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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 TRANSACTION

On 6 March 2013, 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 phones and cell phone accessories for a term commencing from 1 January 2013 and expiring on 31 December 2013. Beijing Xiaomi is an associate of Mr. Jun LEI, a Director and substantial shareholder of the Company. 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 for the Company and are subjected to reporting and disclosure requirements under Chapter 14A of the Listing Rules.

1. BACKGROUND

On 6 March 2013, 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 phones and cell phone accessories for a term commencing from 1 January 2013 and expiring on 31 December 2013.

2. TERMS OF THE AGREEMENT

The Board announces that on 6 March 2013, 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	:	6 March 2013
Period	:	1 January 2013 to 31 December 2013
Parties	:	<ul style="list-style-type: none">• Chengdu Digital Entertainment• Beijing Xiaomi
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 2013 is RMB8 million. The annual cap was determined mainly based on the historical amount of approximately RMB5.3 million between the parties for the year ended 31 December 2012 and 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 was entered into in the ordinary and usual course of business of the Group and, the terms of which 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. Beijing Xiaomi is an associate of Mr. Jun LEI, a director and substantial shareholder of the Company, and Beijing Xiaomi is accordingly a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Therefore, the transactions conducted in accordance with the Agreement constitute continuing connected transaction for 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.

In view of his interest in Beijing Xiaomi, 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 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 6 March 2013 with effective period from 1 January 2013 to 31 December 2013
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“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 thereto 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 lawful 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

PRC, 6 March 2013

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. To Thomas HUI and Guangming George LU, and Ms. Wenjie WU.