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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)

ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTION PURSUANT TO RULE 14A.60 OF THE LISTING RULES

Xiaomi is an associate of Mr. Jun LEI, a Director and substantial shareholder of the Company. On 21 August 2014, Xiaomi acquired 161,688,000 preferred shares of Kingsoft Cloud from Apoletto Limited. Upon completion of the aforementioned acquisition, Xiaomi held approximately 20.76% equity interest in Kingsoft Cloud on the assumption that all the preferred shares of Kingsoft Cloud are fully converted into the ordinary shares of Kingsoft Cloud based on the conversion ratio of 1:1 and no shares under the employee stock incentive plans of Kingsoft Cloud are issued. Therefore, Kingsoft Cloud Group became connected subsidiaries of the Company by virtue of Rule 14A.16 of the Listing Rules.

Kingsoft Cloud Group and the Group (excluding Kingsoft Cloud Group) had entered into certain agreements in relation to ongoing transactions conducted on a regular and continuing basis before Kingsoft Cloud became a connected subsidiary of the Company.

Such agreements and the transactions contemplated thereunder will become continuing connected transactions of the Company under the Listing Rules. Pursuant to Rule 14A.60 of the Listing Rules, the Company is required to comply with the applicable reporting and disclosure requirements under Chapter 14A of the Listing Rules regarding such continuing connected transactions. The Company will comply in full with all applicable reporting, disclosure and, if applicable, independent shareholders' approval requirements under Chapter 14A of the Listing Rules upon any variation or renewal of such agreements.

1. BACKGROUND

Xiaomi is an associate of Mr. Jun LEI, a Director and substantial shareholder of the Company. On 21 August 2014, Xiaomi acquired 161,688,000 preferred shares of Kingsoft Cloud from Apoletto Limited. Upon completion of the aforementioned acquisition, Xiaomi held approximately 20.76% equity interest in Kingsoft Cloud on the assumption that all the preferred shares of Kingsoft Cloud are fully converted into the ordinary shares of Kingsoft Cloud based on the conversion ratio of 1:1 and no shares under the employee stock incentive plans of Kingsoft Cloud are issued. Therefore, Kingsoft Cloud Group became connected subsidiaries of the Company by virtue of Rule 14A.16 of the Listing Rules.

2. CONTINUING TRANSACTIONS BETWEEN KINGSOFT CLOUD GROUP AND THE GROUP

Kingsoft Cloud Group and the Group (excluding Kingsoft Cloud Group) had entered into certain agreements in relation to ongoing transactions conducted on a regular and continuing basis. Details of such agreements are summarized in the following table:

No.	Transaction party of Kingsoft Cloud Group	Transaction party of the Group (excluding Kingsoft Cloud Group)	Nature and date of the agreement	Term of the agreement	Description of the transaction	Basic for determining the consideration
1	Beijing Kingsoft Cloud Network Technology Co., Ltd.* (北京金山雲網絡技術有限公司)	Zhuhai Kingsoft Software Co., Ltd.* (珠海金山辦公軟件有限公司)	Cloud engine service rental agreement 10 May 2014	From 10 May 2014 to 9 May 2015	The transaction party of the Group shall lease the cloud engine from the transaction party of Kingsoft Cloud Group.	market price
2	Beijing Kingsoft Cloud Network Technology Co., Ltd.* (北京金山雲網絡技術有限公司)	Beijing Kingsoft Network Technology Co., Ltd.* (北京金山網絡技術有限公司)	Cloud engine service rental agreement 19 May 2014	From 19 May 2014 to 18 May 2015	The transaction party of the Group shall lease the cloud engine from the transaction party of Kingsoft Cloud Group.	market price

