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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. On 27 December 2013, the Company announced that it entered into a supplemental agreement to (i) expand the scope of services under the Cooperation Framework Agreement to include the purchase of hardware products by the Group from Xiaomi Group and the provision of promotion service by Xiaomi Group to the Group for the sale of the Group's products; (ii) extend the term under the Cooperation Framework Agreement to end on 31 December 2015; and (iii) revise the annual caps for the service fees payable by Xiaomi Group in relation to the cloud services provided by the Group 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 under the Cooperation Framework Agreement to include the joint operation of games provided by Xiaomi Group via the platform of a third party. Further, due to the rapid growth in relevant services and products, the Company and Xiaomi proposed to revise the annual caps of (i) the joint operation of games provided by the Group via the platform of Xiaomi Group; (ii) the provision of promotion services by the Group to Xiaomi Group for the sale of Xiaomi's products; and (iii) the provision of promotion services by Xiaomi Group to the Group for the sale of the Group's products for the two years ending 31 December 2015 under the Cooperation Framework Agreement.

As such, on 1 April 2014, 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 via the platform of Xiaomi Group; (iii) the Group will jointly operate with Xiaomi Group the games provided by Xiaomi Group via a third party's platform; (iv) the Group will provide promotion services via its products or websites for the sale of Xiaomi's products; (v) 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; and (vi) 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, (i) the annual caps of the fees payable by Xiaomi Group to the Group in relation to the joint operation of games provided by the Group via the platform of Xiaomi Group for the two years ending 31 December 2015 will be revised to RMB16 million and RMB30 million; (ii) the annual caps of the service fees payable by Xiaomi Group to the Group in relation to the promotion services for the sale of Xiaomi's products for the two years ending 31 December 2015 will be revised to RMB15 million and RMB20 million; (iii) the annual caps of the fees payable by the Group to Xiaomi Group in relation to the joint operation of games provided by Xiaomi Group via the platform of a third party for the two years ending 31 December 2015 will be RMB4 million and RMB8 million; and (iv) the annual caps of the service fees payable by the Group to Xiaomi Group in relation to the promotion services for the sale of the Group's products for the two years ending 31 December 2015 will be revised to RMB10 million and RMB20 million, respectively. Save as disclosed above, all existing major terms and conditions under the Cooperation Framework Agreement 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% but 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, 21 August 2013 and 27 December 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 promotional services for the sale of Xiaomi's smart cell phones and related products under the Cooperation Framework Agreement.

On 27 December 2013, the Company announced that it entered into a supplemental agreement to amend the Cooperation Framework Agreement, pursuant to which (i) the Group agreed to provide cloud services to Xiaomi Group; (ii) the Group agreed to jointly operate with Xiaomi Group the games provided by the Group via the platform of Xiaomi Group; (iii) the Group agreed to provide promotion services via its products or websites for the sale of Xiaomi's products; (iv) the Group agreed to purchase hardware products from Xiaomi Group, including but not limited to Xiaomi cell phones, Xiaomi Boxes, Xiaomi televisions, Xiaomi routers and the relevant accessories; and (v) Xiaomi Group agreed to 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 was 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 were revised to RMB5.3 million and RMB40 million, respectively.

## **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 under the Cooperation Framework Agreement to include the joint operation of games provided by Xiaomi Group via the platform of a third party. Further, due to the rapid growth in relevant services and products, the Company and Xiaomi proposed to revise the annual caps of (i) the joint operation of games provided by the Group via the platform of Xiaomi Group; (ii) the provision of promotion services by the Group to Xiaomi Group for the sale of Xiaomi's products; and (iii) the provision of promotion services by Xiaomi Group to the Group for the sale of the Group's products for the two years ending 31 December 2015 under the Cooperation Framework Agreement.

