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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 WITH KIS HOLDINGS

In order to regulate, among other things, the provision of services and the leasing transactions between the Group and KIS Group, the Company and KIS Holdings entered into the Cooperation Framework Agreement and set the annual caps of the continuing connected transactions under the Cooperation Framework Agreement for the three years ending 31 December 2016.

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

As the highest applicable percentage ratio (as defined in the Listing Rules) with reference to the aggregated annual caps in respect of the provision of promotion services, licensing services and miscellaneous services by the Group to KIS Group under the Cooperation Framework Agreement is higher than 0.1% and less than 5%, such continuing connected transactions under the Cooperation Framework Agreement and the relevant annual caps are only subject to the reporting, annual review and announcement requirements but exempted from independent shareholders' approval under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) with reference to the aggregated annual caps in respect of the provision of promotion services and licensing services by KIS Group to the Group under the Cooperation Framework Agreement is higher than 0.1% and less than 5%, such continuing connected transactions under the Cooperation Framework Agreement and the relevant annual caps are only subject to the reporting and announcement requirements but exempted from independent shareholders' approval under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) with reference to the annual caps in respect of the leasing transactions under the Cooperation Framework Agreement is higher than 0.1% and less than 5%, such transactions under the Cooperation Framework Agreement and the relevant annual caps are only subject to the reporting, annual review and announcement requirements but exempted from independent shareholders' approval under Chapter 14A of the Listing Rules.

1. BACKGROUND

Reference is made to the announcement of the Company dated 28 June 2013 in relation to the continuing connected transactions between the Group and KIS Group.

In order to regulate, among other things, the provision of services and the leasing transactions between the Group and KIS Group, the Company and KIS Holdings entered into the Cooperation Framework Agreement and set the annual caps of the continuing connected transactions under the Cooperation Framework Agreement for the three years ending 31 December 2016.

2. PRINCIPAL TERMS OF THE COOPERATION FRAMEWORK AGREEMENT

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

Date	27 December 2013
Parties	(i) the Company; and (ii) KIS Holdings
Transactions involved	(i) Promotion services

The parties will mutually provide promotion services via one party's products and websites for the sale of the other party's products, including but not limited to, pre-installation, bundle promotion, joint operation and publishing on-line advertisement.

(ii) Licensing services

The parties will grant licenses to each other to use, among others, certain technologies, trademarks and software products.

(iii) Leasing transactions

The Group will provide property leasing and asset leasing to KIS Group.

(iv) Miscellaneous services

The Group will provide miscellaneous services to KIS Group, including but not limited to, administration assistance services and technology support services.

Undertakings	<p>Both parties agreed that the Cooperation Framework Agreement will not affect the right of either party to choose a transaction party or to deal with a third party, and undertook that they will, and will procure their subsidiaries to, provide services to the other party on terms no less favorable than those available to third parties. Either party is entitled to provide service to a third party provided that the provision of service to the other party will not be affected.</p> <p>In case where one party under the Cooperation Framework Agreement is unable to meet the demand of the other party, or any third party is able to provide the same services on more favorable terms, the party is entitled to purchase the relevant services from any such third party.</p>
Individual contracts	<p>The Group and KIS Group may enter into individual contracts from time to time when necessary according to the principles and scope provided for under the Cooperation Framework Agreement. Such individual contracts shall be entered into on normal commercial terms.</p>
Service fees and pricing	<p>Both parties agreed to set annual caps for each category of the abovementioned provision of services for each of the three years ending 31 December 2016.</p> <p>The transactions between the Group and KIS Group shall be conducted in accordance with the following pricing principles: (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.</p>
Payment terms	<p>The payment shall be made by the Group and/or KIS Group with reference to the prevailing market terms of payment used in transactions of a similar kind in the market at the time of the transaction.</p>
Term:	<p>The Cooperation Framework Agreement will take effect on 1 January 2014 and expire on 31 December 2016.</p>

3. HISTORICAL AMOUNTS AND ANNUAL CAPS UNDER THE COOPERATION FRAMEWORK AGREEMENT

The following table sets out the historical amounts (if any) for the two years ended 31 December 2012 and the eleven months ended 30 November 2013 and the proposed annual caps for the three years ending 31 December 2016 in respect of the transactions contemplated under the Cooperation Framework Agreement:

(i) Mutual Provision of Promotion Services

RMB 0'000

Historical amount for the year ended 31 December 2011	Historical amount for the year ended 31 December 2012	Historical amount for the eleven months ended 30 November 2013	Annual Caps for the year ending 31 December			
			2014	2015	2016	
<i>fees payable by the Group to KIS Group</i>						
N/A	N/A	69	900	1200	1500	
<i>fees payable by KIS Group to the Group</i>						
N/A	N/A	22	500	600	700	

The annual caps of the service fees in respect of the provision of promotion services payable by the Group to KIS Group for the three years ending 31 December 2016 are determined with reference to (i) the expected trend of rapid growth in the cloud business of the Group, which may has large demand of promotion services from KIS Group through using various internet based platforms owned by KIS Group; (ii) the expected rapid increase in the Group's demand of online games promotion services to be provided by KIS Group from 2014 onward; and (iii) the promotion fees to be determined between the parties by reference to the fair market rates and on normal commercial terms.

