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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 CHEETAH

In order to regulate, among other things, the joint operation in games between the Group (excluding Cheetah Group) and Cheetah Group, the Company and Cheetah entered into the Joint Operation Framework Agreement For Games on 15 October 2014 and set the annual caps of the continuing connected transactions contemplated thereunder for the two years ending 31 December 2015.

Cheetah is a connected subsidiary of the Company under the Listing Rules. As such, the entering into the Joint Operation Framework Agreement For Games between the Company and Cheetah and the transactions contemplated thereunder constitute 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 Cheetah 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 (excluding Cheetah Group) and Cheetah Group agreed to establish long-term business relationship to explore the cooperation in the area of the online games. In order to regulate, among other things, the joint operation in games between the Group (excluding Cheetah Group) and Cheetah Group, the Company and Cheetah entered into the Joint Operation Framework Agreement For Games on 15 October 2014 and set the annual caps of the continuing connected transactions contemplated thereunder for the two years ending 31 December 2015.

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 15 October 2014

Parties the Company;

Cheetah

Joint operation of games The Group (excluding Cheetah Group) and Cheetah Group will jointly operate the games developed and owned by the Group (excluding Cheetah Group) on the platforms provided by Cheetah Group, including but not limited to the website, software, PC products and mobile platform.

The Group (excluding Cheetah Group) will provide its game contents and relevant updates through licensing Cheetah Group to, among others, distribute, operate and promote such games.

Cheetah Group will provide the platforms, including but not limited to the website, software, PC products and mobile 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). Cheetah Group will be responsible for the operation, promotion and distribution of the games under this agreement.

Individual contracts The Group (excluding Cheetah Group) and Cheetah 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 The revenue generated from the fees paid by the users of online games under this agreement (the “**Allocable Revenue**”) will be shared by Cheetah Group and the Group (excluding Cheetah Group) 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.

Cheetah Group will pay the agreed percentage of the Allocable Revenue ranging from 20% to 50% to the Group (excluding Cheetah Group).

Apart from the agreed proportion of the Allocable Revenue payable by Cheetah Group, Cheetah Group will pay the licensing fees to the Group (excluding Cheetah Group) as the Group (excluding Cheetah Group) provides the contents of its online games by way of licensing. The licensing fees range from RMB2 million to RMB15 million with reference to the quality of the game, the scope of licensed area and the licensed mobile platform.

Payment terms The payment shall be made by Cheetah 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.

Term The Joint Operation Framework Agreement For Games will expire on 31 December 2015.

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

Before entering into the Joint Operation Framework Agreement for Games, there is no transaction in relation to joint operation in games between the Group (excluding Cheetah Group) and Cheetah Group. As such, no historical transaction amount in respect of such joint operation in games is available. The two parties agreed in the Joint Operation Framework Agreement For Games that the annual caps payable by Cheetah Group for the two years ending 31 December 2015 will be RMB42 million and RMB78 million, respectively.

The annual caps of the fees payable by Cheetah Group to the Group (excluding Cheetah Group) in respect of the joint operation in games for two years ending 31 December 2015 are determined with reference to (i) the estimated number of users of the online games provided by the Group (excluding Cheetah Group); (ii) the purchase price of virtual items of such games; (iii) the agreed proportion of the Allocation Revenue as mentioned in section 2 of this announcement; and (iv) the agreed license fees as mentioned in section 2 of this announcement.

4. IMPLICATIONS UNDER THE LISTING RULES

TCH, a subsidiary of Tencent Holdings Limited, who is the substantial shareholder of the Company, controls the exercise of more than 10% voting power in Cheetah. Therefore, Cheetah is a connected subsidiary of the Company under the Listing Rules. As such, the entering into the Joint Operation Framework Agreement For Games between the Company and Cheetah and the transactions contemplated thereunder constitute 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 Cheetah 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.

Given that Mr. Lau Chi Ping is the director of Tencent Holdings Limited, he has, therefore, abstained from voting in respect of the relevant Board resolution approving the Joint Operation Framework Agreement For Games and the proposed annual caps thereunder. Save as stated above, none of the Directors has a material interest in the abovementioned agreement nor has any of them abstained from voting in respect of the relevant Board resolution.

The Directors, including the independent non-executive Directors, consider that the terms of the Joint Operation Framework Agreement For Games (including the proposed annual caps) 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.

Cheetah is mainly engaged in the research, development and operation of information security software, internet browser, mission critical mobile applications, and the provision of online advertising services and internet value-added services across devices.

6. DEFINITION

“Board”	the board of directors of the Company
“BVI”	British Virgin Islands
“Cayman”	Cayman Islands
“Cheetah”	Cheetah Mobile Inc., a non-wholly owned subsidiary of the Company whose shares are listed on the New York Stock Exchange
“Cheetah Group”	Cheetah and its subsidiaries
“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
“Joint Operation Framework Agreement For Games”	the joint operation framework agreement for games entered into between Cheetah and the Company dated 15 October 2014 in relation to the joint operation of the games developed and owned by the Group (excluding Cheetah Group) on the website platform provided by Cheetah Group
“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
“TCH”	TCH Copper Limited, a subsidiary of Tencent Holdings Limited, who is the substantial shareholder of the Company
“%”	percent

By order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

Hong Kong, 15 October 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.