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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 TRANSACTIONS

INTELLECTUAL PROPERTY TRANSFER AND LICENSE FRAMEWORK AGREEMENT WITH CHEETAH

On 1 April 2014, the Company entered into the Intellectual Property Transfer and License Framework Agreement with Cheetah, pursuant to which (i) the Group (excluding Cheetah Group) agreed to transfer the Transferable Trademarks, and grant the right to use the Exclusive Licensed Trademarks and the Non-exclusive Licensed Trademarks to Cheetah Group for an aggregate consideration of RMB10.90 million (tax inclusive); (ii) the Group (excluding Cheetah Group) agreed to transfer the Software Copyrights and Transferable Patents, and grant the right to use the Licensed Patents to Cheetah Group for an aggregate consideration of approximately RMB2.68 million (tax inclusive); and (iii) upon completion of the transfer of the Transferable Trademarks and Transferable Patents, Cheetah Group agreed to grant the right to use the Transferable Trademarks to the Group (excluding Cheetah Group) for a consideration of approximately RMB0.27 million (tax inclusive) and grant the technology license to the Transferable Patents to the Group (excluding Cheetah Group) for a consideration of approximately RMB0.13 million (tax inclusive).

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 Intellectual Property Transfer and License Framework Agreement between the Company and Cheetah and the transactions contemplated thereunder constitute connected transactions of the Company under the Listing Rules.

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

1 INTRODUCTION

Reference is made to the announcement of the Company dated 28 June 2013 in relation to the continuing connected transactions announced pursuant to Rule 14A.41 of the Listing Rules.

On 14 January 2011, three members of Cheetah Group (namely Beijing Kingsoft Internet Security Software Co., Ltd., Conew Network Technology (Beijing) Co., Ltd., and Zhuhai Juntian Electronic Technology Co., Ltd.) entered into the Original Licensing Agreement with three members of the Group (namely Beijing Kingsoft Digital Entertainment Technology Co., Ltd., Beijing Kingsoft Software Co., Ltd., and Zhuhai Kingsoft Software Co., Ltd.). Pursuant to the Original Licensing Agreement, the transaction parties of the Group granted the transaction parties of Cheetah Group the right to use certain software products globally (except in Japan) in consideration of payment of licensing fees. On 14 February 2011 and 3 December 2012, the parties entered into the two supplemental agreements to amend, among other things, the scope of licensing provisions. The term of the Original Licensing Agreement will expire on 30 September 2015.

Taking into account the business development needs of Cheetah Group, the Company and Cheetah proposed to expand the scope of licensed intellectual properties and to include other members of the Group (excluding Cheetah Group) and other members of Cheetah Group as licensors and licensees of the intellectual properties, respectively. Further, the Group proposed to transfer Cheetah Group certain intellectual properties, which are solely in relation to the business operation of Cheetah Group; and Cheetah Group agreed to grant the non-exclusive right to the Group to use the abovementioned intellectual properties transferred to Cheetah Group upon completion of the relevant transfer.

On 1 April 2014, the Company entered into the Intellectual Property Transfer and License Framework Agreement with Cheetah, pursuant to which (i) the Group (excluding Cheetah Group) agreed to transfer the Transferable Trademarks, and grant the right to use the Exclusive Licensed Trademarks and the Non-exclusive Licensed Trademarks to Cheetah Group for an aggregate consideration of RMB10.90 million (tax inclusive); (ii) the Group (excluding Cheetah Group) agreed to transfer the Software Copyrights and Transferable Patents, and grant the right to use the Licensed Patents to Cheetah Group for an aggregate consideration of approximately RMB2.68 million (tax inclusive); and (iii) upon completion of the transfer of the Transferable Trademarks and Transferable Patents, Cheetah Group agreed to transfer the Transferable Trademarks to the Group (excluding Cheetah Group) for a consideration of approximately RMB0.27 million (tax inclusive) and transfer the Transferable Patents to the Group (excluding Cheetah Group) for a consideration of approximately RMB0.13 million (tax inclusive).

2 THE PRINCIPAL TERMS OF THE INTELLECTUAL PROPERTY TRANSFER AND LICENSE FRAMEWORK AGREEMENT

The Intellectual Property Transfer and License Framework Agreement became effective on 1 April 2014. The principal terms of the Intellectual Property Transfer and License Framework Agreement are summarized as follows:

2.1 Date

1 April 2014

2.2 Parties

the Company
Cheetah

2.3 Intellectual Property Transfer and License by the Group (excluding Cheetah Group)

(i) Trademarks Transfer and License

The Group (excluding Cheetah Group) agreed to transfer the Transferable Trademarks, and grant the right to use the Exclusive Licensed Trademarks and the Non-exclusive Licensed Trademarks to Cheetah Group for an aggregate consideration of RMB10.90 million (tax inclusive).

