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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 JOINT OPERATION FRAMEWORK AGREEMENT FOR GAMES WITH HUADUO

The Group and Huaduo Group agreed to establish long-term business relationship to explore the cooperation in the area of the online games. In order to regulate the joint operation in games between the Group and Huaduo Group, the Company and Huaduo entered into the Joint Operation Framework Agreement For Games on 30 December 2014 and set the annual caps of the continuing connected transactions contemplated thereunder for the three years ending 29 December 2017.

Huaduo is an associate of Mr. Jun LEI, a Director and substantial shareholder of the Company, and accordingly, Huaduo is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Therefore, the transactions contemplated under the Joint Operation Framework Agreement For Games 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 proposed annual caps for the fees payable by Huaduo Group in respect of the joint operation in games under the Joint Operation Framework Agreement For Games is higher than 0.1% but less than 5%, the Joint Operation Framework Agreement For Games is 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

The Group and Huaduo Group agreed to establish long-term business relationship to explore the cooperation in the area of the online games. In order to regulate the joint operation in games between the Group and Huaduo Group, the Company and Huaduo entered into the Joint Operation Framework Agreement For Games on 30 December 2014 and set the annual caps of the continuing connected transactions contemplated thereunder for the three years ending 29 December 2017.

2. PRINCIPAL TERMS OF THE JOINT OPERATION FRAMEWORK AGREEMENT FOR GAMES

The principal terms of the Joint Operation Framework Agreement For Games are summarized as follows:

- Date:** 30 December 2014
- Parties:** the Company; and
Huaduo
- Terms:** three years from 30 December 2014 to 29 December 2017
- Joint operation of games:** The Group and Huaduo Group will jointly operate the games developed and owned by the Group or the games licensed to be operated by the Group.
- The Group will provide its game contents, relevant updates and technical support.
- Huaduo Group will provide operational services, including but not limited to the game distribution and promotion, operation by way of exclusive licensing or joint operation of games, on platforms such as website, software, PC products and mobile platform, etc..
- Individual contracts:** The Group and Huaduo Group may enter into individual contracts from time to time when necessary according to the principles and scope provided for under the Joint Operation Framework Agreement For Games. Such individual contracts shall be entered into on normal commercial terms.
- Pricing basis:** With reference to the quality of the game, the scope of licensed area, the licensed platform and the operation model, the two parties agreed on two types of pricing principals, namely (i) sharing the allocable revenue generated from the operation of the games in an agreed proportion; (ii) sharing the allocable revenue generated from the operation of the games in an agreed proportion plus charging the licensing fees for the games.

The agreed proportion and the licensing fees shall be based on the prevailing fair market pricing rules adopted in the same industry.

The operation department of the relevant subsidiary of the Company is responsible for the initial determination of the pricing of the games. When Huaduo Group approaches the Group in respect of the licensing, operation or cooperation of relevant game, the operation department of the relevant subsidiary of the Company will recommend a fee proposal with primary reference to the costs and number of users of the platform and the way of cooperation. Also, the cooperation terms of other operational companies in the same industry will also be considered. Upon final review by the Chief Executive Officer and/or the officer responsible for operation of such game of the relevant subsidiary of the Company who are independent of Huaduo Group, the fee proposal will be proposed to Huaduo Group for consideration and negotiation.

Payment terms:

The payment shall be made by Huaduo 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.

3. PROPOSED ANNUAL CAPS UNDER THE JOINT OPERATION FRAMEWORK AGREEMENT FOR GAMES

The table below sets out the proposed annual caps for the three years ending 29 December 2017 under the Joint Operation Framework Agreement For Games:

	<i>RMB: million</i>			
	Proposed annual caps			
	From 30 December 2014 to 31 December 2014	For 12 months ending 31 December 2015	For 12 months ending 31 December 2016	From 1 January 2017 to 29 December 2017
fees payable by Huaduo Group to the Group	0.1	50	65	80

As at the date of the announcement, no historical transaction amount payable by Huaduo Group to the Group in respect of such joint operation in games is available. The proposed annual caps of the fees payable by Huaduo Group to the Group in respect of the joint operation in games for three years ending 29 December 2017 are determined with reference to (i) the estimated number of users of the online games provided by the Group; (ii) the purchase price of virtual items of such games; (iii) the expected introduction of new games that will be jointly operated by the Group and Huaduo Group.

4. REASONS FOR AND BENEFITS OF THE JOINT OPERATION FRAMEWORK AGREEMENT FOR GAMES

Huaduo Group is a famous game operational services provider. The Company believes that the joint operation with Huaduo Group in games developed and owned by the Group or the games licensed to be operated by the Group is expected to attract more game users of the games provided by the Group, 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 Group.

The Directors (including the independent non-executive Directors) are of the view that the transactions under the Joint Operation Framework Agreement For Games are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Joint Operation Framework Agreement For Games and the proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. IMPLICATIONS UNDER THE LISTING RULES

Huaduo is an associate of Mr. Jun LEI, a Director and substantial shareholder of the Company, and accordingly, Huaduo is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Therefore, the transactions contemplated under the Joint Operation Framework Agreement For Games 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 proposed annual caps for the fees payable by Huaduo Group in respect of the joint operation in games under the Joint Operation Framework Agreement For Games is higher than 0.1% but less than 5%, the Joint Operation Framework Agreement For Games is only subject to the reporting, annual review and announcement requirements, but exempted from independent shareholders' approval under Chapter 14A of the Listing Rules.

In view of his interest in Huaduo, Mr. Jun LEI has abstained from voting on the Board resolution approving the Joint Operation Framework Agreement For Games. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Joint Operation Framework Agreement For Games 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 operation of online games and office application software, information security software, internet browser, mission critical mobile applications, and provision of cloud storage, cloud computation, online marketing services and internet value-added services across device.

Huaduo 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
“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
“Huaduo”	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
“Huaduo Group”	Huaduo and its subsidiaries
“Joint Operation Framework Agreement For Games”	the joint operation framework agreement for games entered into between Huaduo and the Company dated 30 December 2014 in relation to the joint operation in the games developed and owned by the Group or the games licensed to be operated by the Group

“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
“Shareholders”	the shareholders of the Company
“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

* *for identification purpose only*

By order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

Hong Kong, 30 December 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. Shun Tak WONG, David Yuen Kwan TANG, and Ms. Wenjie WU.