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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 THE FRAMEWORK AGREEMENT BETWEEN THE COMPANY AND XIAOMI**

The Group has set up a stable long-term business relationship with Xiaomi Group. On 1 December 2014, the Company and Xiaomi entered into a framework agreement to regulate the various ongoing transactions between the two parties for the two years ending 31 December 2016.

In order to renew the transactions under the previous framework agreement for the next three years ending 31 December 2019, the Company and Xiaomi entered into the Framework Agreement. Pursuant to the Framework Agreement, (i) the Group will provide various services to Xiaomi Group, mainly including the cloud services and the promotion services; (ii) the Group will jointly operate games provided by the Group with Xiaomi Group; (iii) Xiaomi Group will provide various services to the Group, mainly including the promotion services; and (iv) Xiaomi Group will provide its products to the Group, for a term of three years ending 31 December 2019.

Xiaomi is a connected person of the Company. As such, the entering into the Framework Agreement between the Company and Xiaomi and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under the Listing Rules.

As each of the highest percentage ratios (as defined in the Listing Rules) in respect of the proposed annual caps for (1) the fees payable by the Group to Xiaomi Group in connection with the provision of promotion services by Xiaomi Group, and (2) the fees payable by the Group to Xiaomi Group in connection with the provision of products by Xiaomi Group for the three years ending 31 December 2019 exceeds 0.1% but is less than 5%, such transactions and their respective proposed annual caps are subject to the reporting, announcement and annual review, but exempted from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As each of the highest percentage ratios (as defined in the Listing Rules) in respect of the proposed annual caps for (1) the fees payable by Xiaomi Group to the Group in connection with the provision of cloud services and promotion services by the Group, and (2) the fees payable by Xiaomi Group to the Group in connection with the joint operation of games provided by the Group for the three years ending 31 December 2019 exceeds 5%, such Non-exempt Transactions and their respective proposed annual caps are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

A circular containing, among other things, (i) further details of the Framework Agreement in relation to the Non-exempt Transactions; (ii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the Non-exempt Transactions and their respective proposed annual caps; (iii) the recommendation of the Independent Board Committee regarding the Non-exempt Transactions and their respective proposed annual caps to the Independent Shareholders; and (iv) a notice of the extraordinary general meeting will be despatched to the Shareholders on or before 27 December 2016.

## 1 BACKGROUND

Reference is made to the announcement of the Company dated 1 December 2014. The Group has set up a stable long-term business relationship with Xiaomi Group. On 1 December 2014, the Company and Xiaomi entered into a framework agreement to regulate the various ongoing transactions between the two parties for the two years ending 31 December 2016.

In order to renew the transactions under the previous framework agreement for the next three years ending 31 December 2019, the Company and Xiaomi entered into the Framework Agreement. Pursuant to the Framework Agreement, (i) the Group will provide various services to Xiaomi Group, mainly including the cloud services and the promotion services; (ii) the Group will jointly operate games provided by the Group with Xiaomi Group; (iii) Xiaomi Group will provide various services to the Group, mainly including the promotion services; and (iv) Xiaomi Group will provide its products to the Group, for a term of three years ending 31 December 2019.

## 2 THE FRAMEWORK AGREEMENT

The principal terms of the Framework Agreement are summarized as follows:

**Agreement Date:** 6 December 2016

**Parties:** the Company; and

Xiaomi

**Terms:** three years from 1 January 2017 to 31 December 2019

**Conditions precedent:** The Non-exempt Transactions under the Framework Agreement are subject to the Independent Shareholders' approval

**Scope of the cooperation and pricing principle:**

***I. Services provided by the Group***

*(i) Provision of cloud services*

The Group will provide Xiaomi Group the cloud services developed by the Group, including but not limited to the cloud storage and cloud computing services.

The fees for the cloud services provided by the Group shall be determined based on the following principles:

- (a) the fees charged for cloud services are calculated with reference to the cloud storage space provided and the volume of cloud data transferred;
- (b) the fees shall be determined after arm's length negotiation with Xiaomi Group after taking into account the costs for providing the services, the volume of the services rendered and a reasonable profit of the Group; and
- (c) the fees shall be no more favorable to Xiaomi Group than those provided to independent third parties for services rendered on similar technical specifications and volume.