No.	Transaction party of Kingsoft Cloud Group	Transaction party of the Group (excluding Kingsoft Cloud Group)	Nature and date of the agreement	Term of the agreement	Description of the transaction	Basic for determining the consideration
3	Beijing Kingsoft Cloud Network Technology Co., Ltd.* (北京金山雲網絡技術有限公司)	Beijing Kingsoft Office Software Co., Ltd.* (北京金山辦公軟件有限公司)	Technology service agreement 1 July 2014	From 1 July 2014 to 30 June 2015	The transaction party of the Group shall provide the end users with cloud storage space service in its designated software, and the transaction party of Kingsoft Cloud Group shall provide the transaction party of the Group with bandwidth as well as cloud storage space necessary for the cloud storage space service.	market price
4	Beijing Kingsoft Cloud Network Technology Co., Ltd.* (北京金山雲網絡技術有限公司)	Chengdu Westhouse Shiyu Technology Co., Ltd.* (成都西山居世遊科技有限 公司)	Cloud engine service agreement 12 July 2014	From 12 July 2014 to 11 July 2015	The transaction party of the Group shall lease the cloud engine from the transaction party of Kingsoft Cloud Group.	market price
5	Beijing Kingsoft Cloud Network Technology Co., Ltd.* (北京金山雲網絡技術有限公司)	Chengdu Westhouse Shiyu Technology Co., Ltd.* (成都西山居世遊科技有限 公司)	Cloud engine service agreement 15 July 2014	From 15 July 2014 to 14 July 2015	The transaction party of the Group shall lease the cloud engine from the transaction party of Kingsoft Cloud Group.	market price
6	Kingsoft Cloud	the Company	Borrowing agreement 15 March 2013	A term of three years commencing from the borrowing remittance date	The transaction party of Kingsoft Cloud Group, as the lender, shall provide the loan in an amount of US\$ 2,100,000 to the transaction party of the Group for supplementing its daily operation funding.	the annual interest rate is 3%

No.	Transaction party of Kingsoft Cloud Group	Transaction party of the Group (excluding Kingsoft Cloud Group)	Nature and date of the agreement	Term of the agreement	Description of the transaction	Basic for determining the consideration
7	Beijing Kingsoft Cloud Network Technology Co., Ltd.* (北京金山雲網絡技術有限公司)	Kingsoft Japan Inc.* (日本金山有限公司)	Facility rental contract and supplemental agreement thereto 1 January 2013	From 1 January 2013 to 30 June 2016	The transaction party of the Group shall lease the server facility from the transaction party of Kingsoft Cloud Group for its self-operated business in the PRC.	market price
8	Beijing Kingsoft Cloud Network Technology Co., Ltd.* (北京金山雲網絡技術有限公司)	Chengdu Kingsoft Digital Entertainment Technology Co., Ltd.* (成都金山數字娛樂科技有限公司)	Entrusted service agreement 30 November 2012	From 30 November 2012 to 29 November 2017	The transaction party of Kingsoft Cloud Group shall entrust the transaction party of the Group to provide such services, including: Taobao order service description, Weibo private message service description and Kingsoft Kuaipan explicit link content review business description.	cost plus certain profits
9	Beijing Kingsoft Cloud Network Technology Co., Ltd.* (北京金山雲網絡技術有限公司)	Beijing Kingsoft Software Co., Ltd.* (北京金山軟件有限公司)	Property leasing agreement 1 January 2014	From 1 January 2014 to 31 December 2014	The transaction party of the Group shall rent the office located in Beijing to the transaction party of Kingsoft Cloud Group.	market price
10	Beijing Kingsoft Cloud Network Technology Co., Ltd.* (北京金山雲網絡技術有限公司)	Beijing Kingsoft Software Co., Ltd.* (北京金山軟件有限公司)	Service agreement 1 January 2014	From 1 January 2014 to 31 December 2014	The transaction party of the Group shall provide the transaction party of Kingsoft Cloud Group with the miscellaneous services, such as administrative support.	market price

