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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Kingsoft Corporation Limited**, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

**CONTINUING CONNECTED TRANSACTIONS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Financial Adviser to the Company**



**TC Capital**  
天財資本

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



**高銀融資有限公司**  
GOLDIN FINANCIAL LIMITED

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A letter from the Board is set out on pages 3 to 8 of this circular and a letter from the Independent Board Committee to the Independent Shareholders is set out on pages 9 of this circular. A letter of advice from Goldin Financial to the Independent Board Committee and the Independent Shareholders is set out on pages 10 to 17 of this circular.

A notice convening the EGM of the Company to be held at 3:00 p.m. on Wednesday, 17 October 2012 at 14F, Kingsoft Tower, No. 8 Lianshan Alley, Jingshan Road, Jida, Zhuhai, Guangdong, PRC, is set out on pages 22 to 23 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time fixed for holding the EGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjourned meeting (as the case may be) should you so wish.

29 September 2012

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings, unless the context requires otherwise:*

|   |  |
|---|--|
| “associate(s)”  | has the meaning ascribed thereto under the Listing Rules   |
| “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 (stock code: 03888) |
| “connected person(s)”                                 | has the meaning ascribed thereto under the Listing Rules   |
| “Director(s)”   | the director(s) of the Company   |
| “EGM”   | an extraordinary general meeting of the Company to be held for the Shareholders at 3:00 p.m. on Wednesday, 17 October 2012 to consider and approve the Framework Agreement   |
| “Framework Agreement”                                 | the framework agreement entered into among the KIS Holdings and Tencent Shenzhen dated 27 September 2012, pursuant to which, KIS Holdings and its subsidiaries will provide various marketing platforms and channels to Tencent Group for the promotion of Tencent Group’s internet services and products  |
| “Group”   | the Company, its subsidiaries and companies which are indirectly controlled by the Company through the structure contracts   |
| “Independent Board Committee”                         | the independent board committee, which comprises all of the independent non-executive Directors, namely Mr. To Thomas HUI, Mr. Guangming George LU and Mr. Chuan WANG formed, to consider the Framework Agreement, the transactions contemplated thereunder and the proposed annual caps                   |
| “Independent Financial Adviser” or “Goldin Financial” | Goldin Financial Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders   |
| “Independent Shareholders”                            | for the purpose of approving the resolution with respect to the Framework Agreement, the transaction contemplated thereunder and the proposed annual caps, the Shareholders other than Tencent and any of its associates who are legally and/or beneficially interested in the Shares                      |
| “KIS Holdings”  | Kingsoft Internet Security Software Holdings Limited, a non-wholly owned subsidiary of the Company   |

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## DEFINITIONS

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|---------------------------|---|
| “Latest Practicable Date” | 26 September 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein   |
| “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 circular 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  |
| “SFO”                     | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time  |
| “Share(s)”                | share(s) of US\$0.0005 each in the share capital of the Company   |
| “Shareholder(s)”          | registered holder(s) of the Shares  |
| “Stock Exchange”          | The Stock Exchange of Hong Kong Limited   |
| “Tencent”                 | Tencent Holdings Limited, a limited liability company organised and existing under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange                    |
| “Tencent Group”           | Tencent and its subsidiaries  |
| “Tencent Shenzhen”        | Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司), a subsidiary of Tencent   |
| “US\$”                    | United States dollars, the lawful currency of the United States of America  |
| “%”                       | percent   |



**Kingsoft Corporation Limited**

**金山軟件有限公司**

*(Continued into the Cayman Islands with limited liability)*

**(Stock Code: 03888)**

*Executive Directors:*

Mr. HongJiang ZHANG

Mr. Tao ZOU

*Non-executive Directors:*

Mr. Jun LEI (*Chairman*)

Mr. Pak Kwan KAU

Mr. Chi Ping LAU

*Independent Non-executive Directors:*

Mr. To Thomas HUI

Mr. Guangming George LU

Mr. Chuan WANG

*Registered office:*

Clifton House

75 Fort Street

P.O. Box 1350 GT

George Town

Grand Cayman KY1-1108

Cayman Islands

*Principal place of business in*

*Hong Kong:*

Unit 1309A, 13/F

Cable TV Tower

No.9 Hoi Shing Road

Tsuen Wan, N.T.

Hong Kong

29 September 2012

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS**

**1. INTRODUCTION**

Reference is made to the announcement of the Company dated 27 September 2012 in relation to the continuing connected transactions under the Framework Agreement entered into between KIS Holdings and Tencent Shenzhen.

On 27 September 2012, KIS Holdings, a subsidiary of the Company, entered into the Framework Agreement with Tencent Shenzhen, pursuant to which, KIS Holdings and its subsidiaries will provide various marketing platforms and channels to Tencent Group for the promotion of Tencent Group's internet services and products.

KIS Holdings and its subsidiaries has been providing various marketing channels for internet services to Tencent Group, including the provision of search interface and the provision of marketing platforms as disclosed in the announcements of the Company dated 15 February 2012 and 30 March 2012 respectively. In order to enhance the value of the Group, the Company has proposed that KIS Holdings enters into the Framework Agreement with Tencent Shenzhen, whereby KIS Holdings and its subsidiaries can market more services and products of Tencent Group for a fee, thereby enhancing the returns of the Group.

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## LETTER FROM THE BOARD

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Tencent is a substantial shareholder of the Company by virtue of its shareholding interest that exceeds 10% in the total issued share capital of the Company. Tencent is therefore, a connected person of the Company under the Listing Rules. As a result, the services provided by KIS Holdings and its subsidiaries and the service fees received from Tencent Group under the Framework Agreement constitute continuing connected transactions of the Company.

