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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)**

## **PROPOSED INVESTMENT IN ROBOTICS BUSINESS; DELAY IN DESPATCH OF CIRCULAR**

References are made to the announcements of the Company dated 12 and 13 February 2017. The completion of the Proposed Delegation is subject to (i) the Shareholders' approval in relation to the Proposed Delegation; and (ii) the signing of the definitive agreement in relation to the possible investment by Cheetah in the robotics business that Mr. FU has interest in.

### **PROPOSED INVESTMENT IN ROBOTICS BUSINESS**

The Board hereby announces that on 26 May 2017, Beijing Security Software (a wholly-owned subsidiary of Cheetah and a non-wholly-owned subsidiary of the Company) entered into the Capital Injection Agreement with Mr. FU, the Target Company, Shougang Fund, Pingtan Dingfu, Purple Cow, Kangyuan Heart and ZHANG Wenlong in relation to the Capital Injection. Pursuant to the Capital Injection Agreement, Beijing Security Software, Pingtan Dingfu and Kangyuan Heart agreed to subscribe for RMB4,545,455, RMB45,455 and RMB39,773 in the registered capital of the Target Company in consideration of respective RMB amounts equivalent to US\$40 million, US\$0.4 million and US\$0.35 million (equivalent to approximately HK\$310.25 million, HK\$3.10 million and HK\$2.71 million, respectively). Further, the Beijing Security Software Warrant was granted to Beijing Security Software, subject to the terms and conditions as set out in the Capital Injection Agreement.

Upon completion of the Capital Injection, Beijing Security Software will hold approximately 29.55% equity interest in the Target Company on the assumption that there is no other change in the shareholding structure of the Target Company from the date of this announcement to the completion date. If the Beijing Security Software Warrant is exercised in full, Beijing Security Software will hold approximately 51.68% equity interest in the Target Company on the assumption that there is no other change in the shareholding structure of the Target Company from the date of this announcement to the exercise date.

The Proposed Investment constitutes a connected transaction of the Company with a connected person at a subsidiary level. As one or more of the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) in relation to the Proposed Investment exceeds 1%, the Proposed Investment is subject to notification and announcement requirements under Chapter 14A of the Listing Rules. Further, the Proposed Investment is a transaction under Chapter 14 of the Listing Rules. As all of the applicable percentage ratios do not exceed 5%, the Proposed Investment is exempt from the disclosure requirements under Chapter 14 of the Listing Rules. The Company will submit the Proposed Delegation together with the Proposed Investment for the Shareholders' approval at the forthcoming general meeting as the signing of the Capital Injection Agreement is a condition precedent to the Proposed Delegation.

With respect to the exercise of the Beijing Security Software Warrant, the Company will comply with the applicable requirements of the Listing Rules (if any) when Beijing Security Software exercises the Beijing Security Software Warrant in part or in whole, provided that Beijing Security Software is a subsidiary of the Company at the time being.

With respect to the grant of Mr. FU's Option, as the option is exercisable at the discretion of Mr. FU subject to certain conditions as specified in the Capital Injection Agreement, the Company will submit the grant of Mr. FU's Option and the possible transaction contemplated thereunder as part of the Proposed Investment for the Shareholders' approval at the forthcoming general meeting.

As at the date of this announcement, Mr. FU can exercise the voting right in respect of 141,000 Shares at the Company's general meeting, representing 0.01% equity interest in the Company. In view of his interest in the Proposed Investment (including the grant of Mr. FU's Option and the possible transaction thereunder), Mr. FU will abstain from voting in favour of the resolution approving the Proposed Investment (including the grant of Mr. FU's Option and the possible transaction thereunder).

Save as disclosed above, to the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no other Shareholders or any of their respective associates have material interest in the Proposed Investment (including the grant of Mr. FU's Option and the possible transaction thereunder), thus no other Shareholder is required to abstain from voting in favour of the resolution approving the Proposed Investment (including the grant of Mr. FU's Option and the possible transaction thereunder).

