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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 STRATEGIC COOPERATION AGREEMENT WITH TENCENT SHENZHEN

On 27 December 2013, KIS Holdings entered into the Strategic Cooperation Agreement with Tencent Shenzhen, pursuant to which, KIS Holdings and its subsidiaries will provide promotion services to Tencent Group.

Tencent is the substantial shareholder and a connected person of the Company. Tencent Shenzhen is a subsidiary of Tencent. As such, the Strategic Cooperation Agreement entered into between Tencent Shenzhen and KIS Holdings and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest relevant applicable percentage ratio (as defined in the Listing Rules) in respect of the Strategic Cooperation Agreement exceeds 0.1% but is less than 5%, the Strategic Cooperation Agreement is subject to reporting, annual review and announcement requirements, but exempted from the independent shareholders' approval requirement.

1 INTRODUCTION

On 27 December 2013, KIS Holdings entered into the Strategic Cooperation Agreement with Tencent Shenzhen, pursuant to which, KIS Holdings and its subsidiaries will provide promotion services to Tencent Group.

KIS Holdings and its subsidiaries have been providing various marketing platforms and channels for the promotion of Tencent Group's internet services and products as disclosed in the announcement of the Company dated 27 September 2012. In order to enhance the value of the Group, the Company has proposed that KIS Holdings enters into the Strategic Cooperation Agreement with Tencent Shenzhen, whereby KIS Holdings and its subsidiaries provide promotion services to Tencent Group for a fee, thereby enhancing the returns of the Group.

2 PRINCIPAL TERMS OF THE STRATEGIC COOPERATION AGREEMENT

The principal terms of the Strategic Cooperation Agreement are summarized as follows:

Date	27 December 2013
Period	1 January 2014 to 31 December 2015
Parties	KIS Holdings Tencent Shenzhen
Subject matter	KIS Holdings and its subsidiaries will, through their PC products or platforms (including licensed products or platforms) and mobile products or platforms (including licensed products or platforms), provide various forms of promotion services to Tencent Group for various types of their products (including licensed products).
Pricing basis	The prices will be based on, where applicable: (i) the prevailing fair market pricing rules adopted in the same industry; (ii) a price calculated based on costs plus reasonable profit margin; or (iii) a price with reference to the price or reasonable profit margin of an independent third party conducting the similar transactions.
Payment terms	To be settled with reference to the prevailing market payment terms of the transactions of a similar kind.
Individual contracts	Both parties, their respective subsidiaries and associates (where applicable) will enter into individual contracts for the transactions contemplated under the Strategic Cooperation Agreement.

3 ANNUAL CAPS AND BASIS OF DETERMINATION

The table below sets out the actual transaction amounts of the promotion services provided by KIS Holdings and its subsidiaries to Tencent Group for the year ended 31 December 2012 and the eleven months ended 30 November 2013 and the proposed annual caps under the Strategic Cooperation Agreement for each of the two full financial years ending 31 December 2015.

	Historical amount	Historical amount	Proposed annual caps	
	For the	For the	For the year ending	
	year ended	eleven months	31 December	31 December
	31 December	ended	2014	2015
	2012	30 November		
		2013		
		<i>RMB' million</i>		
Total revenue from Tencent Group for provision of promotion services	68.53	99.29	22.00	33.00

The proposed annual caps have been worked out with reference to the historical transactions occurred between KIS Holdings and its subsidiaries and Tencent Group for the year ended 31 December 2012 and the eleven months ended 30 November 2013. In addition, the following factors were also taken into consideration for setting the proposed annual caps: i) since Tencent will not operate the SoSo search engine business directly by itself in 2014 and 2015, the promotion of Tencent's SoSo search engine by KIS Holdings and its subsidiaries will be terminated accordingly; and ii) it is estimated that revenue from provision of other promotion services to Tencent Group will increase as the parties' cooperation on PC and mobile devices deepens, in particular, as a result of the rapid development of mobile internet.

4 REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Strategic Cooperation Agreement will allow KIS Holdings and its subsidiaries to broaden the services and products offering, and bring additional revenue streams into KIS Holdings and its subsidiaries.

The Directors, including the independent non-executive Directors, consider that the terms of the Strategic Cooperation Agreement are entered into on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

5 IMPLICATIONS UNDER THE LISTING RULES

Tencent is the substantial shareholder and a connected person of the Company. Tencent Shenzhen is a subsidiary of Tencent. As such, the Strategic Cooperation Agreement entered into between Tencent Shenzhen and KIS Holdings and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest relevant applicable percentage ratio (as defined in the Listing Rules) in respect of the Strategic Cooperation Agreement exceeds 0.1% but is less than 5%, the Strategic Cooperation Agreement is subject to reporting, annual review and announcement requirements, but exempted from the independent shareholders' approval requirement.

Given that Mr. Lau Chi Ping is the director of Tencent, he has, therefore, abstained from voting in respect of the relevant Board resolution approving the Strategic Cooperation Agreement. Save as stated above, none of the Directors has a material interest in the Strategic Cooperation 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 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.

KIS Holdings, a non-wholly-owned subsidiary of the Company, together with its subsidiaries, is mainly engaged in the research, development and operation of information security software and web browser, provision of information security service across devices, and provision of online advertising services.

Tencent and its subsidiaries are principally engaged in the provision of Internet value added services, mobile and telecommunications value-added services, online advertising and e-Commerce services to users in the PRC.

Tencent Shenzhen is principally engaged in the provision of Internet and mobile and telecommunications value-added services in the PRC.

7 DEFINITIONS

“associate(s)”	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)
“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
“KIS Holdings”	Kingsoft Internet Software Holdings Limited, a non-wholly owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	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
“Strategic Cooperation Agreement”	the Strategic Cooperation Agreement entered into between KIS Holdings and Tencent Shenzhen dated 27 December 2013, pursuant to which, KIS Holdings and its subsidiaries will provide promotional services to Tencent Group
“subsidiary”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“Tencent”	Tencent Holdings Limited, a limited liability company organised and existing under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange
“Tencent Group”	Tencent and its subsidiaries and their respective associates
“Tencent Shenzhen”	Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司), a subsidiary of Tencent
“%”	percent

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

Hong Kong, 27 December 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.