On 15 September 2014, Chengdu Westhouse, Zhuhai Funova and the Existing Shareholders entered into the Capital Contribution and Share Purchase Agreement, pursuant to which (i) Zhuhai Funova will increase its registered capital by approximately RMB0.49 million and Chengdu Westhouse will subscribe for all such additional registered capital in full at a subscription price of approximately RMB40 million, representing a premium of approximately RMB39.51 million, to hold 16% equity interest of Zhuhai Funova; (ii) Chengdu Westhouse will further acquire an aggregate of 4% equity interest of Zhuhai Funova held by the Existing Shareholders at the time of transfer for a total consideration of approximately RMB10 million.

Upon completion of the Capital Contribution and Share Purchase Agreement, the Company, through its subsidiary Chengdu Westhouse, will hold 20% equity interest in Zhuhai Funova and Zhuhai Funova will not become a subsidiary of the Company.

Tuda Technology is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. As the Capital Contribution and Share Purchase Agreement involves Tuda Technology, one of the Existing Shareholders, the Capital Contribution and Share Purchase Agreement constitutes a connected transaction of the Company.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Capital Contribution and Share Purchase Agreement is higher than 0.1% but less than 5%, the Capital Contribution and Share Purchase Agreement and the transactions contemplated thereunder are only subject to the reporting and announcement requirements but exempted from independent shareholders’ approval under Chapter 14A of the Listing Rules.
1. BACKGROUND

On 15 September 2014, Chengdu Westhouse, Zhuhai Funova and the Existing Shareholders entered into the Capital Contribution and Share Purchase Agreement, pursuant to which (i) Zhuhai Funova will increase its registered capital by approximately RMB0.49 million and Chengdu Westhouse will subscribe for all such additional registered capital in full at a subscription price of approximately RMB40 million, representing a premium of approximately RMB39.51 million, to hold 16% equity interest of Zhuhai Funova; (ii) Chengdu Westhouse will further acquire an aggregate of 4% equity interest of Zhuhai Funova held by the Existing Shareholders at the time of transfer for a total consideration of approximately RMB10 million.

Upon completion of the Capital Contribution and Share Purchase Agreement, the Company, through its subsidiary Chengdu Westhouse, will hold 20% equity interest in Zhuhai Funova and Zhuhai Funova will not become a subsidiary of the Company.

2. PRINCIPAL TERMS OF THE CAPITAL CONTRIBUTION AND SHARE PURCHASE AGREEMENT

Date: 15 September 2014

Parties: Chengdu Westhouse
Zhuhai Funova
the Existing Shareholders, namely Mr. Deng Zhihui (鄧志輝), Mr. Lv Jun (呂軍), Mr. Li Hongyi (李洪義), Tuda Technology, Guangzhou Xinyou Network Technology Co., Ltd. (廣州新遊網絡科技有限公司)

Capital Contribution: Zhuhai Funova will increase its registered capital by approximately RMB0.49 million and Chengdu Westhouse will subscribe for all such additional registered capital in full at a subscription price of approximately RMB40 million, representing a premium of approximately RMB39.51 million.

Chengdu Westhouse shall (i) contribute RMB20 million to Zhuhai Funova within 30 days upon execution of this agreement; and (ii) further inject RMB20 million within 30 days upon expiry of six months after the SAIC registration for the changes of shareholding under this agreement. In the event that Chengdu Westhouse approves in writing the fund using plan proposed by the management team of Zhuhai Funova due to the needs for business development, the capital contribution mentioned in (ii) could be paid in advance.
Upon completion of the Capital Contribution, the registered capital of Zhuhai Funova will increase to approximately RMB3.04 million. The rights attached to the additional registered capital to be subscribed for by Chengdu Westhouse shall be the same in every respect as the existing registered capital of Zhuhai Funova.