## **DELAY IN DESPATCH OF CIRCULAR**

As disclosed in the announcement of the Company dated 31 March 2017, the circular in relation to the Proposed Delegation is expected to be despatched to the Shareholders by the end of May 2017. As additional time is required for the preparation and finalization of the information to be contained in the circular (including the details of the Proposed Investment), the circular including (i) details of the Proposed Delegation and the Proposed Investment (including the grant of Mr. FU's Option and the possible transaction thereunder); (ii) the recommendation from the Independent Board Committee in respect of the Proposed Delegation and the Proposed Investment (including the grant of Mr. FU's Option and the possible transaction thereunder); (iii) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Delegation and the Proposed Investment (including the grant of Mr. FU's Option and the possible transaction thereunder); and (iv) a notice of the extraordinary general meeting, is expected to be despatched to the Shareholders by the end of June 2017.

## A. INTRODUCTION

References are made to the announcements of the Company dated 12 and 13 February 2017 in relation to the Proposed Delegation. The completion of the Proposed Delegation is subject to (i) the Shareholders' approval in relation to the Proposed Delegation; and (ii) the signing of the definitive agreement in relation to the possible investment by Cheetah in the robotics business that Mr. FU has interest in.

The Board hereby announces that on 26 May 2017, Beijing Security Software (a wholly-owned subsidiary of Cheetah and a non-wholly-owned subsidiary of the Company) entered into the Capital Injection Agreement with Mr. FU, the Target Company, Shougang Fund, Pingtan Dingfu, Purple Cow, Kangyuan Heart and ZHANG Wenlong in relation to the Capital Injection. Pursuant to the Capital Injection Agreement, Beijing Security Software, Pingtan Dingfu and Kangyuan Heart agreed to subscribe for RMB4,545,455, RMB45,455 and RMB39,773 in the registered capital of the Target Company in consideration of respective RMB amounts equivalent to US\$40 million, US\$0.4 million and US\$0.35 million (equivalent to approximately HK\$310.25 million, HK\$3.10 million and HK\$2.71 million, respectively). Further, the Beijing Security Software Warrant was granted to Beijing Security Software, subject to the terms and conditions as set out in the Capital Injection Agreement.

## B. THE CAPITAL INJECTION AGREEMENT

The principle terms of the Capital Injection Agreement are summarized as follows:

- Date:** 26 May 2017
- Parties:**
- (i) Beijing Security Software, Pingtan Dingfu and Kangyuan Heart (as the new investors);
  - (ii) the Target Company (as the company); and
  - (iii) Mr. FU, ZHANG Wenlong, Shougang Fund and Purple Cow (as the existing shareholders)
- Registered Capital:** Upon completion of the Capital Injection, the registered capital of the Target Company will be increased by RMB4,630,683 to RMB15,381,083.
- Capital Injection:** Beijing Security Software agreed to subscribe for RMB4,545,455 in the registered capital of the Target Company in a consideration of a RMB amount equivalent to US\$40 million (equivalent to approximately HK\$310.25 million), representing approximately 29.55% of the registered capital of the Target Company upon completion of the Capital Injection assuming there is no other change in the registered capital of the Target Company.

Pingtan Dingfu agreed to subscribe for RMB45,455 in the registered capital of the Target Company in a consideration of a RMB amount equivalent to US\$0.4 million (equivalent to approximately HK\$3.10 million), representing approximately 0.30% of the registered capital of the Target Company upon completion of the Capital Injection assuming there is no other change in the registered capital of the Target Company.

Kangyuan Heart agreed to subscribe for RMB39,773 in the registered capital of the Target Company in a consideration of a RMB amount equivalent to US\$0.35 million (equivalent to approximately HK\$2.71 million), representing approximately 0.26% of the registered capital of the Target Company upon completion of the Capital Injection assuming there is no other change in the registered capital of the Target Company.

