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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 FRAMEWORK LICENSING AGREEMENT

On 12 November 2013, KIS, KIS Beijing and Kingsoft Japan entered into the Framework Licensing Agreement to, among other things, expand the scope of licensed products and include other members of KIS Group as the licensors of the software technologies. Pursuant to the Framework Licensing Agreement, KIS Group will grant Kingsoft Japan Group the exclusive right to use certain software technologies in consideration of payment of licensing fees, and KIS Group and Kingsoft Japan Group will jointly operate the mobile device products on certain mobile device platforms in the Japanese market. The exclusive right to use the software technologies will be granted in accordance with the terms set out in the Original Licensing Agreement except for those specifically modified in the Framework Licensing Agreement and the joint operation with respect to certain mobile device products will be conducted in accordance with the terms set out in the Framework Licensing Agreement.

KIS is a connected subsidiary of the Company by virtue of Rule 14A.11 (5) of the Listing Rules. As such, the Framework Licensing Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

As the highest relevant applicable percentage ratio (as defined in the Listing Rules) in respect of the proposed annual caps of the transactions within the Framework Licensing Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Framework Licensing Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules, and are subject to reporting, annual review and announcement requirements, but exempted from the independent shareholder's approval requirement.

1 BACKGROUND

Reference is made to the announcement of the Company dated 28 June 2013 in relation to the continuing connected transactions announced pursuant to Rule 14A.41 of the Listing Rules. On 1 December 2009, KIS Beijing, a subsidiary of KIS, entered into the Original Licensing Agreement with Kingsoft Japan. Pursuant to the Original Licensing Agreement, KIS Beijing granted Kingsoft Japan the exclusive right to use certain software technologies (such as Internet security products) in consideration of payment of licensing fees. On 31 March 2012, the parties entered into the Supplemental Agreement to clarify, among other things, the scope of licensing and termination provisions. The term of the Original Licensing Agreement will expire on 30 November 2015.

After having taken into account the stable business relationship between KIS Beijing and Kingsoft Japan and the mutual business development needs, the parties proposed to expand the scope of licensed products and to include other members of KIS Group as the licensors of the software technologies. Further, KIS Group and Kingsoft Japan Group proposed to jointly operate the mobile device products on certain mobile device platforms in the Japanese market. To regulate the software licensing and the joint operation, KIS, KIS Beijing and Kingsoft Japan entered into the Framework Licensing Agreement, the details of which are set out below.

2 THE PRINCIPAL TERMS OF THE FRAMEWORK LICENSING AGREEMENT

On 12 November 2013, KIS, KIS Beijing and Kingsoft Japan entered into the Framework Licensing Agreement, pursuant to which (i) KIS Group (including KIS Beijing) will grant Kingsoft Japan Group the exclusive right to use certain software technologies in consideration of payment of licensing fees; and (ii) KIS Group and Kingsoft Japan Group will jointly operate the mobile device products on certain mobile device platforms in the Japanese market. The exclusive right to use the software technologies will be granted in accordance with the terms set out in the Original Licensing Agreement except for those specifically modified in the Framework Licensing Agreement. The joint operation with respect to certain mobile device products will be carried out in accordance with the terms set out in the Framework Licensing Agreement. The principal terms of the Framework Licensing Agreement (and major terms of the Original Licensing Agreement as applicable to the transactions contemplated under the Framework Licensing Agreement) are summarized as follows:

Date	12 November 2013
Parties	KIS Kingsoft Japan KIS Beijing
Transactions involved	<ol style="list-style-type: none">1. Software technologies licensing <p>KIS Group (including KIS Beijing) will grant Kingsoft Japan Group the exclusive right to use certain software technologies in consideration of payment of licensing fees. The software technologies include:</p><ol style="list-style-type: none">(1) the mobile device products; and(2) the personal computer platform products.2. Joint operation of certain mobile device products <p>KIS Group and Kingsoft Japan Group will jointly operate the mobile device products on certain platforms (such as iOS and Google play platforms) in the Japanese market. Under the joint operation, Kingsoft Japan Group will provide services in relation to the Japanese culture, public relationship, customer services and part of promotion and KIS Group will be responsible for all other aspects in the operation of the mobile device products.</p>