As such, on 1 April 2014, 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 via the platform of Xiaomi Group; (iii) the Group will jointly operate with Xiaomi Group the games provided by Xiaomi Group via a third party's platform; (iv) the Group will provide promotion services via its products or websites for the sale of Xiaomi's products; (v) 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; and (vi) 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, (i) the annual caps of the fees payable by Xiaomi Group to the Group in relation to the joint operation of games provided by the Group via the platform of Xiaomi Group for the two years ending 31 December 2015 will be revised to RMB16 million and RMB30 million; (ii) the annual caps of the service fees payable by Xiaomi Group to the Group in relation to the promotion services for the sale of Xiaomi's products for the two years

ending 31 December 2015 will be revised to RMB15 million and RMB20 million; (iii) the annual caps of the fees payable by the Group to Xiaomi Group in relation to the joint operation of games provided by Xiaomi Group via the platform of a third party for the two years ending 31 December 2015 will be RMB4 million and RMB8 million; and (iv) the annual caps of the service fees payable by the Group to Xiaomi Group in relation to the promotion services for the sale of the Group's products for the two years ending 31 December 2015 will be revised to RMB10 million and RMB20 million, respectively.

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

### 3. REVISED ANNUAL CAPS UNDER THE SUPPLEMENTAL AGREEMENT

The following table sets out the proposed annual caps of the transactions amended by the Supplemental Agreement for the two years ending 31 December 2015:

	<i>RMB: Million</i>	
	<b>Annual Caps for the year ending 31 December</b>	
	2014	2015
<i>fees payable by Xiaomi Group to the Group</i>		
Joint operation of games provided by the Group	16*	30*
Provision of promotion services by the Group	15*	20*
<i>fees payable by the Group to Xiaomi Group</i>		
Joint operation of games provided by Xiaomi Group	4	8
Provision of promotion services by Xiaomi Group	10*	20*

*Note*

\* Pursuant to the Supplemental Agreement, (i) the annual caps of the fees payable by Xiaomi Group to the Group in relation to the joint operation of games provided by the Group via the platform of Xiaomi Group for the two years ending 31 December 2015 will be revised from RMB4 million and RMB5 million to RMB16 million and RMB30 million (ii) the annual caps of the service fees payable by Xiaomi Group to the Group in relation to the promotion services for the sale of Xiaomi's products for the two years ending 31 December 2015 will be revised from RMB7.5 million and RMB10 million to RMB15 million and RMB20 million; and (iii) the annual caps of the service fees payable by the Group to Xiaomi Group in relation to the promotion services for the sale of the Group's products for the two years ending 31 December 2015 will be revised from RMB3 million and RMB5 million to RMB10 million and RMB20 million, respectively.

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

The revised annual caps of the fees in respect of the joint operation of games provided by the Group via the platform of Xiaomi Group payable by Xiaomi Group to the Group for the two years ending 31 December 2015 are determined with reference to (i) the number of games which may be provided by the Group for joint operation by the Group and Xiaomi Group; and (ii) the number of users of the products of Xiaomi Group.

The revised annual caps of the fees in respect of the provision of promotion services for the sale of Xiaomi's products payable by Xiaomi Group to the Group for the two years ending 31 December 2015 are determined with reference to (i) the rapid increase in the number of users and the market share due to the continuous improvement in the operation of the Group's products and websites; and (ii) the increase in demand of promotion services due to the diversity in the products and business of Xiaomi Group in the future.

## **(2) Basis of revised annual caps for fees payable by the Group to Xiaomi Group**

The annual caps of the fees in respect of the joint operation of games provided by Xiaomi Group via the platform of a third party for the two years ending 31 December 2015 are determined with reference to (i) the number of games which may be provided by Xiaomi Group for joint operation by the Group and Xiaomi Group; and (ii) the number of users of the Group's products. It is expected that Group will benefit from extra revenue from the joint operation of games provided by Xiaomi Group.

The revised annual caps of the fees in respect of the provision of promotion services for the sale of the Group's products payable by the Group to Xiaomi Group for the two years ending 31 December 2015 are determined with reference to (i) the increase in demand of promotion services due to the business development of the Group; and (ii) the growth in production capacity and number of users of the products of Xiaomi Group.

## **4. 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% but 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.

## **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.

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

## **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 24 April 2013 entered into between the Company and Xiaomi (as amended by two supplemental agreements dated 21 August 2013 and 27 December 2013) in relation to the continuing connected transactions of the Company with effective period from 1 January 2013 to 31 December 2015

“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 1 April 2014 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, 1 April 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.*