On 24 January 2011, the Company through certain subsidiaries entered into a series of agreements whereby certain subsidiaries and businesses of the Group will be reorganized under a newly formed entity, Westhouse. This newly formed subsidiary, will upon completion of the Internal Reorganization, hold the businesses under Chengdu WOFE and Zhuhai Kingsoft. As part of this Internal Reorganization, Westhouse, a wholly-owned subsidiary of the Company, entered into the Share Purchase Agreement with WestGame and other relevant parties, whereby WestGame will subscribe for 160,000,000 the Westhouse Shares at a subscription price of HK$1.1834 per share for an aggregate consideration of approximately HK$189 million. Concurrently, Kingsoft Entertainment entered into the Loan Agreement with WestGame, whereby Kingsoft Entertainment will provide a loan amounting to approximately HK$151 million to WestGame at an interest rate equivalent to HIBOR plus 1.3% for the first year and at Hong Kong bank offered loan rate subsequently, for the purpose of subscribing to the Westhouse Shares. WestGame Holdings Limited (“WestGame”) is a company incorporated under the laws of the British Virgin Islands and owned by the Founding Employees.

As the relevant applicable percentage ratios (as defined in the Listing Rules) in respect of the Share Purchase Agreement and the Loan Agreement are higher than 5% but below 25%, the Share Purchase Agreement and the Loan Agreement constitute disclosable transactions of the Company pursuant to Chapter 14 of the Listing Rules and are subject to reporting and announcement requirements.

1. Background

On 24 January 2011, the Company through certain subsidiaries entered into a series of agreements whereby certain subsidiaries and businesses of the Group will be reorganized under a newly formed entity, Westhouse. This newly formed subsidiary, will upon completion of the Internal Reorganization, hold the businesses under Chengdu WOFE and Zhuhai Kingsoft. As part of this Internal Reorganization, Westhouse, a wholly-owned subsidiary
of the Company, entered into the Share Purchase Agreement with WestGame and other relevant parties, whereby WestGame will subscribe for 160,000,000 Westhouse Shares at a subscription price of HK$1.1834 per share for an aggregate consideration of approximately HK$189 million. Concurrently, Kingsoft Entertainment entered into the Loan Agreement with WestGame, whereby Kingsoft Entertainment will provide a loan amounting to approximately HK$151 million to WestGame at an interest rate equivalent to HIBOR plus 1.3% for the first year and at Hong Kong bank offered loan rate subsequently, for the purpose of subscribing to the Westhouse Shares.

2. Details of the Share Purchase Agreement

Date : 24 January 2011

Parties :
- Westhouse
- WestGame
- the Founding Employees
- Westhouse HK
- Chengdu WOFE
- Zhuhai Kingsoft

Subject matter : WestGame agrees to subscribe and Westhouse agrees to issue to WestGame 160,000,000 Westhouse Shares at a subscription price of HK$1.1834 per share

Consideration : The consideration of the Westhouse Shares is approximately HK$189 million

Payment terms :
- 20% of the consideration shall be paid by WestGame at the Closing
- 80% of the consideration shall be paid by the loan proceeds in accordance to the Loan Agreement

Closing : The purchase and sale of the Westhouse Shares to WestGame shall take place on a date as Westhouse and WestGame shall mutually agree, which date shall be no later than 1 April 2011

Deliverables :
Westhouse shall deliver to WestGame:

(i) One or more share certificates representing the number of Westhouse Shares that WestGame has subscribed; and

(ii) Update its share register to reflect the Westhouse Shares subscribed by WestGame

Proceeds from the subscription of shares of Westhouse will be utilised by Westhouse to initially fund the working capital of Westhouse and then distribute and pay a special dividend to Kingsoft Entertainment in the manner otherwise determined by Westhouse in accordance with applicable laws.
Upon completion of the subscription of Westhouse Shares, Westhouse will become a non-wholly owned subsidiary of the Company and the financial information of Westhouse will still be consolidated into the Group’s accounts.

**Conditions Precedent to the Share Purchase Agreement**

The closing of the Share Purchase Agreement is conditional upon fulfillment (or where applicable, waiver) of, among other things, the following conditions:

(i) all representations and warranties remain true;

(ii) all proceedings and documents in connection with the transaction are completed;

(iii) all authorizations, approvals, consents, waivers or permits, if any, of any governmental authority or regulatory body of each applicable jurisdiction have been obtained; and

(iv) the Internal Reorganization has been completed, including but not limited to the entering of various structured contracts to ensure 100% of the benefits of Zhuhai Kingsoft is attributable to Chengdu WOFE.

