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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

REVISION OF ANNUAL CAPS UNDER THE COOPERATION FRAMEWORK AGREEMENT

This announcement is made pursuant to Rule 14A.54 of the Listing Rules.

On 24 April 2013, the Company and Xiaomi entered into the Cooperation Framework Agreement, which was amended by three supplemental agreements dated 21 August 2013, 27 December 2013 and 1 April 2014, respectively.

After having taken into account the stable business relationship between the Company and Xiaomi and the mutual business development needs, and due to the rapid growth in relevant services and products, the Company and Xiaomi proposed to revise certain original annual caps for the year ending 31 December 2014 under the Cooperation Framework Agreement.

As such, on 18 November 2014, the Company and Xiaomi entered into the Supplemental Agreement to amend the Cooperation Framework Agreement, pursuant to which (i) the original annual cap of the fees payable by Xiaomi Group to the Group in respect of the provision of cloud services for the year ending 31 December 2014 under the Cooperation Framework Agreement will be revised to RMB80 million; (ii) the original annual cap of the fees payable by Xiaomi Group to the Group in respect of the joint operation in games provided by the Group for the year ending 31 December 2014 under the Cooperation Framework Agreement will be revised to RMB23 million; (iii) the original annual cap of the fees payable by the Group to Xiaomi Group in respect of the provision of promotion services for the year ending 31 December 2014 under the Cooperation Framework Agreement will be revised to RMB15 million; and (iv) the original annual cap of the fees payable by the Group to Xiaomi Group in respect of the purchase of Xiaomi's products for the year ending 31 December 2014 under the Cooperation Framework Agreement will be revised to RMB15 million.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of each 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.

1. BACKGROUND

This announcement is made pursuant to Rule 14A.54 of the Listing Rules.

Reference is made to the announcements of the Company dated 24 April 2013, 21 August 2013, 27 December 2013 and 1 April 2014 in relation to the continuing connected transactions under the Cooperation Framework Agreement and the amendments to the Cooperation Framework Agreement.

Pursuant to the Cooperation Framework Agreement, among others, (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 via the platform of Xiaomi Group; (iii) 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 (iv) the Group agreed to purchase promotion services from Xiaomi Group via Xiaomi's products or websites for the sale of the Group's products.

2. REVISION OF THE ANNUAL CAPS 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, and due to the rapid growth in relevant services and products, the Company and Xiaomi proposed to revise certain original annual caps for the year ending 31 December 2014 under the Cooperation Framework Agreement.

As such, on 18 November 2014, the Company and Xiaomi entered into the Supplemental Agreement to amend the Cooperation Framework Agreement, pursuant to which (i) the original annual cap of the fees payable by Xiaomi Group to the Group in respect of the provision of cloud services for the year ending 31 December 2014 under the Cooperation Framework Agreement will be revised to RMB80 million; (ii) the original annual cap of the fees payable by Xiaomi Group to the Group in respect of the joint operation in games provided by the Group for the year ending 31 December 2014 under the Cooperation Framework Agreement will be revised to RMB23 million; (iii) the original annual cap of the fees payable by the Group to Xiaomi Group in respect of the provision of promotion services for the year ending 31 December 2014 under the Cooperation Framework Agreement will be revised to RMB15 million; and (iv) the original annual cap of the fees payable by the Group to Xiaomi Group in respect of the purchase of Xiaomi's products for the year ending 31 December 2014 under the Cooperation Framework Agreement will be revised to RMB15 million.

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

3. HISTORICAL AMOUNTS AND ANNUAL CAPS UNDER THE SUPPLEMENTAL AGREEMENT

The following table sets out the historical amounts (if any) for the year ended 31 December 2013 and for the nine months ended 30 September 2014, the original annual caps and the proposed revised annual caps of the transactions amended by the Supplemental Agreement for the year ending 31 December 2014:

RMB: Million

	Historical Historical amount for the year ended 31 December 2013	Historical amount for the nine months ended 30 September 2014	Original annual cap for the year ending 31 December 2014	Revised annual cap for the year ending 31 December 2014
<i>fees payable by Xiaomi Group to the Group</i>				
Provision of cloud services	4.98	32	40	80
Joint operation in games provided by the Group	0.01	1.97	16	23
<i>fees payable by the Group to Xiaomi Group</i>				
Provision of promotion services	0	1.72	10	15
Purchase of Xiaomi's products	8.39	7.65	9.5	15

The Company confirms that, up to the date of this announcement, each of the transaction amount for the cloud services provided by the Group to Xiaomi Group, the joint operation in games, the purchase of promotion services provided by Xiaomi Group and the purchase of Xiaomi's products has not exceeded the abovementioned original annual caps for the year ending 31 December 2014 under the Cooperation Framework Agreement.

