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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)

UPDATE IN RELATION TO THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF CHEETAH MOBILE INC. ON THE NEW YORK STOCK EXCHANGE

THE PROPOSED SPIN-OFF

Reference is made to the Company's announcements dated 28 January 2014, 3 April 2014 and 28 April 2014 in respect of the Proposed Spin-off.

DISTRIBUTION IN SPECIE

To give due regard to the interests of the Shareholders as required under PN15, the Board has resolved that, if the Proposed Spin-off proceeds, an assured entitlement will be offered to Shareholders on the following basis:

- (i) Each Shareholder of 1,000 Shares or more (but less than 2,000 Shares) will be entitled to receive a cash payment equal to the Hong Kong dollar value of 0.5 ADS (such value to be assessed at the time of the initial public offering of CMI and to be converted into Hong Kong dollars at the exchange rate of US\$1 to HK\$7.75). Such Shareholder will not be able to choose to receive Distribution ADSs.
- (ii) Each Shareholder of 2,000 Shares will be entitled to receive, at his option, one ADS or cash payment in lieu, provided that the right to receive one ADS is subject to the Shareholder being resident in Hong Kong or China.

- (iii) Each Shareholder of 3,000 Shares will be entitled to receive, at his option, either (a) one ADS plus a cash payment equal to the Hong Kong dollar value of 0.5 ADS (such value to be assessed at the time of the initial public offering of CMI and to be converted into Hong Kong dollars at the exchange rate of US\$1 to HK\$7.75) or (b) a cash payment equal to the Hong Kong dollar value of 1.5 ADS (such value to be assessed at the time of the initial public offering of CMI and to be converted into Hong Kong dollars at the exchange rate of US\$1 to HK\$7.75). The right to receive ADS is subject to the Shareholder being resident in Hong Kong or China.
- (iv) Each Shareholder of a number of Shares that exceeds 2,000 and is not a multiple of 1,000 will be treated in accordance with (ii) and (iii) above, except that such Shareholder will not receive any cash payment or Distribution ADS for such number of Shares held by him that is over and above a multiple of 1,000.
- (v) All ownership interests of Shareholders will be determined at the close of business on the Record Date.
- (vi) All cash payments will be rounded down to the nearest Hong Kong dollar.
- (vii) Each Shareholder of the Company who is a CMI Affiliate may not receive Distribution ADSs, but will have a choice between (a) the number of Class A Shares representing the relevant Distribution ADSs such Shareholder is entitled to if it were not a CMI Affiliate and (b) a cash payment equal to the Hong Kong dollar value of the Distribution ADSs such Shareholder is entitled to if it were not a CMI Affiliate (such value to be assessed at the time of the initial public offering of CMI and to be converted into Hong Kong dollars at the exchange rate of US\$1 to HK\$7.75).

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 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.

CLARIFICATION

The Board would like to clarify that the last paragraph on page 5 of the announcement dated 28 April 2014 titled “Discloseable Transaction in Relation to the Proposed Spin-Off and Separate Listing of Cheetah Mobile Inc. on the New York Stock Exchange” (the “**Announcement**”) should read “***Net profit*** CMI’s estimated net profit for the three months ended 31 March 2014 was RMB21.9 million (equivalent to approximately HK\$27.2 million). Its net profit for the three months ended 31 March 2014 reflects estimated share-based compensation expenses of RMB10.9 million (equivalent to approximately HK\$13.5 million).” instead of “***Net loss*** CMI’s estimated net loss for the three months ended 31 March 2014 was RMB21.9 million (equivalent to approximately HK\$27.2 million). Its net loss for the three months ended 31 March 2014 reflects estimated share-based compensation expenses of RMB10.9 million (equivalent to approximately HK\$13.5 million).”

Save for the above clarification, all the information in the Announcement remains unchanged.

Reference is made to the Company's announcements dated 28 January 2014, 3 April 2014 and 28 April 2014 in respect of the Proposed Spin-off.

ASSURED ENTITLEMENT

To give due regard to the interests of the Shareholders as required under PN15, the Board has resolved that, if the Proposed Spin-off proceeds, an assured entitlement to the ADSs will be offered to the Qualifying Shareholders by means of the Distribution in specie on the basis described below.

Overseas Shareholders

Pursuant to the Listing Rules, where a listed issuer proposes to distribute securities to its shareholders, it may, by virtue of Rule 13.36(2) of the Listing Rules, exclude relevant overseas shareholders in circumstances where the directors consider the exclusion to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place where such shareholder is located or the requirements of the regulatory body or stock exchange in such place.

