CONNECTED TRANSACTIONS

Sale of KIS Shares and Repurchase Option

On 8 March 2011, the Company through KIS entered into a Share Sale Agreement with FaX and the controlling shareholders of FaX, pursuant to which, KIS will issue 100,000,000 new shares of KIS for an aggregated consideration of US$2,499,000. Pursuant to the Share Sale Agreement, KIS has also been granted an option to repurchase the KIS Shares from FaX if certain conditions have been fulfilled.

As FaX is interested in 10% or more of KIS, a non-wholly owned subsidiary of the Company, FaX is a connected person of the Company under the Listing Rules. Therefore the entering of the Share Sale Agreement and the Repurchase Option constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. As the relevant applicable percentage ratios (as defined in the Listing Rules) in respect of the Share Sale Agreement and the Repurchase Option are higher than 1% but less than 5%, the Share Sale Agreement and the Repurchase Option are subject to reporting and announcement requirements, but exempted from independent shareholders approval.

1. BACKGROUND

On 8 March 2011, the Company through KIS entered into a Share Sale Agreement with FaX and the controlling shareholders of FaX, pursuant to which, KIS will issue 100,000,000 new shares of KIS for an aggregated consideration of US$2,499,000. Pursuant to the Share Sale Agreement, KIS has also been granted an option to repurchase the KIS Shares from FaX if certain conditions have been fulfilled.
2. DETAILS OF THE SHARE SALE AGREEMENT

Date : 8 March 2011

Parties : • KIS
      • FaX
      • Mr. FU Sheng
      • Mr. XU Ming

Subject matter : KIS agrees to issue and FaX agrees to subscribe to 100,000,000 KIS Shares at a subscription price of US$0.02499 per share

Consideration : The consideration of the KIS Shares is US$2,499,000

Closing : The closing of the Share Sale Agreement shall take place on a date that KIS and FaX shall mutually agree (“Closing”)

Payment terms : 30% of the consideration or approximately US$749,700 shall be paid by FaX upon Closing, with the remaining 70% of the consideration or approximately US$1,749,300 to be paid within 3 months after the Closing

Repurchase option : Commencing from the date of the Closing and ending on the four-year anniversary of the date of Closing, in the event that Mr. FU Sheng terminates, directly or indirectly, as a result of or by reason of:

(i) the voluntary termination by him of his employment with any company of the Group; or

(ii) the termination by the applicable company of the Group of his employment due to Mr. FU Sheng or FaX’s commission of any act of fraud, embezzlement, bribery, money laundering, and/or appropriating the Group’s property (the “Cause”),

then KIS shall, upon the date of such termination, have an irrevocable, exclusive option to repurchase (the “Repurchase Option”) any KIS Shares which have not yet been released from the Repurchase Option, at a price per share equal to the lesser of (i) the Consideration Price; or (ii) the fair market value of any KIS Shares which have not yet been released. The Repurchase Option shall terminate upon (i) the exercise in full of the Repurchase Option; or (ii) the termination of Mr. FU Sheng’s employment by KIS without Cause.
Release from Repurchase Option:
- 20% of the KIS Shares will be released from the Repurchase Option upon Closing of the Share Sale Agreement
- 80% of the KIS Shares will be released from the Repurchase Option upon the earlier to occur of: (i) the initial public offering of KIS, or (ii) the four-year anniversary of the date of Closing

Whether or not the KIS Shares are released from the Repurchase Option, they are restricted from subsequent sale by the shareholders’ agreement dated 1 October 2010, and entered into among the current shareholders of KIS.

Proceeds from the subscription of the KIS Shares will be utilised by KIS to fund further research and development into the antivirus software that KIS currently owns and also as working capital for KIS.

Upon completion of the subscription of the KIS Shares, KIS will still remain as a non-wholly owned subsidiary of the Company and the financial information of KIS will still be consolidated into the Group’s accounts.

3. INFORMATION OF KIS AND FAX

KIS, a non-wholly-owned subsidiary of the Company, is held as to 81.25% by the Company before entering into the Share Sale Agreement. Principal activity of KIS is in the development and sale of internet security software and antivirus software.

FaX, is a holding company owned by Mr. FU Sheng and Mr. XU Ming. Aside from being an investment holding company holding 10% shareholding interest in KIS before entering into the Share Sale Agreement, FaX does not have any other business activities.
The diagrams below illustrate the effect of the Share Sale Agreement on the shareholding structure of KIS.

