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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)

REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

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

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

The Original Annual Caps for the promotion of Xiaomi smart cell phones and related products for the years ending 31 December 2013 and 2014 were RMB2 million and RMB3.5 million, respectively. As KIS, a subsidiary of the Company, proposed to adopt a new channel to promote Xiaomi smart cell phones, the fees payable by Xiaomi Group for the aforementioned promotion services will increase accordingly. The Company entered into a supplemental agreement with Xiaomi on 21 August 2013 to revise the Original Annual Caps in relation to the promotion of Xiaomi smart cell phones and related products.

As the highest of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Revised Annual Caps is higher than 0.1% and less than 5%, the entering into the supplemental agreement and the Revised Annual Caps are only subject to the reporting and announcement requirements but exempted from independent shareholders' approval.

1. BACKGROUND

Reference is made to the announcement of the Company dated 24 April 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 the Group agreed to provide, among others, promotion services to Xiaomi Group with respect to the sale of Xiaomi smart cell phones and related products in return for service fees.

The Original Annual Caps for the two years ending 31 December 2014 were RMB2 million and RMB3.5 million, respectively. The annual cap for the year ending 31 December 2013 has not been exceeded as of the date of this announcement.

2. REVISION OF THE ANNUAL CAPS UNDER THE COOPERATION FRAMEWORK AGREEMENT

KIS, a subsidiary of the Group, proposed to adopt a new channel to promote Xiaomi smart cell phones and related products under the Cooperation Framework Agreement via providing advertising spaces on the KIS navigation products. As such, the fees payable by Xiaomi Group for the aforementioned promotion services will increase accordingly. Such new promotion channel was not taken into account when the Original Annual Caps were determined at the time the Cooperation Framework Agreement was entered into. Accordingly, the Original Annual Caps must be increased to accommodate the increase of fees payable by Xiaomi Group for the provision of such additional promotion services.

On 21 August 2013, the Company entered into a supplemental agreement with Xiaomi, pursuant to which the Original Annual Caps for the two years ending 31 December 2014 were revised to RMB5 million and RMB7.5 million, respectively. The Revised Annual Caps were estimated with reference to the expected demand of Xiaomi smart cell phones, the rapid growth in the number of users, the market share of the Group's products and websites and the prevailing fair market pricing policy of independent third parties among the industry participants for similar transactions.

Save as disclosed above, all existing major terms and conditions under the Cooperation Framework Agreement remain unchanged.

3. IMPLICATIONS UNDER THE LISTING RULES

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

Pursuant to the Listing Rules, if the Company proposes to revise the annual cap for 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 of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Revised Annual Caps is higher than 0.1% and less than 5%, the entering into the supplemental agreement and the Revised 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 revision of the Original Annual Caps. 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 resolutions.

The Directors, including the independent non-executive Directors, consider that the transactions to be carried out under the Cooperative Framework Agreement and 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 Revised 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

“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
“KIS”	Kingsoft Internet Security Software Holdings Limited, a company incorporated under the laws of the Cayman and 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
“Original Annual Caps”	the annual caps for the two years ending 31 December 2014 in relation to the provision by the Group of promotional services for the sale of Xiaomi smart cell phones and related products to Xiaomi Group under the Cooperation Framework Agreement
“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
“Revised Annual Caps”	the revised annual caps for the two years ending 31 December 2014 in relation to the provision by the Group of promotional services for the sale of Xiaomi smart cell phones and related products to Xiaomi Group under the supplemental agreement dated 21 August 2013
“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 Islands

“Xiaomi Group”

Xiaomi and its subsidiaries

%

percent

By order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

Hong Kong, 21 August 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.