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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 COOPERATION FRAMEWORK AGREEMENT

On 24 April 2013, the Company entered into the Cooperation Framework Agreement with Xiaomi pursuant to which the Group will provide cloud services and promotion services to Xiaomi Group, and the Group will jointly operate games with Xiaomi Group.

Xiaomi is an associate of Mr. Jun LEI, a Director and substantial shareholder of the Company, and Xiaomi is accordingly a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Therefore, the transactions conducted in accordance with the Cooperation Framework Agreement constitute continuing connected transactions for the Company under the Listing Rules. The Cooperation Framework Agreement is only subject to the reporting and announcement requirements but exempted from independent shareholders' approval.

BACKGROUND

On 24 April 2013, the Company entered into the Cooperation Framework Agreement with Xiaomi pursuant to which the Group will provide cloud services and promotion services to Xiaomi Group, and the Group will jointly operate games with Xiaomi Group. Details of the Cooperation Framework Agreement are set out below.

COOPERATION FRAMEWORK AGREEMENT

Date

24 April 2013

Parties

(1) The Company; and

(2) Xiaomi

Major terms

Pursuant to the Cooperation Framework Agreement, (i) the Group will provide cloud services, including but not limited to cloud storage services and file hosting services, to Xiaomi Group in return for service fees; (ii) the Group will jointly operate with Xiaomi Group the games provided by the Group, including but not limited to the maintenance of network system and games operating platform and provision of game contents; and (iii) the Group will provide promotion services via its products and websites for the sale of Xiaomi's smart cell phones and related products in return for service fees.

The Group and Xiaomi Group will enter into individual agreements from time to time to set out the detailed terms of the provision of the above services which shall comply with all the terms and conditions of the Cooperation Framework Agreement, including but not limited to the pricing basis and annual transaction amounts.

The prices for the services above will be based on:

- (i) the prevailing fair market pricing practiced and pricing policy of independent third parties among industry participants for similar transactions; or
- (ii) the actual cost incurred thereof plus a reasonable profit margin, such profit margin will be made reference to the profit margin of products with similar nature/function in historical transactions of the Group conducted with independent third parties.

The payments should be settled with reference to the similar payment terms of the respective transactions' practice among industry participants during the transaction period.

HISTORICAL AMOUNTS AND ANNUAL CAPS OF TRANSACTIONS

The following table sets out the scope of services, the historical amounts (if any) for the year ended 31 December 2012 and for the three months ended 31 March 2013, and the proposed annual caps of the transactions contemplated under the Cooperation Framework Agreement for the two years ending 31 December 2013 and 2014.

Services	Historical amount for the year ended 31 December 2012	Historical amount for the three months ended 31 March 2013	Annual Cap for the year ending 31 December	
	(RMB'000)	(RMB'000)	2013	2014
Provision of cloud services	823	558	4,800	14,000
Joint operation of games	N/A	6	2,000	4,000
Promotion of Xiaomi smart cell phones and related products	N/A	164	2,000	3,500

The annual caps for the cloud services are estimated with reference to (i) the rapid growth in the usage of cloud storage and volume of data transfer in the first three months of 2013 compared with 2012; (ii) the expected demand of Xiaomi smart cell phones; and (iii) the expected market opportunities in the second half of 2013 and 2014, taking into account the rapidly increased demand in accessing synchronized data storage from multiple terminals such as PC and mobile devices, the widespread of the use of handheld devices and increased demand from corporations for secure corporate data storage service with easier and more flexible access. The annual caps for the game operation are estimated with reference to the historical transaction amount in the first three months of 2013 and the expected growth in game revenue contributed from mobile device users in the second half of 2013 and 2014 due to the demand of Xiaomi smart cell phones and rapid growth rate in the number of smart cell phone users and the trend of users spending more time playing games on smart cell phones. The annual caps for the promotion of Xiaomi smart cell phones are estimated with reference to the expected demand of Xiaomi smart cell phones, and the rapid growth in the number of users and market share of the Group's products and websites.

REASONS AND BENEFITS OF THE AGREEMENT

The Group has been proactively looking for new opportunities in the areas of Internet based software development, provision of services, and distribution of games in an effort to broaden its income sources and obtain greater market share. Xiaomi Group has long been a cooperation partner of the Group in business operation and development, especially in the realm of mobile application. Riding on the reputation and widening acceptance of Xiaomi's series of smart cell phones, which boast advanced specifications and competitive pricing, the Directors believe that by entering into the Cooperation Framework Agreement, the Group not only will benefit from extra revenue from the services rendered to Xiaomi Group, but also reach more mobile device users and provide to them with the Group's extensive online services and products.

The Directors (including the independent non-executive Directors) are of the view that the Cooperation Framework Agreement was entered into between the Company and Xiaomi in the ordinary and usual course of business of the Group, and the terms of the Cooperation Framework Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Xiaomi is an associate of Mr. Jun LEI, a Director and substantial shareholder of the Company, and Xiaomi is accordingly a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Therefore, the transactions conducted in accordance with the Cooperation Framework Agreement constitute continuing connected transactions for the Company under the Listing Rules.

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

In view of his interest in Xiaomi, Mr. Jun LEI has abstained from voting on the Board resolution approving the Cooperation Framework Agreement. Details of the Cooperation Framework Agreement will be included in the annual report and accounts of the Company in accordance with Rules 14A.45 and 14A.46 of the Listing Rules.

GENERAL

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.

Xiaomi is principally engaged in investment holding. Xiaomi Group is principally engaged in provision of manufacturing and supplying smart cell phones in the PRC.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	Kingsoft Corporation Limited, an exempted limited liability company incorporated in the British Virgin Islands on 20 March 1998 and discontinued in the British Virgin Islands and continued into the Cayman Islands 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 24 April 2013 entered into between the Company and Xiaomi in relation to the continuing connected transactions of the Company with effective period from 1 January 2013 to 31 December 2014
“Director(s)”	the director(s) of the Company
“Group”	the Company, its subsidiaries and companies which are indirectly controlled by the Company through the structure contracts
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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
“Share(s)”	share(s) in the capital of the Company
“Shareholder(s)”	registered holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xiaomi”	Xiaomi Corporation, a limited liability company organized under the laws of the Cayman Islands
“Xiaomi Group”	Xiaomi and its subsidiaries
“RMB”	Renminbi, the lawful currency of the PRC
“%”	percent

By order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

The PRC, 24 April 2013

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. To Thomas HUI and Guangming George LU, and Ms. Wenjie WU.