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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)**

## **CONNECTED TRANSACTION**

### **PURCHASE OF NEW SHARES OF ZHIGU HOLDINGS LIMITED**

On 22 March 2013, Zhigu Holdings, Zhigu HK, Zhigu Technology, Zhigu Ruituo, Xiao Mi, Shunwei, the Company, Peng LIN and HongJiang ZHANG entered into the Share Purchase Agreement pursuant to which the Investors have agreed to purchase from Zhigu Holdings new Zhigu Shares at aggregate purchase price of US\$19.6 million. Following Closing, the Company will own 19.96% equity interest in Zhigu Holdings.

Upon or prior to the Closing, the parties to the Share Purchase Agreement shall enter into the Shareholders Agreement, which sets out the rights and obligations of the parties relating to the management and operations of Zhigu Group.

Mr. HongJiang ZHANG is a Director and a controlling shareholder of Zhigu Holdings and therefore Zhigu Holdings is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the purchase of Zhigu Shares under the Share Purchase Agreement constitutes a connected transaction for the Company. As the highest relevant percentage ratio (as defined in the Listing Rules) exceeds 0.1% but is less than 5%, the transaction pursuant to the Share Purchase Agreement is subject to reporting and announcement requirements but is exempt from independent shareholders' approval requirement.

## **SHARE PURCHASE AGREEMENT**

### **Date**

22 March 2013

## **Parties**

- (1) Zhigu Holdings;
- (2) Zhigu HK;
- (3) Zhigu Technology;
- (4) Zhigu Ruituo;
- (5) Xiao Mi;
- (6) Shunwei;
- (7) the Company;
- (8) Peng LIN; and
- (9) HongJiang ZHANG.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Xiao Mi and Shunwei are investment holding companies and associates of Mr. Jun LEI, a Director and substantial Shareholder, Mr. Peng LIN is a third party independent of the Company and its connected persons.

## **The share purchase**

Pursuant to the Share Purchase Agreement, Zhigu Holdings agreed to issue, and each of Xiao Mi, Shunwei and the Company has agreed to purchase from Zhigu Holdings new Zhigu Shares at purchase prices of US\$9.61 million, US\$5 million and US\$4.99 million, respectively, amounting to an aggregate purchase price of US\$19.6 million. The purchase price of each new Zhigu Share is identical for each of Xiao Mi, Shunwei and the Company. The purchase price of US\$4.99 million (approximately HK\$38.9 million) payable by the Company shall be paid by wire transfer at Closing and satisfied by the internal resources of the Company.

As soon as practicable after Closing, Zhigu Holdings shall take whatever actions that are necessary to (i) establish the ESOP as approved by its board of directors; and (ii) reserve up to 13.5% equity interest of Zhigu Holdings for issuance of Zhigu Shares for the purpose of motivating employees, officers and consultants of the Zhigu Group.

The aggregate purchase price of US\$19.6 million (approximately HK\$152.9 million) was determined after arm's length negotiations between the parties with reference to Zhigu Group's business plan and financing requirements. The proceeds arising from the share purchase received by Zhigu Holdings shall only be applied or used for the operation and development of the principal businesses of the Zhigu Group (principally being writing, acquisition and licensing of intellectual properties).

## Conditions precedent

The obligations for the share purchase of Zhigu Holdings and the Investors under the Share Purchase Agreement at Closing are subject to the fulfilment, or otherwise waiver, on or before Closing of, among others, the following conditions:

