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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 — Participation by TCH Copper Limited in the Proposed Initial Public Offering 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 announcements dated 28 January 2014, 3 April 2014, 28 April 2014 and 29 April 2014 in respect of the Proposed Spin-off.

The Company and TCH entered into a letter agreement (the "**Letter Agreement**") on 5 May 2014. TCH confirmed its intention to participate in the initial public offering of American depositary shares by CMI through placing purchase orders up to an amount of US\$20,000,000, by itself or through one of its affiliates, with one or more underwriters in the initial public offering.

TCH is a subsidiary of Tencent Holdings Limited, a substantial shareholder of the Company. Accordingly, TCH is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. The entry into of the Letter Agreement may therefore constitute a connected transaction. The terms of the Letter Agreement are on normal commercial terms. The Company has calculated the relevant percentage ratios 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.

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REASONS AND BENEFITS OF THE TRANSACTION

As at the date of this announcement, TCH owns approximately 18% of the total issued share capital of CMI. TCH’s shareholding in CMI is expected to be reduced due to dilution caused by the issue and sale of CMI Shares by CMI in the Offering. The Directors consider the entry into of the Letter Agreement is beneficial to the Company and CMI, as CMI will benefit from having a stronger relationship with TCH.

INFORMATION ON THE GROUP, THE SPIN-OFF GROUP AND TCH

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.

TCH is a subsidiary of Tencent Holdings Limited. Tencent Holdings Limited, together with its subsidiaries, is one of the leading providers of comprehensive internet services in China. It is principally engaged in the businesses of provision of value-added services, online advertising services and e-commerce transactions services to its users.

DIRECTORS’ CONFIRMATION

The Directors (including the independent non-executive Directors) are of the view that the connected transaction under the Letter Agreement is 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 Mr. Lau Chi Ping is a director of Tencent Holdings Limited, Mr. Lau Chi Ping has abstained from voting on the Board resolution approving the Letter Agreement. Save as disclosed above, none of the Directors has a material interest in the transaction contemplated under the Letter Agreement and none of them has abstained from voting on the relevant Board resolution.

IMPLICATIONS UNDER THE LISTINGS RULES

TCH is a subsidiary of Tencent Holdings Limited, a substantial shareholder of the Company. Accordingly, TCH is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. The entry into of the Letter Agreement may therefore constitute a connected transaction. The terms of the Letter Agreement are on normal commercial terms. The Company has calculated the relevant percentage ratios 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.

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 depositary, each representing 10 shares in CMI, which are expected to be listed on NYSE
“Board”	the board of Directors of the Company
“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
“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
“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
“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
“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
“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, a substantial shareholder of the Company
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

By order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

Hong Kong, 5 May 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.