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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)

THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF CHEETAH MOBILE INC.

This announcement is made by the Company pursuant to Rule 13.09(2)(a) of the Listing Rules, the Inside Information Provisions under Part XIVA of the SFO and PN15 Rules.

The Company announced on 28 January 2014 that it had, on 20 December 2013, submitted a spin-off application to the Stock Exchange pursuant to PN15 in relation to the Proposed Spin-off of CMI. On 28 January 2014, the Stock Exchange confirmed that the Company may proceed with the Proposed Spin-off.

CMI changed its name from Kingsoft Internet Software Holdings Limited to Cheetah Mobile Inc. on 25 March 2014.

On 2 April 2014 (New York Time), CMI made a public filing of the Registration Statement under the United States Securities Act of 1933, as amended, with the SEC in connection with the Offering of the ADSs. A copy of the Registration Statement is available on <http://edgar.sec.gov/>.

Details of the Offering, including the size and price range of the Offering as well as the listing venue of the ADSs, have not yet been finalised as at the date of this announcement. Further announcement(s) will be made by the Company in relation to any material developments with respect to the Proposed Spin-off and the Offering as and when appropriate.

In accordance with the requirements of PN15, the Board proposes to give due regard to the interests of the Shareholders by providing qualifying Shareholders with an assured entitlement of a certain number of Distribution ADSs, each comprising a certain number of shares in CMI, by way of the Distribution in specie (subject to the consummation of the Proposed Spin-off and the satisfaction of applicable closing conditions). A non-qualifying Shareholder will not receive the Distribution ADSs, and subject to such non-qualifying Shareholder holding a minimum number of Shares (such number to be determined in due course by the Company) on the relevant record date, will instead receive cash in lieu of the relevant number of Distribution ADSs to which he would otherwise have been entitled. Details of the terms of the Distribution in specie have not yet been finalised as at the date of this announcement. It is currently expected that a further announcement on the terms of the Offering and the Distribution in specie will be made, and the Form of Election will be dispatched, by the Company on or about 23 April 2014.

As at the date of this announcement, the Company directly holds approximately 54.09% of the issued shares of CMI (on the assumption that all issued preferred shares of CMI are converted into ordinary shares of CMI on a conversion ratio of 1:1). The Company and CMI are currently proposing to adopt a dual-class share capital structure for CMI, with investors in the Offering acquiring a class of ordinary shares that carries one vote per share and the Company and other existing shareholders holding a class of ordinary shares that carries ten votes per share. Through this dual-class share capital structure, the Company will retain control over CMI and will continue to consolidate its financial results following the Offering.

It is expected that as part of the Offering, CMI will issue and sell new shares equal to 15% of its existing share capital to investors, and the shareholding of the Company will be diluted to around 47.0% following such issuance and sale of new shares (assuming that no shares are issued pursuant to the CMI employee share option scheme), representing a 7.1% reduction. As the Company will continue to treat CMI as its subsidiary following the Offering through the dual-class share capital structure, the Company is able to calculate the relevant percentage ratios based on the 7.1% reduction in shareholding interest pursuant to the requirements under Listing Rule 14.30. Based on such calculations, it has determined that the Proposed Spin-off will not constitute a notifiable transaction of the Company under Listing Rule 14.04(7) and will therefore not be subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Company and CMI are expected to enter into a Non-Competition Deed concurrently with the consummation of the Proposed Spin-off, giving certain undertakings in favour of each other to facilitate the Proposed Spin-off.

The listing of the ADSs pursuant to the Proposed Spin-off is subject to, among other things, the Registration Statement being declared effective by the SEC and the approval of NYSE or NASDAQ, as the case may be. Accordingly, Shareholders and potential investors in the Company should be aware that there is no assurance that the Proposed Spin-off will take place or as to when it may take place. If the Proposed Spin-off does not proceed for any reason, the Distribution in specie will not be made. Shareholders and potential investors in the Company should therefore exercise caution when dealing in or investing in the securities of the Company.

This announcement is made by the Company pursuant to Rule 13.09(2)(a) of the Listing Rules, the Inside Information Provisions under Part XIVA of the SFO and PN15 Rules.

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THE PROPOSED SPIN-OFF

On 2 April 2014 (New York Time), CMI made a public filing of the Registration Statement under the United States Securities Act of 1933, as amended, with the SEC in connection with the Offering of the ADSs. A copy of the Registration Statement is available on <http://edgar.sec.gov/>.

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 (the “**Information Security Business**”). 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.

As at the date of this announcement, the Company directly holds approximately 54.09% of the issued shares of CMI (on the assumption that all issued preferred shares of CMI are converted into ordinary shares of CMI on a conversion ratio of 1:1). The Company and CMI are currently proposing to adopt a dual-class share capital structure for CMI, with investors in the Offering acquiring a class of ordinary shares that carries one vote per share and the Company and other existing shareholders holding a class of ordinary shares that carries ten votes per share. Through this dual-class share capital structure, the Company will retain control over CMI and will continue to consolidate its financial results following the Offering.

Details of the Offering, including the size and price range of the Offering as well as the listing venue of the ADSs, have not yet been finalised as at the date of this announcement. It is currently expected that further announcement(s) on the terms of the Offering will be made by the Company on or about 23 April 2014.