As the relevant applicable percentage ratios in respect of the annual caps of the transactions within the Framework Agreement are higher than 5%, the Framework Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and Independent Shareholders' approval requirements under rule 14A.35 of the Listing Rules.

The Independent Board Committee has been established to consider and advise the Independent Shareholders in respect of the transactions contemplated under the Framework Agreement. Goldin Financial has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms and conditions of the Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) are fair and reasonable, so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

The purpose of this circular is to provide you with information, among others, (i) further details in relation to the Framework Agreement, (ii) the letter of recommendation from Independent Board Committee; (iii) the letter from Goldin Financial to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM, and to provide you with all the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed resolution(s) at the EGM.

## 2. THE FRAMEWORK AGREEMENT

### 2.1 Summary

|                   |   |   |
|-------------------|---|---|
| Date of agreement | : | 27 September 2012   |
| Period            | : | 1 January 2012 to 31 December 2013  |
| Parties           | : | KIS Holdings<br>Tencent Shenzhen  |
| Subject matter    | : | KIS Holdings and its subsidiaries will provide various marketing platforms and channels, including but not limited to its websites, and softwares for PC and mobile devices, to Tencent Group for the promotion of Tencent Group's services and products, including but not limited to internet and mobile internet services and products |

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## LETTER FROM THE BOARD

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- Pricing basis : The prices will be based on:
- 1) the prevailing fair market pricing practiced and pricing policy of independent third parties among industry participants for similar transactions; and if no such pricing information is available;
  - 2) the actual cost incurred thereof plus a reasonable profit margin, such profit margin will be made reference to the profit margin of products with similar nature/function in historical transactions of the Group conducted with independent third parties and/or connect persons, whichever is more favourable to the Company.

The pricing of services and products provided by KIS Holdings and its subsidiaries to Tencent Group should be no less favourable than the terms of services and products offered by KIS Holdings and its subsidiaries to the independent third parties.

KIS Holdings and its subsidiaries will adopt relevant supervision and internal control procedures to ensure that the pricing basis for each of the transactions of services and products are carried out in accordance with the above terms.

- Payment terms : To be settled with reference to the similar payment terms of the respective transactions' practice among industry participants during the transaction period

### 2.2 Annual caps and basis of determination

The table below sets out the actual transaction amounts of the aggregate promotional services provided by KIS Holdings and its subsidiaries to Tencent Group for the year ended 31 December 2011, the eight months ended 31 August 2012 and the proposed annual caps under the Framework Agreement for each of the two full financial years ending 31 December 2012 and 31 December 2013.

|  | <b>Historical transaction amounts</b>      |  | <b>Proposed annual caps</b>            |                     |
|--|--|--|--|---------------------|
|  | <b>For the year ended 31 December 2011</b> | <b>For the eight months ended 31 August 2012</b> | <b>For the year ending 31 December</b> |                     |
|  | <i>RMB' million</i>                        | <i>RMB' million</i>                              | <i>RMB' million</i>                    | <i>RMB' million</i> |
| Total revenue from Tencent Group on marketing related services | 7.01                                       | 38.03  | 120.00                                 | 200.00              |

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## LETTER FROM THE BOARD

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The proposed annual caps have been worked out with reference to the historical transactions occurred between KIS Holdings and its subsidiaries and Tencent Group for the year ended 31 December 2011 and over the past 8 months since January 2012. Based on the above figures, the transaction amounts for the eight months ended 31 August 2012 are more than five times compared to the transaction amounts for the year ended 31 December 2011. In addition, the transaction amounts for the two most recent months of July and August 2012 showed a rapid growth, and each of them is more than twice the transacted amount for each of the months between January and June 2012. This indicated that the aggregate demand for these promotional services is increasing dramatically. The Company is of the opinion that the proposed annual caps would be required to meet the demand for services provided by KIS Holdings and its subsidiaries.

In order to ensure the amount of transactions contemplated under the Framework Agreement will not exceed the proposed annual caps, KIS Holdings and its subsidiaries will carry out periodical monitoring of the total historical transaction amount and estimating the amount of transactions that may possibly be incurred in the coming months.

### **2.3 Reasons for and benefits of the Framework Agreement**

Under the Framework Agreement, KIS Holdings and its subsidiaries will provide to Tencent Group (i) an interface by embedding Tencent's search engine in KIS Holdings and its subsidiaries' websites and softwares for PC and mobile devices as the search engine; (ii) the marketing of Tencent Group's security software utilising the business channels of KIS Holdings and its subsidiaries; and (iii) the marketing of any other products and services that Tencent Group will offer in the future through various marketing platforms and channels of KIS Holdings and its subsidiaries, including but not limited to its websites, softwares for PC and mobile devices.

The transactions under the Framework Agreement will provide a comprehensive package of products and services for PC and mobile devices to KIS Holdings and its subsidiaries' customers. In addition, the Framework Agreement will also allow KIS Holdings and its subsidiaries to broaden the services and products offering, and bring additional revenue streams into the Group. The consolidation of all the continuing connected transactions, involving the marketing of products and services belonging to Tencent Group by KIS Holdings and its subsidiaries, into a framework agreement between KIS Holdings and Tencent Shenzhen will benefit the Company by reducing administrative time and cost in ensuring its compliance with the Listing Rules.

The Company believes that with the strength and support of Tencent Group 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 positions of the Group.

### **3. GENERAL**

The Group is a leading 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 Holdings, a non-wholly owned subsidiary of the Company, is principally engaged in the research, development and distribution of mobile and internet security software.

Tencent and its subsidiaries are principally engaged in the provision of Internet value-added services, mobile and telecommunications value-added services, online advertising and e-Commerce services to users in the PRC.



