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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)**

## **CONTINUING CONNECTED TRANSACTIONS NEW STRATEGIC COOPERATION AGREEMENT WITH TENCENT SHENZHEN**

References are made to the announcement of the Company dated 27 December 2013 in relation to the continuing connected transactions between Cheetah and Tencent Shenzhen under the Original Strategic Cooperation Agreement, and the announcements of the Company dated 31 July 2014, 30 January 2015, 30 June 2015 and 5 November 2015 in relation to the amendments to the Original Strategic Cooperation Agreement. Pursuant to the Original Strategic Cooperation Agreement and its amendments, Cheetah Group has been providing various marketing platforms and channels for the promotion of Tencent Group's internet services and products since 1 January 2014 and Tencent Group has been providing various forms of promotion services to Cheetah Group since 30 January 2015. The Original Strategic Cooperation Agreement will expire on 31 December 2015.

On 30 December 2015, Cheetah and Tencent Shenzhen entered into the New Strategic Cooperation Agreement, pursuant to which, Cheetah Group will continue to provide promotion services to Tencent Group and Tencent Group will also continue to provide promotion services to Cheetah Group.

Tencent is a substantial shareholder of Cheetah, a subsidiary of the Company. Tencent Shenzhen is a subsidiary of Tencent. Therefore, Tencent Shenzhen is a connected person of the Company at the subsidiary level. As such, the New Strategic Cooperation Agreement entered into between Tencent Shenzhen and Cheetah and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the Directors have approved such transactions and the independent non-executive Directors have confirmed that the terms of such transactions are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole, the New Strategic Cooperation Agreement is only subject to the reporting and announcement requirements but exempted from independent shareholders' approval.

# 1 INTRODUCTION

References are made to the announcement of the Company dated 27 December 2013 in relation to the continuing connected transactions between Cheetah and Tencent Shenzhen under the Original Strategic Cooperation Agreement, and the announcements of the Company dated 31 July 2014, 30 January 2015, 30 June 2015 and 5 November 2015 in relation to the amendments to the Original Strategic Cooperation Agreement. Pursuant to the Original Strategic Cooperation Agreement and its amendments, Cheetah Group has been providing various marketing platforms and channels for the promotion of Tencent Group's internet services and products since 1 January 2014 and Tencent Group has been providing various forms of promotion services to Cheetah Group since 30 January 2015. The Original Strategic Cooperation Agreement will expire on 31 December 2015.

In order to continue and strengthen the mutual business cooperation between Cheetah Group and Tencent Group, on 30 December 2015, Cheetah entered into the New Strategic Cooperation Agreement with Tencent Shenzhen, pursuant to which, Cheetah Group will continue to provide promotion services to Tencent Group and Tencent Group will also continue to provide promotion services to Cheetah Group for a term of two years ending 31 December 2017.

## 2 PRINCIPAL TERMS OF THE NEW STRATEGIC COOPERATION AGREEMENT

The principal terms of the New Strategic Cooperation Agreement are summarized as follows:

Date	30 December 2015
Period	1 January 2016 to 31 December 2017
Parties	Cheetah Tencent Shenzhen
Subject matter	(1) Cheetah Group will, through their PC products or platforms (including licensed products or platforms) and mobile products or platforms (including licensed products or platforms), provide various forms of promotion services to Tencent Group for various types of their products (including licensed products);  (2) Tencent Group will, through their PC products or platforms (including licensed products or platforms) and mobile products or platforms (including licensed products or platforms), provide various forms of promotion services to Cheetah Group for various types of their products (including licensed products).

## Pricing basis

- (1) The service fees payable by Tencent Group to Cheetah Group for the promotion services shall be determined among arm's length negotiation between the two parties. The fee arrangements generally include cost per time, cost per impression, cost per click, cost per download, cost per UV, cost per installation or cost per activation. The price will be based on:
  - (i) the prevailing fair market prices;
  - (ii) the actual cost incurred plus a reasonable profit margin;  
or
  - (iii) a price with reference to the price or reasonable profit margin of an independent third party conducting the similar transactions.

To ensure the fees charged to Tencent Group are fair and reasonable and no more favorable than those charged to independent third parties by Cheetah Group, Cheetah Group has adopted relevant supervision and internal control procedures to ensure that the pricing basis for each of the transactions of services and products are carried out in accordance with the above terms, including requiring documentation and performance of fair pricing analysis, final review and approval by chief financial officer and chief executive officer of Cheetah who are independent of Tencent Group, and the audit committee of Cheetah.

- (2) The service fees payable by Cheetah Group to Tencent Group for the promotion services shall be determined among arm's length negotiation between the two parties. The fee arrangements generally include cost per time, cost per impression, cost per click, cost per installation or cost per activation. The price will be based on:
  - (i) prevailing fair market price;
  - (ii) the actual cost incurred plus a reasonable profit margin;  
or
  - (iii) the price with reference to the price or reasonable profit margin of an independent third party when conducting the similar transactions.

To ensure the fees charged by Tencent Group are fair and reasonable and no less favorable than those charged by independent third parties to Cheetah Group, Cheetah Group has adopted relevant supervision and internal control procedures to ensure that the pricing basis for each of the transactions of services and products are carried out in accordance with the above terms, including requiring documentation and performance of fair pricing analysis, final review and approval by chief financial officer and chief executive officer of Cheetah who are independent of Tencent Group, and the audit committee of Cheetah.

