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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 TRANSACTIONS
AND
CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement of the Company dated 6 July 2011 in relation to the acquisition of 178,407,183 Shares in the Company by Tencent on 6 July 2011, representing approximately 15.68% of the then issued share capital of the Company.

After the Acquisition, Tencent, being a substantial shareholder of KIS, a non-wholly owned subsidiary of the Company, held approximately 10% of the then issued share capital of KIS, and was also a substantial shareholder and a connected person at the level of the Company. Accordingly, KIS Sub-group became connected persons of the Company pursuant to Rule 14A.11(5) of the Listing Rules.

KIS Sub-group had entered into agreements with members of the Group in respect of various aspects of the operations in the ordinary and usual course of business of the Group.

As such, the transactions conducted in accordance with the aforesaid agreements between KIS Sub-group and the Group may constitute continuing connected transactions after the Acquisition, and 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 transactions.

BACKGROUND

Reference is made to the announcement of the Company dated 6 July 2011 in relation to the acquisition of 178,407,183 Shares in the Company by Tencent on 6 July 2011, representing approximately 15.68% of the then issued share capital of the Company.

CONTINUING TRANSACTIONS BETWEEN KIS SUB-GROUP AND THE GROUP

KIS Sub-group had entered into agreements with members of the Group in respect of various aspects of the operations in the ordinary and usual course of business of the Group. Details of the agreements still effective in July 2011 and thereafter between KIS Sub-group and other members of the Group are set out below:

	Transaction parties of KIS Sub-group	Transaction parties of the Group	Nature and date of the agreements	Term of the agreements	Description of the transaction
1.	Beijing Kingsoft Internet Security Software Co., Ltd.	Beijing Kingsoft Digital Entertainment Technology Co., Ltd.	Cooperative operation service agreement, 1 January 2011	From 1 January 2011 to 31 December 2011	The transaction party of KIS Sub-group shall rent the servers from the transaction party of the Group and pay the service fee with reference to the actual costs incurred by the transaction party of the Group in accordance with the price, payment method and other terms as agreed by both parties
2.	Beijing Kingsoft Internet Security Software Co., Ltd.	Beijing Kingsoft Digital Entertainment Technology Co., Ltd.	Housing rental contract, 1 December 2010	From 1 December 2010 to 31 December 2011	The transaction party of KIS Sub-group shall rent the offices from the transaction party of the Group and pay a fixed rent, which covers water charges, electricity charges and management fees, with reference to the actual costs incurred by the transaction party of the Group in accordance with the price, payment method and other terms agreed by both parties
3.	Beijing Kingsoft Internet Security Software Co., Ltd.	Beijing Kingsoft Software Co., Ltd.	Users upgrade supporting service transfer contract, 1 December 2009	From 1 December 2009	The transaction party of KIS Sub-group undertakes that, during the upgrading period agreed by the transaction party of the Group with its customers, it will continue to assume the obligation of providing payment services to the customers, and the transaction party of the Group will pay the relevant fees to the transaction party of KIS Sub-group
4.	Beijing Kingsoft Internet Security Software Co., Ltd.	Beijing Kingsoft Digital Entertainment Technology co., Ltd.	Cooperative operation service agreement, 1 December 2009	From 1 December 2009 to 31 December 2011	The transaction party of KIS Sub-group shall rent the servers from the transaction party of the Group and pay the service fee with reference to the actual costs incurred by the transaction party of the Group in accordance with the price, payment method and other terms agreed by both parties

5.	(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	The transaction parties of the Group shall globally authorize the transaction parties of KIS Sub-group to use and develop the software products with reference to the actual costs incurred by the transaction parties of the Group in accordance with the price, payment method and other terms as agreed by all parties
6.	Beijing Kingsoft Internet Security Software Co., Ltd.	Beijing Kingsoft Software Co., Ltd.	Service agreement, 1 October 2010	From 1 October 2010 to 31 December 2011	The transaction party of the Group shall provide comprehensive services, including administrative and logistic services and IT support service, to the transaction party of KIS Sub-group and charge service fee with reference to the actual costs incurred by the transaction party of the Group in accordance with the price, payment method and other terms as agreed by both parties
7.	Beijing Kingsoft Internet Security Software Co., Ltd.	Zhuhai Kingsoft Software Co. Ltd.	Cooperative operation service agreement, 1 January 2011	From 1 January 2011 to 31 December 2011	The transaction party of KIS Sub-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 in accordance with the price, payment method and other terms agreed by both parties
8.	Beijing Kingsoft Internet Security Software Co., Ltd.	Kingsoft Japan Inc. (日本金山軟件株式會社)	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 Sub-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 Sub-group in accordance with the price (net of sales agents & distributors' commission and other sales expenses), payment method and other terms agreed by both parties

9.	Zhuhai Juntian Electronic Technology Co., Ltd.	Zhuhai Kingsoft Software Co. Ltd.	Service agreement, 10 March 2011	From 1 October 2010 to 31 December 2011	The transaction party of the Group shall provide comprehensive services, including human resources, finance, taxation, legal and public relations services, to the transaction party of KIS Sub-group and charge service fees with reference to the actual costs incurred by the transaction party of the Group in accordance with the price, payment method and other terms as agreed by both parties
10.	(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 and the date of full repayment of the loan and related interest (whichever is earlier)	The Company shall provide the necessary funding for daily operation and other purposes to KIS based on the interest rate and other terms as agreed by both parties

IMPLICATIONS UNDER THE LISTING RULES

After the Acquisition, Tencent, being a substantial shareholder of KIS, a non-wholly owned subsidiary of the Company, held approximately 10% of the then issued share capital of KIS, and also was a substantial shareholder and a connected person at the level of the Company. Accordingly, KIS Sub-group became connected persons of the Company pursuant to Rule 14A.11(5) of the Listing Rules.

As such, the transactions conducted in accordance with the aforesaid agreements between KIS Sub-group and the Group may constitute continuing connected transactions after the Acquisition, and 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 transactions.

REASONS AND BENEFITS

The aforesaid operation business between the KIS Sub-group and the Group was 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 the KIS Sub-group and the Group, the aforesaid 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 the Shareholders. The Directors (including independent non-executive Directors) are of the view that the transactions conducted in accordance with the aforesaid agreements are in the ordinary and usual course of business of the Group, on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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.

The KIS Sub-group is principally engaged in the development and sale of internet security softwares and antivirus softwares for the Group.

DEFINITION

In this announcement, unless the context requires otherwise, the following expressions have the following meanings as set out below:

“Acquisition”	the acquisition by Tencent of approximately 15.68% of the Shares of the Company as disclosed in the announcement of the Company dated 6 July 2011
“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 the Shares listed on the Stock Exchange (stock code: 03888)
“connected person(s)”	has the meaning ascribed thereto 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, which for the purpose of this announcement only, does not include KIS Sub-group
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“KIS”	Kingsoft Internet Security Software Holdings Limited, a company incorporated in the Cayman Islands, and a non-wholly owned subsidiary of the Company, as at the date of this Announcement, approximately 58.96% equity interest of which is held by the Company

“KIS Sub-group”	KIS and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“PRC”	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
“Share(s)”	the ordinary shares in the share capital of the Company, with the nominal value of US\$0.0005 each
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Tencent”	Tencent Holdings Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange (stock code: 0700), and holding approximately 15.24% of the Shares of the Company at the date of this Announcement.
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	percent

By Order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

Hong Kong, 16 March 2012

As at the date of this announcement, the Executive Directors are Messrs. HongJiang 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.