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## LETTER FROM THE BOARD

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Tencent Shenzhen is principally engaged in the provision of Internet and mobile and telecommunications value-added services in the PRC.

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

The Directors, including the independent non-executive Directors, consider that the Framework Agreement between KIS Holdings and Tencent Shenzhen is entered into in the ordinary and usual course of business of the Company, on normal commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

#### 4. EGM

Set out on pages 22 to 23 of this circular is a notice convening the EGM which will be held at 3:00 p.m. on Wednesday, 17 October 2012 at 14F, Kingsoft Tower, No. 8 Lianshan Alley, Jingshan Road, Jida, Zhuhai, Guangdong, PRC. At the EGM, resolutions will be proposed to consider and, if thought fit, to approve the Framework Agreement and the transactions contemplated thereunder. The ordinary resolution will be determined by way of poll by the Independent Shareholders.

Pursuant to rule 14A.54 of the Listing Rules, any connected person and any Shareholders and its associates with a material interest in the relevant connected transactions are required to abstain from voting on the relevant resolutions at the EGM. As at the Latest Practicable Date, Tencent is a substantial shareholder (as defined under the Listing Rules) of the Company holding 178,407,183 Shares. Therefore, Tencent is a connected person of the Group as defined under the Listing Rules. As Tencent is a connected person of the Company, Tencent and its associates, who collectively hold 178,407,183 Shares, will abstain from voting on the relevant ordinary resolutions to approve the Framework Agreement and the transactions contemplated thereunder at the EGM.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not the Shareholders are able to attend the meeting, they are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon, as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting. Completion and return of the form of proxy shall not preclude you from attending and voting at the meeting or any adjourned meeting should you so wish.

#### 5. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 9 of this circular and the letter of advice from Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Framework Agreement and the transactions contemplated thereunder and the principal factors and reasons considered by it in concluding its advice is set out on pages 10 to 17 of this circular.

The Board, including the Independent Board Committee, considers that terms of the Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that the Independent Shareholders should vote in favour of the ordinary resolution to approve the Framework Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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### 6. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendix to this circular.

The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

Yours faithfully,  
By order of the Board  
**Kingsoft Corporation Limited**  
**Jun LEI**  
*Chairman of the Board*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Framework Agreement:*

 **KINGSOFT<sup>®</sup>**  
**Kingsoft Corporation Limited**  
**金山軟件有限公司**  
*(Continued into the Cayman Islands with limited liability)*  
**(Stock Code: 03888)**

29 September 2012

*To the Independent Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular dated 29 September 2012 issued by the Company to the Shareholders (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Goldin Financial has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect.

We wish to draw your attention to the letter of advice issued by Goldin Financial which is set out on pages 10 to 17 of the Circular.

Having considered the terms of the Framework Agreement, and taken into account the advice of the Independent Financial Adviser, we are of the view that the terms of the Framework Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. We therefore recommend that the Independent Shareholders should vote in favour of the proposed ordinary resolution to approve the Framework Agreement and the transactions contemplated thereunder to be proposed at the EGM.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Mr. To Thomas HUI**

**Mr. Guangming George LU**

**Mr. Chuan WANG**

*Independent non-executive Directors*

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## LETTER FROM GOLDIN FINANCIAL

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*The following is the full text of the letter from Goldin Financial setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement, which has been prepared for the purpose of inclusion in this circular.*



高銀融資有限公司  
GOLDIN FINANCIAL LIMITED

**Goldin Financial Limited**  
23/F  
Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

29 September 2012

*To the Independent Board Committee and  
the Independent Shareholders of  
Kingsoft Corporation Limited*

Dear Sirs,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders of Kingsoft Corporation Limited (the “Company”, and together with its subsidiaries and companies which are indirectly controlled by the Company through the structure contracts, the “Group”) in relation to the terms of the continuing connected transactions contemplated under the Framework Agreement, details of which are set out in the letter from the Board (the “Letter from the Board”) as contained in the circular of the Company dated 29 September 2012 (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 27 September 2012, KIS Holdings, a subsidiary of the Company, entered into the Framework Agreement with Tencent Shenzhen, a subsidiary of Tencent, pursuant to which, KIS Holdings and its subsidiaries will provide various marketing platforms and channels to Tencent Group for the promotion of Tencent Group’s internet services and products (the “Marketing Services”).

Tencent is a substantial shareholder of the Company holding 178,407,183 Shares. Tencent is therefore, a connected person of the Company under the Listing Rules. As a result, the services provided by KIS Holdings and its subsidiaries and the service fees received from Tencent Group under the Framework Agreement constitute continuing connected transactions of the Company.

As the relevant applicable percentage ratios in respect of the annual caps of the transactions within the Framework Agreement are higher than 5%, the Framework Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and Independent Shareholders’ approval requirements under rule 14A.35 of the Listing Rules.

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## LETTER FROM GOLDIN FINANCIAL

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### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. To Thomas HUI, Mr. Guangming George LU and Mr. Chuan WANG, being all independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the transactions contemplated under the Framework Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole and whether the terms of the Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

We, Goldin Financial, have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Framework Agreement and to make a recommendation as to, among others, whether the transactions contemplated under the Framework Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, whether the terms of the Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned and as to voting in respect of the relevant resolutions at the EGM. Our appointment has been approved by the Independent Board Committee.

### BASIS OF OUR ADVICE

In formulating our opinion and recommendations, we have reviewed, inter alia, the Framework Agreement. We have also reviewed certain information provided by the management of the Company relating to the operations and prospects of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the management of the Company regarding the terms of the Framework Agreement, the businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion.

