CONTINUING CONNECTED TRANSACTION

Further to the announcement of the Company dated 6 July 2011 regarding the acquisition of 15.68% interest in the Company by Tencent and the announcement of the Company dated 6 September 2011 regarding the continuing connected transaction.

The Company has historically been dealing with Tencent by providing and acquiring internet and software related services to and from Tencent. After the Acquisition, Tencent became a substantial shareholder of the Company and hence, a connected person of the Company under the Listing Rules. As a result, these cross provision of internet and software related services between Tencent and the Group will constitute connected transactions of the Company that are subject to reporting and disclosure requirements under Chapter 14A of the Listing Rules.

1. BACKGROUND

Reference is made to the announcement of the Company dated 6 July 2011 regarding the acquisition of 15.68% interest in the Company by Tencent and the announcement of the Company dated 6 September 2011 regarding the continuing connected transaction.

The Company has historically been dealing with Tencent by providing and acquiring internet and software related services to and from Tencent. After the Acquisition, Tencent became a substantial shareholder of the Company and hence, a connected person of the Company under the Listing Rules. As a result, these cross provision of internet and software related services between Tencent and the Group will constitute connected transactions of the Company that are subject to reporting and disclosure requirements under Chapter 14A of the Listing Rules.

Pursuant to the Original Agreement and the Supplemental Agreement between Shell Internet and Tencent Shenzhen made in 2011, Shell Internet incorporated Tencent Shenzhen’s search engine on Shell Internet’s websites so that Shell Internet’s users can utilize Tencent Shenzhen’s internet search services.
2. TERMS OF THE AGREEMENT

The Board announces that on 15 February 2012, Shell Internet entered into the Agreement with Tencent Shenzhen pursuant to which Shell Internet incorporated Tencent Shenzhen’s search engine on Shell Internet’s websites or softwares so that Shell Internet’s users can utilize Tencent Shenzhen’s internet search services. Principal terms of the Agreement are set out below:

Date : 15 February 2012

Period : 1 January 2012 to 31 December 2012, subject to Tencent Shenzhen’s early termination right with 30 days prior notice as provided in the Agreement if the actual search volume cannot meet the expectation of both Parties

Parties : • Tencent Shenzhen  
• Shell Internet

Subject matter : Shell Internet to provide search interface to Tencent Shenzhen as the primary default search engine by embedding Tencent Shenzhen’s search box in Shell Internet’s websites or softwares

Service charge : To be calculated based on market price and the average daily search volume created from Shell Internet’s websites

Payment terms : To be paid on a monthly basis

Annual Cap : Annual cap for the period ending 31 December 2012 is RMB18 million. The annual cap was determined based on the monthly expected number of search by users of Shell Internet’s relevant websites and softwares

Remarks : the Supplemental Agreement and the Original Agreement are terminated on 31st December 2011

3. REASONS AND BENEFITS OF THE AGREEMENT

The Agreement between Tencent Shenzhen and Shell Internet provides online services that could allow the Group broader service offering and additional revenue streams.

The Company believes that with the strength and support of Tencent as its partner and substantial shareholder, the Group will be strategically positioned to better leverage on the development opportunities in the online software markets and serve to enhance the market position of the Group.
The Directors (including independent non-executive Directors) are of the view that the Agreement between Tencent Shenzhen and Shell Internet were entered into in the ordinary and usual course of business of the Group and, are fair and reasonable and in the interests of the Company and Shareholders as a whole.

4. IMPLICATIONS UNDER THE LISTING RULES

After completion of the Acquisition, Tencent became a substantial shareholder and connected person of the Company pursuant to Rule 14A.11(5) of the Listing Rules. Accordingly, any transactions between Tencent and the Group after the Acquisition will constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

The Agreement constitutes a continuing connected transaction of the Company.

In accordance to Rule 14A.41, the Company is required to comply with all applicable reporting, annual review, disclosure and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios in respect of the annual caps of the Agreement is higher than 0.1% and less than 5%, the Agreement is only subject to the reporting and announcement requirements but exempted from independent shareholders’ approval.

Mr. Lau Chi Ping is the director of both the Company and Tencent. Therefore, Mr. Lau Chi Ping has abstained from voting on the Board resolution approving the Agreement.

Details of the 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.

5. GENERAL INFORMATION

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.

Tencent and its subsidiaries are principally engaged in the provision of internet and mobile value-added services and online advertising services to users in the PRC.
DEFINITION

“Acquisition” the acquisition by Tencent in 15.68% Share of the Company at an aggregate consideration of approximately HK$892 million on 6 July 2011

“Agreement” Agreement entered into between Tencent Shenzhen and Shell Internet dated 15 February 2012 with service period from 1 January 2012 to 31 December 2012

“Board” the board of Directors

“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 meaning ascribed hereto under the Listing Rules

“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

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

“Hong Kong” Hong Kong Special Administrative Region of the People’s Republic of China

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

“Original Agreement” Original agreement entered into between Tencent Shenzhen and Shell Internet in June 2011

“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

“RMB” Renminbi, the lawful currency of the PRC

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

“Shell Internet” 貝殼網際 (北京) 安全技術有限公司 (Shell Internet (Beijing) Security Technology Company Limited), a subsidiary of the Company

“Stock Exchange” the Stock Exchange of Hong Kong Limited

“Supplemental Agreement” Supplemental agreement entered into between Tencent Shenzhen and Shell Internet dated 6 September 2011, for the amendment of some terms in the Original Agreement with service period from 1 March 2011 to 29 February 2012

“Tencent” Tencent Holdings Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange (stock code: 00700)

“Tencent Shenzhen” 深圳市騰訊計算機系統有限公司 (Shenzhen Tencent Computer System Company Limited), a subsidiary of Tencent

By order of the Board
Kingsoft Corporation Limited
Jun Lei
Chairman

Hong Kong, 15 February 2012

As at the date of this announcement, the Executive Directors are Messrs. Hong Jiang ZHANG, Shun Tak WONG 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. Tat Joel, CHANG, Guangming George LU and Chuan WANG.