**Consideration:**

The consideration for the Capital Injection represents the investment price of US\$8.8 (equivalent to approximately HK\$68.3) for RMB1.0 in the registered capital of the Target Company, which was determined after arm's length negotiations between the parties having taken into account, among others, the following factors:

- *the prospects of the Target Company's robotics business:* The Target Company has been developing far-field voice control & assistant system and robotics, which are expected to be launched in the second half of 2017 and 2019, respectively;
- *huge opportunities in Chinese artificial intelligence market:* Voice interaction is becoming the next entrance of internet and internet of things (IoT), which is demonstrated by the success of Alexa and Echo;
- *the previous investment price in the Target Company:* The investment price of the Capital Injection is equivalent to each of the prices in relation to the equity investments by Shougang Fund and Purple Cow in the Target Company in November 2016 and March 2017, respectively, all being US\$8.8 (equivalent to approximately HK\$68.3) for RMB1.0 in the registered capital of the Target Company; and
- *the competency and background of the core employees of the Target Company:* Talents are key assets to an artificial intelligence company. The voice control and assistant business of the Target Company has been led by Dr. Lei JIA since its establishment, who previously worked as Chief Architect of Voice Technology of Baidu and is the inventor of dozens of patents on artificial intelligence. Dr. Lei JIA, as a co-founder of the Target Company, is in charge of the research and development of key artificial intelligence technologies for the voice interactive platform in the Target Company.

Beijing Security Software shall, at its sole discretion, either (a) pay all the consideration to the Target Company in cash; or (b) pay the outstanding consideration to the Target Company after offsetting the previous loan (together with the interests incurred) granted by Beijing Security Software to the Target Company in the principal amount in RMB equivalent to US\$3 million.

**Beijing Security  
Software Warrant:**

Within two years after the closing of the Capital Injection, provided that the Proposed Delegation remains effective under the Voting Proxy Agreement, Beijing Security Software is entitled to subscribe for the registered capital of the Target Company with an equivalent value of up to US\$62 million (equivalent to approximately HK\$480.89 million) at the price for the Capital Injection (i.e. US\$8.8 (equivalent to approximately HK\$68.3) for RMB1.0 in the registered capital of the Target Company, subject to any adjustment due to any subsequent share split, share consolidation, share dividend, anti-dilution or other actions that may affect the exercise price).

For the avoidance of doubt, Beijing Security Software shall still enjoy the Beijing Security Software Warrant if the Proposed Delegation is revoked as a result of the Relevant Event(s). The “Relevant Event(s)” refer to the occurrence of any of following situations:

- (i) the Company disposes of its shares in Cheetah pursuant to the Voting Proxy Agreement, and the actual voting power delegated to Mr. FU under the Proposed Delegation decreases accordingly. If all such shares are disposed by the Company, the voting power delegated to Mr. FU will decrease to naught; or
- (ii) the Company revokes the Proposed Delegation pursuant to the Voting Proxy Agreement on the grounds that (a) Mr. FU becomes in breach of his non-competition undertaking under the Voting Proxy Agreement in material respects; or (b) Mr. FU ceases to serve as a director or a senior management role in Cheetah due to (x) his voluntary resignation, or (y) violation of applicable laws and regulations which materially and adversely affects Cheetah.

Notwithstanding the above entitlement, should (i) there be a round of equity financing with a pre-money valuation in the Target Company of US\$500 million and financing proceeds of at least US\$10 million within two years after the closing of the Capital Injection (the “**Qualified Financing**”); and (ii) Beijing Security Software choose to exercise the Beijing Security Software Warrant in whole or in part, unless all shareholders of the Target Company reach a consensus, Beijing Security Software shall exercise no less than 80% of the Beijing Security Software Warrant (i.e. US\$49.6 million) (equivalent to approximately HK\$384.71 million) prior to the closing of the Qualified Financing.