(a) Transfer of the Transferable Trademarks

The Group (excluding Cheetah Group) will transfer the Transferable Trademarks to Cheetah Group, including the registered trademarks and the trademark applications owned by the Group (excluding Cheetah Group) in the PRC, which are transferable under the relevant PRC laws and regulations and solely in relation to the business operations of Cheetah Group.

The transfer of the registered trademarks will become effective subject to the approval announcement issued by the relevant trademark office in the PRC. During the period from the effective date of this agreement to the effective date of the transfer, the Group (excluding Cheetah Group) agreed to irrevocably grant Cheetah Group the non-exclusive right to use the registered trademarks.

The transfer of the trademark applications will become effective upon the effective date of this agreement.

(b) License of the Exclusive Licensed Trademarks

The Group (excluding Cheetah Group) will grant an exclusive right to Cheetah Group to use the Exclusive Licensed Trademarks, including the registered trademarks and the trademark applications owned by the Group (excluding Cheetah Group) in the PRC, which are non-transferable under the relevant PRC laws and regulations and solely in relation to the business operations of Cheetah Group, for an indefinite term until the expiry of the registered trademarks or the rejection of the trademark applications, where applicable.

Unless otherwise obtaining the prior written consent of Cheetah Group, the Group (excluding Cheetah Group) shall use the Exclusive Licensed Trademarks solely for the purpose of promotion, introduction and display of the Group (excluding Cheetah Group) and Cheetah Group. Notwithstanding the foregoing, the Group (excluding Cheetah Group) is allowed to use or license the Exclusive Licensed Trademarks in respect of the information security area in Japan.

(c) License of the Non-exclusive Licensed Trademarks

The Group (excluding Cheetah Group) will grant a non-exclusive right to Cheetah Group to use the Non-exclusive Licensed Trademarks, including the registered trademarks and the trademark applications owned by the Group (excluding Cheetah Group) in the PRC, which are non-sublicensable and in relation to the business operations of both Cheetah Group and the Group (excluding Cheetah Group), for a term until the expiry of the registered trademarks or the rejection of the trademark applications, where applicable.

Cheetah Group shall use the Non-exclusive Licensed Trademarks only in its business area which is not competing with the business operation of the Group (excluding Cheetah Group), and the products and services involved thereto (including but not limited to information security, computer software, browser, mobile application and online advertisement and added valued services). In addition, the Group (excluding Cheetah Group) shall not use or license the Non-exclusive Licensed Trademarks in the products or services in the information security area other than for the purpose of promotion, introduction and display of the Group (excluding Cheetah Group) and Cheetah Group. Notwithstanding the foregoing, the Group (excluding Cheetah Group) is allowed to use or license the Non-exclusive Licensed Trademarks in respect of the information security area in Japan.

(ii) Technologies Transfer and License

The Group (excluding Cheetah Group) agreed to transfer the Software Copyrights and Transferable Patents, and grant the right to use the Licensed Patents to Cheetah Group for an aggregate consideration of approximately RMB2.68 million (tax inclusive).

(a) Transfer of the Software Copyrights

The Group (excluding Cheetah Group) will transfer the Software Copyrights owned by the Group (excluding Cheetah Group) to Cheetah Group, which are solely in relation to the business operations of Cheetah Group. The transfer of the Software Copyrights will become effective upon the effective date of this agreement.

(b) Transfer of the Transferable Patents

The Group (excluding Cheetah Group) will transfer the Transferable Patents to Cheetah Group, including the registered patents and the patent applications owned by the Group (excluding Cheetah Group) in the world, which are solely in relation to the business operations of Cheetah Group.

The transfer of the Transferable Patents will become effective subject to the relevant approval under the relevant laws and regulations in the applicable jurisdictions. During the period from the effective date of this agreement to the effective date of the transfer, the Group (excluding Cheetah Group) agreed to irrevocably grant Cheetah Group the non-exclusive right to use the Transferable Patents.

