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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 3 June 2009, the Company entered into the Internet Advertising Services Framework Agreement with Beijing Wonder, pursuant to which the Company agreed, through Beijing Wonder, to deploy a total of not more than RMB10 million advertising expenses on Duowan for a 3-year period ending 31 December 2011.

As Duowan is an online gaming portal owned and operated by GHIT and by virtue of GHIT being an associate of Mr. Jun LEI, a non-executive Director, the transactions contemplated under the Internet Advertising Services Framework Agreement constitute continuing connected transactions of the Company. As each of the applicable percentage ratios in respect of the annual caps is higher than 0.1% and less than 2.5%, the continuing connected transactions are only subject to the reporting and announcement requirements.

1. Background

On 3 June 2009, the Company entered into the Internet Advertising Services Framework Agreement with Beijing Wonder, pursuant to which the Company agreed, through Beijing Wonder, to deploy a total of not more than RMB10 million advertising expenses on Duowan for a 3-year period ending 31 December 2011.

As Duowan is an online gaming portal owned and operated by GHIT and by virtue of GHIT being an associate of Mr. Jun LEI, a non-executive Director, the transactions contemplated under the Internet Advertising Services Framework Agreement constitute continuing connected transactions of the Company. As each of the applicable percentage ratios in respect of the annual caps is higher than 0.1% and less than 2.5%, the continuing connected transactions are only subject to the reporting and announcement requirements.

2. Details of the Internet Advertising Services Framework Agreement

Date : 3 June 2009

Parties :

- Chengdu Digital, as a principal
- Beijing Wonder, as an advertising agent

To the best of the knowledge, information and belief of the Directors, after making all reasonable enquiries, Beijing Wonder and its beneficial owner(s) are third parties independent of the Group and its connected persons as defined under the Listing Rules.

Subject matter : The Company will engage Beijing Wonder to place promotional advertisements of products, such as online games and software made by the Company and its subsidiaries, on Duowan's online gaming portal.

Term : From the date of this announcement up to 31 December 2011.

Price : Beijing Wonder will charge the Company base on the advertising rate provided by Duowan discounted at a competitive agency discount rate to the Company. The rates offered by Duowan will be determined by reference to the rates at which comparable types of portal advertisement is being offered by independent third parties under normal commercial terms in the ordinary course of its business in the PRC.

The same terms of the Internet Advertising Services Framework Agreement is valid for all companies within the Group.

Payment terms : After both parties match up the amount due at every month end, Beijing Wonder shall issue invoice to Chengdu Digital and Chengdu Digital shall settle it within 60 days.

Annual caps : The Directors currently estimate that the Group's total advertising expenses deployed on Duowan through Beijing Wonder for the each of the three financial years ending 31 December 2011 will not exceed RMB2.8 million, RMB3.0 million and RMB4.2 million respectively, which also serves as the annual caps for the respective financial year. The annual caps for the three financial years ending 31 December 2011 include discounted advertisement rates charged by Duowan to Beijing Wonder and a management and service fee mark up by Beijing Wonder to the Group.

The annual caps for each of the three financial years ending 31 December 2011 are determined by reference to (i) the total budgeted advertising spending of the Company; (ii) historical record on advertising spending of the Company; (iii) new games that the Company intends to release in the future; and (iv) the average future growth rate of the gaming industry in China. Consequently, the Directors (including the independent non-executive Directors) are of the opinion that the above annual caps are fair and reasonable so far as the Company and its Shareholders are concerned.

3. Reasons for Entering into the Internet Advertising Services Framework Agreement

The Group is principally engaged in the research, development and distribution of online games entertainment and applications software in China.

In order to promote the games and software developed by the Company, the Company has been advertising its games and software on various websites on the internet. As disclosed in the prospectus of the Company dated 24 September 2007, the Company has historically placed minimal amount of advertisement on Duowan. However, the Company recently noticed that they would achieve higher effectiveness on advertisements placed on Duowan's website. As such, they intend to increase the allocation of advertising expenditure spent on Duowan in the future.