No.	Transaction party of Kingsoft Cloud Group	Transaction party of the Group (excluding Kingsoft Cloud Group)	Nature and date of the agreement	Term of the agreement	Description of the transaction	Basic for determining the consideration
11	Beijing Kingsoft Cloud Technology Co., Ltd.* (北京金山雲科技有限公司)	Beijing Kingsoft Software Co., Ltd.* (北京金山軟件有限公司)	Property leasing agreement 1 January 2014	From 1 January 2014 to 31 December 2014	The transaction party of the Group shall rent the office located in Beijing to the transaction party of Kingsoft Cloud Group.	market price
12	Beijing Kingsoft Cloud Technology Co., Ltd.* (北京金山雲科技有限公司)	Beijing Kingsoft Software Co., Ltd.* (北京金山軟件有限公司)	Service agreement 1 January 2014	From 1 January 2014 to 31 December 2014	The transaction party of the Group shall provide the transaction party of Kingsoft Cloud Group with the miscellaneous services, such as administrative support.	market price
13	Beijing Kingsoft Cloud Network Technology Co., Ltd.* (北京金山雲網絡技術有限公司)	Chengdu Kingsoft Interactive* (成都金山互動娛樂科技有 限公司) Entertainment Co., Ltd.	Entrusted loan contract 1 January 2014	Three years commencing from the first withdrawal date	The transaction party of the Group shall entrust Bank of East Asia (China) Limited, Beijing Branch to grant an entrusted loan of RMB13 million to the transaction party of Kingsoft Cloud Group.	the annual interest rate is 4.2%
14	Kingsoft Cloud	the Company	Loan agreement 6 June 2014	From 12 June 2014 to 12 December 2014	The transaction party of the Group shall provide a loan of RMB100 million to the transaction party of the Kingsoft Cloud Group.	the annual interest rate is 6%

Notes: The English names of these companies represent the best efforts by management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

In order to facilitate the use of the patents and the trademarks of the Group, Beijing Kingsoft Cloud Network Technology Co., Ltd.* (北京金山雲網絡技有限公司), a subsidiary of Kingsoft Cloud, and Beijing Kingsoft Software Co., Ltd.* (北京金山軟件有限公司), a subsidiary of the Company, entered into a licensing agreement on 9 December 2012. As such, Kingsoft Cloud Group has the right to use the patents and the trademarks listed in such licensing agreement during the respective valid period of such intellectual properties. The total licensing fees of RMB4 million has been fully paid by Kingsoft Cloud Group.

3. REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

Most of the aforementioned continuing transactions between Kingsoft Cloud Group and the Group (excluding Kingsoft Cloud Group) were entered into in the ordinary and usual course of business of the Group. Taking into account of the long term and stable business relationship between Kingsoft Cloud Group and the Group (excluding Kingsoft Cloud Group), the aforementioned transactions can provide a stable business environment and operating instruments for the Company as a whole, so as to bring stabilized contributions to the Company and its shareholders.

The Directors (including independent non-executive Directors) are of the view that the transactions contemplated under the aforesaid agreements are on normal commercial terms, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

4. IMPLICATIONS UNDER THE LISTING RULES

Xiaomi is an associate of Mr. Jun LEI, a Director and substantial shareholder of the Company. On 21 August 2014, Xiaomi acquired 161,688,000 preferred shares of Kingsoft Cloud from Apoletto Limited. Upon completion of the aforementioned acquisition, Xiaomi held approximately 20.76% equity interest in Kingsoft Cloud on the assumption that all the preferred shares of Kingsoft Cloud are fully converted into the ordinary shares of Kingsoft Cloud based on the conversion ratio of 1:1 and no shares under the employee stock incentive plans of Kingsoft Cloud are issued. Therefore, Kingsoft Cloud Group became connected subsidiaries of the Company by virtue of Rule 14A.16 of the Listing Rules.

As such, the ongoing transactions between Kingsoft Cloud Group and the Group (excluding Kingsoft Cloud Group) before Kingsoft Cloud became a connected subsidiary of the Company will become continuing connected transactions of the Company under the Listing Rules.

Pursuant to Rule 14A.60 of the Listing Rules, the Company is required to comply with the applicable reporting and disclosure requirements under Chapter 14A of the Listing Rules regarding such continuing connected transactions. The Company will comply in full with all applicable reporting, disclosure and, if applicable, independent shareholders' approval requirements under Chapter 14A of the Listing Rules upon any variation or renewal of such agreements.

5. 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.

Kingsoft Cloud Group is engaged in the research, development and provision of cloud technology and services.

6. DEFINITION

“associate”	has the meaning ascribed thereto under the Listing Rules
“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)
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“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
“Kingsoft Cloud”	Kingsoft Cloud Holdings Limited, a limited liability company organized under the laws of the Cayman
“Kingsoft Cloud Group”	Kingsoft Cloud and its subsidiaries
“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
“Xiaomi”	Xiaomi Corporation, a limited liability company organized under the laws of the Cayman
%	percent

By order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

Hong Kong, 21 August 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. Shun Tak WONG, David Yuen Kwan TANG, and Ms. Wenjie WU.