

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## **Kingsoft Corporation Limited**

**金山軟件有限公司**

*(Continued into the Cayman Islands with limited liability)*

**(Stock Code: 03888)**

### **CONTINUING CONNECTED TRANSACTION**

On 24 May 2012, Chengdu Digital Entertainment, a wholly owned subsidiary of the Company, entered into the Agreement with Beijing Xiaomi in relation to the sale and purchase of smart cell phone and cell phone accessories for a term commencing from 1 January 2012 and expiring on 31 December 2012. Mr. Jun LEI, a director and substantial shareholder of the Company holds over 30% of the issued share capital of Beijing Xiaomi. Beijing Xiaomi is therefore a connected person of the Company under the Listing Rules. As a result, the transactions conducted in accordance with the Agreement constitute continuing connected transactions of the Company that are subjected to reporting and disclosure requirements under Chapter 14A of the Listing Rules.

#### **1. BACKGROUND**

On 24 May 2012, Chengdu Digital Entertainment, a wholly owned subsidiary of the Company, entered into the Agreement with Beijing Xiaomi in relation to the sale and purchase of smart cell phone and cell phone accessories for a term commencing from 1 January 2012 and expiring on 31 December 2012.

#### **2. TERMS OF THE AGREEMENT**

The Board announces that on 24 May 2012, Chengdu Digital Entertainment entered into the Agreement with Beijing Xiaomi pursuant to which Chengdu Digital Entertainment shall purchase smart cell phones and cell phone accessories from Beijing Xiaomi. Principal terms of the Agreement are set out below:

Date	: 24 May 2012
Period	: 1 January 2012 to 31 December 2012
Parties	: <ul style="list-style-type: none"><li>• Chengdu Digital Entertainment</li><li>• Beijing Xiaomi</li></ul>
Subject matter:	Chengdu Digital Entertainment shall purchase smart cell phones and cell phone accessories from Beijing Xiaomi
Payment terms	: Chengdu Digital Entertainment shall make full payment for each order in advance

Annual Cap: Annual cap for the period ending 31 December 2012 is RMB8 million. The annual cap was determined mainly based on the expected growth of marketing promotion expense in relation to the expected business growth of Chengdu Digital Entertainment

The purchase prices of the smart cell phones and cell phone accessories will be determined based on normal commercial terms with reference to the purchase prices of similar products by Chengdu Digital Entertainment from independent third parties.

### **3. REASONS AND BENEFITS OF THE AGREEMENT**

The Group purchases smart cell phones from Beijing Xiaomi mainly as awards to the Group's users for marketing promotions. Beijing Xiaomi develops smart cell phones which are in great demand and offer competitive price comparing to other similar products. The Group aims at providing its services and products such as online games, internet security and application software to mobile tablet products. The Company believes that by entering into the Agreement with Beijing Xiaomi and using Beijing Xiaomi smart cell phones as marketing promotions awards can achieve better marketing synergy effect at a fairly low cost.

The Directors (including independent non-executive Directors) are of the view that the Agreement between Chengdu Digital Entertainment and Beijing Xiaomi were entered into in the ordinary and usual course of business of the Group and, are fair and reasonable and in the interests of the Company and Shareholders as a whole.

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

Chengdu Digital Entertainment is a wholly owned subsidiary of the Company. Mr. Jun LEI, a director and substantial shareholder of the Company holds over 30% of the issued share capital of Beijing Xiaomi, and Beijing Xiaomi is accordingly a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, any transactions between Beijing Xiaomi and the Group may constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Therefore, the transactions conducted in accordance with the Agreement constitute continuing connected transaction of the Company under the Listing Rules.

As each of the applicable percentage ratios in respect of the annual caps of the Agreement is higher than 0.1% and less than 5%, the Agreement is only subject to the reporting and announcement requirements but exempted from independent shareholders' approval.

Mr. Jun LEI, who holds over 30% issued share capital of Beijing Xiaomi is a director of the Company. Therefore, Mr. Jun LEI has abstained from voting on the board resolution approving the Agreement.

Details of the Agreement will be included in the annual report and accounts of the Company in accordance with Rules 14A.45 and 14A.46 of the Listing Rules.

## 5. GENERAL INFORMATION

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.

Beijing Xiaomi is principally engaged in the provision of manufacturing and supplying smart cell phones to users in the PRC.

## 6. DEFINITION

“Beijing Xiaomi”	北京小米科技有限責任公司 (Beijing Xiaomi Technology Co., Ltd.), a limited liability company established in the PRC
“Agreement”	the agreement entered into between Chengdu Digital Entertainment and Beijing Xiaomi dated 24 May 2012 with effective period from 1 January 2012 to 31 December 2012
“Board”	the board of Directors
“Chengdu Digital Entertainment”	成都金山數字娛樂科技有限公司 (Chengdu Kingsoft Digital Entertainment Co., Ltd.), a wholly owned subsidiary of the Company
“Company”	Kingsoft Corporation Limited, an exempted limited liability company incorporated in the British Virgin Islands on 20 March 1998 and discontinued in the British Virgin Islands and continued into the Cayman Islands on 15 November 2005, with its Shares listed on the Stock Exchange (stock code: 03888)
“connected person(s)”	has the meaning ascribed hereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company, its subsidiaries and companies which are indirectly controlled by the Company through the structure contracts
“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 the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan

“RMB”	Renminbi, the lawfully currency of the PRC
“Share(s)”	share(s) in the capital of the Company
“Shareholder(s)”	registered holder(s) of the Shares
“Stock Exchange”	the Stock Exchange of Hong Kong Limited

By order of the Board  
**Kingsoft Corporation Limited**  
**Jun LEI**  
*Chairman*

Hong Kong, 24 May 2012

*As at the date of this announcement, the Executive Directors are Messrs. HongJiang ZHANG, Shun Tak WONG 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. Tat Joel, CHANG, Guangming George LU and Chuan WANG.*