**Undertaking to the Share Purchase Agreement**

As part of the Share Purchase Agreement, the Founding Employees undertake to:

(i) deliver a written service scheme providing, among other things, that (i) a minimum period of service committed by the Founding Employees, (b) a period of non-competition committed by the Founding Employees, and (c) a mechanism with respect to the exit of any of the Founding Employees from WestGame;

(ii) Tao ZOU, an executive Director of the Company, shall be appointed to be the chief executive officer of Westhouse; and

(iii) Each Founding Employee shall complete his/her registration with the local counterpart of the State Administration of Foreign Exchange of the PRC in accordance with the requirements under the Circular 75, issued by the State Administration of Foreign Exchange of the PRC on October 21, 2005, titled “Notice Regarding Certain Administrative Measures on Financing and Inbound Investments by PRC Residents Through Offshore Special Purpose Vehicles.”
3. Details of the Loan Agreement

Date : 24 January 2011

Parties : • Kingsoft Entertainment as the lender
          • WestGame as the borrower

Subject matter : WestGame intends to borrow from Kingsoft Entertainment a loan for the subscription of the Westhouse Shares

Amount of loan : Approximately HK$151 million

Interest rate : First year — 12 months HIBOR rate plus 1.3%
               Subsequent years — Hong Kong bank offered loan rate

Loan tenure : 1 year commencing from date of the Loan being delivered to WestGame, and extended automatically for the succeeding one year upon the expiration of each term

Loan termination right : Kingsoft Entertainment has the right to terminate the loan within 30 days before the expiry of the loan tenure if Westhouse fails to maintain the audited consolidated net profit after tax exceeding RMB90 million calculated in accordance with International Financial Reporting Standards for the calendar year preceding the year in which such the loan tenure is to be expired

Loan repayment : to be repaid by the borrower immediately following the receipt of the notice of repayment delivered by the lender upon the lender’s exercise of the loan termination right, and to be paid within 5 working days following the expiry or termination of the Loan

Loan purpose : the Loan shall only be used in whole to purchase the Westhouse Shares

Condition precedent : WestGame should have executed a share charge to pledge 128,000,000 of their Westhouse Shares to Kingsoft Entertainment as security for the Loan

Forty-five percent of the Loan amount will be disbursed prior to or at the Closing with the remaining disbursed within 3 month period after the Closing.
4. Information of Westhouse and Its Subsidiaries

The following diagram outlines Westhouse, its holding companies and its interest in its subsidiaries following the completion of the Internal Reorganization:

```
        The Company              The Founding Employees
              100%                   100%
        Kingsoft Entertainment    WestGame
              80%                   20%
        Westhouse
              100%
        Westhouse HK
              100%
        成都西山居互動娛樂科技有限公司
        Chengdu WOFE
              80%
        珠海金山網絡遊戲科技有限公司
        Zhuhai Kingsoft
              20%
```

Note:
1.  *Chengdu WOFE will control and receive benefits of 100% interest in Zhuhai Kingsoft by way of structured contracts entered into by Chengdu WOFE, Zhuhai Kingsoft and the Founding Employees.*

2.  *The Founding Employees will hold 20% of Zhuhai Kingsoft that is under the control of Chengdu WOFE by way of structured contracts.*

Kingsoft Entertainment, a wholly-owned subsidiary of the Company, is a holding company for Westhouse and Kingsoft Entertainment Software Corporation Limited. Aside from being an investment holding company, Kingsoft Entertainment does not have any other business activities.

WestGame, is a holding company owned by the Founding Employees. Aside from being an investment holding company holding 20% interest in Westhouse, WestGame does not have any other business activities.

Westhouse is a holding company for Westhouse HK. Aside from holding 100% interest in Westhouse HK, Westhouse does not have any other business activities.

Westhouse HK is a holding company for Chengdu WOFE. Aside from holding 100% interest in Chengdu WOFE, Westhouse HK currently does not have any other business activities and will function as a research centre for game market overseas.
Chengdu WOFE is a holding company for Zhuhai Kingsoft. Aside from holding 100% interest in Zhuhai Kingsoft (of which 20% through structured contracts with the Founding Employees), Chengdu WOFE will also own various game studios which engage in the research and development of games upon the completion of the Internal Reorganization.

Zhuhai Kingsoft is a PRC company established in 2009 and it has various game studios that engage in the research and development of games. Zhuhai Kingsoft currently licenses its products to Chengdu Kingsoft Digital Entertainment Co., Ltd. (成都金山數字娛樂科技有限公司) and receives revenue from licensing its products.