(c) License of the Licensed Patents

The Group (excluding Cheetah Group) will grant a non-exclusive right to Cheetah Group to use the Licensed Patents, including the registered patents and the patent applications owned by the Group (excluding Cheetah Group), which are in relation to the business operations of both Cheetah Group and the Group (excluding Cheetah Group), for a term until the expiry of the registered patents or the rejection of the patent registrations, where applicable.

Cheetah Group shall use the Licensed Patents only in its business area which is not competing with the business operation of the Group (excluding Cheetah Group), and the products and services involved thereto (including but not limited to information security, computer software, browser, mobile application and online advertisement and added valued services).

Cheetah Group is allowed to sub-license the Licensed Patents to any third parties provided that such sub-license is not solely for licensing fees. In addition, the Group (excluding Cheetah Group) shall not use or license the Licensed Patents in the products or services in the information security area.

In the event that the Company ceases to be a substantial shareholder of Cheetah, the license of the Exclusive Licensed Trademarks, Non-exclusive Licensed Trademarks and the Licensed Patents under this agreement will automatically lapse. If Cheetah wants to continue to use the aforementioned licenses, the Company shall agree with Cheetah on the consideration and payment term for the continuous use of the

aforementioned licenses by writing upon arm's length negotiation. Upon receipt of such consideration by the Company, Cheetah will continue to have the right to use the aforementioned licenses.

2.4 Intellectual Property License by Cheetah Group upon Completion

(i) Trademarks License

Upon the completion of the transfer of the Transferable Trademarks, Cheetah Group agreed to grant the non-exclusive right to the Group (excluding Cheetah Group) to use the Transferable Trademarks solely for the purpose of promotion, introduction and display of the Group (excluding Cheetah Group) and Cheetah Group for a consideration of approximately RMB0.27 million (tax inclusive) for an indefinite term until such term is otherwise terminated by both parties.

(ii) Technologies License

Upon the completion of the transfer of the Transferable Patents, Cheetah Group agreed to grant the non-exclusive right to the Group (excluding Cheetah Group) to use the Transferable Patents for a consideration of approximately RMB0.13 million (tax inclusive) for an indefinite term until the expiry of the registered patents or the rejection of the patent registrations, where applicable. The Group (excluding Cheetah Group) is allow to use or sub-license the Transferable Patents provided that such sub-license is not solely for licensing fees nor used in the products or technologies in respect of the information securities area.

2.5 Consideration

The total consideration payable by Cheetah to the Company under this agreement is approximately RMB13.58 million, which is determined upon arm's length negotiation between the Company and Cheetah with reference to (i) the remaining protection time on the Target Intellectual Properties; and (ii) the contribution of the Target Intellectual Properties to Cheetah's future income stream. Taking into account the current cash flow of Cheetah Group, such consideration will be funded by its internal resources.

The total consideration payable by the Company to Cheetah under this agreement is approximately RMB0.40 million, which is determined upon arm's length negotiation between the Company and Cheetah with reference to (i) the proportion of the Transferable Trademarks and Transferable Patents in the value of the Target Intellectual Properties; and (ii) the contribution of such Transferable Trademarks and Transferable Patents to the Group. Taking into account the current cash flow of the Group (excluding Cheetah), such consideration will be funded by its internal resources.

2.6 Payment

The total consideration payable by Cheetah to the Company will be paid within ten working days after Cheetah Group's receipt of the relevant invoice issued by the Group (excluding Cheetah Group). Likewise, the total consideration payable by the Company to Cheetah will be paid within ten working days after the Group's (excluding Cheetah Group) receipt of the relevant invoice issued by Cheetah Group.

3 INFORMATION ABOUT THE TARGET INTELLECTUAL PROPERTIES

The Target Intellectual Properties under the Intellectual Property Transfer and License Framework Agreement are all in relation to the operation of the business of Cheetah Group, which consist of (i) the trademarks and trademark registrations mainly in relation to the business of the information security, including but not limited to “金山網絡”, “金山毒霸”; and (ii) the technologies, including the software copyrights, registered patents and patent applications mainly in relation to the business line of Duba, a main business line of Cheetah Group.

4 REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Cheetah Group, as part of the Group, has been using the Target Intellectual Properties, which are material to the business operation of Cheetah Group. Being the controlling shareholder of Cheetah Group, the Company believes that the grant of the right to use the Target Intellectual Properties will meet the business development needs of Cheetah Group, promote its business operation, helps with its long-term business planning for stabilized growth and in return add long-term shareholder value, which brings benefits to the Group.