The Company does not have a pre-determined formula for the fee proposal. The sales department of the Group is responsible for the initial determination of the pricing of the cloud services. When Xiaomi Group approaches the Group in respect of the potential services, the sales department of the Group will recommend a fee proposal with primary reference to the costs, number of users, purchase volume and prevailing market price. Fees charged for each unit will be relatively lower for a larger purchase volume as the unit user cost will be lower with a larger user base. Other factors,

such as resources and technology required will also be considered. The more sophisticated and cutting edge the resources and technology involved are, the more fees will be charged by the Group for providing such services. In addition to the above factors, there are no specific range of mark-up to be included in the fee. Upon final review by chief executive officer and/or sales director of the relevant subsidiary of the Company who are independent of Xiaomi Group, the fee proposal will be proposed to Xiaomi Group for consideration and negotiation.

*(ii) Provision of promotion services*

The Group will also provide Xiaomi Group the promotion services via the Group's products and websites for the sale of Xiaomi Group's smart devices and related products.

The fees for the promotion services provided by the Group shall be determined based on the following principles:

- (a) the fees shall be determined with reference to a number of factors including the position of the advertisement, the features selected, the term of the promotion, website traffic and data flow of the Group's products and websites; and
- (b) such fees should also be applicable to all clients for the same kind of services.

As there are many variables in determining the price of promotion services, such as the popularity of the products that carry the advertisement, the position of the advertisement, volume, features selected, term of the promotion and website traffic and data flow, it is difficult to set a benchmark for comparable promotional services offered by different providers, not to mention the determination of a "prevailing market price" in this regard.

The Company does not have a pre-determined formula for the fee proposal. The sales department of the Group is responsible for the initial determination of the pricing of the promotion services. When Xiaomi Group approaches the Group in respect of the potential services, the sales department of the Group will recommend a fee proposal with primary reference to the position of the advertisement and the features selected. Other factors, such as the term of the promotion, website traffic and data flow of the Group's products and websites will also be considered. Generally, the fees charged for the promotion services will be higher when: (i) the website traffic and data flow of the websites where the advertisement is placed are relatively heavier; (ii) the size of the advertisement is larger; (iii) the click rate of the advertisement is higher; and/or (iv) the promotion encounters a peak advertising season or the term of the promotion is longer. In addition to the above factors, there are no specific range of mark-up to be included in the fee. Upon final review by the sales director and chief marketing officer of the relevant subsidiary of the Company who are independent of Xiaomi Group, the fee proposal will be proposed to Xiaomi Group for consideration and negotiation.

## ***II. Joint operation of games provided by the Group***

The Group will license Xiaomi Group to operate and Xiaomi Group will operate games developed and owned by the Group or the games licensed to be operated by the Group, through platforms such as website, software, PC products and mobile products. The operation of such games by Xiaomi Group includes but not limit to the distribution of games, operation by way of exclusive licensing and operation by way of non-exclusive licensing.

Under the operation by way of exclusive licensing, Xiaomi Group has exclusive rights to operate the games provided by the Group. The Group will be primarily responsible for game content and relevant updates, and Xiaomi Group will be primarily responsible for platforms operation, online promotion, distribution of games and customer services.

Under the operation by way of non-exclusive licensing, the Group has the right to license a third party other than Xiaomi Group to operate the games provided by the Group. The Group will be primarily responsible for game content, relevant updates and customer services, and Xiaomi Group will be primarily responsible for operation on its own platforms and online promotion.

With reference to the quality of the game, the scope of licensed area, the licensed platform and the operation model, the Group and Xiaomi Group agreed on two types of pricing principals for the joint operation of games provided by the Group, namely (i) sharing the allocable revenue generated from the operation of the games in an agreed proportion; (ii) sharing the allocable revenue generated from the operation of the games in an agreed proportion plus charging the licensing fees for the games by the party which provides the game. The agreed proportion and the licensing fees shall be based on the prevailing fair market pricing rules adopted in the same industry. Under the prevailing fair market pricing rules, the proportion of allocable revenue is determined with reference to the scale, quality and estimated rate of return of products.

The operation department of the relevant subsidiary of the Company is responsible for the initial determination of the pricing of the on-line games. For determining the proportion of allocable revenue and the licensing fees, it will select several comparable games in the market of similar category, scale, quality for reference of market price and also take into account the game development costs, the number of users of the operation platform and the operation model. Upon final review by the chief executive officer of the relevant subsidiary of the Company who are independent of Xiaomi Group, the fee proposal will be proposed to Xiaomi Group for consideration and negotiation.