**Before entering into the Share Sale Agreement**

![Diagram of shareholding structure before the agreement](image)

**After entering into the Share Sale Agreement (assuming the Repurchase Option is not exercised)**

![Diagram of shareholding structure after the agreement](image)

As the entering of the Share Sale Agreement with FaX will result in the Company reducing its interest in KIS by 9.03%, the entering of the Share Sale Agreement is a deemed disposal of the Company under the Listing Rules, and a connected transaction of the Company. As the Share Sale Agreement also includes the Repurchase Option, which is a right granted by FaX, a connected person, to the Company, the granting of the Repurchase Option by FaX to KIS to be exercised at KIS’ discretion, is also a connected transaction of the Company.
4. BASIS FOR DETERMINING THE SHARE SALE AGREEMENT

The Board, having considered the book value and a valuation report performed by the Company on KIS, is of the opinion that the price offered to FaX to subscribe for KIS Shares is fair and reasonable.

The book value of KIS based on the unaudited management accounts of KIS as at 31 December 2010 is approximately RMB158 million. The approximate net profit of KIS based on the unaudited management accounts of KIS is as follows:

<table>
<thead>
<tr>
<th>Financial year ended 31 December</th>
<th>2009 (in RMB million)</th>
<th>2010 (in RMB million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Profit (before tax and extraordinary items)</td>
<td>28</td>
<td>37</td>
</tr>
<tr>
<td>Net Profit (after tax and extraordinary items)</td>
<td>27</td>
<td>37</td>
</tr>
</tbody>
</table>

5. REASONS FOR ENTERING INTO THE SHARE SALE AGREEMENT

The Board is of the view that providing an opportunity for Mr. FU Sheng, CEO of KIS, and Mr. XU Ming, CTO of KIS to play a more active role in operations and management of KIS, would motivate them to contribute further into KIS and thereby enhancing the value of KIS. Furthermore, under the Share Sale Agreement, their interest in KIS is tied to Mr. FU Sheng’s commitment to KIS by the Repurchase Option.

6. IMPLICATIONS UNDER THE LISTING RULES

As FaX is interested in 10% or more of KIS, a non-wholly owned subsidiary of the Company, FaX is a connected person of the Company under the Listing Rules. Therefore the entering of the Share Sale Agreement and the Repurchase Option constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. As the relevant applicable percentage ratios (as defined in the Listing Rules) in respect of the Share Sale Agreement and the Repurchase Option are higher than 1% but less than 5%, the Share Sale Agreement and the Repurchase Option are subject to reporting and announcement requirements, but exempted from independent shareholders approval.

7. GENERAL INFORMATION

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

“Board” the board of directors of the Company

“CEO” chief executive officer

“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

“connected person(s)” has the meaning ascribed hereto under the Listing Rules

“Consideration Price” the subscription price of US$0.02499 per share paid by FaX for the subscription of KIS Shares

“CTO” chief technology officer

“Director(s)” the director(s) of the Company

“FaX” FaX Vision Corporation, a company incorporated under the laws of British Virgin Islands, and controlled by Mr. FU Sheng and Mr. XU Ming

“Group” the Company, its subsidiaries and companies which are indirectly controlled by the Company through structure contracts

“KIS” Kingsoft Internet Security Software Holdings Limited, a non-wholly owned subsidiary of the Group that is incorporated under the laws of the Cayman Islands, and is interested as to 81.25% by the Company before entering the Share Sale Agreement

“KIS Shares” the 100,000,000 shares of KIS that is offered for subscription to FaX at an aggregated consideration of US$2,499,000

“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 Sale Agreement” the agreement dated 8 March 2011 entered into between KIS, FaX, Mr. FU Sheng and Mr. XU Ming, for the subscription of 100,000,000 shares of KIS

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“RMB” Renminbi, the lawful currency of the PRC

“US$” United States dollar(s), the lawful currency of United States of America

“%” percent

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

Hong Kong, 8 March 2011

As at the date of this announcement, the executive Directors are Messrs. Pak Kwan KAU, Donghui WANG and Tao ZOU; the non-executive Directors are Messrs. Jun LEI and Shuen Lung CHEUNG; the independent non-executive Directors are Messrs. Shun Tak WONG, Guangming George LU and Mingming HUANG.

If there is any inconsistency between the Chinese names of the PRC entities mentioned in this announcement and their English translations, the Chinese names shall prevail.