Based on the register of members of the Company as at 25 April 2014, all the Shareholders had registered addresses in Hong Kong, except for 20 Shareholders in the PRC and one in Canada. The Directors have been advised that there are no restrictions or requirements on the Distribution in specie to the Shareholder in the PRC. However, since registration or filing or other procedures or formalities, subject to certain exceptions, would need to be carried out in relation to the Distribution in specie to comply with the relevant securities legislation or regulation in Canada, the Directors have formed the view that it would be expedient to exclude from the Distribution in specie the Shareholder with registered address in Canada. The Directors, having made reasonable enquiries, are of the view that, in the absence of compliance with registration and other special formalities, it would be unlawful or impracticable for the Company to provide the Distribution ADS to the Non-Qualifying Shareholders. The Form of Election will therefore be sent to the Non-Qualifying Shareholders for information purposes only. Shareholders with a registered address outside Hong Kong should consult his/her/its own professional advisers as to whether or not he/she/it is permitted to receive the Distribution ADS pursuant to the Distribution in specie or if any governmental or other consent is required or other formalities need to be observed and whether there are any other restrictions in relation to the future sale of any ADSs. Overseas Shareholder residing in a jurisdiction where it would be illegal for him/her/it to participate in the Distribution in specie will be deemed to have received the Form of Election for information purposes only.

Non-Qualifying Shareholders will instead receive cash in lieu of the relevant number of Distribution ADSs to which they would otherwise have been entitled to, on the basis and subject to the conditions described below. Shareholders holding 1,000 Shares or more but less than 2,000 Shares will be entitled to receive cash but not Distribution ADSs.

Basis of Entitlement

To give due regard to the interests of the Shareholders as required under PN15, the Board has resolved that, if the Proposed Spin-off proceeds, an assured entitlement will be offered to Shareholders on the following basis:

- (i) Each Shareholder of 1,000 Shares or more (but less than 2,000 Shares) will be entitled to receive a cash payment equal to the Hong Kong dollar value of 0.5 ADS (such value to be assessed at the time of the initial public offering of CMI and to be converted into Hong Kong dollars at the exchange rate of US\$1 to HK\$7.75). Such Shareholder will not be able to choose to receive Distribution ADSs.
- (ii) Each Shareholder of 2,000 Shares will be entitled to receive, at his option, one ADS or cash payment in lieu, provided that the right to receive one ADS is subject to the Shareholder being resident in Hong Kong or China.
- (iii) Each Shareholder of 3,000 Shares will be entitled to receive, at his option, either (a) one ADS plus a cash payment equal to the Hong Kong dollar value of 0.5 ADS (such value to be assessed at the time of the initial public offering of CMI and to be converted into Hong Kong dollars at the exchange rate of US\$1 to HK\$7.75) or (b) a cash payment equal to the Hong Kong dollar value of 1.5 ADS (such value to be assessed at the time of the initial public offering of CMI and to be converted into Hong Kong dollars at the exchange rate of US\$1 to HK\$7.75). The right to receive ADS is subject to the Shareholder being resident in Hong Kong or China.
- (iv) Each Shareholder of a number of Shares that exceeds 2,000 and is not a multiple of 1,000 will be treated in accordance with (ii) and (iii) above, except that such Shareholder will not receive any cash payment or Distribution ADS for such number of Shares held by him that is over and above a multiple of 1,000.
- (v) All ownership interests of Shareholders will be determined at the close of business on the Record Date.
- (vi) All cash payments will be rounded down to the nearest Hong Kong dollar.
- (vii) Each Shareholder of the Company who is a CMI Affiliate may not receive Distribution ADSs, but will have a choice between (a) the number of Class A Shares representing the relevant Distribution ADSs such Shareholder is entitled to if it were not a CMI Affiliate and (b) a cash payment equal to the Hong Kong dollar value of the Distribution ADSs such Shareholder is entitled to if it were not a CMI Affiliate (such value to be assessed at the time of the initial public offering of CMI and to be converted into Hong Kong dollars at the exchange rate of US\$1 to HK\$7.75).

The Directors consider the above basis of entitlement to be fair and reasonable.