5. Basis for Determining the Share Purchase Agreement and Loan Agreement

Upon completion of the Internal Reorganization, Westhouse will own some of the Group’s game studios which are controlled presently by some of the Group’s subsidiaries. The Board, having considered the book value of the relevant gaming assets, the potential of the Westhouse Studios’ online gaming business and the valuation report of Westhouse, is of the opinion that the subscription price offered to WestGame to subscribe for shares in Westhouse is fair and reasonable. The Board, having considered (i) the interest of the Loan, which is based on a market rate; and (ii) the purpose and amount of the Loan, which is below the valuation of the Westhouse Shares to be owned by WestGame, is of the opinion that the Loan offered to WestGame is fair and reasonable.

The Westhouse Studios, is a collection of design studios currently managed by different subsidiaries of the Company, and is the studio responsible for the JX series online games of the Company. Due to the nature of the online gaming business, there is no significant physical and tangible assets attributable to Westhouse Studios. Furthermore, there is no separate books of records kept for the design studios, which were managed by different subsidiaries of the Company. As such, the Company is unable to provide a reliable consolidated net asset and net profit of Westhouse based on the Westhouse Studios.

The net asset of Zhuhai Kingsoft based on the unaudited management accounts as at 31 December 2010 is approximately RMB15.44 million. Based on the valuation report obtained by the Company dated 31 December 2010, the market value of Westhouse is approximately RMB800 million.

The net profit of Zhuhai Kingsoft based on the unaudited management accounts is as follows:

<table>
<thead>
<tr>
<th>Financial year ended 31 December</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in RMB million)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Profit/(Loss) (before tax and extraordinary items)</td>
<td>(28.20)</td>
<td>13.43</td>
</tr>
<tr>
<td>Net Profit/(Loss) (after tax and extraordinary items)</td>
<td>(25.33)</td>
<td>10.56</td>
</tr>
</tbody>
</table>
6. Reasons for Entering into the Share Purchase Agreement and Loan Agreement

The Board is of the view that providing an opportunity for the Founding Employees to participate directly in the ownership, operating and running this subsidiary would motivate them to contribute further into Westhouse and thereby enhancing the value of Westhouse. Furthermore, under the Loan Agreement, Kingsoft Entertainment has tight control over the Founding Employees’ loan repayment via monitoring of Westhouse’s performance. As such, it would be in the interest of the Founding Employees to ensure Westhouse will perform well over the coming years.

7. Implications under the Listing Rules

As the relevant applicable percentage ratios (as defined in the Listing Rules) in respect of the Share Purchase Agreement and the Loan Agreement are higher than 5% but below 25%, the Share Purchase Agreement and the Loan Agreement constitute disclosable transactions of the Company pursuant to Chapter 14 of the Listing Rules and are subject to reporting and announcement requirements.

8. General Information

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

9. Definition

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

“Board” the board of directors of the Company

“Chengdu WOFE” 成都西山居互動娛樂科技有限公司 (Chengdu Xishanju Interactive Entertainment Technology Co., Ltd.), a company established in the PRC for the purpose of being a holding company of Zhuhai Kingsoft and also some of the Group’s game studios upon the completion of the Internal Reorganization

“Closing” the purchase and sale of the Westhouse Shares to WestGame shall take place on a date as Westhouse and the Westgame shall mutually agree, which date shall be no later than 1 April 2011

“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

“Founding Employees” the 26 employees of Zhuhai Kingsoft, including Tao ZOU, an executive Director of the Company

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

“HIBOR” Hong Kong Interbank Offer Rate

“Internal Reorganization” the internal reorganization of the Company whereby Chengdu WOFE, Zhuhai Kingsoft and other subsidiaries will be reorganized and held under Westhouse by way of shareholding and structured contracts

“Kingsoft Entertainment” Kingsoft Entertainment Software Holdings Limited, a wholly-owned subsidiary of the Group that is incorporated under the laws of the Cayman Islands

“Listing Rules” the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited

“Loan” the approximately HK$151 million loan provided by Kingsoft Entertainment to WestGame for the purpose of subscribing the Westhouse Shares

“Loan Agreement” the loan agreement dated 24 January 2011 entered into between Kingsoft Entertainment and WestGame

“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 Purchase Agreement” the agreement dated 24 January 2011 entered into between Westhouse, Westhouse HK, WestGame, the Founding Employees, Zhuhai Kingsoft and Chengdu WOFE for the subscription of 20% equity interest in the capital of Westhouse

“Share(s)” share(s) in the capital of the Company

“Shareholder(s)” registered holder(s) of the Shares
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.