Software technologies licensing fees payable by Kingsoft Japan Group	<p>With respect to mobile device products, after taking into account the actual development and operational costs and expenses born by the parties, Kingsoft Japan Group shall pay KIS Group the licensing fees calculated, with effect from 1 January 2013, by reference to an agreed percentage (to be mutually agreed between the parties after arm's length negotiation and based on normal commercial terms) of its sales income of such mobile device products (after deducting relevant costs of sales channels, handling charges and sales agent/distributors commissions).</p> <p>With respect to personal computer platform products, for the year ending 31 December 2013, Kingsoft Japan Group shall pay KIS Group the licensing fees calculated by reference to a fixed percentage of its sales income (after deducting relevant costs of sales channels, handling charges and sales agent/distributors commissions). With effect from 1 January 2014, such licensing fees will be calculated based on variable licensing fee rates by reference to sales volume (to be determined upon arm's length negotiation and based on normal commercial terms).</p>
Joint operation fees payable by KIS Group	<p>KIS Group shall pay Kingsoft Japan Group the joint operation fees calculated, with effect from 1 January 2013, by reference to an agreed percentage (to be mutually agreed between the parties after arm's length negotiation and based on normal commercial terms) of sales income of the relevant mobile device products (after deducting relevant costs of sales channels, handling charges and sales agent/distributor commissions) achieved by KIS Group under the joint operation.</p>
Individual contract	<p>The parties may enter into licensing contracts with respect to individual licensing of technologies to set out details of the technologies involved and the licensing fees payable. Such individual licensing contracts must be made in accordance with the principle set out in the Framework Licensing Agreement.</p> <p>The parties may enter into joint operation contracts with respect to individual joint operation of mobile device products to set out details of joint operation arrangements and the joint operation fees payable. Such individual joint operation contracts must be made in accordance with the principle set out in the Framework Licensing Agreement.</p>
Payment terms	<p>Kingsoft Japan Group shall pay the licensing fees in full every three months in cash.</p> <p>KIS Group shall pay the joint operation fees in full every three months in cash.</p>
Term	<p>The Framework Licensing Agreement will expire on 30 November 2015.</p>

3 ANNUAL CAPS UNDER THE FRAMEWORK LICENSING AGREEMENT

The relevant annual caps for the two years ending 31 December 2014 and the eleven months ending 30 November 2015 under the Framework Licensing Agreement are set out below:

	Year ending 31 December		Eleven months ending
	2013	2014	30 November 2015
the licensing fees in respect of the mobile device products payable by Kingsoft Japan Group to KIS Group	RMB1,500,000 (equivalent to approximately HK\$1,890,000)	RMB5,000,000 (equivalent to approximately HK\$6,300,000)	RMB10,000,000 (equivalent to approximately HK\$12,600,000)
the licensing fees in respect of the personal computer platform products payable by Kingsoft Japan Group to KIS Group	RMB2,500,000 (equivalent to approximately HK\$3,150,000)	RMB6,500,000 (equivalent to approximately HK\$8,190,000)	RMB8,500,000 (equivalent to approximately HK\$10,710,000)
the joint operation fees in respect of the mobile device products payable by KIS Group to Kingsoft Japan Group	RMB100,000 (equivalent to approximately HK\$126,000)	RMB1,000,000 (equivalent to approximately HK\$1,260,000)	RMB2,000,000 (equivalent to approximately HK\$2,520,000)

With respect to the software technologies licensing of the mobile device products, there was no previous transaction of this kind for the two years ended 31 December 2012. The transaction amount for the nine months ended 30 September 2013 was approximately RMB0.89 million. The annual caps of the licensing fees in respect of mobile device products under the Framework Licensing Agreement for the two years ending 31 December 2014 and the eleven months ending 30 November 2015 are determined with reference to (i) the expected growth of the sales income to be generated by Kingsoft Japan Group from the relevant mobile device products; (ii) the expected rapid growth of the Japanese mobile device and technology industry; and (iii) the rates of licensing fees to be determined between the parties by reference to the fair market rates and on normal commercial terms.

With respect to the software technologies licensing of the personal computer platform products, the historical transaction amounts between KIS Beijing and Kingsoft Japan Group for the two years ended 31 December 2012 and the nine months ended 30 September 2013 were approximately RMB1.7 million, RMB1.92 million and RMB1.72 million, respectively. The annual caps of the licensing fees in respect of the personal computer platform products under the Framework Licensing Agreement for the two years ending 31 December 2014 and the eleven months ending 30 November 2015 are determined with reference to (i) the historical

transaction figures between KIS Beijing and Kingsoft Japan Group; (ii) the expected business growth of Kingsoft Japan Group in relation to the relevant personal computer platform products; and (iii) the rates of licensing fees to be determined between the parties by reference to the fair market rates and on normal commercial terms.