All Directors collectively and individually accept full responsibility for the purpose of giving information with regard to the Company in the Circular, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters not contained in the Circular, the omission of which would make any statement herein or in the Circular misleading. We consider that we have been provided with, and we have reviewed, all information and documents which are currently available under present circumstances to enable us to reach an informed view regarding the terms of, and the reasons for, the Framework Agreement and to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the business or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, at the date of the Circular.

This letter is issued to provide the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Framework Agreement and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

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## LETTER FROM GOLDIN FINANCIAL

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation to the Independent Board Committee and the Independent Shareholders regarding the terms of the Framework Agreement, we have taken into account the following principal factors and reasons:

**(a) Background to, reasons for, and benefit of, entering into the Framework Agreement**

On 27 September 2012, KIS Holdings, a subsidiary of the Company, entered into the Framework Agreement with Tencent Shenzhen, a subsidiary of Tencent, pursuant to which, KIS Holdings and its subsidiaries will provide to Tencent Group (i) an interface by embedding Tencent's search engine in KIS Holdings and its subsidiaries' websites and software for PC and mobile devices as the search engine (the "Search Engine"); (ii) the marketing of Tencent Group's security software by utilising the business channels of KIS Holdings and its subsidiaries; and (iii) the marketing of any other products and services that Tencent Group will offer in the future through various marketing platforms and channels of KIS Holdings and its subsidiaries, including but not limited to its websites and softwares for PC and mobile devices.

The Group is a leading 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 Holdings, a non-wholly owned subsidiary of the Company, is principally engaged in research, development and distribution of mobile and internet security software. KIS Holdings and its subsidiaries, leveraging on its existing distribution platform, has been providing various marketing channels for internet services to Tencent Group, including the provision of search interface and the provision of marketing platforms as disclosed in the announcements of the Company dated 15 February 2012 and 30 March 2012 respectively. The transactions under the Framework Agreement will allow KIS Holdings and its subsidiaries to market more services and products of Tencent Group through all kinds of marketing platforms and distribution channels of KIS Holdings and its subsidiaries, thereby providing a comprehensive package of products and services for PC and mobile devices to KIS Holdings and its subsidiaries' customers, which allows KIS Holdings and its subsidiaries to enhance its service and broaden its product offering, as well as bringing in additional revenue streams by means of service charges for the Group. The consolidation of all the continuing connected transactions, involving the marketing of products and services belonging to Tencent Group by KIS Holdings and its subsidiaries into a framework agreement, is intended to reduce administrative time and expenses in relation to compliance with the Listing Rules, which in our view is beneficial to the Company and the Shareholders as a whole. Accordingly, we are of the view that the transactions under the Framework Agreement have been and will be carried out in the ordinary and usual course of business of the Group.

Tencent is a company listed on the Stock Exchange (stock code: 00700) and, together with its subsidiaries, are principally engaged in the provision of Internet value-added services, mobile and telecommunications value-added services, online advertising and e-Commerce services to users in the PRC. Tencent Shenzhen, a subsidiary of Tencent, is principally engaged in the provision of Internet and mobile and telecommunications value-added services in the PRC. As disclosed in the announcement of the Company dated 6 July 2011 (the "2011 Announcement"), Tencent acquired equity interest in the Company which represents approximately 15.68% of its then total issued share capital. According to the 2011 Announcement, Tencent Group has the largest instant messaging community in the PRC as measured by monthly active user accounts and peak concurrent user accounts. Its instant messaging service, QQ, is widely recognized in the PRC, and according to the 2012 interim report of Tencent, the number of monthly active user accounts of QQ achieved 784 million at the end of the second quarter of 2012. Tencent Group,

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## LETTER FROM GOLDIN FINANCIAL

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leveraging on the well established consumer brand of QQ and its technology expertise and experience, has ventured into various internet and mobile communication related products and services, including search engine and internet security software. According to the official website of Tencent (www.tencent.com), Tencent Group has devoted considerable resources into research and development (R&D), with R&D staff accounting for over 50% of Tencent Group's employees, and R&D expenses reaching approximately RMB2,684.8 million for the year ended 31 December 2011 according to the 2011 annual report of Tencent. Given Tencent Group's well established brand, proven technology expertise and experience and potent R&D resources, we are of the view that the marketing of Tencent Group's products under the Framework Agreement are capable of bringing in potential revenue to the Group and in addition, could strengthen the product image of the Group's products through the marketing of such recognised and renowned products and services, thereby enhancing the market position of the Group.

As stated in the 2011 Announcement and further echoed in the Letter from the Board, the Company believed that with the support of Tencent Group, the market position and strength of which are analysed above, as its business 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. Considering Tencent's strategic shareholding in the Company alongside the Group's ongoing business collaboration with Tencent Group, we are of the view that the transactions under the Framework Agreement are poised to benefit from the understanding and established communication between the Group and Tencent Group.

Having considered the aforesaid factors, we concur with the Directors that by entering into the Framework Agreement with Tencent, being its partner and substantial Shareholder, the Group could better leverage on the development opportunities in the online software markets and enhance the market positions of the Group, and are of the view that the entering into the Framework Agreement is in the ordinary and usual course of business of the Group and is in the interest of the Company and the Shareholders as a whole.

### **(b) Major terms of the Framework Agreement**

As stated in the Letter from the Board, the pricing basis of the Marketing Services shall be based on the prevailing fair market pricing practice and pricing policy of independent third parties among industry participants for similar transactions; and if no such pricing information is available, it will be based on actual cost incurred thereof plus a reasonable profit margin. As advised by the management of the Company, the profit margin will be made with reference to the profit margin of products with similar nature/function in historical transactions of the Group conducted with independent third parties and/or connected persons, whichever is more favourable to the Company. The pricing of services and products provided by KIS Holdings and its subsidiaries to Tencent Group should be no less favourable to the Company than the terms of the services and products offered by KIS Holdings and its subsidiaries to independent third parties and the payment shall be settled with reference to the similar payment terms of respective transactions practice among industry during the transaction period.