ASSURED ENTITLEMENT

In accordance with the requirements of PN15, the Board proposes to give due regard to the interests of the Shareholders by providing qualifying Shareholders with an assured entitlement of a certain number of Distribution ADSs, each comprising a certain number of shares in CMI, by way of the Distribution in specie (subject to the consummation of the Proposed Spin-off and the satisfaction of applicable closing conditions). A non-qualifying Shareholder will not receive the Distribution ADSs, and subject to such non-qualifying Shareholder holding a minimum number of Shares (such number to be determined in due course by the Company) on the relevant record date, will instead receive cash in lieu of the relevant number of Distribution ADSs to which he would otherwise have been entitled.

Details of the terms of the Distribution in specie have not yet been finalised as at the date of this announcement. It is currently expected that a further announcement on the terms of the Offering and the Distribution in specie will be made, and the Form of Election will be dispatched, by the Company on or about 23 April 2014.

Shareholders should note that the Distribution in specie is conditional upon completion of the Proposed Spin-off, which is itself 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 or NASDAQ, as the case may be, and other relevant United States regulatory procedures, the Proposed Spin-off may or may not proceed. If the Proposed Spin-off does not proceed for any reason, the Distribution in specie will not be made.

LISTING RULES IMPLICATIONS

It is expected that as part of the Offering, CMI will issue and sell new shares equal to 15% of its existing share capital to investors, and the shareholding of the Company will be diluted to around 47.0% following such issuance and sale of new shares (assuming that no shares are issued pursuant to the CMI employee share option scheme), representing a 7.1% reduction. As the Company will continue to treat CMI as its subsidiary following the Offering through the dual-class share capital structure, the Company is able to calculate the relevant percentage ratios based on the 7.1% reduction in shareholding interest pursuant to the requirements under Listing Rule 14.30. Based on such calculations, it has determined that the Proposed Spin-off will not constitute a notifiable transaction of the Company under Listing Rule 14.04(7) and will therefore not be subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rule.

NON-COMPETITION DEED

The Company and CMI are expected to enter into a Non-Competition Deed concurrently with the consummation of the Proposed Spin-off, giving certain undertakings in favour of each other to facilitate the Proposed Spin-off. The principal terms of the Non-Competition Deed are as follows:

- i. The Spin-off Group shall not engage in the research and development of online games and mobile games (the “**Games Development Business**”) or the operation of self-developed or third party-developed games through a dedicated games website or platform (the “**Principal Game Operation**”) and will only engage in the operation of third party-developed games as a means to monetize the traffic on a website or platform that is principally used to market a non-game product (the “**Ancillary Game Operation**”).
- ii. The Spin-off Group shall refer all new opportunities relating to the Games Development Business to the Company, except that it may continue to acquire minority interests (i.e., less than 50% interest) in any company which is engaged in the Games Development Business (a “**Subject Company**”). If, following the acquisition of a minority interest in a Subject Company, CMI is able to acquire additional interests in such Subject Company such that it will have an aggregate interest exceeding 50%, CMI shall first offer the right to acquire such additional interests to the Company. If the Directors of the Company (excluding any directors with positions at the Spin-off Group with conflicted interests as required by the Listing Rules) choose not to or otherwise fail to take up such right, the Spin-off Group may do so.
- iii. The Remaining Group shall refer all new opportunities relating to the Information Security Business to CMI. If the directors of CMI choose not to or otherwise fail to take up such opportunity, the Remaining Group may do so.
- iv. The Remaining Group shall use its best efforts to limit the revenue of the Remaining Group from the operation of third party-developed games through its dedicated websites and platforms to less than 5% of its total revenue derived from the operation of self-developed and third party-developed games. If this threshold is exceeded in any financial year, the Company is required to refer to CMI certain new opportunities relating to the operation of third party-developed games in the next financial year.

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 or NASDAQ, as the case may be, and other relevant United States regulatory procedures. If the Proposed Spin-off does not proceed for any reason, the Distribution in specie will not be made. 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 a certain number of shares in CMI, which are expected to be listed on NYSE or NASDAQ
“Board”	the board of Directors of the Company
“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
“CMI”	Cheetah Mobile Inc., formerly known as Kingsoft Internet Software Holdings Limited, an exempted limited liability company incorporated in the Cayman Islands
“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
“Form of Election”	the form of election to be completed by qualifying Shareholders pursuant to which each qualifying Shareholder may elect to receive Distribution ADSs or cash in lieu of all the Distribution ADSs to which they are entitled
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rule(s)”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“NASDAQ”	NASDAQ Global Market
“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
“PRC”	the People’s Republic of China
“Proposed Spin-off”	the proposed spin-off listing of the Group’s information security software business involving the Offering and the proposed separate listing of the ADSs on NYSE or NASDAQ
“Registration Statement”	the Registration Statement on Form F-1 filed by CMI with the SEC in connection with the Offering
“Remaining Group”	the Company and the subsidiaries of the Company from time to time that do not form part of the Spin-off Group
“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
“%”	per cent

By order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

Hong Kong, 3 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.