### ***III. Services and products provided by Xiaomi Group***

#### *(i) Provision of promotion services*

Xiaomi Group will provide the Group promotion services via Xiaomi Group's products, including the pre-paid installation of the Group's products in Xiaomi devices and the Group's provision of advertising services to third parties via Xiaomi Group's products.

The fees payable by the Group for pre-paid installation of the Group's products in Xiaomi's devices will be calculated by the unit price multiplying the number of installed products. The unit price shall be determined among arm's length negotiation between the two parties with reference to various factors including the user base of the products, the quantity of installations and the estimated revenue of the installation.

With respect to the provision of advertising services to third parties by the Group via Xiaomi Group's products, the Group and Xiaomi Group will share the allocable revenue generated from the promotion services in an agreed proportion. The agreed proportion shall be determined among arm's length negotiation between the two parties with reference to various factors including the revenue sharing rates for the provision of similar promotion service in cooperation with independent third parties and the estimated advertising effects. The advertising effects will generally be determined based on the user base and application traffic of the platform as well as the click rate of the advertisement.

The operation department of the relevant subsidiary of the Company is responsible for the initial determination of the unit price of pre-installation and the proportion of allocable revenue. Upon the final review by the chief executive officer and chief financial officer of the relevant subsidiary of the Company, the fees acceptable by the Group will be proposed to Xiaomi Group for consideration and negotiation.

*(ii) Provision of products*

The Group will purchase hardware products from Xiaomi Group, including but not limited to Xiaomi cell phones, Xiaomi Boxes, Xiaomi televisions, Xiaomi routers and the relevant accessories.

The purchase price shall be based on the market price of the products of Xiaomi Group as set out on Xiaomi's official website <http://www.mi.com> from time to time. The administrative department of the company is responsible for collecting the price of Xiaomi's products and such price is subject to the final review of the manager of administrative department and the vice president in charge.

In addition to the respective pricing basis of each transaction as set out above, the Company will also compare the price with at least two transactions of comparable nature (if any) with independent third party clients/suppliers to ensure (i) the fees charged by the Group are fair and reasonable and no more favorable to Xiaomi Group than those offered to independent third parties; and (ii) the fees charged by Xiaomi Group are fair and reasonable and no less favorable to the Group than those charged by independent third parties.

At this stage, the Company does not have substantial number of customers for its cloud services and promotion services of similar nature. The Company considers that choosing two available transactions of comparable nature with independent third parties as benchmarks is sufficient to ensure fees charged to Xiaomi are fair and reasonable and no more favorable to Xiaomi Group than those offered to independent third parties. If the minimum number of comparable transactions from independent third party clients is not obtained, the Company will simply follow the pricing principles as disclosed in the announcement in determining the price.

The Directors are of the view that the aforementioned pricing terms are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

**Payment terms:**

For the cloud services provided by the Group, the fees shall be payable by Xiaomi Group within 30 days upon receipt of relevant invoice.

For the promotion services provided by the Group, the fees shall be payable by Xiaomi Group within 20 days upon receipt of relevant invoice.

For the joint operation of games provided by the Group, the fees shall be payable by Xiaomi Group within approximately 30 days upon the confirmation of revenue by both parties for each settlement period.

For pre-paid installation of the Group's products in Xiaomi devices, the fees shall be payable by the Group within approximately 10 working days upon receipt of relevant invoice. For the provision of advertising services to third parties by the Group via Xiaomi Group's products, the fees shall be payable by the Group within approximately 60 days upon the receipt of relevant invoice.

For the products provided by Xiaomi Group, the fees shall be payable by the Group before delivery of products.

The general payment terms above were determined with reference to similar transactions in the market and such payment terms may be revised by individual agreements.