At the same time, in granting the right to use the Transferable Trademarks and Transferable Patents by Cheetah Group to the Group, the brand value of Cheetah Group would increase when the Group promotes, introduces or demonstrates any information relating to Cheetah Group, and hence add value to Cheetah Group's shareholders, which brings benefits to the Group. In addition, other business areas of the Group could continue to utilize the Transferable Trademarks and Transferable Patents and create synergy with the other intellectual properties owned by the Group.

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

According to International Financial Reporting Standards 10 (revised), the sale and relicense of trademark and intellectual properties between the Group's subsidiaries will be eliminated in full on consolidation. Therefore, there would be no gain or loss arising from the transactions under the Intellectual Property Transfer and License Framework Agreement recorded in the Group's consolidated financial statements.

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 Cheetah. 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 Intellectual Property Transfer and License Framework 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 transactions under the Intellectual Property Transfer and License Framework Agreement exceeds 0.1% but is less than 5%, the Intellectual Property Transfer and License Framework Agreement 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 Intellectual Property Transfer and License Framework Agreement. Save as stated above, none of the Directors has a material interest in the abovementioned 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 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.

7 DEFINITIONS

“Board”	the board of directors of the Company
“BVI”	British Virgin Islands
“Cayman”	Cayman Islands
“Cheetah”	Cheetah Mobile Inc. (formerly known as Kingsoft Internet Software Holdings Limited), a company incorporated under the laws of the Cayman and a non-wholly-owned subsidiary of the Company
“Cheetah Group”	Cheetah and its subsidiaries

“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
“Exclusive Licensed Trademarks”	the registered trademarks and the trademark applications to be granted for exclusive use as described under the Intellectual Property Transfer and License Framework Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Intellectual Property Transfer and License Framework Agreement”	the framework agreement dated 1 April 2014 entered into between the Company and Cheetah, pursuant to which (i) the Group (excluding Cheetah Group) agreed to transfer the Transferable Trademarks, and grant the right to use the Exclusive Licensed Trademarks and the Non-exclusive Licensed Trademarks to Cheetah Group for an aggregate consideration of RMB10.9 million (tax inclusive); (ii) the Group (excluding Cheetah Group) agreed to transfer the Software Copyrights and Transferable Patents, and grant the right to use the Licensed Patents to Cheetah Group for an aggregate consideration of approximately RMB2.68 million (tax inclusive); and (iii) upon completion of the transfer of the Transferable Trademarks and Transferable Patents, Cheetah Group agreed to transfer the Transferable Trademarks to the Group (excluding Cheetah Group) for a consideration of approximately RMB0.27 million (tax inclusive) and transfer the Transferable Patents to the Group (excluding Cheetah Group) for a consideration of approximately RMB0.13 million (tax inclusive).
“Licensed Patents”	the registered patents and the patent applications to be licensed as described under the Intellectual Property Transfer and License Framework Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Non-exclusive Licensed Trademarks”	the registered trademarks and the trademark applications to be granted for non-exclusive use as described under the Intellectual Property Transfer and License Framework Agreement
“Original Licensing Agreement”	the authorization and licensing agreement dated 14 January 2011 entered into by three members of Cheetah Group (namely Beijing Kingsoft Internet Security Software Co., Ltd., Conew Network Technology (Beijing) Co., Ltd., and Zhuhai Juntian Electronic Technology Co., Ltd.) and three members of the Group (namely Beijing Kingsoft Digital Entertainment Technology Co., Ltd., Beijing Kingsoft Software Co., Ltd., and Zhuhai Kingsoft Software Co., Ltd.) (for details, please refer to the announcement of the Company dated 28 June 2013)
“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
“Software Copyrights”	the software copyrights to be transferred as described under the Intellectual Property Transfer and License Framework Agreement
“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
“Target Intellectual Properties”	all the intellectual properties as described under the Intellectual Property Transfer and License Framework Agreement, including Transferable Trademarks, Exclusive Licensed Trademarks, Non-exclusive Licensed Trademarks, Transferable Patents, Software Copyrights and Licensed Patents
“TCH”	TCH Copper Limited, a subsidiary of Tencent Holdings Limited, who is the substantial shareholder of the Company
“Transferable Patents”	the registered patents and the patent applications to be transferred as described under the Intellectual Property Transfer and License Framework Agreement

“Transferable
Trademarks”

the registered trademarks and the trademark applications to be transferred as described under the Intellectual Property Transfer and License Framework Agreement

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percent

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

Hong Kong, 1 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.