The Company believes that Beijing Wonder can provide value added services, such as advertisement scheduling, statistical study, creative ideas and coordinated promotional activities, which would alleviate the manpower and resources needed by the Company to achieve the same effect. Furthermore, Beijing Wonder has a very wide network of websites, which Beijing Wonder also has a higher bargaining power and a better position to negotiate for lower rates and better placements for these websites. As such, placing advertisements through Beijing Wonder would provide the Company with better savings and audience reach, leading to more effective advertising. Furthermore, effective advertising cost of Duowan is more competitive than other competitors due to Duowan's higher audience reach and a target market that is in line with the Company's products.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Internet Advertising Services Framework Agreement are on normal commercial terms, in the Company's ordinary and usual course of business and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. Other information

Beijing Wonder, a subsidiary of NASDAQ listed Focus Media Holdings Limited, is a leading integrated advertising agent in China.

Chengdu Digital is principally engaged in carrying out commercial Internet content provision operations and online games in China.

GHIT is a website operator which principally operates the online gaming portal www.duowan.com.

5. Listing Rules Implication

As Duowan is an online gaming portal owned and operated by GHIT and by virtue of GHIT being an associate of Mr. Jun LEI, a non-executive Director, the transactions contemplated under the Internet Advertising Services Framework Agreement constitute continuing connected transactions of the Company. As each of the applicable percentage ratios in respect of the annual caps is higher than 0.1% and less than 2.5%, the continuing connected transactions are only subject to the reporting and announcement requirements.

6. Definition

“associate(s)”	has the meaning ascribed hereto under the Listing Rules
“Beijing Wonder”	北京創世奇迹廣告有限公司 (Beijing Chuangshiqiji Advertisement Co., Ltd.*), a limited company incorporated in PRC, which is a subsidiary of NASDAQ listed Focus Media Holdings Limited, and its beneficial owner(s) are third parties independent of the Group and its connected persons as defined under the Listing Rules
“Board”	the board of directors of the Company
“Chengdu Digital”	成都金山數字娛樂科技有限公司 (Chengdu Kingsoft Digital Entertainment Co., Ltd.*), a limited company incorporated in the PRC on 12 April 2006 which is indirectly controlled by the Company through the structure contracts. Details of the structure contracts can be found in the Company’s prospectus dated 24 September 2007 under the section headed “Structure Contracts” in the section headed “Our History and Corporate Structure”. Chengdu Digital is 100% controlled and owned by the Company and is accounted for as a wholly-owned subsidiary in the Company’s books
“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
“Director(s)”	the director(s) of the Company
“Duowan”	www.duowan.com, the online gaming portal operated and owned by GHIT
“GHIT”	廣州華多網絡科技有限公司 (Guangzhou Huaduo Internet Technology Co., Ltd.*), a limited company incorporated in the PRC, which is associated with Mr. Jun LEI, a non-executive Director

“Group”	the Company, its subsidiaries and companies which are indirectly controlled by the Company through the structure contracts
“Internet Advertising Services Framework Agreement”	the agreement dated 3 June 2009 entered into between Chengdu Digital and Beijing Wonder, whereby the Chengdu Digital agrees to allow Beijing Wonder to serve promotional advertisements on Duowan for a period ending 31 December 2011
“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
“Share(s)”	share(s) in the capital of the Company
“Shareholder(s)”	registered holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi, the lawful currency of the PRC
“%”	percent

By order of the Board
Kingsoft Corporation Limited
Pak Kwan Kau
Chairman

The PRC, 3 June 2009

As at the date of this announcement, the Executive Directors are Messrs. Pak Kwan KAU and Donghui WANG; the Non-Executive Directors are Messrs. Jun LEI, Wai Ming WONG and Wing Chung Anders CHEUNG; the Independent Non-Executive Directors are Messrs. Shun Tak WONG, Guangming George LU and Mingming HUANG.

** For identification purposes only*