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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 PROPOSED DISPOSAL OF SHARES IN ZHIGU TO XIAOMI

On 26 February 2016, the Company entered into the Share Purchase Agreement with Xiaomi and Other Zhigu Shareholders, pursuant to which, among other things, the Company agreed to sell and Xiaomi agreed to purchase 199,600,000 shares held by the Company in Zhigu (representing 23.08% of the equity interest of Zhigu as at the date of this announcement) at an aggregate consideration of US\$7,485,000. Following the Closing, the Company will cease to hold any equity interest in Zhigu.

Xiaomi is an associate of Mr. Jun LEI, a Director and substantial shareholder of the Company. As such, Xiaomi is a connected person of the Company. Therefore, the entering into the Share Purchase Agreement between the Company and Xiaomi and the Proposed Disposal contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Proposed Disposal exceeds 0.1% but is less than 5%, such Proposed Disposal is subject to the announcement requirement, but exempted from the independent shareholders' approval under the Listing Rules.

1 SHARE PURCHASE AGREEMENT

The principal terms of the Share Purchase Agreement are summarized as follows:

Date	26 February 2016
Parties	the Company (seller) Xiaomi (purchaser) Other Zhigu Shareholders (seller)

Subject matter Pursuant to the Share Purchase Agreement, among other things, the Company agreed to sell and Xiaomi agreed to purchase 199,600,000 shares held by the Company in Zhigu (representing 23.08% of the equity interest of Zhigu as at the date of this announcement).

Consideration The aggregate consideration payable by Xiaomi to the Company is US\$7,485,000.

The consideration was determined after arm's length negotiations among the parties with reference to (i) the financial conditions of Zhigu; (ii) the business potentials of Zhigu; and (iii) the market conditions in the internet industry.

Payment As the Closing, Xiaomi shall pay the consideration to the bank account designated by the Company.

Conditions precedents The performance of the obligations of the Company under the Share Purchase Agreement is subject to the satisfaction of, on or prior to the Closing, the following conditions:

- (i) the representations and warranties provided by Xiaomi being true and correct; and
- (ii) Xiaomi having delivered the relevant executed transaction documents to the sellers.

The performance of the obligations of Xiaomi under the Share Purchase Agreement is subject to the satisfaction of, on or prior to the Closing, the conditions, including but not limited to the following:

- (i) the warranties provided by the sellers being true, correct and complete;
- (ii) the approvals necessary for the consummation of the transactions under the Share Purchase Agreement having been obtained by the sellers; and
- (iii) other reasonable and customary conditions.

2 INFORMATION OF ZHIGU

Zhigu was incorporated in Cayman with limited liability on 17 August 2012. Zhigu and its subsidiaries are principally engaged in the development and transfer of technologies and intellectual properties, technology service, technology consulting, intellectual properties licensing, intellectual properties consulting, intellectual properties training and business information consulting.

The unaudited management accounts of Zhigu were prepared under the China Accounting Standards. The book value of Zhigu as at 30 June 2015 based on its unaudited management accounts was approximately RMB95.11 million. The net profit/(loss) before and after taxation and extraordinary items of Zhigu based its unaudited management accounts are as follows:

	For the year ended 31 December 2013	For the year ended 31 December 2014
Net profit/(loss) before taxation and extraordinary items	approximately RMB(9.76) million	approximately RMB(11.05) million
Net profit/(loss) after taxation and extraordinary items	approximately RMB(9.76) million	approximately RMB(11.05) million

3 REASONS FOR AND BENEFITS OF THE TRANSACTION

The Company considers that the Proposed Disposal is a good opportunity to realize its gains in the investment in Zhigu. As a result of the Proposed Disposal, the Company is expected to record a gain before tax of approximately US\$4.1 million based on the differences between the carrying amount of the Company's investment in Zhigu and the disposal price (exclusive of transaction costs). The Group intends to use the proceeds from the Proposed Disposal to develop its principal business or for capital expenditures and general working capital of the Group or the other purposes as approved by the Board.

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

4 IMPLICATIONS UNDER THE LISTING RULES

Xiaomi is an associate of Mr. Jun LEI, a Director and substantial shareholder of the Company. As such, Xiaomi is a connected person of the Company. Therefore, the entering into the Share Purchase Agreement between the Company and Xiaomi and the Proposed Disposal contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Proposed Disposal exceeds 0.1% but is less than 5%, such Proposed Disposal is subject to the announcement requirement, but exempted from the independent shareholders' approval under the Listing Rules.

Given that Mr. HongJiang ZHANG has interest in Zhigu and Mr. Jun LEI has interest in Xiaomi, both Mr. HongJiang ZHANG and Mr. Jun LEI have abstained from voting on the Board resolution approving the entering into of the Share Purchase Agreement.

5 INFORMATION ABOUT THE GROUP AND XIAOMI

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.

Xiaomi is one of the leading providers of smart devices in the PRC. It is principally engaged in the design, research, development and sales of smart devices and the provision of mobile internet services.

6 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
“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)
“Closing”	The closing of the Proposed Disposal under the Share Purchase Agreement, which will take place as soon as practicable, but in no event later than five (5) business days after all closing conditions specified in the Share Purchase Agreement have been waived or satisfied (other than those conditions to be satisfied at the closing, but subject to the satisfaction or waiver thereof at the closing), or at such other time as the parties of the Share Purchase Agreement mutually agree in writing
“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
“Other Zhigu Shareholders”	Peng LIN, HongJiang ZHANG and Shunwei Ventures II Limited
“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
“Proposed Disposal”	the proposed disposal of 199,600,000 shares held by the Company in Zhigu (representing 23.08% of the equity interest of Zhigu as at the date of this announcement) to Xiaomi pursuant to the Share Purchase Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Share Purchase Agreement”	the Share Purchase Agreement entered into by the Company, Xiaomi and Other Zhigu Shareholders on 26 February 2016, pursuant to which, among other things, the Company agrees to sell and Xiaomi agrees to purchase 199,600,000 shares held by the Company in Zhigu (representing 23.08% of the equity interest of Zhigu as at the date of this announcement) at an aggregate consideration of US\$7,485,000
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	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, an exempted company organized under the laws of Cayman
“Zhigu”	Zhigu Holdings Limited, an exempted company organized under the laws of Cayman
%	percent

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

Hong Kong, 26 February 2016

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.