### 3 ANNUAL CAPS UNDER THE FRAMEWORK AGREEMENT

The table below sets out the historical amounts for the two years ended 31 December 2015 and the eight months ended 31 August 2016:

	For the year ended 31 December 2014	For the year ended 31 December 2015	For the eight months ended 31 August 2016	the annual cap for the year ending 31 December 2016 <i>RMB: million</i>
<b><i>Fees payable by Xiaomi Group</i></b>				
Provision of cloud services				
by the Group	56.93	126.66	113.07	1,400.00
Provision of promotion services				
by the Group	4.09	0.11	0.02	100.00
Joint operation of games provided				
by the Group	4.86	25.90	14.77	80.00
<b><i>Fees payable by the Group</i></b>				
Provision of promotion services				
by Xiaomi Group	2.92	45.12	45.80	100.00
Provision of products				
by Xiaomi Group	11.69	15.98	7.46	50.00

The Company proposes to set up the proposed annual caps for the three years ending 31 December 2019 as follows:

	For the year ending 31 December 2017	For the year ending 31 December 2018	For the year ending 31 December 2019 <i>RMB: million</i>
<b><i>Fees payable by Xiaomi Group</i></b>			
Provision of cloud and promotion services			
by the Group	650.20	864.30	1,025.60
Joint operation of games provided by the Group	362.90	458.90	500.10
<b><i>Fees payable by the Group</i></b>			
Provision of promotion services by Xiaomi Group	160.00	162.00	165.00
Provision of products by Xiaomi Group	14.20	18.10	20.00

**1) Reasons for setting up the annual caps for the fees payable by Xiaomi Group in respect of the provision of cloud services by the Group**

*i. the historical amounts for the four years ended 31 December 2015 and the eight months ended 31 August 2016*

As referred to in the circular published by the Company on 5 December 2014, the historical amounts of fees paid by Xiaomi Group to the Group for the provision of cloud services were approximately RMB0.82 million and RMB4.98 million for the two years ended 31 December 2013. The growth rate of cloud services fee reached approximately 507.32% for the year 2013. The past two years ended 31 December 2015 and the eight months ended 31 August 2016 also witnessed a significant increase in the historical amount of the fees payable by Xiaomi Group to the Group for the provision of the cloud services. The cloud services fee for the year 2014 and the year 2015 amounted to RMB56.93 million and RMB126.66 million respectively, representing an increase of approximately 1,043.17% and 122.48% as compared with that for the preceding year respectively. The compounded annual growth rate of fees paid by Xiaomi Group to the Group for the provision of cloud services exceeds 400% from 2012 to 2015. The cloud services fee for the eight months ended 31 August 2016 amounted to RMB113.07 million, which is close to the transaction amount of the entire year of 2015. For the remaining months of 2016, it is expected that the cloud services demand of Xiaomi Group from the Group will remain strong.

The cloud service is still a relatively new technology under rapid-developing stage in the PRC. With the development of the Group's cloud business, including the rapid expansion of cloud services to new market sectors, and the solid growth of cloud services demand of Xiaomi Group from the Group, the Company believes that such historical growth rate will continue in the remaining months of 2016 and the three years ending 31 December 2019. Based on the historical transaction amounts and the historical growth rate, it is expected that the services fees for the three years ending 31 December 2019 will keep increasing.

*ii. the adequate buffer for the Group in case of unanticipated transactions*

As the internet industry is changing rapidly, the Group and Xiaomi Group have to keep adjusting their businesses. It is possible that some unanticipated transactions which require cloud services will arise. As Xiaomi's business develops, including its live broadcast and storage business, more applications and businesses of Xiaomi will use the cloud services of the Group.

Besides, the cloud business is a dynamic business in the Internet industry in which the investment market has strong confidence. Due to the rapid development of cloud technology, the application of cloud services has been expanded to various new business sectors (for example, game industry and video industry) and may be expanded to more business sectors. Thus, the Group and the Xiaomi Group have to keep adjusting their businesses in a timely manner in order to cope with the possible unanticipated transactions which may require substantial amount of cloud services. It is highly likely that the cloud business will grow dramatically in the foreseeable

future and the transactions in respect of the provision of cloud services by the Group to Xiaomi Group may significantly increase. As such, based on the Group's capacity of providing cloud services and the potential expansion of cloud technology application by Xiaomi Group, the Group would like to have an adequate buffer for the three years ending 31 December 2019 for the cloud services.

**2) Reasons for setting up the annual caps for the fees payable by Xiaomi Group in respect of the provision of promotion services by the Group**

The transaction amount in connection with the promotion services provided by the Group to Xiaomi Group for the year ended 31 December 2015 and the eight months ended 31 August 2016 decreased dramatically, as compared with that for the year ended 31 December 2014. The main reason is that a substantial portion of the promotion services provided by the Group to Xiaomi Group had discontinued in September 2014 due to the decrease in demand for promotion services of Xiaomi from the Group.