- (a) The representations and warranties made by the parties to the Share Purchase Agreement thereof shall be true, correct and complete when made, and shall be true, correct and complete as of the Closing Date with the same force and effect as if they had been made on and as of such date;
- (b) The parties to the Share Purchase Agreement shall have performed and complied with all agreements, obligations and conditions contained thereof that are required to be performed or complied with on or before Closing;
- (c) All corporate and other proceedings on the part of the parties to the Share Purchase Agreement in connection with the transactions contemplated thereby shall have been completed;
- (d) The parties to the Share Purchase Agreement shall have obtained any and all consents and waivers from third parties necessary for the purchase of the Zhigu Shares thereunder;
- (e) Zhigu Holdings shall have duly adopted the restated memorandum and articles of association by all necessary corporate action of the board of directors and shareholders of Zhigu Holdings;
- (f) The Shareholders Agreement shall have been duly executed and delivered by the parties thereto;
- (g) Each of Peng LIN and the key employee of the Zhigu Group shall have entered into a standard form employment agreement; Each shareholder of the Zhigu Holdings who has access to the Zhigu Group's confidential information or trade secret and is not a party to the aforesaid employment agreement shall enter into a non-disclosure agreement;
- (h) The Structure Contracts shall have been duly executed and delivered by the relevant parties thereto to the satisfaction of the Investors and evidence of any registration and filing necessary for consummation of the transaction contemplated under the Structure Contracts, other than the registration of the transfer of shares and the pledge of equity interests contemplated under the Structure Contracts;
- (i) The board and shareholders of Zhigu Holdings shall have duly approved the business plan for the financial year 2013 in form and substance satisfactory to the Investors; and
- (j) There shall have been no material adverse effect on the Zhigu Group since the date of its financial statements.

## **Closing**

Closing shall take place as soon as practical after fulfilment or waiver of the conditions precedent or at such other date or time as the parties to the Share Purchase Agreement may mutually agree upon.

## **Termination**

The Share Purchase Agreement may be terminated by any party thereto after three (3) months from the date thereof, by written notice to the other parties, if the Closing has not occurred on or prior to such date.

## **SHAREHOLDERS AGREEMENT**

Upon or prior to the Closing, the parties to the Share Purchase Agreement shall enter into the Shareholders Agreement, which sets out the rights and obligations of the parties relating to the management and operations of the Zhigu Group.

## **INFORMATION ON THE ZHIGU GROUP**

Zhigu Holdings was incorporated in the Cayman Islands with limited liability on 17 August 2012. As at the date of the Share Purchase Agreement, Zhigu Holdings was held by Xiao Mi as to 19.75%, Mr. HongJiang ZHANG as to 30.86% and Mr. Peng LIN together as to 49.38%. Prior to the Share Purchase Agreement, total investment in Zhigu Holdings contributed by the above shareholders amounted to US\$101,250.

Zhigu Holdings is principally engaged in investment holdings and its principal asset is the 100% equity interest in Zhigu HK, which owns 100% equity interest in Zhigu Technology, which is engaged in the development and transfer of technologies and intellectual properties, technology service, technology consulting, intellectual properties licensing, intellectual properties consulting, intellectual properties training and business information consulting. Zhigu HK and Zhigu Technology were incorporated on 29 August 2012 and 25 December 2012, respectively.

According to the management accounts of each of Zhigu Holdings and Zhigu HK, (i) during the period from 17 August 2012 to 31 December 2012, Zhigu Holdings recorded net loss before and after tax of US\$28 and its net assets as at 31 December 2012 were approximately US\$20,000; and (ii) During the period from 29 August 2012 to 31 December 2012, Zhigu HK recorded net loss before and after tax of HK\$300 and its net assets as at 31 December 2012 were HK\$139,700. Since its incorporation to 31 December 2012, Zhigu Technology did not commence operation and no capital was injected into it.

Zhigu Ruituo was incorporated on 28 August 2012 and is engaged in the development and transfer of technologies and intellectual properties, technology service, technology consulting, intellectual properties licensing, intellectual properties consulting, intellectual properties training and business information consulting. Zhigu Ruituo has been wholly-owned by Xiao Mi. Zhigu Technology will, prior to Closing, establish effective control over the business and operation of Zhigu Ruituo by way of the Structure Contracts. As soon as practicable after Closing, Zhigu Technology shall pay the transfer price for 100% equity interest in the Zhigu Ruituo amounting to RMB5,000,000

to Beijing Xiaomi Technology Co., Ltd. (北京小米科技有限責任公司), an associate of Mr. Jun LEI, provided that Xiao Mi shall have paid the Zhigu Group certain service fees amounting to US\$380,000 (approximately HK\$3 million) as soon as practicable after Closing. According to the management accounts of Zhigu Ruituo, during the period from 28 August 2012 to 31 December 2012, Zhigu Ruituo recorded net loss before and after tax of RMB286,270 and its net assets as at 31 December 2012 were approximately RMB4.71 million.

