5.58 million	approximately (12.30) million

As stated in the financial statements of Kingsoft Japan as at 31 December 2013, the book net asset value of Kingsoft Japan was approximately RMB23.64 million.

Immediately following the completion of the Transaction, Kingsoft Japan will be held as to 51%, directly and indirectly, by the Company (including 20 % directly by Cheetah) and the remaining 49% by other independent third parties. Kingsoft Japan will remain a subsidiary of the Company upon completion of the Transaction.

### 4 REASONS FOR AND BENEFITS OF THE TRANSACTION

Cheetah is a wholly-owned subsidiary of KIS. KIS Group is mainly engaged in the research, development and operation of information security software, internet browser, mission critical mobile applications, and the provision of online advertising services and internet value-added services across devices. Kingsoft Japan Group is principally engaged in the distribution and operation of office application software, security software, application for Android mobile or iPhone and other business solutions in the Japanese market. Upon completion of the Equity Transfer Agreement, KIS, through Cheetah, will become a shareholder of Kingsoft Japan, which will expect to strengthen the comprehensive strategic business cooperation between KIS Group and Kingsoft Japan Group and expand the promotion channel of the products of KIS Group in Japan. Taking the above into account, the Directors are of the view that the Transaction is expected to bring about the synergy within the Group, which will increase the shareholder value of both KIS Group and Kingsoft Japan Group. In return, the Company will enjoy such benefits as the parent company of KIS Group and Kingsoft Japan Group.

According to the International Accounting Standards 27 (Revised), a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, the Group will not record a gain or loss arising from the Transaction.

Proceeds from the Transaction will be utilized by the Company for general working capital or the other purposes as approved by the Board.

The Directors, including the independent non-executive Directors, consider that the terms of the Transaction under the Equity Transfer Agreement are entered into on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **5 IMPLICATIONS UNDER THE LISTING RULES**

TCH, a subsidiary of Tencent Holdings Limited, who is the substantial shareholder of the Company, controls the exercise of more than 10% voting power in KIS. Cheetah is a wholly-owned subsidiary of KIS. Therefore, Cheetah is a connected subsidiary of the Company by virtue of Rule 14A.11 (5) of the Listing Rules. As such, the entering into the Equity Transfer Agreement between the Company and Cheetah constitutes a connected transaction of the Company under the Listing Rules.

As the highest relevant applicable percentage ratio (as defined in the Listing Rules) in respect of the Transaction exceeds 0.1% but is less than 5%, the Transaction is subject to reporting, annual review and announcement requirements, but exempted from the independent shareholders' approval requirement.

Given that Mr. Lau Chi Ping is the director of Tencent Holdings Limited, he has, therefore, abstained from voting in respect of the relevant Board resolution approving the Equity Transfer Agreement. Save as stated above, none of the Directors has a material interest in the Transaction nor has any of them abstained from voting in respect of the relevant Board resolution.

## **6 INFORMATION ABOUT THE PARTIES**

The Group is a leading internet based software developer, distributor and service provider and principally engaged in research, development and distribution of a wide range of innovative entertainment, internet security and application software in the PRC and the Asia region.

Cheetah, a non-wholly-owned subsidiary of the Company, is mainly engaged in operation of information security software, internet browser, mission critical mobile applications, and the provision of online advertising services and internet value-added services across devices.

## 7 DEFINITIONS

“Board”	the board of directors of the Company
“BVI”	British Virgin Islands
“Cayman”	Cayman Islands
“Cheetah”	Cheetah Technology Corporation Limited, a company incorporated under the laws of Hong Kong and a non-wholly-owned subsidiary of the Company
“Company”	Kingsoft Corporation Limited, an exempted limited liability company incorporated in the BVI on 20 March 1998 and discontinued in the BVI and continued into the Cayman on 15 November 2005, with its shares listed on the Stock Exchange (stock code: 03888)
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement entered into between Cheetah and the Company dated 18 March 2014, pursuant to which the Company agreed to sell and Cheetah agreed to purchase the Kingsoft Japan Shares in consideration of JPY614,040,000 (equivalent to approximately HK\$46,482,967)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“JPY”	the Japanese yen, the lawful currency of Japan
“Kingsoft Japan”	Kingsoft Japan Inc., a company incorporated in Japan and a non-wholly-owned subsidiary of the Company
“Kingsoft Japan Group”	Kingsoft Japan and its subsidiaries
“Kingsoft Japan Shares”	7,224 ordinary shares of Kingsoft Japan directly held by the Company, representing 20% of the total issued share capital of Kingsoft Japan as at the date of the announcement
“KIS”	Kingsoft Internet Software Holdings Limited, a company incorporated under the laws of the Cayman and a non-wholly-owned subsidiary of the Company

“KIS Group”	KIS and its subsidiaries (including Cheetah)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC” or “China”	the People’s Republic of China, which, for the purpose of this announcement only, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“TCH”	TCH Copper Limited, a subsidiary of Tencent Holdings Limited, who is the substantial shareholder of the Company
“Transaction”	the transfer of the Kingsoft Japan Shares under the Equity Transfer Agreement
%	percent

By order of the Board  
**Kingsoft Corporation Limited**  
**Jun LEI**  
*Chairman of the Board*

Hong Kong, 18 March 2014

*As at the date of this announcement, the executive Directors are Messrs. HongJiang ZHANG, Yuk Keung NG and Tao ZOU; the non-executive Directors are Messrs. Jun LEI, Pak Kwan KAU and Chi Ping LAU; the independent non-executive Directors are Messrs. Guangming George LU, David Yuen Kwan TANG, and Ms. Wenjie WU.*

*For the purpose of this announcement, unless otherwise indicated, the exchange rate at HK\$1.00 = JPY13.21 has been used, where applicable, for the purpose of illustration only and not constitute a representation that any amount have been, could have been or may be exchanged.*