In assessing the terms of the transactions under the Framework Agreement, we have reviewed sample contracts entered into between independent third parties and the Group one year preceding the Latest Practicable Date relating to provision of marketing channels for internet services similar to the Marketing Services, including promotion of search engines and softwares and compared them with historical transactions under contracts entered into between the Group and Tencent Group one year preceding the Latest Practicable Date. As advised by the Directors, the provision of marketing of any other products and services that the Tencent Group will offer in the future would be targeted to similar device users. Taking into account that (i) such provision of marketing would be carried out through the same source of channels

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## LETTER FROM GOLDIN FINANCIAL

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as that of security software, i.e. the business channels and marketing platforms offered by KIS Holdings and its subsidiaries from time to time; and (ii) targeted to similar device users, we have assumed that the provision of marketing of any other products and services that the Tencent Group will offer in the future is comparable to that of security software in our assessment. Having considered that the sample contracts selected for comparison were entered in the same period under similar market conditions and the subject products are similar in nature/ targeted to similar device users, we are of the view that the samples are fair and representative. In respect with the provision of an interface to Tencent by embedding the Search Engine in KIS Holdings and its subsidiaries' websites as the search engine, we noted that the prices charged by the Group are not less favourable to the Company than those offered to other independent third parties by the Group. In respect with the provision of marketing of Tencent Group's security software and any other products and services that the Tencent Group will offer in the future by utilising the business channels and marketing platforms of KIS Holdings and its subsidiaries, we noted that the prices charged by the Group are not less favourable to the Company than those charged by the Group to other independent third parties under normal commercial terms. As advised by the management of the Company, the Group will quarterly (i) review the pricing of transactions under the Framework Agreement and compared them with the terms of agreements entered into between the Group and independent third parties in relation to the provision of similar marketing services to ensure that the price charged by the Group under the Framework Agreement is not less favourable to the Company than that offered to independent third parties; (ii) monitor the total historical transaction amount and estimate the amount of transactions that may possibly be incurred in the coming months, which we consider adequate measures for internal control.

Having considered that (i) the entering into the Framework Agreement is in the ordinary and usual course of business of the Group; and (ii) the terms of the Framework Agreement are not less favourable to the Company than those offered to independent third parties by the Group under normal commercial terms, we are of the view that the terms of the Framework Agreement are normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

### (c) Proposed Annual Caps

Set out below are the actual transaction amounts of the aggregate promotional services provided by KIS Holdings and its subsidiaries to Tencent Group for the year ended 31 December 2011 and the eight months ended 31 August 2012 and the proposed annual caps under the Framework Agreement for each of the two years ending 31 December 2012 and 31 December 2013.

Table 1:

|   | <b>Historical transaction amounts</b>                  |  | <b>Proposed annual caps</b>                |                     |
|---|--|--|--|---------------------|
|   | <b>For the<br/>year ended<br/>31 December<br/>2011</b> | <b>For the<br/>eight months<br/>ended<br/>31 August<br/>2012</b> | <b>For the year ending<br/>31 December</b> |                     |
|   | <i>RMB' million</i>                                    | <i>RMB' million</i>  | <i>RMB' million</i>                        | <i>RMB' million</i> |
| Total revenue from Tencent Group<br>on marketing related services | 7.01   | 38.03  | 120.00                                     | 200.00              |

As disclosed in the Letter from the Board, the proposed annual caps have been worked out with reference to the historical transactions occurred between KIS Holdings and its subsidiaries and Tencent



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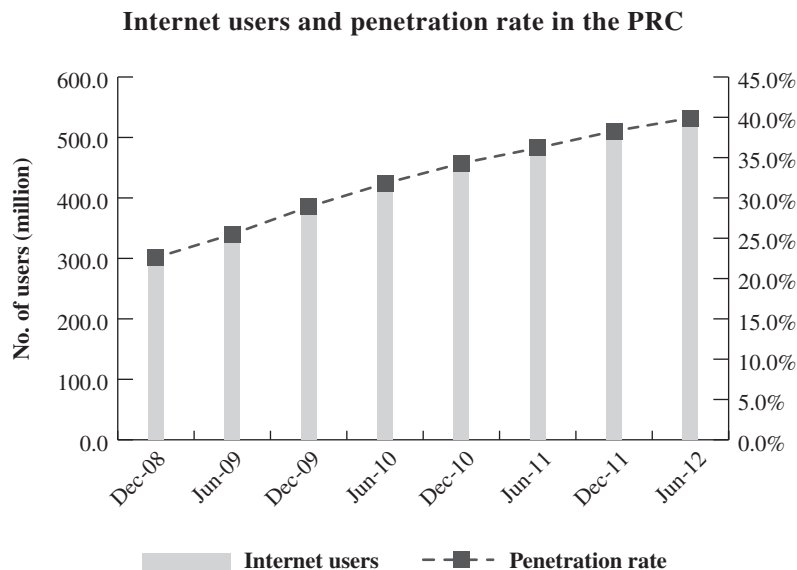
## LETTER FROM GOLDIN FINANCIAL

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Group for the year ended 31 December 2011 and over the past 8 months since January 2012. Based on the above figures, the transaction amounts for the eight months ended 31 August 2012 are more than five times compared to the transaction amounts for the year ended 31 December 2011. In addition, the transaction amounts for July and August 2012 showed a rapid growth, and each of them is more than twice the transacted amount for each of the months between January and June 2012.