(1) Basis of the revised annual cap of the provision of cloud services for the year ending 31 December 2014

The revised annual cap of the fees in respect of the provision of cloud services payable by Xiaomi Group to the Group for the year ending 31 December 2014 is determined with reference to (i) the historical amount for the nine months ended 30 September 2014. For the nine months ended 30 September 2014, the monthly compound growth rate of the service fee in respect of the cloud services is approximately 23%; (ii) the expected increasing demand for cloud services along with the expected substantial growth of the sale of Xiaomi's products in the remaining months of 2014. Pursuant to the shareholders' agreement of Kingsoft Cloud dated 21 August 2014, Xiaomi agreed to procure that 70% of the cloud storage and cloud computing services used by Xiaomi Group in their MIUI image storage business shall be purchased from the Group, provided that the quality of such service is satisfactory and the fees charged for such service are reasonable. A user of a Xiaomi cell phone will use more and more MIUI image storage service to upload, download or storage pictures and other data after he starts to use the phone. As time goes

on, the usage of Mi cloud storage services by a Xiaomi user will raise dramatically, which will lead to a growth in Xiaomi's demand for the Group's cloud services. For the nine months ended 30 September 2014, the monthly compound growth rate of the usage of the cloud services by end users via Xiaomi is approximately 28%. In addition, considering the recent "11 November" shopping festival in the PRC, during which period Xiaomi has recorded massive sale of Xiaomi devices including new model of Xiaomi smartphones, and the coming shopping season in December 2014, it is expected that the demand for Xiaomi devices will remain strong in the remaining months of 2014. With the recent rapid growth of the number of users of Xiaomi devices, the demand for cloud services by Xiaomi will expect to see substantial growth in the remaining months of 2014.

Based on the above, the Company believes that the fees in respect of the cloud services provided by the Group to Xiaomi Group will keep strong growth momentum in the remaining months of 2014.

(2) Basis of the revised annual cap of the joint operation in games provided by the Group for the year ending 31 December 2014

The revised annual cap of the joint operation in games under the Supplemental Agreement for the year ending 31 December 2014 is determined with reference to (i) the increased number of games. In the second half year of 2014, several new games have been jointly operated by the Group and Xiaomi Group; (ii) the expectation that the revenue of such games will keep dramatically increase in the remaining months of 2014 after the joint operation commenced.

(3) Basis of the revised annual cap of the provision of promotion services by Xiaomi Group for the year ending 31 December 2014

The transaction amount of the provision of promotion services by Xiaomi Group largely depends on the number of users of the products of Xiaomi Group. Considering the recent "11 November" shopping festival in the PRC, during which period Xiaomi has recorded massive sale of Xiaomi devices, and the coming shopping season in December 2014, it is expected that the demand for Xiaomi devices will remain strong in the remaining months of 2014. As such, the transaction amount for promotion services provided by Xiaomi will expect to see substantial growth in the remaining months of 2014. Due to the satisfactory services provided by Xiaomi Group, the Group proposed to strengthen the cooperation with Xiaomi Group in depth. As such, the Company believes that the fees in respect of the promotion services provided by Xiaomi Group to the Group will increase dramatically in the remaining months of 2014.

(4) Basis of the revised annual cap of the purchase of Xiaomi's products for the year ending 31 December 2014

The revised annual cap of the purchase of Xiaomi's products by the Group from Xiaomi Group under the Supplemental Agreement for the year ending 31 December 2014 is determined with reference to (i) the historical transaction amount for the nine months ended 30 September 2014; (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.

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 each 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.

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 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.

Xiaomi is one of the leading providers of smart phones in the PRC. It is principally engaged in the design, research, development and sales of smart devices and the provision of mobile internet services.

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 three supplemental agreements dated 21 August 2013, 27 December 2013 and 1 April 2014) in relation to the continuing connected transactions of the Company with Xiaomi Group 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 18 November 2014 entered into between the Company and Xiaomi to revise certain original annual caps for the year ending 31 December 2014 under the Cooperation Framework Agreement
“Xiaomi”	Xiaomi Corporation, a limited liability company organized under the laws of the Cayman
“Xiaomi Group”	Xiaomi and its subsidiaries
%	percent

By order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

Hong Kong, 18 November 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.