**Mr. FU's Option:** If the Company revokes part or all of the Proposed Delegation, Mr. FU shall be entitled to purchase from Beijing Security Software part or all shares of the Target Company issued through exercise of the Beijing Security Software Warrant (“**Beijing Security Software Warrant Shares**”) at a price determined by the higher value of (a) the then fair market value of the Beijing Security Software Warrant Shares, or (b) the exercise price paid by Beijing Security Software to subscribe for such Beijing Security Software Warrant Shares under the Beijing Security Software Warrant plus the interests incurred thereof at a simple interest of 8% per annum.

For the avoidance of doubt, Mr. FU shall not be entitled to Mr. FU's Option if the Proposed Delegation is revoked as a result of the Relevant Event(s).

**Conditions Precedent** Beijing Security Software shall complete its obligations under the Capital Injection Agreement subject to the fulfilment of the following conditions precedent:

- (i) approval from the Independent Shareholders in connection with the Capital Injection Agreement and the transactions contemplated thereunder;
- (ii) completion of due diligence to the satisfaction of Beijing Security Software;
- (iii) execution of the entrustment agreement between the Target Company, Mr. FU and ZHANG Wenlong in form and substance satisfactory to Beijing Security Software, pursuant to which ZHANG Wenlong shall agree to hold 13% of the shares of the Target Company upon completion of the Capital Injection for the potential ESOP platform, and ZHANG Wenlong shall agree to delegate the voting rights attached to the 13% shares to Mr. FU; and
- (iv) other customary closing conditions.

## **C. INFORMATION OF THE TARGET COMPANY**

The Target Company is a company established in the PRC in September 2016, whose principle businesses include the research and development and sale of the voice interactive system and intelligent robot. Starting the second half of 2017, the Target Company expects to generate revenues from the sale of hardware and services of its voice interactive platform and share revenues with business partners from the sale of internet content through such platform.

A summary of the unaudited financial results of the Target Company for the period from its establishment to 31 December 2016 is as follows:

|                   | <b>2016</b><br><i>RMB'000</i> |
|-------------------|-------------------------------|
| Profit before tax | -27,750.34                    |
| Profit after tax  | -27,750.34                    |

The unaudited total assets and net assets of the Target Company as at 31 December 2016 amounted to approximately RMB28.56 million and RMB6.14 million, respectively.

The above financial information is extracted from the unaudited management accounts of the Target Company, which was prepared under PRC Generally Accepted Accounting Principles.

The table below sets out the shareholding structure of the Target Company on the assumption that there is no other change in the shareholding structure of the Target Company from the date of this announcement to the date of full exercise of the Beijing Security Software Warrant:

|                                 | As at the date<br>of this announcement |                    | Immediately upon completion<br>of the Capital Injection |                    | Immediately upon full<br>exercise of the Beijing<br>Security Software Warrant |                    |
|---------------------------------|--|--------------------|---|--------------------|---|--------------------|
|                                 | Registered<br>Capital<br>(RMB)         | Percentage         | Registered<br>Capital<br>(RMB)                          | Percentage         | Registered<br>Capital<br>(RMB)  | Percentage         |
| Mr. FU                          | 8,000,000                              | 74.42%             | 8,000,000   | 52.01%             | 8,000,000   | 35.67%             |
| ZHANG Wenlong *                 | 2,000,000                              | 18.60%             | 2,000,000   | 13.00%             | 2,000,000   | 8.92%              |
| Shougang Fund                   | 568,600                                | 5.29%              | 568,600   | 3.69%              | 568,600   | 2.53%              |
| Purple Cow                      | 181,800                                | 1.69%              | 181,800   | 1.18%              | 181,800   | 0.81%              |
| Pingtian Dingfu                 | —                                      | —                  | 45,455  | 0.30%              | 45,455  | 0.20%              |
| Kangyuan Heart                  | —                                      | —                  | 39,773  | 0.26%              | 39,773  | 0.18%              |
| Beijing Security<br>Software ** | —                                      | —                  | 4,545,455   | 29.55%             | 11,590,909.55   | 51.68%             |
| <b>Total registered capital</b> | <b><u>10,750,400</u></b>               | <b><u>100%</u></b> | <b><u>15,381,083</u></b>                                | <b><u>100%</u></b> | <b><u>22,426,537.55</u></b>   | <b><u>100%</u></b> |

Note:

\* Pursuant to the Capital Injection Agreement, ZHANG Wenlong shall transfer his equity interests in the Target Company to an ESOP platform to be established upon completion of the Capital Injection.