Payment terms To be settled with reference to the prevailing market payment terms of the transactions of a similar kind.

Individual contracts Both parties, their respective subsidiaries and associates (where applicable) will enter into individual contracts for the transactions contemplated under the New Strategic Cooperation Agreement.

### 3 ANNUAL CAPS AND BASIS OF DETERMINATION

The table below sets out the actual transaction amounts of the promotion services provided by Cheetah Group to Tencent Group and the actual transaction amounts of the promotion services provided by Tencent Group to Cheetah Group respectively for the year ended 31 December 2014 and the eleven months ended 30 November 2015. The table also sets out their proposed annual caps respectively under the New Strategic Cooperation Agreement for each of the two full financial years ending 31 December 2017.

	Historical amount		Proposed annual caps	
	For the year ended 31 December 2014	For the eleven months ended 30 November 2015	For the year ending 31 December 2016	For the year ending 31 December 2017
Fees payable by Tencent Group to Cheetah Group for provision of promotion services	78.4	272.5	495	587
Fees payable by Cheetah Group to Tencent Group for provision of promotion services	0	42.7	30	45

For the provision of promotion services by Cheetah Group to Tencent Group, the following factors have been taken into consideration for setting the proposed annual caps: (i) Tencent Group's historical and projected demand for promotion services of Cheetah Group; (ii) Tencent and its partners purchasing more mobile advertising inventory from Cheetah Group; (iii) the deepening of the parties' cooperation on mobile internet, as a result of the rapid development of mobile content and service offerings; and (iv) the increase in the number of users of Cheetah Group's products.

For the provision of promotion services by Tencent Group to Cheetah Group, the following factors have been taken into consideration for setting the proposed annual caps: (i) Cheetah Group's historical and projected demand for promotion services of Tencent Group; (ii) the availability and pricing of similar promotion services provided by other third party providers; and (iii) the availability and pricing of similar promotion services provided by Tencent Group.

In order to ensure the amount of transactions contemplated under the New Strategic Cooperation Agreement will not exceed the proposed annual caps, Cheetah Group will carry out periodical monitoring of the total historical transactions amount and estimating the amount of transactions that may possibly be incurred.

#### **4 REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

The New Strategic Cooperation Agreement enables Cheetah Group to maintain the stable business relationship with Tencent Group and satisfy their mutual business development needs. To be more specific, the cooperation will allow Cheetah Group to further extend its advertisers' reach and monetization capabilities in the domestic market, so as to bring additional revenue streams. Furthermore, the cooperation will enable Cheetah Group to further grow its market share, brand recognition and mobile user base in the PRC.

The Directors, including the independent non-executive Directors, consider that the terms of the New Strategic Cooperation 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**

Tencent is a substantial shareholder of Cheetah, a subsidiary of the Company. Tencent Shenzhen is a subsidiary of Tencent. Therefore, Tencent Shenzhen is a connected person of the Company at the subsidiary level. As such, the New Strategic Cooperation Agreement entered into between Tencent Shenzhen and Cheetah and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the Directors have approved such transactions and the independent non-executive Directors have confirmed that the terms of such transactions are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole, the New Strategic Cooperation Agreement is only subject to the reporting and announcement requirements but exempted from independent shareholders' approval.

Given that Mr. Chi Ping LAU is a director of Tencent, he has, therefore, abstained from voting in respect of the relevant Board resolution approving the New Strategic Cooperation Agreement. Save as stated above, none of the Directors has a material interest in the New Strategic Cooperation Agreement, 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 operation of online games and office application software, information security software, internet browser, mission critical mobile applications, and provision of cloud storage, cloud computation, online marketing services and internet value-added services across device.

Cheetah, a non-wholly-owned subsidiary of the Company, 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.

Tencent and its subsidiaries are principally engaged in the provision of internet value added services, mobile and telecommunications value-added services, online advertising and e-Commerce services to users in the PRC.

Tencent Shenzhen is principally engaged in the provision of internet and mobile and telecommunications value-added services in the PRC.

## **7 DEFINITIONS**

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“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: 3888)
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Strategic Cooperation Agreement”	the Strategic Cooperation Agreement entered into between Cheetah and Tencent Shenzhen on 30 December 2015, pursuant to which, Cheetah Group will continue to provide promotion services to Tencent Group and Tencent Group will also continue to provide promotion services to Cheetah Group
“Original Strategic Cooperation Agreement”	the Strategic Cooperation Agreement entered into between Cheetah and Tencent Shenzhen on 27 December 2013, and amended on 31 July 2014, 30 January 2015, 30 June 2015 and 5 November 2015 respectively, pursuant to which, Cheetah Group provides promotion services to Tencent Group and Tencent Group provides promotion services to Cheetah Group
“PRC”	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
“Tencent”	Tencent Holdings Limited, a limited liability company organised and existing under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange

“Tencent Group”	Tencent and its subsidiaries and their respective associates
“Tencent Shenzhen”	Shenzhen Tencent Computer Systems Company Limited ( 深圳市騰訊計算機系統有限公司 ), a subsidiary of Tencent
“%”	percent

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

Hong Kong, 30 December 2015

*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. Shun Tak WONG, David Yuen Kwan TANG, and Ms. Wenjie WU.*