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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)

ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTION PURSUANT TO RULE 14A.41 OF THE LISTING RULES

Reference is made to the announcement of the Company dated 23 June 2013 in relation to the subscription of preferred shares in KIS by TCH. TCH is a subsidiary of Tencent, a substantial shareholder of the Company. Upon Completion, the shareholding of TCH in KIS increased from approximately 10% (but less than 10%) to approximately 17.99%, on the assumption that all preferred shares of KIS are fully converted into the ordinary shares of KIS based on the initial conversion ratio of 1:1. Therefore, KIS Group became connected subsidiaries of the Company by virtue of Rule 14A.11 (5) of the Listing Rules.

Before the Completion, KIS Group and the Group had entered into certain agreements in relation to ongoing transactions conducted on a regular and continuing basis and in the ordinary and usual course of the business of the Group.

As such, the ongoing transactions between KIS Group and the Group entered into prior to the Completion will become continuing connected transactions of the Company under the Listing Rules. Pursuant to Rule 14A.41 of the Listing Rules, the Company is required to comply with the applicable reporting and disclosure requirements under Chapter 14A of the Listing Rules regarding such continuing connected transactions. The Company will comply in full with all applicable reporting, disclosure and, if applicable, independent shareholders' approval requirements under Chapter 14A of the Listing Rules upon any variation or renewal of such agreements.

1. BACKGROUND

Reference is made to the announcement of the Company dated 23 June 2013 in relation to the subscription of preferred shares in KIS by TCH. TCH is a subsidiary of Tencent, a substantial shareholder of the Company. Upon Completion, the shareholding of TCH in KIS increased from approximately 10% (but less than 10%) to approximately 17.99%, on the assumption that all preferred shares of KIS are fully converted into the ordinary shares of KIS based on the initial conversion ratio of 1:1. Therefore, KIS Group became connected subsidiaries of the Company by virtue of Rule 14A.11 (5) of the Listing Rules.

2. CONTINUING CONNECTED TRANSACTIONS BETWEEN KIS GROUP AND THE GROUP

KIS Group and the Group had entered into certain agreements in relation to ongoing transactions conducted on a regular and continuing basis and in the ordinary and usual course of the business of the Group. Details of such agreements are summarized as follows:

Agreement	Transaction party of KIS Group	Transaction party of the Group	Nature and date of the agreement	Term of the agreement	Description of the transaction	Basic for determining the consideration
No. 1	(1) Beijing Kingsoft Internet Security Software Co., Ltd. (2) Conew Network Technology (Beijing) Co., Ltd. (3) Zhuhai Juntian Electronic Technology Co., Ltd.	(1) Beijing Kingsoft Digital Entertainment Technology Co., Ltd. (2) Beijing Kingsoft Software Co., Ltd. (3) Zhuhai Kingsoft Software Co., Ltd.	Authorization and licensing agreement 14 January 2011	From 1 October 2010 to 30 September 2015 or the date of full repayment of the consideration (whichever is later)	The transaction parties of the Group shall globally (except in Japan) authorize the transaction parties of KIS Group to use and develop certain software products	market price
No. 2	Shell Internet (Beijing) Security Technology Co., Ltd.	Beijing Kingsoft Digital Entertainment Technology Co., Ltd.	Technology service agreement 1 October 2012	From 1 October 2012 to 31 December 2013	The transaction party of the Group shall provide technology services to the transaction party of KIS Group for the value-added telecommunications business project, including building the network platform and supporting operation technology	cost plus certain profits
No. 3	Shell Internet (Beijing) Security Technology Co., Ltd.	Beijing Kingsoft Digital Entertainment Technology Co., Ltd. (Zhuhai Branch)	Technology service agreement 1 October 2012	From 1 October 2012 to 31 December 2013	The transaction party of the Group shall provide technology services to the transaction party of KIS Group for the value-added telecommunications business project, including building the network platform and supporting operation technology	cost plus certain profits

Agreement	Transaction party of KIS Group	Transaction party of the Group	Nature and date of the agreement	Term of the agreement	Description of the transaction	Basic for determining the consideration
No. 4	Shell Internet (Beijing) Security Technology Co., Ltd.	Zhuhai Kingsoft Software Co., Ltd.	Server rental agreement 1 October 2012	From 1 October 2012 to 31 December 2013	The transaction party of KIS Group shall rent the servers from the transaction party of the Group and pay service fee with reference to the actual costs incurred by the transaction party of the Group	cost plus certain profits
No. 5	Beijing Kingsoft Internet Security Software Co., Ltd.	Kingsoft Japan Inc.	Exclusive technologies licensing contract 1 December 2009	From 1 December 2009 to 30 November 2015 or when the transaction party of the Group is dissolved (whichever is later)	The transaction party of KIS Group shall authorize the transaction party of the Group to use the technologies of security products and charge licensing fees with reference to the actual costs incurred by the transaction party of KIS Group	market price
No. 6	(1) (as the borrower) KIS (2) (as the guarantor) Certain subsidiaries of KIS	the Company	Loan framework contract 14 January 2011	From 1 October 2010 to the initial public offering date of KIS or the date of full repayment of the loan and related interest (whichever is earlier)	The Company shall provide to KIS the necessary funding in an aggregate amount not exceeding RMB110 million for KIS' daily operation and other purposes.	based on the interest rate, which is 90% of the interest rate as announced by the People's Bank of China for loans of the same class and for the same period or other fair market loan interest rate
No. 7	Zhuhai Juntian Electronic Technology Co., Ltd.	Zhuhai Kingsoft Software Co., Ltd.	Service agreement 1 January 2013	From 1 January 2013 to 31 December 2015	The transaction party of the Group shall provide miscellaneous services to the transaction party of KIS Group, including but not limited to administrative support services and information technology office services	market price