With respect to the joint operation of mobile device products, there was no previous transaction of this kind recorded before the date of the Framework Licensing Agreement. The annual caps of the joint operation fees in respect of the mobile device products under the Framework Licensing Agreement for the two years ending 31 December 2014 and the eleven months ending 30 November 2015 are determined with reference to (i) the expected sales income to be generated by KIS Group from the relevant mobile device products in the Japanese market; (ii) the expected rapid growth of the Japanese mobile device and technology industry; and (iii) the rates of licensing fees to be determined between the parties by reference to the fair market rates and on normal commercial terms.

4 REASONS AND BENEFITS OF THE FRAMEWORK LICENSING AGREEMENT

KIS Group is mainly engaged in the development and sale of internet security software and antivirus software. Providing licensing of software technologies such as Internet security products to Kingsoft Japan Group and operating the mobile device products jointly with Kingsoft Japan will expect to promote its distribution of security software in the Japanese market. Such arrangement will also promote the long-term business relationship and coordination between KIS Group and Kingsoft Japan Group and the resource allocation and synergy within the Group.

The Directors, including the independent non-executive Directors, consider that the transactions to be carried out under the Framework Licensing 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 annual caps calculated under the Framework Licensing Agreement are fair and reasonable.

5 IMPLICATIONS UNDER THE LISTING RULES

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

As the highest relevant applicable percentage ratio (as defined in the Listing Rules) in respect of the proposed annual caps of the transactions under the Framework Licensing Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Framework Licensing Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules, and are subject to reporting, annual review and announcement requirements, but exempted from the independent shareholder's approval requirement.

Given that Mr. Lau Chi Ping is the director of Tencent Holdings Limited, he has, therefore, abstained from voting in respect of the relevant Board resolution approving the Framework Licensing Agreement and the transactions contemplated thereunder. Save as stated above, none of the Directors has a material interest in such transactions contemplated under the Framework Licensing Agreement nor has any of them abstained from voting in respect of the relevant Board resolution.

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 distribution of a wide range of innovative entertainment, internet security and application software in the PRC and the Asia region.

KIS, a non-wholly-owned subsidiary of the Company, together with other members of KIS Group, is mainly engaged in the development and sale of internet security software and antivirus software.

Kingsoft Japan, a non-wholly-owned subsidiary of the Company, together with other members of Kingsoft Japan Group is principally engaged in the distribution and operation of office application software, security software and Android pad in the Japanese market.

7 DEFINITIONS

“Board”	the board of directors of the Company
“BVI”	British Virgin Islands
“Cayman”	Cayman Islands
“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)
“Director(s)”	the director(s) of the Company
“Framework Licensing Agreement”	the framework licensing agreement entered into among KIS, KIS Beijing and Kingsoft Japan dated 12 November 2013, pursuant to which (i) KIS Group will grant Kingsoft Japan Group the exclusive right to use certain software technologies in consideration of payment of licensing fees; and (ii) KIS Group and Kingsoft Japan Group will jointly operate the mobile device products on certain mobile device platforms in the Japanese market

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Kingsoft Japan”	Kingsoft Japan Inc., a company incorporated in Japan and a non-wholly-owned subsidiary of the Company
“Kingsoft Japan Group”	Kingsoft Japan and its subsidiaries
“KIS”	Kingsoft Internet Software Holdings Limited, a company incorporated under the laws of the Cayman and a non-wholly-owned subsidiary of the Company
“KIS Beijing”	Beijing Kingsoft Internet Security Software Co., Ltd. (北京金山安全軟件有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of KIS
“KIS Group”	KIS and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Original Licensing Agreement”	the exclusive licensing contract dated 1 December 2009 entered into between KIS Beijing and Kingsoft Japan, pursuant to which KIS Beijing granted Kingsoft Japan the exclusive right to use certain software technologies (such as Internet security products) in consideration of payment of licensing fees
“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 31 March 2012 between KIS Beijing and Kingsoft Japan to amend the Original Licensing Agreement

“TCH”

TCH Copper Limited, a subsidiary of Tencent Holdings Limited, who is the substantial shareholder of the Company

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percent

For the purpose of this announcement, unless otherwise indicated, the exchange rate at RMB1 = HK\$1.26 has been used, where applicable, for the purpose of illustration only and not constitute a representation that any amount have been, could have been or may be exchanged.

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

Hong Kong, 12 November 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. Guangming George LU, David Yuen Kwan TANG, and Ms. Wenjie WU.