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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 AMENDMENTS TO THE COOPERATION FRAMEWORK AGREEMENT

This announcement is made pursuant to Rule 14A.36 of the Listing Rules.

On 24 April 2013, the Company and Xiaomi entered into the Cooperation Framework Agreement for a term of two years ending 31 December 2014. On 21 August 2013, the Company announced that it entered into a supplementary agreement to revise the annual caps for the service fees payable by Xiaomi in relation to the promotion services for the sale of Xiaomi's smart cell phones and related products under the Cooperation Framework Agreement.

After having taken into account the stable business relationship between the Company and Xiaomi and the mutual business development needs, the parties proposed to expand the scope of services and extend the term under the Cooperation Framework Agreement. Further, due to the rapid growth in relevant services and products, the Company and Xiaomi proposed to revise the original annual caps of the provision of cloud services by the Group to Xiaomi Group for the two years ending 31 December 2014 under the Cooperation Framework Agreement.

As such, on 27 December 2013, the Company and Xiaomi entered into the Supplemental Agreement to amend the Cooperation Framework Agreement, pursuant to which (i) the Group will provide cloud services to Xiaomi Group; (ii) the Group will jointly operate with Xiaomi Group the games provided by the Group; (iii) the Group will provide promotion services via its products or websites for the sale of Xiaomi's products; (iv) 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; (v) Xiaomi Group will provide promotion services via its products or websites for the sale of the Group's products. In addition, according to the Supplemental Agreement, the term of the Cooperation Framework Agreement will be extended to end on 31 December 2015 and the original annual caps of the provision of cloud services by the Group to Xiaomi Group for the two years ending 31 December 2014 will be revised to RMB5.3 million and RMB40 million, respectively. Save as disclosed above, all existing major terms and conditions under the Cooperation Framework Agreement and the supplementary agreement dated 21 August 2013 remain unchanged.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Supplemental Agreement is higher than 0.1% and less than 5%, the Supplemental Agreement and the relevant annual caps are only subject to the reporting and announcement requirements but exempted from independent shareholders' approval.

1. BACKGROUND

This announcement is made pursuant to Rule 14A.36 of the Listing Rules.

Reference is made to the announcements of the Company dated 24 April 2013 and 21 August 2013 in relation to the continuing connected transactions under the Cooperation Framework Agreement.

On 24 April 2013, the Company and Xiaomi entered into the Cooperation Framework Agreement, pursuant to which (i) the Group agreed to provide cloud services, including but not limited to cloud storage services and file hosting services, to Xiaomi Group in return for service fees; (ii) the Group agreed to jointly operate with Xiaomi Group the games provided by the Group, including but not limited to the maintenance of network system and games operating platform and provision of game contents; and (iii) the Group agreed to provide promotion services via its products and websites for the sale of Xiaomi's smart cell phones and related products in return for service fees, for a term of two years ending 31 December 2014. On 21 August 2013, the Company announced that it entered into a supplementary agreement to revise the annual caps for the service fees payable by Xiaomi in relation to the promotion services for the sale of Xiaomi's smart cell phones and related products under the Cooperation Framework Agreement.

2. AMENDMENTS TO THE COOPERATION FRAMEWORK AGREEMENT

After having taken into account the stable business relationship between the Company and Xiaomi and the mutual business development needs, the parties proposed to expand the scope of services and extend the term under the Cooperation Framework Agreement. Further, due to the rapid growth in relevant services and products, the Company and Xiaomi proposed to revise the original annual caps of the provision of cloud services for the two years ending 31 December 2014 under the Cooperation Framework Agreement.

As such, on 27 December 2013, the Company and Xiaomi entered into the Supplemental Agreement to amend the Cooperation Framework Agreement, pursuant to which (i) the Group will provide cloud services to Xiaomi Group; (ii) the Group will jointly operate with Xiaomi Group the games provided by the Group; (iii) the Group will provide promotion services via its products or websites for the sale of Xiaomi's products; (iv) 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; (v) Xiaomi Group will provide promotion services via its products or websites for the sale of the Group's products. In addition, according to the Supplemental Agreement, the term of the Cooperation Framework Agreement will be extended to end on 31 December 2015, and the original annual caps of the provision of cloud services for the two years ending 31 December 2014 under the Cooperation Framework Agreement will be revised to RMB5.3 million and RMB40 million, respectively.

Save as disclosed above, all existing major terms and conditions under the Cooperation Framework Agreement and the supplementary agreement dated 21 August 2013 remain unchanged.