Agreement	Transaction party of KIS Group	Transaction party of the Group	Nature and date of the agreement	Term of the agreement	Description of the transaction	Basic for determining the consideration
No. 8	Zhuhai Juntian Electronic Technology Co., Ltd.	Chengdu Kingsoft Interactive Entertainment Co., Ltd.	Service agreement 1 January 2013	From 1 January 2013 to 31 December 2015	The transaction party of the Group shall provide IT infrastructure management and maintenance services to the transaction party of KIS Group	market price
No. 9	Zhuhai Juntian Electronic Technology Co., Ltd.	Zhuhai Kingsoft Software Co., Ltd.	Property leasing agreement 1 January 2013	From 1 January 2013 to 31 December 2015	The transaction party of the Group shall lease the office located in Zhuhai city in an aggregate amount of 3,512 square meters to the transaction party of KIS Group	market price

*Notes:*The English names of these companies represent the best efforts by management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

The continuing transactions contemplated under the agreements No. 2, No. 3 and No. 4 before 1 October 2012 were carried out under the agreement entered into between Beijing Kingsoft Internet Security Software Co., Ltd. and Beijing Kingsoft Digital Entertainment Technology Co., Ltd. dated 1 December 2009.

3. REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The aforementioned transactions between KIS Group and the Group were entered into in the ordinary and usual course of business of the Group. Taking into account of the long-term and stable business relationship between KIS Group and the Group, the aforementioned transactions can provide a stable business environment and operating instruments for the Company as a whole, so as to bring stabilized contributions to the Company and its shareholders.

The Directors (including independent non-executive Directors) are of the view that the transactions contemplated under the aforesaid agreements are in the ordinary and usual course of business of the Group, on normal commercial terms, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

4. IMPLICATIONS UNDER THE LISTING RULES

Upon Completion, the shareholding held by TCH in KIS increased from approximately 10% (but less than 10%) to approximately 17.99%, on the assumption that all preferred shares of KIS are fully converted into the ordinary shares of KIS based on the initial conversion ratio of 1:1. Therefore, KIS Group became connected subsidiaries of the Company by virtue of Rule 14A.11 (5) of the Listing Rule.

As such, the ongoing transactions between KIS Group and the Group entered into prior to the Completion will become continuing connected transactions of the Company under the Listing Rules. Pursuant to Rule 14A.41 of the Listing Rules, the Company is required to comply with the applicable reporting and disclosure requirements under Chapter 14A of the Listing Rules regarding the continuing connected transactions. The Company will comply in full with all applicable reporting, disclosure and, if applicable, independent shareholders' approval requirements under Chapter 14A of the Listing Rules upon any variation or renewal of such agreements.

5. INFORMATION ABOUT THE PARTIES

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.

KIS, a non wholly-owned subsidiary of the Company, together with other members of KIS Group, is mainly engaged in the development and sale of internet security software and antivirus software.

6. DEFINITIONS

“Board”	the board of directors of the Company
“BVI”	British Virgin Islands
“Cayman”	Cayman Islands
“Company”	Kingsoft Corporation Limited, an exempted limited liability company incorporated in the BVI on 20 March 1998 and discontinued in the BVI and continued into the Cayman on 15 November 2005, with its Shares listed on the Stock Exchange (stock code: 03888)
“Completion”	the closing of the issue and subscription of the series B preferred shares of KIS in accordance to the terms of the share purchase agreement dated 24 June 2013
“Director(s)”	the director(s) of the Company
“Group”	the Company, its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China

“KIS”	Kingsoft Internet Security Software Holdings Limited, a company incorporated under the laws of the Cayman and a non-wholly owned subsidiary of the Company
“KIS Group”	KIS and its subsidiaries
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“TCH”	TCH Copper Limited, and a subsidiary of Tencent Holdings Limited, the substantial shareholder of the Company
“Tencent”	Tencent Holdings Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange (stock code: 0700), the substantial shareholder of the Company
%	percent

By order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

Hong Kong, 28 June 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. Guangming George LU, David Yuen Kwan TANG, and Ms. Wenjie WU.