Acquisition of equity interest of Zhuhai Funova:

Chengdu Westhouse will further acquire an aggregate of approximately the 4% equity interest of Zhuhai Funova held by the Existing Shareholders at the time of transfer for a total consideration of approximately RMB10 million as follows:

(i) Chengdu Westhouse will acquire approximately 1.55% equity interest of Zhuhai Funova held by Mr. Deng Zhihui (鄧志輝) at the time of transfer for a consideration of approximately RMB3.88 million;

(ii) Chengdu Westhouse will acquire approximately 1.02% equity interest of Zhuhai Funova held by Mr. Lv Jun (呂軍) at the time of transfer for a consideration of approximately RMB2.55 million;

(iii) Chengdu Westhouse will acquire approximately 0.33% equity interest of Zhuhai Funova held by Mr. Li Hongyi (李洪義) at the time of transfer for a consideration of approximately RMB0.83 million;

(iv) Chengdu Westhouse will acquire approximately 0.63% equity interest of Zhuhai Funova held by Tuda Technology at the time of transfer for a consideration of approximately RMB1.56 million;

(v) Chengdu Westhouse will acquire approximately 0.47% equity interest of Zhuhai Funova held by Guangzhou Xinyou Network Technology Co., Ltd. (廣州新遊網絡科技有限公司) at the time of transfer for a consideration of approximately RMB1.17 million.

Chengdu Westhouse shall pay the abovementioned respective consideration in cash in lump sum.
Consideration: The total consideration for 20% equity interest of Zhuhai Funova under this agreement is approximately RMB50 million, which is determined after arm’s length negotiation among the parties with reference to (i) the business expansion ability of Zhuhai Funova; and (ii) the development potential of the game industry.

Conditions Precedent: The completion of this agreement is subject to the fulfillment of the following conditions:

(i) all authorizations, approvals, waivers or permits, if any, in respect of the Capital Contribution and Share Purchase Agreement have been obtained by all parties; and

(ii) other reasonable and customary conditions.

3. INFORMATION OF ZHUHAI FUNOVA

Zhuhai Funova is a limited liability company established in the PRC, which is mainly engaged in the research, development and operation of the web games.

In accordance with the Chinese Accounting Standards for Business Enterprises, the net profits (before and after taxation and extra-ordinary items) of Zhuhai Funova for the two financial years ended 31 December 2013 are set out as follows:

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<th>For the year ended 31 December 2012</th>
<th>For the year ended 31 December 2013</th>
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<tr>
<td><strong>Net profits before taxation</strong></td>
<td>approximately RMB-0.47 million</td>
<td>approximately RMB0.37 million</td>
</tr>
<tr>
<td><strong>Net profits after taxation</strong></td>
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<td>approximately RMB0.37 million</td>
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As stated in the financial statements of Zhuhai Funova, the book net asset value of Zhuhai Funova as at 31 December 2013 was approximately RMB3.85 million.

Mr. Deng Zhihui (鄧志輝) and Mr. Lv Jun (呂軍) are the founders of Zhuhai Funova. Mr. Li Hongyi (李洪義) holds his equity interest in Zhuhai Funova for nil consideration as he is a core member of Zhuhai Funova. The original acquisition cost of the 0.63% equity interest of Zhuhai Funova held by Tuda Technology and the 0.47% equity interest of Zhuhai Funova held by Guangzhou Xinyou Network Technology Co., Ltd. (廣州新遊網絡科技有限公司) both amounted to approximately RMB0.11 million.
4. REASONS AND BENEFITS OF THE TRANSACTION

Zhuhai Funova is mainly engaged in the research, development and operation of the web games. Upon completion of the Capital Contribution and Share Purchase Agreement, the Company, through its subsidiary Chengdu Westhouse, will become a substantial shareholder of Zhuhai Funova, which will expect to strengthen the comprehensive strategic business cooperation between Zhuhai Funova and the Group, boost the web game business development of both the Group and Zhuhai Funova, bring the opportunity for Zhuhai Funova in the mobile game area and add values for both the Group and Zhuhai Funova.

