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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**

### **REVISION OF ANNUAL CAPS**

This announcement is made pursuant to Rule 14A.36 of the Listing Rules.

Reference is made to the announcement of the Company dated 27 December 2013 in relation to the continuing connected transactions under the Cooperation Framework Agreement.

The name of the former Kingsoft Internet Software Holdings Limited has been changed to Cheetah Mobile Inc. with effect from 25 March 2014.

The original annual caps of the fees in respect of the provision of promotion services payable by Cheetah Group to the Group for the three years ending 31 December 2016 were RMB5 million, RMB6 million and RMB7 million, respectively. To support its rapidly growing businesses, Cheetah Group, a subsidiary of the Company, plans to increase its marketing and promotional activities. As such, the promotion services fees payable by Cheetah Group to the Group will likely increase accordingly. The original annual caps of the fees in respect of the provision of promotion services payable by the Group to Cheetah Group for the three years ending 31 December 2016 were RMB9 million, RMB12 million and RMB15 million. As the number of its mobile application users continues to grow, turning Cheetah into an increasingly effective mobile marketing channel, the promotion services fees payable by the Group to Cheetah Group will also likely increase accordingly.

As such, on 1 April 2014, the Company and Cheetah entered into the Supplemental Agreement to revise the original annual caps in relation to the promotion services. Save as disclosed above, all existing major terms and conditions under the Cooperation Framework Agreement remain unchanged.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Supplemental Agreement is higher than 0.1% but less than 5%, the Supplemental Agreement and the relevant annual caps are only subject to the reporting and announcement requirements but exempted from independent shareholders' approval.

## **1. BACKGROUND**

This announcement is made pursuant to Rule 14A.36 of the Listing Rules.

Reference is made to the announcement of the Company dated 27 December 2013 in relation to the continuing connected transactions under the Cooperation Framework Agreement.

The name of the former Kingsoft Internet Software Holdings Limited has been changed to Cheetah Mobile Inc. with effect from 25 March 2014.

On 27 December 2013, the Company and Cheetah entered into the Cooperation Framework Agreement, pursuant to which, among others, the Group and Cheetah Group agreed to mutually provide promotion services via one party's products and websites for the sale of the other party's products, including but not limited to, pre-installation, bundle promotion, joint operation and publishing on-line advertisement.

The original annual caps of the fees in respect of the provision of promotion services payable by Cheetah Group to the Group for the three years ending 31 December 2016 were RMB5 million, RMB6 million and RMB7 million, respectively. To support its rapidly growing businesses, Cheetah Group, a subsidiary of the Company, plans to increase its marketing and promotional activities. As such, the promotion services fees payable by Cheetah Group to the Group will likely increase accordingly. The original annual caps of the fees in respect of the provision of promotion services payable by the Group to Cheetah Group for the three years ending 31 December 2016 were RMB9 million, RMB12 million and RMB15 million. As the number of its mobile application users continues to grow, turning Cheetah into an increasingly effective mobile marketing channel, the promotion services fees payable by the Group to Cheetah Group will also likely increase accordingly.

## **2. REVISION OF THE ANNUAL CAPS UNDER THE COOPERATION FRAMEWORK AGREEMENT**

On 1 April 2014, the Company and Cheetah entered into the Supplemental Agreement, pursuant to which, (i) the original annual caps of the fees in respect of the provision of promotion services payable by Cheetah Group to the Group for the three years ending 31 December 2016 were revised from RMB5 million, RMB6 million and RMB7 million to RMB44 million, RMB55 million and RMB56 million, respectively; and (ii) the original annual caps of the fees in respect of the provision of promotion services payable by the Group to Cheetah Group for the three years ending 31 December 2016 were revised from RMB9 million, RMB12 million and RMB15 million to RMB49 million, RMB62 million and RMB65 million, respectively.

The revised annual caps of the fees in respect of the promotion services payable by Cheetah Group to the Group are determined with reference to (i) the rapid growth in Cheetah's business and its intention to gain more market share; (ii) the increase in the number of users of the Group's products; and (iii) the expected synergies created by the promotion of Cheetah products via the Group's products and marketing channels.

The revised annual caps of the fees in respect of the promotion services payable by the Group to Cheetah Group are determined with reference to (i) the continuous growth in the number of Cheetah's mobile application users, turning it into an increasingly effective mobile marketing channel; and (ii) the increase in the promotion and commerciality capabilities of Cheetah's mobile application.

Save as disclosed above, all existing major terms and conditions under the Cooperation Framework Agreement remain unchanged.

### **3. IMPLICATIONS UNDER THE LISTING RULES**

TCH, a subsidiary of Tencent Holdings Limited, who is the substantial shareholder of the Company, controls more than 10% voting rights in Cheetah. Therefore, Cheetah is a connected subsidiary of the Company by virtue of Rule 14A.11(5) of the Listing Rules. Therefore, the transactions contemplated under the Corporation Framework Agreement and the Supplemental Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Pursuant to the Listing Rules, if the Company proposes to make any material change to the terms of a continuing connected transaction, the Company must re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant connected transaction.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the annual caps set by the Supplemental Agreement is higher than 0.1% but less than 5%, the Supplemental Agreement and the relevant annual caps are only subject to the reporting and announcement requirements but exempted from independent shareholders' approval.

Given that Mr. Lau Chi Ping is the director of Tencent Holdings Limited, he has, therefore, abstained from voting on the Board resolution approving the Supplemental Agreement. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Supplemental Agreement and none of them has abstained from voting on the relevant Board resolution.

The Directors, including the independent non-executive Directors, consider that the transactions to be carried out under the Supplemental Agreement are in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole, and that the relevant annual caps are fair and reasonable.

## 4. INFORMATION ABOUT THE PARTIES

The Group is a leading internet based software developer, distributor and service provider and principally engaged in research, development and distribution of online games, entertainment and applications software in the PRC and offers a wide range of innovative entertainment, internet security and application software in the PRC and the Asia region.

Cheetah 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.

## 5. DEFINITION

“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: 03888)
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Cooperation Framework Agreement”	the cooperation framework agreement dated 27 December 2013 entered into between the Company and Cheetah in relation to the continuing connected transactions of the Company with effective period from 1 January 2014 to 31 December 2016
“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
“PRC” or “China”	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
“Supplemental Agreement”	the supplemental agreement dated 1 April 2014 entered into between the Company and Cheetah to revise the annual caps for the three years ending 31 December 2016 in relation to promotion services under the Cooperation Framework Agreement
“TCH”	TCH Copper Limited, a subsidiary of Tencent Holdings Limited, who is the substantial shareholder of the Company
%	percent

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

Hong Kong, 1 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.*