In arriving at the proposed annual caps, we were advised by the management of the Company that they have taken into account the growth rate of the transaction amounts of the Marketing Services in recent months and the estimated internet development of the PRC in the near future. As further advised by the management of the Company, the majority of the historical transaction of the Marketing Services and the proposed annual caps was attributable to the usage of the Search Engine by KIS Holdings and its subsidiaries' websites visitors. Since its launch in March 2011 on KIS Holdings and its subsidiaries' websites, the Search Engine has been gaining awareness and popularity on KIS Holdings and its subsidiaries' websites and the internet users and their usage of the Search Engine on KIS Holdings and its subsidiaries' websites has been increasing progressively, leading to a substantial growth of transaction amounts in recent months. The Group recorded a growth rate of the transactions regarding the usage of the Search Engine of approximately 108.62% and approximately 18.21% for July 2012 and August 2012 over the respective previous months, the sum of which represents approximately 47.4% of the transaction amounts for the eight months ended 31 August 2012. As advised by the management of the Company, the usage of the Search Engine is not subject to any seasonal effect and such growth in July and August 2012 was mainly due to the increased traffic of KIS Holdings and its subsidiaries' websites, which in turn was the result of improved technology, more promotion and cooperation with more third parties of KIS Holdings and its subsidiaries' websites.

Chart 1:



Source: China Internet Network Information Centre ([www.cnnic.net.cn](http://www.cnnic.net.cn))

In assessing the fairness and reasonableness of the basis and assumptions for setting the proposed annual caps, we have conducted research on the internet development in the PRC. According to the Statistical Report on the Internet Development of the PRC (the "Statistical Report") issued by the China Internet Network Information Centre ("CNNIC", [www.cnnic.net.cn](http://www.cnnic.net.cn)) on 19 July 2012, the state network information centre of the PRC, the internet users in the PRC increased significantly from approximately

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298 million at the end of 2008, representing a penetration rate of approximately 22.6%, to 538 million as of 30 June 2012, representing a penetration rate of approximately 39.9%, both the number of internet users and the penetration rate demonstrated an upward trend as shown on chart 1 above. The Statistical Report estimated that penetration rate of internet users in the PRC would reach 45% in 2015, which was supported by the Twelfth Year Plan of the PRC. Accordingly, it is expected that there would be substantial growth potential of internet users in the PRC in the near future. The Statistical Report also stated that the internet search engine users in the PRC increased vastly from 203 million in 2008 to 429 million as of 30 June 2012, and is growing alongside with the growing population of internet users. In addition, the Statistical Report showed that the average time of internet users in the PRC spending on the internet was on an upward trend, increasing from 16.6 hours per week in 2008 to 19.9 hours per week in the first half of 2012, leading to higher internet activities including demand for search engine service. Having considered that the number of internet users and search engine users in the PRC were on an upward trend combined with higher average spending hour on the internet, we are of the view that there would be substantial growth potential for search engine service in the PRC and that the setting of the proposed annual caps in relation to the provision of an interface to Tencent by embedding the Search Engine in KIS Holdings and its subsidiaries' websites as the search engine is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

On the other hand, in arriving at the estimation in relation to the marketing of Tencent Group's security software, and marketing of any other products and services that Tencent Group will offer in the future, both utilising the business channels of KIS Holdings and its subsidiaries, the management of the Company has taken into the estimated internet development of the PRC in the near future which is expected to lead to increasing use of security software and other application software for PC and mobile devices. According to the 2008 China Internet Users Network Security Research Report (the "Security Report") issued by CNNIC on 25 March 2009, being the latest report from CNNIC covering network security concerning internet users in the PRC, about 96.1% of internet users are using security software, reflecting the importance of network security and implying the increasing demand for security software alongside the growth in number of internet users as discussed above. The Security Report also states that notwithstanding the high usage of security software, the number of internet users unprotected by security software remained over 10 million as at the end of 2008, leaving further rooms for demand of security software. Given the above, and having considered the expected substantial growth potential of internet users in the PRC, potentially resulting in both increasing demand for websites and software for PC and mobile devices and coverage of various marketing platforms and channels of KIS Holdings and its subsidiaries, we are of the view that the setting of the proposed annual caps in relation to the marketing of Tencent Group's security software and any other products and services that Tencent Group will offer in the future is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

As shown on table 1 above, we noted that the transaction amounts for the eight months ended 31 August 2012 are more than five times compared to the transaction amounts for the year ended 31 December 2011. Despite the fact that the transaction amounts of the Marketing Services for the eight months ended 31 August 2012 represents approximately 31.7% of the proposed annual cap for 2012 and the proposed annual cap for 2013 represents a growth of approximately 66.7% over the proposed annual cap for 2012, it is expected that the number of internet users and their usage of the Search Engine on KIS Holdings and its subsidiaries' websites would grow significantly considering that (i) the Search Engine has been gaining awareness and popularity on the KIS Holdings and its subsidiaries' websites since its launch in March 2011; (ii) the usage of the Search Engine on KIS Holdings and its subsidiaries' websites has grown substantially in July and August 2012, the sum of which represents approximately 47.4% of the transaction amounts for the eight months ended 31 August 2012; (iii) the number of internet users and search engine users in the PRC was on an upward trend combined with higher average spending hour on the internet, leading to higher traffic on KIS Holdings and its subsidiaries' websites and substantial growth potential

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for the search engine service; (iv) the expected increasing demand for security software alongside the growth in number of internet users; and (v) potential increase in the demand for websites and software for PC and mobile devices and coverage of various marketing platforms and channels of KIS Holdings and its subsidiaries, we are of the view that the setting of the proposed annual cap for 2012 and the increase in the proposed annual cap for 2013, after making reference to the aforesaid factors is fair and reasonable.