As of the date of this announcement, the Group and Xiaomi Group were under negotiation of a new business cooperation in the promotion services area for certain years, among which the office software-related products of the Company may be used as the promotion platform for Xiaomi products for the first time. The new promotion channels have a stable and large user base and the Company estimates that Xiaomi Group will allocate more resources in its marketing budget for utilizing such new promotion channels.

The transaction amount in connection with the promotion services provided by the Group to Xiaomi Group had reached RMB4.09 million in the year 2014. The Company believes that based on the recovery of demand from Xiaomi Group for the promotion services of the Group and the contract amount that are currently under negotiation, the amount of fees payable by Xiaomi Group for the promotion services will recover to the level of 2014 soon and continue to increase with the deepening of the new cooperation. Considering that the transaction amount in connection with the promotion services provided by the Group to Xiaomi Group increased over 50% from RMB2.72 million to RMB4.09 million from the year 2013 to the year 2014, the Company arrived at the proposed annual caps in connection with the promotion services provided by the Group to Xiaomi Group with an adequate buffer.

**3) Reasons for setting up the annual caps for the fees payable by Xiaomi Group in respect of the joint operation in games provided by the Group**

The annual caps for the fees payable by Xiaomi Group to the Group in respect of the joint operation in games provided by the Group for the three years ending 31 December 2019 are determined with reference to the following factors:

***(a) the recent launch of JXSJ Online Mobile Game***

At the end of this September, the Group launched a new online mobile game, JXSJ Online Mobile Game (劍俠世界手機遊戲). The Group has currently operated JXSJ Online Mobile Game with Xiaomi Group through exclusive licensing to Xiaomi Group by the Group.

With great game content and successful promotion, JXSJ Online Mobile Game topped the sales and download charts of Xiaomi platform right after its launch. Relying on the core IP of JX series games (劍俠系列遊戲), the Company believes that JXSJ Online Mobile Game will have strong performance as the Group's flagship game in 2016. As of the date of this announcement, the Group's revenue generated from the joint operation of JXSJ Online Mobile Game since its launch had exceeded the revenue from the joint operation of the other nine games provided by the Group to Xiaomi Group since the beginning of 2016. It is expected that the fees payable by Xiaomi Group for the joint operation of JXSJ Online Mobile Game will continue to account for a significant portion of the total fees payable by Xiaomi Group for the joint operation of all games provided by the Group for the coming three years ending 31 December 2019.

Having taken into account the recent launch of JXSJ Online Mobile Game and its performance, the Company expects that the fees payable by Xiaomi Group to the Group in respect of the joint operation in games provided by the Group will increase dramatically in the three years ending 31 December 2019.

***(b) the expected introduction of new games that will be jointly operated by the Group and Xiaomi Group***

Currently, there are ten games (including JXSJ Online Mobile Game launched in September) jointly operated by the Group and Xiaomi Group. The Company plans to launch more games which will be jointly operated by the two parties in the next three years ending 31 December 2019, which will also bring revenue to the Group.

**4) Reasons for setting up the annual caps for the fees payable by the Group in respect of the provision of promotion services by Xiaomi Group**

The annual caps for the fees payable by the Group to Xiaomi Group in respect of the provision of promotion services by Xiaomi Group for the three years ending 31 December 2019 are determined with reference to (i) the fair market rates for provision of similar services; (ii) the number of users of Xiaomi's mobile products and the expected increase in such number of users; (iii) the expected increase in demand of promotion services as a result of the expansion of the Group's mobile internet business; and (iv) the estimated revenue increase generated from the new cooperation model between the Group and Xiaomi Group in relation to promotion services, i.e., provision of advertising services by the Group to third parties via Xiaomi Group's products.

**5) Reasons for setting up the annual caps for the fees payable by the Group in respect of the provision of products by Xiaomi Group**

The annual caps for the fees payable by the Group to Xiaomi Group in respect of the provision of products by Xiaomi Group for the three years ending 31 December 2019 are determined with reference to (i) the historical transaction amount; and (ii) the expected increase of the marketing and promotion activities of the Group which results in the increase in the variety of types of products to be purchased from Xiaomi Group.