Form of Election

A Qualifying Shareholder holding 2,000 Shares or more may, by completing Section 1 of the Form of Election, elect to receive a cash payment in lieu of all of the Distribution ADSs to which the Qualifying Shareholder would be entitled under the Distribution in specie (save in the case of HKSCC Nominees Limited, which may elect to receive cash payment for part or the whole of its entitlement under the Distribution in specie). Such cash payment will be calculated based on the final offer price of the ADS in the Offering and at an exchange rate of US\$1 to HK\$7.75, rounded down to the nearest Hong Kong dollar. ADSs are to be held electronically in book entry form through the facilities of the DTC directly in the name of the Qualifying Shareholder (only if the Qualifying Shareholder is a participant in DTC) or indirectly through the Qualifying Shareholder's account at a broker dealer or other financial institution which is a direct or indirect participant in DTC. As soon as practicable after closing of the Offering, at the direction of CMI and the Company, The Bank of New York Mellon Corporation, as depositary to CMI, will issue to the account of (i) the Qualifying Shareholder (if the Qualifying Shareholder is a participant in DTC) or (ii) the broker dealer or other financial institution which is a direct or indirect participant in DTC, as designated by the Qualifying Shareholder, in either case the number of Distribution ADSs to which such Qualifying Shareholder is entitled.

Any Qualifying Shareholder holding 2,000 Shares or more should note that he/she/it is able to receive the Distribution ADSs only if he/she/it specifies in Section 2 of the Form of Election information as to the details of his DTC participant account and/or the details of his/her/its broker or dealer who is a direct or indirect DTC participant, the details of that broker/dealer's DTC participant name, account, and contact telephone number to which the Distribution ADSs can be credited and such broker or dealer accepts such Distribution ADSs for crediting. Information specified on the Form of Election must be completed and valid, failing which, the Qualifying Shareholder will be deemed to have elected to receive the cash payment in lieu of the Distribution ADSs to which he/she/it is entitled. Qualifying Shareholders who have elected to receive Distribution ADSs must instruct and coordinate with their respective brokers/dealers on their elections and the settlement of their respective Distribution ADSs.

To be valid, the Form of Election, together with the power of attorney (where applicable) other authority under which it is signed (where applicable) or notarially certified copy thereof, must also be returned, either in person or by post, to the office of the share registrar of the Company, namely, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Hong Kong, so as to arrive no later than 4:30 p.m. on Tuesday, 10 June 2014. No acknowledgment of receipt of the Form of Election will be issued. Any Form of Election will be treated as invalid if:

- it is incomplete; or
- the Shareholder is unable to provide the correct details of his broker or dealer (including details of the DTC participant, account and other information listed on the form) and the account to which the Distribution ADSs are to be credited; or
- the broker or dealer is not a direct or indirect DTC participant or refuses to accept Distribution ADSs, such that the Distribution ADSs could not be credited for the account specified in Section 2 of the Form of Election.

The precise cash amounts payable to (i) Shareholders who hold 1,000 Shares or more but less than 2,000 Shares and (ii) Shareholders who elect to receive cash payment cannot be determined until the final offer price at which the Offering is to proceed has been determined. In this regard, the Company will make an announcement after the final offer price has been determined.

Cheques for all cash payments are expected to be despatched by ordinary post to the address specified in the register of members, at the risk of the relevant Shareholder, as soon as practicable after completion of the Offering. Qualifying Shareholders entitled to receive Distribution ADSs may only receive their Distribution ADSs after completion of the Offering. Accordingly, Qualifying Shareholders who wish to trade their Distribution ADSs must observe the settlement date and may need to specify the settlement cycles to prevent failed settlements and should consult their own advisors. The Company will make an announcement once the settlement date with regard to the Distribution ADSs and the despatch date of the cheque of cash payment have been determined. Any Qualifying Shareholder who holds Shares as a nominee, trustee or registered holder in any other capacity will not be treated differently from any other registered holders. Any beneficial owner of Shares which are registered in the name of a nominee, trustee or registered holder in any other capacity should make arrangements with such nominee, trustee or registered holder in relation to the Distribution in specie. Any such person may consider whether he/she/it wishes to arrange for the registration of the relevant Shares in the name of the beneficial owner prior to ex-entitlement of the Distribution in specie, however, any costs, taxes or duties associated therewith or arising therefrom will be borne solely by such Shareholder.

To qualify for entitlements to the Distribution in specie, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the share registrar of the Company, namely, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 14 May 2014. A Qualifying Shareholder holding 2,000 Shares or above who wishes either (i) to receive cash in lieu of all his/her/its Distribution ADSs or (ii) to receive Distribution ADSs, must return the duly completed Form of Election to the share registrar of the Company not later than 4:30 p.m. on Tuesday, 10 June 2014. However, if the timetable for the Proposed Spin-off is delayed, the Board may then determine another date(s) for closure of the register of members of the Company for determining entitlements to the Distribution in specie and further announcement(s) will be made to inform Shareholders accordingly.