The Directors (including the independent non-executive Directors) believe that the terms of the Capital Contribution and Share Purchase Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

5. IMPLICATIONS UNDER THE LISTING RULES

Tuda Technology is an associate of Mr. Jun LEI, a Director and substantial shareholder of the Company. As such, Tuda Technology is a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

As the Capital Contribution and Share Purchase Agreement involves Tuda Technology, one of the Existing Shareholders, the Capital Contribution and Share Purchase Agreement constitutes a connected transaction of the Company.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Capital Contribution and Share Purchase Agreement is higher than 0.1% but less than 5%, the Capital Contribution and Share Purchase Agreement and the transactions contemplated thereunder are only subject to the reporting and announcement requirements but exempted from independent shareholders’ approval under Chapter 14A of the Listing Rules.

In view of his interest in Tuda Technology, Mr. Jun LEI has abstained from voting on the Board resolution approving the entering into the Capital Contribution and Share Purchase Agreement. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Capital Contribution and Share Purchase Agreement and none of them has abstained from voting on the relevant Board resolution.

6. 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.

Chengdu Westhouse is mainly engaged in research and development of games.

Mr. Deng Zhihui (鄧志輝), Mr. Lv Jun (呂軍) and Mr. Li Hongyi (李洪義), as far as the Directors are aware of, are third parties independent of the Company and its connected persons.
Tuda Technology is mainly engaged in the development and transfer of technology, technology consulting, training and services, and software services.

Guangzhou Xinyou Network Technology Co., Ltd. (廣州新遊網絡科技有限公司) is mainly engaged in the research and development of computer technology and software, technology services, and the sale of the computers and software. As far as the Directors are aware of, Guangzhou Xinyou Network Technology Co., Ltd. (廣州新遊網絡科技有限公司) is a third party independent of the Company and its connected persons.

7. DEFINITION

“associate” has the meaning ascribed thereto under the Listing Rules

“Board” the board of directors of the Company

“BVI” British Virgin Islands

“Capital Contribution” the subscription for the additional registered capital of Zhuhai Funova, being RMB0.49 million, at a subscription price of approximately RMB40 million by Chengdu Westhouse under the Capital Contribution and Share Purchase Agreement

“Capital Contribution and Share Purchase Agreement” the capital contribution and share purchase agreement dated 15 September 2014 and entered into among Chengdu Westhouse, Zhuhai Funova and the Existing Shareholders

“Cayman” Cayman Islands

“Chengdu Westhouse” Chengdu Westhouse Interactive Entertainment Co., Ltd. (成都西山居互動娛樂科技有限公司), a limited liability company incorporated in the PRC and a non-wholly-owned subsidiary of the Company

“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)

“connected person(s)” has the same meaning ascribed thereto under the Listing Rules

“Director(s)” the director(s) of the Company
“Existing Shareholders” the existing shareholders of Zhuhai Funova as at the date of this announcement, namely Mr. Deng Zhihui (鄧志輝), Mr. Lv Jun (呂軍), Mr. Li Hongyi (李洪義), Tuda Technology, Guangzhou Xinyou Network Technology Co., Ltd. (廣州新遊網絡科技有限公司)

“Group” the Company and its subsidiaries

“Hong Kong” the 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

“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

“Tuda Technology” Beijing Tuda Technology Co., Ltd. (北京途達科技有限責任公司), a limited liability incorporated in 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

“Zhuhai Funova” Zhuhai Funova Technology Co., Ltd. (珠海樂趣科技有限公司), a limited liability company incorporated in the PRC

% percent

By order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

Hong Kong, 15 September 2014

As at the date of this announcement, the Executive Directors are Messrs. Hong Jiang 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. Shun Tak WONG, David Yuen Kwan TANG, and Ms. Wenjie WU.