\*\* Under the Proposed Investment, Beijing Security Software agreed to subscribe for RMB4,545,455 in the registered capital of the Target Company. On the assumption that the exercise price of the Beijing Security Software Warrant is US\$8.8 (equivalent to approximately HK\$68.3) for RMB1.0 in the registered capital of the Target Company and the Beijing Security Software Warrant is fully exercised, Beijing Security Software will further subscribe for RMB7,045,454.55 in the registered capital of the Target Company under the Beijing Security Software Warrant.

\*\*\* The shareholding percentages in the above table have been subject to rounding adjustments.

Upon completion of the Proposed Delegation and completion of the Proposed Investment, the Target Company would be accounted for as a joint venture of Cheetah, and Cheetah would be an associate of the Company.

## **D. REASONS FOR AND BENEFITS OF THE PROPOSED INVESTMENT**

The Target Company is primarily engaged in the research, development and sale of the voice interactive system and intelligent robot. Cheetah sees great potentials in the Target Company. Through investment in the Target Company by Beijing Security Software, Cheetah will open a new frontier in the robotics industry, allowing it to seize new business development opportunities, which in turn will bring long-term shareholder values to the Company and its Shareholders as a whole.

By virtue of both being major shareholders in the Target Company, the Proposed Investment will align Cheetah with Mr. FU more closely. On one hand, Mr. FU will supervise the management and operation of the Target Company, as a shareholder of the Target Company and a senior management of Cheetah. On the other hand, Mr. FU will focus more on the management and operation of Cheetah Group, considering that the Target Company will be likely to become a subsidiary of Cheetah upon exercise of the Beijing Security Software Warrant.

The Directors consider that the terms of the Capital Injection Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

## **E. LISTING RULES IMPLICATIONS**

As at the date of this announcement, Mr. FU held approximately 74.42% equity interest in the Target Company. The Target Company is an associate of Mr. FU and a connected person of the Company under the Listing Rules. The Proposed Investment constitutes a connected transaction of the Company with a connected person at the subsidiary level. As one or more of the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) in relation to the Proposed Investment exceeds 1%, the Proposed Investment is subject to notification and announcement requirements under Chapter 14A of the Listing Rules. Further, the Proposed Investment is a transaction under Chapter 14 of the Listing Rules. As all of the applicable percentage ratios do not exceed 5%, the Proposed Investment is exempt from the disclosure requirements under Chapter 14 of the Listing Rules. The Company will submit the Proposed Delegation together with the Proposed Investment for the Shareholders' approval at the forthcoming general meeting as the signing of the Capital Injection Agreement is a condition precedent to the Proposed Delegation.

With respect to the exercise of the Beijing Security Software Warrant, the Company will comply with the applicable requirements of the Listing Rules (if any) when Beijing Security Software exercises the Beijing Security Software Warrant in part or in whole, provided that Beijing Security Software is a subsidiary of the Company at the time being.

With respect to the grant of Mr. FU's Option, as the option is exercisable at the discretion of Mr. FU subject to certain conditions as specified in the Capital Injection Agreement, the Company will submit the grant of Mr. FU's Option and the possible transaction contemplated thereunder as part of the Proposed Investment for the Independent Shareholders' approval at the forthcoming general meeting.



As at the date of this announcement, Mr. FU can exercise the voting right in respect of 141,000 Shares at the Company's general meeting, representing 0.01% equity interest in the Company. In view of his interest in the Proposed Investment (including the grant of Mr. FU's Option and the possible transaction thereunder), Mr. FU will abstain from voting in favour of the resolution approving the Proposed Investment (including the grant of Mr. FU's Option and the possible transaction thereunder).