The annual caps of the service fees in respect of the provision of promotion services payable by KIS Group to the Group for the three years ending 31 December 2016 are determined with reference to (i) the expected rapid increase in KIS Group's demand of promotion services by KIS Group for its various internet value added services to be provided by the Group through its subsidiaries which operate in cloud business, online game business and software business; and (ii) the promotion fees to be determined between the parties by reference to the fair market rates and on normal commercial terms.

(ii) Mutual Provision of Licensing Services

RMB: 0'000

Historical amount for the year ended 31 December 2011	Historical amount for the year ended 31 December 2012	Historical amount for the eleven months ended 30 November 2013	Annual Caps for the year ending 31 December		
			2014	2015	2016
<i>fees payable by the Group to KIS Group</i>					
188	213	348	1150	1850	2000
<i>fees payable by KIS Group to the Group</i>					
840	840	770	940	1205	1800

The annual caps of the service fees in respect of the provision of licensing services payable by the Group to KIS Group for the three years ending 31 December 2016 are determined with reference to (i) the historical transaction amounts between KIS Group and the Group; (ii) the expected rapid growth of the sales income to be generated by the Group from the relevant personal computer platform products and mobile device products using KIS Group's licensing 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.

The annual caps of the service fees in respect of the provision of promotion services payable by KIS Group to the Group for the three years ending 31 December 2016 are determined with reference to (i) the historical transaction amounts between KIS Group and the Group; (ii) the increasing KIS Group's demand of licensing products from the Group; 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.

(iii) Leasing transactions between KIS Group and the Group

RMB: 0'000

Historical amount for the year ended 31 December 2011	Historical amount for the year ended 31 December 2012	Historical amount for the eleven months ended 30 November 2013	Annual Caps for the year ending 31 December		
			2014	2015	2016
<i>fees payable by KIS Group to the Group</i>					
203	176	160	350	600	950

The annual caps of the service fees in respect of the provision of leasing services payable by KIS Group to the Group for the three years ending 31 December 2016 are determined with reference to (i) the historical transaction amounts between KIS Group and the Group; (ii) the increasing KIS Group's demand of leasing more properties and assets from the Group as more employees will be recruited by KIS Group to fulfill the needs of its business expansion; and (iii) the leasing fees to be determined between the parties by reference to the fair market rates and on normal commercial terms.

(iv) Provision of Miscellaneous Services to KIS Group by the Group

RMB: 0'000

Historical amount for the year ended 31 December 2011	Historical amount for the year ended 31 December 2012	Historical amount for the eleven months ended 30 November 2013	Annual Caps for the year ending 31 December		
			2014	2015	2016
<i>fees payable by KIS Group to the Group</i>					
1,096	614	378	900	1750	2700

The annual caps of the service fees in respect of the provision of miscellaneous services payable by KIS Group to the Group for the three years ending 31 December 2016 are determined with reference to (i) the historical transaction amounts between KIS Group and the Group; (ii) the increasing KIS Group's demand of miscellaneous service to fulfill the needs of its business expansion; and (iii) the miscellaneous service fees to be determined between the parties by reference to the fair market rates and on normal commercial terms.

4. IMPLICATIONS UNDER THE LISTING RULES

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

As the highest applicable percentage ratio (as defined in the Listing Rules) with reference to the aggregated annual caps in respect of the provision of promotion services, licensing services and miscellaneous services by the Group to KIS Group under the Cooperation Framework Agreement is higher than 0.1% and less than 5%, such continuing connected transactions under the Cooperation Framework Agreement and the relevant annual caps are only subject to the reporting, annual review and announcement requirements but exempted from independent shareholders' approval under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) with reference to the aggregated annual caps in respect of the provision of promotion services and licensing services

by KIS Group to the Group under the Cooperation Framework Agreement is higher than 0.1% and less than 5%, such continuing connected transactions under the Cooperation Framework Agreement and the relevant annual caps are only subject to the reporting and announcement requirements but exempted from independent shareholders' approval under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) with reference to the annual caps in respect of the leasing transactions under the Cooperation Framework Agreement is higher than 0.1% and less than 5%, such transactions under the Cooperation Framework Agreement and the relevant annual caps are only subject to the reporting, annual review and announcement requirements but exempted from independent shareholders' approval under Chapter 14A of the Listing Rules.

Given that Mr. Lau Chi Ping is the director of Tencent Holdings Limited, he has, therefore, abstained from voting on the Board resolution approving the Cooperation Framework Agreement. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Cooperation Framework Agreement and none of them has abstained from voting on the relevant Board resolution.

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

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.

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.

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
“Cooperation Framework Agreement”	the cooperation framework agreement dated 27 December 2013 entered into between the Company and KIS Holdings in relation to the continuing connected transactions of the Company with effective period from 1 January 2014 to 31 December 2016
“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 company incorporated under the laws of the Cayman and a non-wholly owned subsidiary of the Company
“KIS Group”	KIS Holdings 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
%	percent

By order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

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.