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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

LOAN TO MINORITY SHAREHOLDERS

The Board is pleased to announce that on 3 June 2009, the Company entered into the Loan Agreement, pursuant to which the Company agreed to lend approximately HK\$15.8 million to the Borrowers to acquire 4,000 shares (approximately 11.1% equity interest) of Kingsoft Japan.

The Borrowers each owns 16.6% of Kingsoft Japan through their 100% owned investment holding company EP Dream Technology Limited and Siger Network Co., Limited. Therefore, the Borrowers are connected persons of the Group under Chapter 14A of the Listing Rules.

As the Borrowers are connected persons of the Group under Chapter 14A of the Listing Rules, the transaction under the Loan Agreement constitutes connected transaction of the Company.

The highest applicable percentage ratios of the Loan Agreement are expected to be more than 0.1% but less than 2.5%, therefore the transaction under the Loan Agreement constitutes connected transaction subject to announcement and reporting requirements but exempt from independent shareholders' approval requirement under Rule 14A.66 of the Listing Rules.

1. Background

On 3 June 2009, the Company entered into the Loan Agreement, pursuant to which the Company agreed to lend approximately HK\$15.8 million to the Borrowers to acquire 4,000 shares (approximately 11.1% equity interest) of Kingsoft Japan belonging to Ichiro Hirosawa (廣澤一郎).

Kingsoft Japan is a non-wholly owned subsidiary of the Group, which was held as to 51% by the Company. The remaining shareholders of Kingsoft Japan are the Borrowers' owned companies, EP Dream Technology Limited and Siger Network Co., Limited, Ichiro Hirosawa (廣澤一郎) and JAFCO (held by its three nominee companies), each having an equity interest of 16.6%, 16.6%, 11.1% and 4.7% respectively.

The Borrowers intend to acquire all the 4,000 shares of Kingsoft Japan belonging to Ichiro Hirosawa (廣澤一郎) utilising financing provided by the Company under the Loan Agreement. The Borrowers, who are also directors of Kingsoft Japan, each owns 16.6% of Kingsoft Japan through their 100% owned investment holding company EP Dream Technology Limited and Siger Network Co., Limited. Therefore, the Borrowers are connected persons of the Group under Chapter 14A of the Listing Rules. After completing the acquisition of 4,000 shares of Kingsoft Japan from Ichiro Hirosawa (廣澤一郎), Kingsoft Japan would be beneficially owned as to 51% by the Company, 22.15% by EP Dream Technology Limited, 22.15% by Siger Network Co., Limited, and 4.7% by JAFCO.

As the Borrowers are connected persons of the Group under Chapter 14A of the Listing Rules, the transaction under the Loan Agreement constitutes connected transaction of the Company. The highest applicable percentage ratios of the Loan Agreement are expected to be more than 0.1% but less than 2.5%, therefore the transaction under the Loan Agreement constitutes connected transaction subject to announcement and reporting requirements but exempt from independent shareholders' approval requirement under Rule 14A.66 of the Listing Rules.

2. Details of the Loan Agreement

Date of agreement	:	3 June 2009
Parties	:	<ul style="list-style-type: none">• Mr. Haiyin Shen (沈海寅) and Mr. Yongbiao Weng (翁永飆), collectively as "Borrowing Party"• EP Dream Technology Limited and Siger Network Co., Limited, collectively as "Borrower Companies"• the Company, as "Lending Party"
Subject matter	:	loan agreement between the Company and the Borrowers, whereby the Company agreed to lend approximately HK\$15.8 million to the Borrowers to acquire 4,000 shares of Kingsoft Japan
Loan Amount	:	HK\$7.9 million to each of the Borrowers, with an aggregate amount to both Borrowers totalling approximately HK\$15.8 million
Interest rate	:	the interest rate of HIBOR + 1.5% per annum will be charged on the Loan Amount and is adjusted annually. In the event of a default in repayment, annual interested rate will be adjusted to HIBOR + 3%
Interest repayment	:	accrued interest from the Loan Amount is payable on a 180 days basis upon disbursement of Loan Amount
Repayment terms	:	<ul style="list-style-type: none">• tenure of the loan is 4 years from the date of disbursement, where the Company has the option to demand for the Loan Amount after the loan has exceeded a 1 year tenure from the date of disbursement, and the Borrowers shall return the Loan Amount within 30 days, after a written notice of demand for the Loan Amount has been issued by the Company; or

- the Borrowers shall return the Loan Amount plus any accrued interest should the acquisition of 4,000 shares of Kingsoft Japan fails to complete by 30 June 2009