However, the Shareholders should note that the proposed annual caps as set out above are relating to future events and are estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2013, they do not represent forecasts by the Company of revenue to be generated from the Marketing Services. Consequently, we express no opinion as to how closely the actual revenue from the Marketing Services will correspond with the proposed annual caps.

### CONDITIONS OF THE PROPOSED ANNUAL CAPS

There are review mechanisms of the proposed annual caps pursuant to the Listing Rules such as the annual review by the independent non-executive Directors of the terms of the relevant transactions and the proposed annual caps not being exceeded, details of which must be included in the Company's subsequent published annual reports and accounts. In addition, pursuant to the Listing Rules, each year the auditors of the Company must provide a letter to the Board confirming, among other things, that the relevant transactions are conducted in accordance with the Framework Agreement and that the proposed annual caps not being exceeded. Pursuant to the Listing Rules, the Company shall publish an announcement if it knows or has reason to believe that the independent non-executive Directors and/or its auditors will not be able to confirm the terms of the Framework Agreement or the proposed annual caps not being exceeded. As such, we are of the view that there are appropriate measures in place to govern the conduct of the transactions to be contemplated under the Framework Agreement and safeguard the interests of the Independent Shareholders.

### RECOMMENDATIONS

Having considered the principal factors and reasons above, we are of the opinion that the entering into the Framework Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole, and that the terms of the Framework Agreement (including the proposed annual caps) are normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, and we recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM for approving the Framework Agreement (including the proposed annual caps).

Yours faithfully,  
For and on behalf of  
**Goldin Financial Limited**  
**Billy Tang**  
*Director*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the directors of the Company, collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange were as follows:

### Interests in the ordinary shares of the Company

| Name of Director | Nature of interests                         | Number of shares held | Percentage of issued share capital |
|------------------|---|-----------------------|------------------------------------|
| Pak Kwan KAU     | Founder of a discretionary fund<br>(Note 1) | 108,032,566           | 9.22%                              |
|                  | Personal (Note 2)                           | 1,500,000             | 0.13%                              |
| Jun LEI          | Corporate (Note 3)                          | 145,493,580           | 12.42%                             |
|                  | Other (Note 4)                              | 143,214,003           | 12.23%                             |
| Tao ZOU          | Personal                                    | 324,600               | 0.03%                              |

### Interests in underlying shares of the Company

| Name of Director | Interest in underlying shares | Number of interests directly beneficially owned |
|------------------|-------------------------------|---|
| Tao ZOU          | Awarded shares (Note 5)       | 500,000   |
| HongJiang ZHANG  | Share options (Note 6)        | 7,500,000                                       |
|                  | Awarded shares (Note 7)       | 7,000,000                                       |

#### Notes:

- Mr. Pak Kwan Kau is beneficially interested in these 108,032,566 shares of the Company through Topclick Holdings Limited, a BVI company wholly controlled by Kau Management Limited. Kau Management Limited is a company indirectly owned by a discretionary trust, the beneficiaries of which include Mr. Pak Kwan Kau and his family members. Mr. Jun Lei has interest in these shares because under a voting consent agreement entered into amongst Mr. Jun Lei, Mr. Pak Kwan Kau and Mr. Shuen Lung Cheung, Mr. Pak Kwan Kau will vote in the same manner as Mr. Jun Lei with these shares.

2. Mr. Jun Lei is interested in 500,000 out of these shares because of a voting consent agreement entered into between Mr. Jun Lei, Mr. Pak Kwan Kau and Mr. Shuen Lung Cheung. Under the aforesaid agreement, Mr. Pak Kwan Kau will vote in the same manner as Mr. Jun Lei with these 500,000 shares.
3. These shares are held by Color Link Management Limited, a BVI company wholly owned by Mr. Jun Lei.
4. Mr. Jun Lei is interested in these shares because of a voting consent agreement entered into between Mr. Jun Lei, Mr. Pak Kwan Kau and Mr. Shuen Lung Cheung. Mr. Pak Kwan Kau and Mr. Shuen Lung Cheung will vote in the same way as Mr. Jun Lei with these shares.
5. The relevant interests include 500,000 award shares granted on 1 June 2012 under the Share Award Scheme, subject to the satisfaction of certain conditions attached to these award shares, one fifth of which will be matured and exercisable on 1 June 2013, 1 June 2014, 1 June 2015, 1 June 2016 and 1 June 2017, respectively. The price for the grant of award shares is nil.
6. The relevant interests include number of share options of 7,500,000 which was granted on 20 December 2011 and its exercise period is from 20 December 2012 to 19 December 2021.
7. The relevant interests include 7,000,000 award shares granted on 29 November 2011 under the Share Award Scheme. 1,800,000 of these award shares will be exercisable on 29 November 2012, one fourth of the remaining 5,200,000 award shares will be exercisable on 29 November 2013, 29 November 2014, 29 November 2015 and 29 November 2016, respectively. The price for the grant of award shares is nil.

Save as disclosed above, none of the directors or chief executive and their associates, had interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations as at the Latest Practicable Date.

