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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 — SUBSCRIPTION OF SHARES OF CHEETAH MOBILE INC.**

This announcement is made by the Company pursuant to Rule 14A.32 of the Listing Rules.

Reference is made to the Company's announcement dated 28 January 2014 and 3 April 2014 in respect of the Proposed Spin-off.

The Company, Baidu and Xiaomi Ventures entered into the Subscription Agreement with CMI on April 25, 2014. The Subscription Agreement provides for the following:

- (i) the Company will, concurrent with the initial public offering of CMI, subscribe for such number of CMI Shares at the initial public offering price subject to a maximum consideration of US\$10,000,000;
- (ii) Baidu will, concurrent with the initial public offering of CMI, subscribe for such number of CMI Shares at the initial public offering price subject to a maximum consideration of US\$20,000,000; and
- (iii) Xiaomi Ventures will, concurrent with the initial public offering of CMI, subscribe for such number of CMI Shares at the initial public offering price subject to a maximum consideration of US\$20,000,000.

The terms of the Subscription Agreement were determined after arm's length negotiations among the parties.

The obligations of the Purchasers are several and each Purchaser's obligation to subscribe for CMI Shares is not conditional upon the other Purchasers subscribing their CMI Shares. The initial public offering price of the CMI Shares will be determined by CMI and the underwriters to the Offering in due course (shortly before the date of the initial public offering).

TCH, a subsidiary of Tencent Holdings Limited (who is a substantial shareholder of the Company), controls more than 10% of the voting rights of CMI. Accordingly, CMI is a connected subsidiary of the Company by virtue of Rule 14A.11(5) of the Listing Rules. The issue and sale by CMI of CMI Shares to the Company is therefore a connected transaction. The subscription by the Company of CMI Shares pursuant to the Subscription Agreement is on normal commercial terms. The Company has calculated the relevant percentage ratios based on the maximum aggregate consideration payable by the Company under the Subscription Agreement and each such ratio is less than 5%.

Xiaomi Ventures is a subsidiary of Xiaomi. Xiaomi is an associate of Mr. Jun LEI, a Director and a substantial shareholder of the Company. As such, Xiaomi Ventures is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. The issue and sale by CMI of CMI Shares to Xiaomi Ventures is therefore a connected transaction. The subscription by Xiaomi Ventures of CMI Shares pursuant to the Subscription Agreement is on normal commercial terms. The Company has calculated the relevant percentage ratios based on the maximum aggregate consideration payable by Xiaomi Ventures under the Subscription Agreement and each such ratio is less than 5%.

As each of the applicable ratios is less than 5%, under Rule 14A.32 of the Listing Rules, the Company is subject to the reporting and announcement requirements and is not required to obtain shareholders' approval for the Subscription Agreement.

This announcement is made by the Company pursuant to Rule 14A.32 of the Listing Rules.

Reference is made to the Company's announcement dated 28 January 2014 and 3 April 2014 in respect of the Proposed Spin-off.

## **PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT**

The Company, Baidu and Xiaomi Ventures entered into the Subscription Agreement with CMI on April 25, 2014. The Subscription Agreement provides for the following:

- (i) the Company will, concurrent with the initial public offering of CMI, subscribe for such number of CMI shares at the initial public offering price subject to a maximum consideration of US\$10,000,000;

- (ii) Baidu will, concurrent with the initial public offering of CMI, subscribe for such number of CMI Shares at the initial public offering price subject to a maximum consideration of US\$20,000,000; and
- (iii) Xiaomi Ventures will, concurrent with the initial public offering of CMI, subscribe for such number of shares in CMI at the initial public offering price subject to a maximum consideration of US\$20,000,000.

The terms of the Subscription Agreement were determined after arm's length negotiations among the parties.

The obligations of the Purchasers are several and each Purchaser's obligation to subscribe for CMI Shares is not conditional upon the other Purchasers subscribing their CMI Shares. The initial public offering price of the CMI Shares will be determined by CMI and the underwriters to the Offering in due course (shortly before the date of the initial public offering).

## **REASONS AND BENEFITS OF THE TRANSACTION**

As at the date of this announcement, the Company owns approximately 54.1% of the total issued share capital of CMI. The Company's shareholding in CMI is expected to be reduced due to (i) dilution caused by the issue and sale of CMI Shares by CMI in the Offering and (ii) the distribution in specie to be conducted by the Company to its eligible shareholders as required by PN15. The Directors consider the entry into of the Subscription Agreement is beneficial to the Company for the following reasons:

- the Company will be able to replenish its shareholding in CMI through the subscription of CMI Shares pursuant to the Subscription Agreement; and
- CMI, a subsidiary of the Company, will benefit from a more diversified shareholder base.

## **INFORMATION ON THE GROUP AND THE SPIN-OFF GROUP**

The Group is a leading internet-based software developer, distributor and service provider in China, based on market share. It leverages its comprehensive software development platform to offer a wide range of innovative entertainment, internet security and application software. The Company currently reports its revenue under three operating segments, namely, entertainment software segment, information security software segment and other application software segment. The Spin-off Group currently accounts for all the revenue under the information security software segment of the Company, except that the revenue from such segment also includes revenue of Kingsoft Japan Inc., a subsidiary of the Company.

CMI is principally 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, in each case in any country other than Japan. It offers mission critical applications which optimize internet and mobile system performance and provide real time protection against known and unknown security threats, and provides its business partners with multiple user traffic entry points and global content distribution channels.