Following Closing and the approval of the ESOP, the shareholding structure of Zhigu Holdings will be as follows:

	%
Xiao Mi	40.04
Hongjiang ZHANG	2.50
Peng LIN	4.00
Shunwei	20.00
The Company	19.96
ESOP	13.50
	<hr/>
<b>Total</b>	<b>100.00</b>
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## REASONS FOR AND BENEFITS OF THE TRANSACTION

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 application software in the PRC and offers a wide range of innovative entertainment, internet security and application software in the PRC and the Asia region.

The Group believes that the investment in Zhigu Group is in line with the Group's continuing pursuit of high technology business by capitalizing on the capabilities and experience of its investors and experts. The management of intellectual properties and patents by the Zhigu Group would provide the Group with opportunities to reach broader scope of technology and safeguard the Group from infringement of such intellectual property rights. On the other hand, forming an alliance with the Zhigu Group enables the Group to obtain extra first-hand information on the latest development of high technology.

Accordingly, the Directors (including the independent non-executive Directors) are of the view that the transaction under the Share Purchase Agreement is entered into after arm's length negotiations, is on normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## LISTING RULES IMPLICATIONS

Mr. HongJiang ZHANG is a Director and controlling shareholder of Zhigu Holdings and therefore Zhigu Holdings is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the purchase of Zhigu Shares under the Share Purchase Agreement constitutes connected transaction for the Company. As the highest relevant percentage ratio (as defined in the Listing Rules) exceeds 0.1% but is less than 5%, the transaction pursuant to the Share Purchase Agreement is subject to reporting and announcement requirements but is exempt from independent shareholders' approval requirement. Details of the Share Purchase 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.

In view of Mr. HongJiang ZHANG's interest in Zhigu Holdings and Mr. Jun LEI's interest in Xiao Mi, both Mr. HongJiang ZHANG and Mr. Jun LEI abstained from voting on the Board resolution approving the entering into of the Share Purchase Agreement.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of directors of the Company
“Closing”	the closing of the sale and purchase of the Zhigu Shares under the Share Purchase Agreement
“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 same meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“ESOP”	up to an 135,000,000 new Zhigu Shares to be reserved in the employee stock incentive plans to be approved by the board of directors of Zhigu Holdings
“Group”	the Company, its subsidiaries and companies which are indirectly controlled by the Company through the structure contracts
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Investors”	Xiao Mi, Shunwei and the Company

“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 Hong Kong, the Macau Special Administrative Region and Taiwan
“Share(s)”	share(s) in the capital of the Company
“Shareholder(s)”	registered holder(s) of the Share(s)
“Share Purchase Agreement”	the share purchase agreement dated 22 March 2013 entered into between Zhigu Holdings, Zhigu HK, Zhigu Technology, Zhigu Ruituo, Xiao Mi, Shunwei, the Company, Peng LIN and Hongjiang ZHANG in relation to the share and purchase of new Zhigu Shares
“Shareholders Agreement”	the shareholders agreement to be entered into by the parties to the Share Purchase Agreement upon or prior to the Closing
“Shunwei”	Shunwei Ventures II Limited, a company organized under the laws of the British Virgin Islands
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structure Contracts”	a series of documents, according to which Zhigu Holdings is able to establish effective control over, and consolidate the financial results of Zhigu Ruituo through Zhigu Technology
“Xiao Mi”	Xiaomi Corporation, a limited liability company organized under the laws of the Cayman Islands
“Zhigu Group”	Zhigu Holdings, Zhigu HK, Zhigu Technology and Zhigu Ruituo
“Zhigu HK”	Zhigu Corporation Limited ( 智谷有限公司 ), a limited liability company organized under the laws of Hong Kong
“Zhigu Holdings”	Zhigu Holdings Limited, a limited liability company organized under the laws of the Cayman Islands
“Zhigu Ruituo”	Beijing Zhigu Ruituo Technology Services Co., Ltd. ( 北京智谷睿拓技術服務有限公司 ), a limited liability company established under the laws of the PRC
“Zhigu Share(s)”	share(s) in the capital of Zhigu Holdings

“Zhigu Technology”	Beijing Zhigu Technology Services Co., Ltd. (北京智谷技術服務有限公司), a wholly-owned foreign enterprise established under the laws of the PRC
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	percent.

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

The PRC, 22 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.*

*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.*