- Penalty clauses : the Company has right to demand for repayment of the Loan Amount within 10 days if the Borrowers do not fulfil any of the clauses below:
- the Borrowers shall remain as directors or CEO of Kingsoft Japan and manage the operations of Kingsoft Japan; or
 - the Borrowers shall not reduce their shareholding in Kingsoft Japan; or
 - the loan collateral shall always be valued higher than the Loan Amount plus any accrued interest. The Borrowers shall provide additional collateral within 20 days to the Company should the Company issue a notice of shortfall in collateral value.
- Other terms : the Borrowers shall use the Loan Amount as paid up capital for EP Dream Technology Limited and Siger Network Co., Limited, and subsequently acquire the 4,000 shares of Kingsoft Japan from Ichiro Hirosawa (廣澤一郎) using the two aforementioned companies
- Loan collateral : 4,000 shares of Kingsoft Japan acquired from Ichiro Hirosawa (廣澤一郎) will be used as collateral to ensure timely repayment of the Loan Amount or any interest accrued
- Conditions precedent :
- approval from the Board of Directors
 - approval from directors and shareholders of Kingsoft Japan
 - any other regulatory approvals

3. Basis of Determination of the Loan Agreement

The Company has considered the interest rate and terms of Hong Kong dollar denominated commercially available loans and concluded that the Loan Agreement is on equal or better terms to the Company. Payment for the Loan Amount of approximately HK\$15.8 million will be financed by cash available within the Group, and the Directors believe that the Loan Amount will not have a significant impact on the Group's financial position.

4. Reasons for Entering into the Loan Agreement

The Board is of the view that Kingsoft Japan is critical for the development of worldwide expansion plans for the Company and it is important for the Company to maintain a high level of operation within Kingsoft Japan and presence within the Japanese market.

Although it is not the Company's ordinary business to provide financing, the Company believes this provision of loan will benefit the Company in the long run and the use of Shares of Kingsoft Japan as collateral will lower the risk of the Company. Entering into the Loan Agreement would allow the two key employees, Mr. Haiyin Shen (沈海寅) and Mr. Yongbiao

Weng (翁永飆), who are also directors of Kingsoft Japan, to acquire additional shares of Kingsoft Japan. This in turn would provide further incentive for them to generate additional growth in Kingsoft Japan, resulting in higher valuation in shares of Kingsoft Japan.

As a result, this would translate into better returns for both the two employees and the 51% equity interest in Kingsoft Japan that the Company currently holds, whilst incurring minimal cost to the Company.

Having made all reasonable enquiry, the Directors (including the independent non-executive Directors) are of the view that the Loan Agreement has been entered into on normal commercial terms and the terms of the Loan Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

5. General Information

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

Kingsoft Japan is principally engaged in the marketing and distribution of applications software developed by the Company in Japan.

EP Dream Technology Limited is an investment holding company belonging to Mr. Yongbiao Weng (翁永飆), who holds 100% equity interest in the company.

Siger Network Co., Limited is an investment holding company belonging to Mr. Haiyin Shen (沈海寅), who holds 100% equity interest in the company.

6. Definition

“associate(s)”	has the meaning ascribed hereto under the Listing Rules
“Borrower(s)”	the borrower under the Loan Agreement, who are also directors of Kingsoft Japan, namely Mr. Haiyin Shen (沈海寅) and Mr. Yongbiao Weng (翁永飆), collectively or individually as the context requires
“Board”	the board of directors of the Company
“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
“Group”	the Company, its subsidiaries and companies which are indirectly controlled by the Company through the structure contracts

“HIBOR”	the Hong Kong Interbank Offer Rate
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JAFCO”	JAFCO Co. Limited, a Japanese private equity company
“Kingsoft Japan”	Kingsoft Japan Inc., a company incorporated in Japan on 9 March 2005, which is owned as to 51% by the Company, as to 16.6% by EP Dream Technology Limited, as to 16.6% by Siger Network Co., Limited, as to 11.1% by Ichiro Hirosawa (廣澤一郎) and as to 4.7% by JAFCO (held by its three nominee companies)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Loan Agreement”	the agreement dated 3 June 2009 entered into between the Company, Mr. Haiyin Shen (沈海寅), Mr. Yongbiao Weng (翁永飆), EP Dream Technology Limited and Siger Network Co., Limited, whereby the Company will lend the Loan Amount to the Borrowers for the acquisition of 4,000 shares of Kingsoft Japan from Ichiro Hirosawa (廣澤一郎)
“Loan Amount”	the aggregate amount totalling approximately HK\$15.8 million loaned equally to each of the Borrowers in the amount of approximately HK\$7.9 million as prescribed in the Loan Agreement
“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

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“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.