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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)**

**ANNOUNCEMENT  
CONTINUING CONNECTED TRANSACTIONS  
REVISION OF ANNUAL CAPS UNDER  
THE GAME OPERATION AGREEMENT WITH  
TENCENT SHENZHEN**

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

Reference is made to the announcement of the Company dated 19 February 2016 in relation to the continuing connected transactions between Season, a subsidiary of the Company, and Tencent Shenzhen under the Game Operation Agreement.

For the period from 19 February 2016 to 31 December 2016, the two years ending 31 December 2018 and the period from 1 January 2019 to 31 January 2019, the Annual Caps under the Game Operation Agreement were RMB393.48 million, RMB960.37 million, RMB583.59 million, and RMB36.74 million respectively. Due to the expansion of user base of JX Qingyuan, a newly developed mobile game of Season, it is expected that the service fees payable by Tencent Group to the Group for operating the on-line games under the Game Operation Agreement will possibly increase accordingly. As such, Season and Tencent Shenzhen revised the Annual Caps on 25 October 2016 from RMB393.48 million to RMB750.00 million for the period from 19 February 2016 to 31 December 2016, from RMB960.37 million to RMB955.74 million for the year ending 31 December 2017, from RMB583.59 million to RMB757.16 million for the year ending 31 December 2018, and from RMB36.74 million to RMB51.38 million for the period from 1 January 2019 to 31 January 2019. Saved as disclosed above, all existing major terms and conditions under the Game Operation Agreement remain unchanged.

Tencent is a substantial shareholder of Cheetah, a subsidiary of the Company. Tencent Shenzhen is a subsidiary of Tencent. Therefore, Tencent Shenzhen is a connected person of the Company at the subsidiary level. As such, the Game Operation Agreement entered into between Season and Tencent Shenzhen and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the Directors had approved such transactions and the independent non-executive Directors had confirmed that the terms of such transactions were fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole, the Revised Annual Caps are only subject to the announcement and annual review requirements but exempted from independent shareholders' approval, pursuant to Rule 14A.101 of the Listing Rules.

## **1 BACKGROUND**

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

Reference is made to the announcement of the Company dated 19 February 2016 in relation to the continuing connected transactions between Season, a subsidiary of the Company, and Tencent Shenzhen under the Game Operation Agreement.

On 19 February 2016, Season and Tencent Shenzhen entered into the Game Operation Agreement, pursuant to which, the Group will license Tencent Group to operate and Tencent Group will operate the on-line games (including but not limited to mobile games and PC games) developed and owned by the Group or the on-line games (including but not limited to mobile games and PC games) licensed to be operated by the Group, through platforms such as website, software, PC products and mobile products, etc. The fees payable by Tencent Group to the Group for operating the on-line games under the Game Operation Agreement shall be subject to the Annual Caps.

Due to the expansion of user base of of JX Qingyuan, a newly developed mobile game of Season, it is expected that the fees for operating on-line games payable by Tencent Group to the Group will possibly increase accordingly. As such, Season and Tencent Shenzhen revised the Annual Caps on 25 October 2016.

## **2 REVISION OF THE ANNUAL CAPS**

For the eight months ended 31 August 2016, the historical transaction amount of fees payable by Tencent Group to the Group for operating the on-line games was approximately RMB254.61 million. The Company confirms that, up to the date of this announcement, the transaction amount of fees payable by Tencent Group to the Group for operating the on-line games under the Game Operation Agreement has not exceeded the current Annual Cap for the period from 19 February 2016 to 31 December 2016, i.e., RMB393.48 million.

On 25 October 2016, Season and Tencent Shenzhen revised the Annual Caps under the Game Operation Agreement as follows:

	<b>For the period from 19 February 2016 to 31 December 2016</b>	<b>For the year ending 31 December 2017</b>	<b>For the year ending 31 December 2018</b>	<i>RMB' million</i> <b>For the period from 1 January 2019 to 31 January 2019</b>
Annual Caps	393.48	960.37	583.59	36.74
Revised Annual Caps	750.00	955.74	757.16	51.38

The aforementioned Revised Annual Caps are determined with reference to (i) historical transaction amount for the eight months ended 31 August 2016; (ii) the current user base of JX Qingyuan and its potential growth as well as the operational cycle of on-line games; (iii) the purchase price of virtual items of the on-line games.

