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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 THE GAME JOINT OPERATION AGREEMENT**

The Group, through its subsidiary, Chengdu Digital Entertainment, has developed an online game named MaLaJiangHu — YY JiangHu ( 麻辣江湖 — YY 江湖 ). On 23 May 2014, Chengdu Digital Entertainment entered into the Game Joint Operation Agreement with Huaduo Zhuhai for the joint operation of a game named MaLaJiangHu — YY JiangHu ( 麻辣江湖 — YY 江湖 ) on the website platform provided by Huaduo Zhuhai in the PRC, pursuant to which Chengdu Digital Entertainment agreed to provide the game contents and the relevant updates and Huaduo Zhuhai agreed to provide the website platform and the ancillary services.

Huaduo Zhuhai is an associate of Mr. Jun LEI, a Director and substantial shareholder of the Company, and accordingly, Huaduo Zhuhai is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Therefore, the transactions contemplated under the Game Joint Operation Agreement constitute continuing connected transactions of the Company under the Listing Rules.

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

### **1. BACKGROUND**

The Group, through its subsidiary, Chengdu Digital Entertainment, has developed an online game named MaLaJiangHu — YY JiangHu ( 麻辣江湖 — YY 江湖 ). On 23 May 2014, Chengdu Digital Entertainment entered into the Game Joint Operation Agreement with Huaduo Zhuhai for the joint operation of MaLaJiangHu — YY JiangHu ( 麻辣江湖 — YY 江湖 ) on the website platform provided by Huaduo Zhuhai in the PRC, pursuant to which Chengdu Digital Entertainment agreed to provide the game contents and the relevant updates and Huaduo Zhuhai agreed to provide the website platform and the ancillary services.

## 2. PRINCIPAL TERMS OF THE GAME JOINT OPERATION AGREEMENT

The principal terms of the Game Joint Operation Agreement are summarized as follows:

Date	23 May 2014
Period	a term of three years from 23 May 2014 to 22 May 2017
Parties	Chengdu Digital Entertainment;  Huaduo Zhuhai
Subject matter	<p>Chengdu Digital Entertainment and Huaduo Zhuhai will jointly operate MaLaJiangHu — YY JiangHu ( 麻辣江湖 — YY 江湖 ) on the website platform provided by Huaduo Zhuhai in the PRC.</p> <p>Chengdu Digital Entertainment will provide the game contents of MaLaJiangHu — YY JiangHu ( 麻辣江湖 — YY 江湖 ) and the relevant updates.</p> <p>Huaduo Zhuhai will provide the website platform and the ancillary services (including but not limited to testing, register and login services, download and maintenance services, usage monitoring and analysis services and settlement platform services).</p>
Pricing basis	<p>The revenue generated from the fees paid by the users of MaLaJiangHu — YY JiangHu ( 麻辣江湖 — YY 江湖 ) for the purchase of virtual items in the game (the “<b>Allocable Revenue</b>”) will be shared by Chengdu Digital Entertainment and Huaduo Zhuhai in proportion as agreed between the parties on arm’s length negotiation with reference to the prevailing fair market pricing rules adopted in the same industry.</p> <p>Huaduo Zhuhai will pay the agreed percentage of the Allocable Revenue ranging from 30% to 50% to Chengdu Digital Entertainment on a monthly basis depending on the actual amount of the Allocation Revenue.</p>

### **3. PROPOSED ANNUAL CAPS UNDER THE GAME JOINT OPERATION AGREEMENT**

The proposed annual caps of the joint operation fees payable by Huaduo Zhuhai to Chengdu Digital Entertainment under the Game Joint Operation Agreement for the period from 23 May 2014 to 31 December 2014, the financial year ending 31 December 2015, the financial year ending 31 December 2016 and the period from 1 January 2017 to 22 May 2017 are RMB20 million, RMB15 million, RMB10 million and RMB5 million, respectively.

The abovementioned proposed annual caps are determined with reference to (i) the estimated number of users of MaLaJiangHu — YY JiangHu ( 麻辣江湖 — YY 江湖 ); (ii) the purchase price of virtual items of MaLaJiangHu — YY JiangHu ( 麻辣江湖 — YY 江湖 ); (iii) the estimated declining trend in the number of users of MaLaJiangHu — YY JiangHu ( 麻辣江湖 — YY 江湖 ) year by year which is common in the online game industry.

### **4. REASONS AND BENEFITS OF THE GAME JOINT OPERATION AGREEMENT**

The Group, through its subsidiary, Chengdu Digital Entertainment, has developed an online game named MaLaJiangHu — YY JiangHu ( 麻辣江湖 — YY 江湖 ). Huaduo Zhuhai is a famous game website platform provider. The Company believes that the joint operation of MaLaJiangHu — YY JiangHu ( 麻辣江湖 — YY 江湖 ) on the website platform provided by Huaduo Zhuhai is expected to attract more game users of MaLaJiangHu — YY JiangHu ( 麻辣江湖 — YY 江湖 ) which in return will generate revenue for the Group. In addition, such arrangement will also promote the potential long-term business relationship and coordination between the Group and Huaduo Zhuhai.

The Directors, including the independent non-executive Directors, consider that the transactions to be carried out under the Game Joint Operation 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 annual caps calculated under the Game Joint Operation Agreement are fair and reasonable.

### **5. IMPLICATIONS UNDER THE LISTING RULES**

Huaduo Zhuhai is an associate of Mr. Jun LEI, a Director and substantial shareholder of the Company, and accordingly, Huaduo Zhuhai is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Therefore, the transactions contemplated under the Game Joint Operation Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the annual caps set by the Game Joint Operation Agreement is higher than 0.1% but less than 5%, the Game Joint Operation 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 Huaduo Zhuhai, Mr. Jun LEI has abstained from voting on the Board resolution approving the Game Joint Operation Agreement. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Game Joint Operation Agreement and none of them has abstained from voting on 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 as at the date of this announcement.

Chengdu Digital Entertainment, a non-wholly-owned subsidiary of the Group, is mainly engaged in marketing and operation of entertainment software products and is an ICP license holder as at the date of this announcement.

Huaduo Zhuhai is a branch of Guangzhou Huaduo Internet Technology Limited\* (廣州華多網絡科技有限公司), which is principally engaged in the provision of online entertainment platforms, including but not limited to games, music, and sports news as at the date of this announcement.

## 7. 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
“Chengdu Digital Entertainment”	Chengdu Kingsoft Digital Entertainment Co., Ltd.* (成都金山數字娛樂科技有限公司), a non-wholly-owned subsidiary of the Company
“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 meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company

“Game Joint Operation Agreement”	the game joint operation agreement dated 23 May 2014 entered into between Chengdu Digital Entertainment and Huaduo Zhuhai for the joint operation of a game named MaLaJiangHu — YY JiangHu ( 麻辣江湖 — YY 江湖 ) on the website platform provided by Huaduo Zhuhai in the PRC, pursuant to which Chengdu Digital Entertainment agreed to provide the game contents and the relevant updates and Huaduo Zhuhai agreed to provide the website platform and the ancillary services
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huaduo Zhuhai”	Guangzhou Huaduo Internet Technology Limited Zhuhai Branch* ( 廣州華多網絡科技有限公司珠海分公司 ), a branch of Guangzhou Huaduo Internet Technology Limited* ( 廣州華多網絡科技有限公司 ) which is a limited liability company established in the PRC
“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, 23 May 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. Guangming George LU, David Yuen Kwan TANG, and Ms. Wenjie WU.*