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, market conditions and the NYSE granting approval for the listing of the ADSs. 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.

Expected timetable for the Distribution in specie

The expected timetable for the Distribution in specie is as follows:

All time and dates referred to below are Hong Kong time unless otherwise indicated.

Events	2014
Latest day for dealing in the Shares on a cum-entitlement basis	Thursday, 8 May
Dealings in the ADSs on NYSE expected to commence at ^{Note 1}	9:30 p.m. on Thursday, 8 May
First day of dealing in the Shares on an ex-entitlement basis	Friday, 9 May
Latest time for lodging transfers of Shares cum-entitlement to the Distribution in specie	4:30 pm on Wednesday, 14 May
Register of members of the Company closes from	Thursday, 15 May to Friday, 16 May (both days inclusive)
Record Date for determining the entitlement to the Distribution in specie	Friday, 16 May
Register of members re-opens on	Monday, 19 May
Despatch of the Form of Election on	Thursday, 22 May
Latest time for lodging the Form of Election	4:30 pm on Tuesday, 10 June
Distribution of Distribution ADSs or despatch of cheques for cash payment in lieu thereof on or about	Tuesday, 24 June (New York Time)

Notes:

1. Dealings in the ADSs on NYSE are expected to commence at 9:30 a.m. on 8 May 2014 (New York time).

Please note that the timetable is subject to change depending on the timetable of the Offering. If there are changes to the above timetable, the Company will publish an announcement to inform the Shareholders.

CLOSURE OF REGISTER OF MEMBERS OF THE COMPANY

Based on the expected timetable of the Distribution in specie, the register of members of the Company will be closed from Thursday, 15 May 2014 to Friday, 16 May 2014 (both days inclusive) for the purpose of determining the Distribution in specie, and will be re-opened on Monday, 19 May 2014. No transfer of the Shares may be registered during such book close period.

In order to qualify for the Distribution in specie, all transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company by no later than 4:30 p.m. on Wednesday, 14 May 2014. The Form of Election must be returned on or before 4:30 p.m. on Tuesday, 10 June 2014. However, if the Proposed Spin-Off and the Offering of CMI are postponed, the Board may then determine another date(s) for closure of the register of members of the Company for the purposes of determining the Distribution in specie and further announcement(s) will be made to inform the Shareholders and other investors in due course.

CLARIFICATION

The Board would like to clarify that the last paragraph on page 5 of the Announcement should read “***Net profit*** CMI’s estimated net profit for the three months ended 31 March 2014 was RMB21.9 million (equivalent to approximately HK\$27.2 million). Its net profit for the three months ended 31 March 2014 reflects estimated share-based compensation expenses of RMB10.9 million (equivalent to approximately HK\$13.5 million).” instead of “***Net loss*** CMI’s estimated net loss for the three months ended 31 March 2014 was RMB21.9 million (equivalent to approximately HK\$27.2 million). Its net loss for the three months ended 31 March 2014 reflects estimated share-based compensation expenses of RMB10.9 million (equivalent to approximately HK\$13.5 million).”

Save for the above clarification, all the information in the Announcement remains unchanged.

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, market conditions and the NYSE granting approval for the listing of the ADSs. 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. 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.

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
“Class A Shares”	Class A ordinary shares of par value US\$0.000025 each in the capital of CMI (each Class A Share carries one vote)

“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
“CMI Affiliates”	directors, officers, direct shareholders or holders of share-based awards of CMI
“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
“DTC”	The Depository Trust 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 Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Non-Qualifying Shareholders”	(a) Shareholder(s) whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date but whose addresses as shown on the register of members are in places outside Hong Kong in respect of whom the Directors consider the exclusion from the Distribution in specie to be necessary or expedient on account of either the legal restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in such place; or (b) without limitation to the generality of the foregoing, Shareholder(s) (including beneficial owners) who are located in the United States of America

“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 on NYSE involving the Offering and the proposed separate listing of the ADSs on NYSE
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company as at the close of business on the Record Date other than (1) Shareholders who are, or who are acting for the account or benefit of, Non-Qualifying Shareholders and (2) CMI Affiliates
“Record Date”	16 May 2014
“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
“RMB”	Renminbi, the lawful currency of the PRC
“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

For illustrative purpose of this announcement, US\$1 = HK\$7.75.

By order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

Hong Kong, 28 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.