3. HISTORICAL AMOUNTS AND ANNUAL CAPS UNDER THE SUPPLEMENTAL AGREEMENT

The following table sets out the revised scope of services, the historical amounts (if any) for the year ended 31 December 2012 and for the eleven months ended 30 November 2013 and the proposed annual caps of the transactions contemplated under the Cooperation Framework Agreement and the Supplemental Agreement (where applicable) for the three years ending 31 December 2015:

RMB: Million

	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		
			2013	2014	2015
<i>fees payable by Xiaomi Group to the Group</i>					
Provision of cloud services	0.82	3.99	5.3*	40*	60
Joint operation of games	N/A	0.01	2**	4**	5
Provision of promotion services by the Group	N/A	2.72	5**	7.5**	10
<i>fees payable by the Group to Xiaomi Group</i>					
Purchase of Xiaomi's products	5.28***	6.45***	8.5	9.5	10
Provision of promotion services by Xiaomi Group	N/A	N/A	2	3	5

Note

- * Pursuant to the Supplemental Agreement, the annual caps of the provision of cloud services for the two years ending 31 December 2014 will be revised from RMB4.8 million and RMB14 million to RMB5.3 million and RMB40 million, respectively.
- ** The annual caps of joint operation of games and provision of promotion services by the Group to Xiaomi Group for the two years ending 31 December 2014 have been disclosed in the announcements of the Company dated 24 April 2013 and 21 August 2013, respectively. Such annual caps will not be amended by the Supplemental Agreement and are provided for information purposes only.
- *** The historical amounts for the purchase of Xiaomi's products are covered by the agreements entered into between Chengdu Kingsoft Digital Entertainment Co., Ltd., a wholly owned subsidiary of the Company, and Beijing Xiaomi Technology Co., Ltd., a member of Xiaomi Group. Please refer to the announcements of the Company dated 24 May 2012 and 6 March 2013, respectively.

(1) Basis of annual caps for fees payable by Xiaomi Group to the Group

The revised annual caps of the fees in respect of the provision of cloud services payable by Xiaomi Group to the Group for the two years ending 31 December 2014 and the annual cap for the year ending 31 December 2015 are determined with reference to (i) the rapid growth in the usage of cloud storage and volume of data transfer in 2013 compared with 2012; (ii) the expected increase in the demand of Xiaomi's smart cell phones; (iii) the expected market opportunities in 2014 and 2015, taking into account the rapidly increased demand in accessing synchronized data storage from multiple terminals such as PC and mobile devices, the widespread of the use of handheld devices and increased demand from corporations for secure corporate data storage service with easier and more flexible access; and (iv) diversity trends of products and business of Xiaomi Group in future.

The annual cap of the fees in respect of the joint operation of games payable by Xiaomi Group to the Group for the year ending 31 December 2015 is determined with reference to (i) the expected introduction of new games that will be jointly operated by the Group and Xiaomi Group; and (ii) the expected growth in game revenue contributed from mobile device users due to the demand of Xiaomi's smart cell phones and rapid growth rate in the number of smart cell phone users and the trend of users spending more time playing games on smart cell phones.

The annual cap of the fees in respect of the provision of promotion services payable by Xiaomi Group to the Group for the year ending 31 December 2015 is determined with reference to (i) the expected increase in the demand of Xiaomi products; and (ii) the rapid growth in the number of users and market share of the Group's products and websites.

(2) Reasons for and benefits of the transactions in respect of purchase of products and services by the Group from Xiaomi Group and the basis of annual caps for fees payable by the Group to Xiaomi Group

The Group purchases products from Xiaomi Group mainly as awards to the Group's customers for marketing and promotion purposes. Xiaomi Group develops products which are in great demand and offer competitive price comparing to other similar products. The Company believes that by entering into the Supplemental Agreement with Xiaomi and purchasing products of Xiaomi Group as awards for marketing and promotion purposes can achieve better marketing synergy effect at a fairly low cost.

The annual caps of the purchase of Xiaomi's products by the Group from Xiaomi Group under the Supplemental Agreement for the three years ending 31 December 2015 are determined with reference to (i) the historical transaction amount in the year ended 31 December 2012 and the first eleven months of 2013; 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.

Xiaomi Group could provide effective promotion services to the Group for its mobile platform products, which include but not limited to, pre-installation of the mobile platform products such as software of the Group on the mobile devices produced by Xiaomi Group. Such promotion services provided by Xiaomi Group will contribute to the rapid development of the mobile internet business of the Group.

The annual caps of the purchase of Xiaomi's products by the Group from Xiaomi Group under the Supplemental Agreement for the three years ending 31 December 2015 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; and (iii) the expected increase in demand of promotion services as a result of the expansion of the Group's mobile internet business.

IMPLICATIONS UNDER THE LISTING RULES

Xiaomi is an associate of Mr. Jun LEI, a Director and substantial shareholder of the Company, and accordingly, Xiaomi is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Therefore, the transactions contemplated under the Corporation Framework Agreement and the Supplemental Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Pursuant to the Listing Rules, if the Company proposes to make any material change to the terms of a continuing connected transaction, the Company must re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant connected transaction.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the annual caps set by the Supplemental Agreement is higher than 0.1% and less than 5%, the Supplemental Agreement and the relevant annual caps are only subject to the reporting and announcement requirements but exempted from independent shareholders' approval.

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

4. 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.

Xiaomi is principally engaged in investment holding. Xiaomi Group is principally engaged in provision of manufacturing and supplying smart cell phones in the PRC.

5. 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 24 April 2013 entered into between the Company and Xiaomi in relation to the continuing connected transactions of the Company with effective period from 1 January 2013 to 31 December 2014
“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
“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

“Supplemental Agreement”	the supplemental agreement dated 27 December 2013 entered into between the Company and Xiaomi to amend certain terms of the Cooperation Framework Agreement
“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

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.