Save as disclosed above, to the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no other Shareholders or any of their respective associates have material interest in the Proposed Investment (including the grant of Mr. FU's Option and the possible transaction thereunder), thus no other Shareholder is required to abstain from voting in favour of the resolution approving the Proposed Investment (including the grant of Mr. FU's Option and the possible transaction thereunder).

## **F. DELAY IN DESPATCH OF CIRCULAR**

As disclosed in the announcement of the Company dated 31 March 2017, the circular in relation to the Proposed Delegation is expected to be despatched to the Shareholders by the end of May 2017. As additional time is required for the preparation and finalization of the information to be contained in the circular (including the details of the Proposed Investment), the circular including (i) details of the Proposed Delegation and the Proposed Investment (including the grant of Mr. FU's Option and the possible transaction thereunder); (ii) the recommendation from the Independent Board Committee in respect of the Proposed Delegation and the Proposed Investment (including the grant of Mr. FU's Option and the possible transaction thereunder); (iii) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Delegation and the Proposed Investment (including the grant of Mr. FU's Option and the possible transaction thereunder); and (iv) a notice of the extraordinary general meeting, is expected to be despatched to the Shareholders by the end of June 2017.

## **G. GENERAL INFORMATION**

Shougang Fund is mainly engaged in investment. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the ultimate beneficial owners of Shougang Fund are third parties independent of the Company and its connected person.

Purple Cow is mainly engaged in investment. Mr. FU, as a limited partner of Purple Cow, held less than 30% interest in Purple Cow as at the date of this announcement. To the best of the Director's knowledge, information and belief having made all reasonable enquiry, other ultimate beneficial owners of Purple Cow are third parties independent of the Company and its connected person.

Each of Pingtan Dingfu and Kangyuan Heart is mainly engaged in investment. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the ultimate beneficial owners of each of them are third parties independent of the Company and its connected person.

## H. DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings as set out below:

|                                     |  |
|-------------------------------------|--|
| “associate(s)”                      | has the meaning ascribed to it in the Listing Rules;   |
| “Beijing Security Software”         | Beijing Kingsoft Internet Security Software Co., Ltd.* (北京金山安全软件有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of Cheetah;   |
| “Beijing Security Software Warrant” | the entitlement for Beijing Security Software to subscribe for the Target Company’s registered capital in RMB with an equivalent value up to US\$62 million (equivalent to approximately HK\$480.89 million) as ascribed under the Capital Injection Agreement, the details of which are set out in the paragraph headed “B the Capital Injection Agreement — Beijing Security Software Warrant” in this announcement; |
| “Board”                             | the board of Directors;  |
| “BVI”                               | the British Virgin Islands;  |
| “Capital Injection”                 | the Proposed Investment and the proposed subscription of the registered capital in the Target Company by Pingtan Dingfu and Kangyuan Heart under the Capital Injection Agreement;  |
| “Capital Injection Agreement”       | the capital injection agreement dated 26 May 2017 entered into among Beijing Security Software, Shougang Fund, Purple Cow, Pingtan Dingfu, Kangyuan Heart, the Target Company, Mr. FU and ZHANG Wenlong in relation to the Capital Injection;  |
| “Cheetah”                           | Cheetah Mobile Inc., a non-wholly-owned subsidiary of the Company whose ordinary shares are listed on the New York Stock Exchange by way of American depository shares;  |
| “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 Islands on 15 November 2005, with the Shares listed on the Stock Exchange;  |
| “connected person(s)”               | has the meaning ascribed to it in the Listing Rules;   |
| “Director(s)”                       | director(s) of the Company;  |