Saved as disclosed above, all existing major terms and conditions under the Game Operation Agreement remain unchanged.

### **3 IMPLICATIONS UNDER THE LISTING RULES**

Season is a subsidiary of the Company. Tencent is a substantial shareholder of Cheetah, a subsidiary of the Company. Tencent Shenzhen is a subsidiary of Tencent. Therefore, Tencent Shenzhen is a connected person of the Company at the subsidiary level. As such, the Game Operation Agreement entered into between Season and Tencent Shenzhen and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the Directors had approved such transactions and the independent non-executive Directors had confirmed that the terms of such transactions were fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole, the Revised Annual Caps are only subject to the announcement and annual review requirements but exempted from independent shareholders' approval pursuant to Rule 14A.101 of the Listing Rules.

The Directors, including the independent non-executive Directors, considered that the Revised Annual Caps are fair and reasonable. The Board has therefore approved the resolution in relation to the Revised Annual Caps. Given that Mr. Chi Ping LAU is a director of Tencent, he has abstained from voting in respect of the relevant Board resolution approving the Revised Annual Caps. Save as stated above, none of the Directors has a material interest in the Game Operation Agreement nor has any of them abstained from voting in respect of the relevant Board resolution.

## 4 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 on-line games and office application software, information security software, internet browser, mission critical mobile applications, and provision of cloud storage, cloud computation, on-line marketing services and internet value-added services across device.

Seasun is mainly engaged in the research and development of on-line and mobile games.

Tencent and its subsidiaries are principally engaged in the provision of internet value-added services, mobile and telecommunications value-added services, and on-line advertising services to users in the PRC.

Tencent Shenzhen is principally engaged in the provision of internet and mobile and telecommunications value-added services in the PRC.

## 5 DEFINITIONS

“Annual Caps”	the caps for the fees payable by Tencent Group to the Group for operating the on-line games under the Game Operation Agreement for the period from 19 February 2016 to 31 December 2016, the two years ending 31 December 2018 and the period from 1 January 2019 to 31 January 2019 as disclosed in the announcement of the Company dated 19 February 2016
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of directors of the Company
“BVI”	British Virgin Islands
“Cayman”	Cayman Islands
“Cheetah”	Cheetah Mobile Inc. (formerly known as Kingsoft Internet Software Holdings Limited), a company incorporated under the laws of the Cayman and a non-wholly owned subsidiary of the Company
“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 Cayman on 15 November 2005, with its shares listed on the Stock Exchange (stock code: 3888)
“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
“Game Operation Agreement”	the On-line Game Operation Strategic Cooperation Agreement entered into between Season and Tencent Shenzhen on 19 February 2016, pursuant to which, Tencent Group will provide on-line game operation services to the Group, details of which are set out in the announcement of the Company dated 19 February 2016
“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
“Revised Annual Caps”	the revised caps for the fees payable by Tencent Group to the Group for operating the on-line games for the period from 19 February 2016 to 31 December 2016, the two years ending 31 December 2018 and the period from 1 January 2019 to 31 January 2019 as set out in the section headed “Revision of the Annual Caps” in this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Season”	Season Holdings Limited, a non-wholly owned subsidiary 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
“Tencent”	Tencent Holdings Limited, a limited liability company organised and existing under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange
“Tencent Group”	Tencent and its subsidiaries and their respective associates
“Tencent Shenzhen”	Shenzhen Tencent Computer Systems Company Limited ( 深圳市騰訊計算機系統有限公司 ), a subsidiary of Tencent

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

Hong Kong, 25 October 2016

*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.*