## **DIRECTORS' CONFIRMATION**

The Directors (including the independent non-executive Directors) are of the view that the connected transactions under the Subscription Agreement are on normal commercial terms which are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

Given that Xiaomi is an associate of Mr. Jun LEI and Mr. Lau Chi Ping is the director of Tencent Holdings Limited, Mr. Jun LEI and Mr. Lau Chi Ping have abstained from voting on the Board resolution approving the Subscription Agreement. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Subscription Agreement and none of them has abstained from voting on the relevant Board resolution.

## **INFORMATION ABOUT THE PARTIES**

Xiaomi Ventures is a wholly-owned subsidiary of Xiaomi and is mainly engaged in the investment holding business.

Baidu is a wholly-owned subsidiary of Baidu, Inc., the leading Chinese language Internet search provider listed on the NASDAQ Global Selected Market. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Baidu and the ultimate beneficial owner of Baidu are Independent Third Parties of the Company and its connected persons.

## **IMPLICATIONS UNDER THE LISTINGS RULES**

TCH, a subsidiary of Tencent Holdings Limited (who is a substantial shareholder of the Company), controls more than 10% of the voting rights of CMI. Accordingly, CMI is a connected subsidiary of the Company by virtue of Rule 14A.11(5) of the Listing Rules. The issue and sale by CMI of CMI Shares to the Company is therefore a connected transaction. The subscription by the Company of CMI Shares pursuant to the Subscription Agreement is on normal commercial terms. The Company has calculated the relevant percentage ratios based on the maximum aggregate consideration payable by the Company under the Subscription Agreement and each such ratio is less than 5%.

Xiaomi Ventures is a subsidiary of Xiaomi. Xiaomi is an associate of Mr. Jun LEI, a Director and a substantial shareholder of the Company. As such, Xiaomi Ventures is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. The issue and sale by CMI of CMI Shares to Xiaomi Ventures is therefore a connected transaction. The subscription by Xiaomi Ventures of CMI Shares pursuant to the Subscription Agreement is on normal commercial terms. The Company has calculated the relevant percentage ratios based on the maximum aggregate consideration payable by Xiaomi Ventures under the Subscription Agreement and each such ratio is less than 5%.

As each of the applicable ratios is less than 5%, under Rule 14A.32 of the Listing Rules, the Company is subject to the reporting and announcement requirements and is not required to obtain shareholders' approval for the Subscription Agreement.

## GENERAL

**Shareholders should note that the Company may or may not proceed with the Proposed Spin-off. The Board wishes to emphasise that the Proposed Spin-off is conditional upon the satisfaction of certain conditions including, without limitation, the conditions of the equity markets, the declaration of effectiveness of the Registration Statement by the SEC, the approval of NYSE, and other relevant United States regulatory procedures. Shareholders and potential investors in the Company should therefore exercise caution when dealing in or investing in the securities of the Company. Further announcement(s) will be made as and when appropriate in respect of any material developments relating to the Proposed Spin-off and the Offering.**

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“ADS(s)”	American depositary shares to be issued pursuant to a deposit agreement between CMI and a depository, each representing 10 shares in CMI, which are expected to be listed on NYSE
“Baidu”	Baidu Holdings Limited, an Independent Third Party
“Board”	the board of Directors of the Company
“BVI”	the British Virgin Islands
“Cayman”	the Cayman Islands
“CMI”	Cheetah Mobile Inc., formerly known as Kingsoft Internet Software Holdings Limited, an exempted limited liability company incorporated in the Cayman Islands

“CMI Share(s)”	Class A ordinary shares of par value US\$0.000025 each in the capital of CMI
“Company”	Kingsoft Corporation Limited, an exempted limited liability company incorporated in the British Virgin Islands and registered in the Cayman Islands as an exempted limited liability company, the securities of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Distribution ADS(s)”	the ADSs to be distributed to qualifying Shareholders pursuant to the Distribution in specie
“Distribution in specie”	the proposed special dividend of the Company, to be satisfied by the distribution in specie of ADSs to qualifying Shareholders of the Company
“Group”	the Company and the subsidiaries of the Company from time to time that do not form part of the Spin-off Group
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a party that is not a connected person or an associate of a connected person
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“NYSE”	The New York Stock Exchange
“Offering”	the proposed initial public offering of ADSs in connection with the Proposed Spin-Off
“PN15”	Practice Note 15 of the Listing Rules
“Proposed Spin-off”	the proposed spin-off listing of the Group’s information security software business on NYSE involving the Offering and the proposed separate listing of the ADSs on NYSE
“Purchaser(s)”	the Company, Baidu and Xiaomi Ventures
“SEC”	The Securities and Exchange Commission of the United States of America

“Share(s)”	ordinary share(s) of US\$0.0005 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Spin-off Group”	CMI and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the Subscription Agreement dated April 25, 2014 entered into by and among CMI, the Company, Baidu and Xiaomi Ventures pursuant to which the Company, Baidu and Xiaomi Ventures will, concurrent with the initial public offering of CMI, subscribe for such number of CMI Shares at the initial public offering price subject to a maximum consideration of US\$10,000,000, US\$20,000,000 and US\$20,000,000, respectively
“subsidiary”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“US\$”	United States dollars, the lawful currency of the United States of America
“Xiaomi”	Xiaomi Corporation, a limited liability company organized under the laws of the Cayman
“Xiaomi Ventures”	Xiaomi Ventures Limited, a limited liability company organized under the laws of the BVI and a wholly-owned subsidiary of Xiaomi as at the date of this announcement
“%”	per cent

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

Hong Kong, 28 April 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.*