## **4 REASONS FOR AND BENEFITS OF THE FRAMEWORK 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 applications. Riding on the reputation and widening acceptance of Xiaomi's series of smart phones in China, which are renowned for their advanced specifications and competitive pricing, the Directors believe that through the transactions under the Framework Agreement, the Group will not only benefit from increased revenue arising from the services rendered to Xiaomi Group, but will also be able to utilize Xiaomi's smart phone platform as an additional channel to promote the Group's online services and products to the ultimate mobile phone users.

The Directors (including independent non-executive Directors) are of the view that the transactions under the Framework Agreement are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Framework Agreement and the proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **5 IMPLICATIONS UNDER THE LISTING RULES**

Xiaomi is an associate of Mr. Jun LEI, a Director and substantial shareholder of the Company. Mr. Jun LEI holds a majority of voting power in Xiaomi, while other interests of Xiaomi are held by independent third parties. As such, Xiaomi is a connected person of the Company. Therefore, the entering into the Framework Agreement between the Company and Xiaomi and the transactions contemplated thereunder will become continuing connected transactions of the Company under the Listing Rules.

As each of the highest percentage ratios (as defined in the Listing Rules) in respect of the proposed annual caps for (1) the fees payable by the Group to Xiaomi Group in connection with the provision of promotion services by Xiaomi Group, and (2) the fees payable by the Group to Xiaomi Group in connection with the provision of products by Xiaomi Group for the three years ending 31 December 2019 exceeds 0.1% but is less than 5%, such transactions and their respective proposed annual caps are subject to the reporting, announcement and annual review, but exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As each of the highest percentage ratios (as defined in the Listing Rules) in respect of the proposed annual caps for (1) the fees payable by Xiaomi Group to the Group in connection with the provision of cloud services and promotion services by the Group, and (2) the fees payable by Xiaomi Group to the Group in connection with the joint operation of games provided by the Group for the three years ending 31 December 2019 exceeds 5%, such Non-exempt Transactions and their respective proposed annual caps are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In view of his interest in Xiaomi, Mr. Jun LEI has abstained from voting on the Board resolution approving the Framework Agreement. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Framework Agreement and none of them has abstained from voting on the relevant Board resolution.

The Company will seek Independent Shareholders' approval at the extraordinary general meeting of the Company for the Non-exempt Transactions and their respective proposed annual caps contemplated thereunder. VBG Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Transactions.

A circular containing, among other things, (i) further details of the Framework Agreement in relation to the Non-exempt Transactions; (ii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the Non-exempt Transactions and their respective proposed annual caps; (iii) the recommendation of the Independent Board Committee regarding the Non-exempt Transactions and their respective proposed annual caps to the Independent Shareholders; and (iv) a notice of the extraordinary general meeting will be despatched to the Shareholders on or before 27 December 2016.

## **6 INFORMATION ABOUT THE PARTIES**

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 Group 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.

## **7 DEFINITION**

“associate”	has the meaning as ascribed thereto in the Listing Rules
“Board”	the board of the 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
“connected person”	has the meaning as ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company

“Framework Agreement”	the agreement entered into between the Company and Xiaomi on 6 December 2016, pursuant to which (i) the Group will provide various services to Xiaomi Group, mainly including the cloud services and the promotion services; (ii) the Group will jointly operate games provided by the Group with Xiaomi Group; (iii) Xiaomi Group will provide various services to the Group, mainly including the promotion services ; and (iv) Xiaomi Group will provide its products to the Group
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors formed by the Company to advise the Independent Shareholders in respect of the Non-exempt Transactions and the proposed annual caps
“Independent Financial Adviser” or “VBG Capital”	VBG Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, acting as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Transactions and their respective proposed annual caps
“Independent Shareholders”	the shareholders of the Company who are not required to abstain from voting in respect of the Non-exempt Transactions and their respective annual caps
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Non-exempt Transactions”	the non-exempt transactions between the Group and Xiaomi Group under the Framework Agreement which are subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements pursuant to the Listing Rules, namely the provision of cloud services and promotion services by the Group to Xiaomi Group and the joint operation of games provided by the Group with Xiaomi Group
“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
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning as ascribed thereto in the Listing Rules
“substantial shareholder(s)”	has the meaning as ascribed thereto in the Listing Rules
“Xiaomi”	Xiaomi Corporation, a limited liability company organized under the laws of the Cayman Islands
“Xiaomi Group”	Xiaomi and its subsidiaries
“%”	percent

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

Beijing, 6 December 2016

*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.*