### 3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, as far as the Directors are aware of, the following, other than the Directors and chief executive of the Company, had an interest in the shares or underlying shares in the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued capital of the Company:

| Name of shareholder                       | Capacity                                | Number of<br>ordinary shares<br>held<br>in the Company | Percentage of<br>issued<br>share capital<br>in the Company |
|---|---|--|--|
| Topclick Holdings Limited<br>(Note 1)     | Beneficial owner                        | 108,032,566  | 9.22%  |
| Credit Suisse Trust Limited<br>(Note 1)   | Trustee                                 | 108,032,566  | 9.22%  |
| Kau Management Limited<br>(Note 1)        | Interest of<br>a controlled corporation | 108,032,566  | 9.22%  |
| The Kau's Family Trust<br>(Note 1)        | Interest of<br>a controlled corporation | 108,032,566  | 9.22%  |
| Color Link Management<br>Limited (Note 2) | Beneficial owner                        | 145,493,580  | 12.42%   |
| Tencent Holdings Limited<br>(Note 3)      | Interest of<br>a controlled corporation | 178,407,183  | 15.23%   |
| FIL Limited                               | Investment manager                      | 58,665,000   | 5.01%  |

1. The 108,032,566 number of shares are held by Topclick Holdings Limited, which is in turn, held by Credit Suisse Trust Limited as the trustee of The Kau's Family Trust. The Kau's Family Trust is a discretionary trust established by Mr. Pak Kwan Kau as settlor and the Credit Suisse Trust Limited as trustee in January 2012. The beneficiaries of The Kau's Family Trust include family members of Mr. Pak Kwan Kau. Mr. Pak Kwan Kau is deemed to be interested in the 108,032,566 shares held by Topclick Holdings Limited pursuant to Part XV of the SFO. The director of Topclick Holdings Limited, Mr. Jun Lei, is also the director of the Company.
2. Mr. Jun LEI is deemed to be interested in Color Link Management Limited's interest in the Company by the SFO because Color Link Management Limited is wholly owned by Mr. Jun Lei. The director of Color Link Management Limited, Mr. Jun Lei, is also the director of the Company.
3. The director of Tencent, Mr. Chi Ping Lau, is also the director of the Company.

Save as disclosed above, none of the director or proposed director of the Company is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as at the Latest Practicable Date.

#### **4. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors or supervisors had entered into any service contract with the Company or any member of the Group, excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation.

#### **5. ARRANGEMENT AFFECTING DIRECTORS**

As at the Latest Practicable Date:

- (a) None of the Directors is interested, directly or indirectly, in any assets which have, since 31 December 2011, the date to which the latest published audited financial statements of the Company were made up, been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (b) None of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date as entered into by any member of the Group and which is significant in relation to the business of the Group.
- (c) None of the Directors and his/her associates had any competing interests that would be required to be disclosed under Rule 8.10 of the Listing Rules if he was a controlling shareholder.

#### **6. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial and trading position of the Group since 31 December 2011, the date to which the latest published audited consolidated financial statements of the Group were made up.

## 7. EXPERT AND CONSENTS

The following is the qualification of the expert who has given opinions or advices contained in this circular:

| <b>Name</b>      | <b>Qualification</b>   |
|------------------|--|
| Goldin Financial | a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activities under the SFO |

As at the Latest Practicable Date, Goldin Financial did not have any shareholding directly or indirectly in any member of the Group or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Goldin Financial had no direct or indirect interest in any assets which had been, since 31 December 2011 (the date to which the latest published audited financial statements of the Company were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group.

Goldin Financial has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

## 8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for at least 14 days for inspection during normal business hours on any weekday (except public holidays) at Unit 1309A, 13/F, Cable TV Tower, No. 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) The Framework Agreement;
- (b) The letter from the Independent Board Committee to the Independent Shareholders dated 29 September 2012, the text of which is set out on page 9 of this circular;
- (c) The letter from Goldin Financial to the Independent Board Committee and the Independent Shareholders dated 29 September 2012, the text of which is set out on page 10 to 17 of this circular; and
- (d) The written consent referred to in the section headed “Expert and Consents” in this appendix.



**Kingsoft Corporation Limited**

**金山軟件有限公司**

*(Continued into the Cayman Islands with limited liability)*

**(Stock Code: 03888)**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting (the “EGM”) of Kingsoft Corporation Limited (the “Company”) will be held at 14F, Kingsoft Tower, No. 8 Lianshan Alley, Jingshan Road, Jida, Zhuhai, Guangdong, PRC on Wednesday, 17 October 2012 at 3:00 p.m. to consider and, if thought fit, passing the following resolution. Unless otherwise indicated, capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated 29 September 2012 (the “Circular”).

**AS ORDINARY RESOLUTION:**

1. To consider and, if thought fit, to approve the Framework Agreement and the transactions contemplated thereunder.

Details related to the above resolution are set out in the Circular.

Yours faithfully,  
By order of the Board  
**Kingsoft Corporation Limited**  
**Jun LEI**  
*Chairman of the Board*

29 September 2012

*Principal place of business in Hong Kong:*

Unit 1309A  
13/F Cable TV Tower  
No. 9 Hoi Shing Road  
Tsuen Wan, N.T.  
Hong Kong

*Notes:*

1. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.
2. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company but must attend the meeting in person to represent you.



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## NOTICE OF EGM

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3. To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or the adjourned meeting (as the case may be).
4. Delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting or any adjourned meeting thereof (as the case may be) should they so wish and in such event, the form of proxy shall be deemed to be revoked.
5. Where there are joint holders of any share(s), any one of such joint holders may vote at the meeting, either in person or by proxy, in respect of such share(s) as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
6. The votes of members at the above meeting to approve the ordinary resolution will be taken on a poll.
7. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

*As at the date of this notice, the Executive Directors are Messrs. HongJiang ZHANG and Tao ZOU; the Non-executive Directors are Messrs. Jun LEI, Pak Kwan KAU and Chi Ping LAU; and the Independent Non-Executive Directors are Messrs. To Thomas HUI, Guangming George LU and Chuan WANG.*