|   |   |
|---|---|
| “Group”   | the Company and its subsidiaries;   |
| “HK\$”  | Hong Kong dollars, the lawful currency of Hong Kong   |
| “Hong Kong”                                       | the Hong Kong Special Administrative Region of the PRC;   |
| “Independent Board Committee”                     | a committee of the Board comprising all the independent non-executive Directors to be formed by the Company to advise the Independent Shareholders in respect of the Proposed Delegation and the Proposed Investment (including the grant of Mr. FU’s Option and the possible transaction thereunder);  |
| “Independent Financial Adviser” or “Gram Capital” | Gram Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO, acting as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Delegation and the Proposed Investment (including the grant of Mr. FU’s Option and the possible transaction thereunder); |
| “Independent Shareholders ”                       | the shareholders of the Company who are not required to abstain from voting in respect of the Proposed Delegation and the Proposed Investment (including the grant of Mr. FU’s Option and the possible transaction thereunder);   |
| “Kangyuan Heart”                                  | Beijing Kangyuan Heart Management Consulting Centre, Limited Partnership* (北京康元同心管理諮詢中心(有限合伙)), a third party independent of the Company as at the date of this announcement;   |
| “Listing Rules”                                   | the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time);   |
| “Mr. FU”  | Mr. FU Sheng, the chief executive officer and director of Cheetah Group;  |
| “Mr. FU’s Option”                                 | Mr. FU’s right to purchase the Target Company’s shares issued under the Beijing Security Software Warrant from Beijing Security Software, the details of which are set out in the paragraph headed “B the Capital Injection Agreement — Mr. FU’s Option” in this announcement;  |
| “Pingtan Dingfu”                                  | Pingtian Dingfu Investment Management Co., Ltd.* (平潭鼎福投資管理有限公司), a third party independent of the Company as at the date of this announcement;  |

|                               |  |
|-------------------------------|--|
| “PRC”                         | the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;  |
| “Proposed Delegation”         | the proposed delegation by the Company of part of its voting rights in Cheetah to Mr. FU subject to the conditions as set out in the Voting Proxy Agreement;   |
| “Proposed Investment”         | the proposed subscription of RMB4,545,455 in the registered capital of the Target Company by Beijing Security Software in consideration of a RMB amount equivalent to US\$40 million (equivalent to approximately HK\$310.25 million) under the Capital Injection Agreement; |
| “Purple Cow”                  | Tianjin Purple Cow Asset Management Limited Partnership* (天津紫牛基業資產管理合夥企業 (有限合夥)), in which Mr. FU held less than 30% interest as a limited partner as at the date of this announcement;  |
| “Relevant Event(s)”           | the relevant event(s) as specified in the Capital Injection Agreement, the details of which are set out in the paragraph headed “B. The Capital Injection Agreement — Beijing Security Software Warrant” in this announcement;   |
| “RMB”                         | Renminbi, the lawful currency of the PRC;  |
| “Share(s)”                    | the ordinary share(s) of the Company;  |
| “Shareholder(s)”              | holder(s) of the issued ordinary share(s) of the Company;  |
| “Stock Exchange”              | The Stock Exchange of Hong Kong Limited;   |
| “Shougang Fund”               | Beijing Shougang Fund Co., Ltd. (北京首鋼基金有限公司), an independent third party of the Company;   |
| “subsidiary”                  | has the same meaning as ascribed thereto in the Listing Rules;   |
| “substantial shareholder(s) ” | has the same meaning as ascribed to it under the Listing Rules;  |
| “Target Company”              | Beijing OrionStar Technology Co., Ltd. (北京獵戶星空科技有限公司), a limited liability company incorporated in the PRC;  |
| “US\$”                        | US dollars, the lawful currency of the United States;  |

“Voting Proxy Agreement” the voting proxy agreement entered into between the Company and Mr. FU on 12 February 2017, pursuant to which the Company agreed to delegate part of its voting rights in Cheetah to Mr. FU subject to certain conditions; and

“%” per cent.

*For the purpose of this announcement, unless the context otherwise requires, conversion of US\$ into HK\$ is based on the approximate exchange rate of US\$1.00 to HK\$7.7563. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ or US\$ have been, could have been or may be converted at such or any other rate or at all.*

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

Hong Kong, 26 May 2017

*As at the date of this announcement, the executive Directors are Messrs. Tao ZOU and Yuk Keung NG; 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.*