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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 TRANSACTION

Further to the announcement of the Company dated 6 July 2011 regarding the acquisition of 15.68% interest in the Company by Tencent.

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

1. BACKGROUND

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

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

2. REVISION OF TERMS OF THE SUPPLEMENTAL AGREEMENT

On 6 September 2011, Shell Internet, a subsidiary of the Company, entered into the Supplemental Agreement with Tencent Shenzhen, a subsidiary of Tencent, pursuant to which Shell Internet will incorporate Tencent Shenzhen search engine on Shell Internet's websites so that Shell Internet's users will utilize Tencent Shenzhen's internet search services. The Supplemental Agreement amends some terms in the original agreement signed between Tencent Shenzhen and Shell Internet in June 2011. Principal terms of the Supplemental Agreement and its original agreement are set out below:

Date	:	6 September 2011
Period	:	1 March 2011 to 29 February 2012
Parties	:	<ul style="list-style-type: none">• Tencent Shenzhen• Shell Internet
Subject matter	:	Shell Internet to provide search interface to Tencent Shenzhen as the primary default search engine by embedding Tencent Shenzhen's search box in Shell Internet's websites.
Service charge	:	To be calculated based on market price and the average daily search volume created from Shell Internet's websites
Payment terms	:	To be paid on a monthly basis
Annual Cap	:	Annual cap for the period ending 31 December 2011 is RMB6.9 million and for the period from 1 January 2012 to 29 February 2012 is RMB2.8 million. The annual cap was determined based on the monthly expected number of search by users of Shell Internet's relevant websites

3. REASONS AND BENEFITS OF THE SUPPLEMENTARY AGREEMENT

The Supplemental Agreement and its original agreement between Tencent Shenzhen and Shell Internet provide online services that could allow the Group broader service offering and additional revenue streams.

The Company believes that with the strength and support of Tencent as its partner and substantial shareholder, the Group will be strategically positioned to better leverage on the development opportunities in the online software markets and serve to enhance the market position of the Group.

The Directors (including independent non-executive Directors) are of the view that the Supplemental Agreement and its original agreement between Tencent Shenzhen and Shell Internet were entered into in the ordinary and usual course of business of the Group and, are fair and reasonable and in the interests of the Company and Shareholders as a whole.

4. IMPLICATIONS UNDER THE LISTING RULES

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

The Supplemental Agreement, which constitutes a continuing connected transaction of the Company, being a variation of its original agreement and in accordance to Rule 14A.41, the Company is required to comply with all applicable reporting, annual review, disclosure and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios in respect of the annual caps of the Supplemental Agreement and its original agreement is higher than 0.1% and less than 5%, the Supplemental Agreement and its original agreement are only subject to the reporting and announcement requirements but exempted from independent shareholders' approval.

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

5. GENERAL INFORMATION

The Group is a leading internet based software developer, distributor and service provider and principally engaged in research, development and distribution of online games entertainment and applications software in the PRC and offers a wide range of innovative entertainment, internet security and application software in the PRC and the Asia region.

Tencent is principally engaged in the provision of internet and mobile value-added services and online advertising services to users in the PRC. As one of the pioneers in the instant messaging and mobile value-added services industry in the PRC, Tencent has the largest instant messaging community in China as measured by monthly active user accounts and peak concurrent user accounts and its renowned consumer instant messaging service, QQ, is a widely recognized consumer brand in the PRC.

DEFINITION

“Acquisition”	the acquisition by Tencent in 15.68% Share of the Company at an aggregate consideration of approximately HK\$892 million on 6 July 2011.
“Board”	the board of Directors
“Company”	Kingsoft Corporation Limited, an exempted limited liability company incorporated in the British Virgin Islands on 20 March 1998 and discontinued in the British Virgin Islands and continued into the Cayman Islands on 15 November 2005, with its Shares listed on the Stock Exchange (stock code: 3888)
“connected person(s)”	has the meaning ascribed hereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company, its subsidiaries and companies which are indirectly controlled by the Company through the structure contracts
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“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 the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawfully currency of the PRC
“Share(s)”	share(s) in the capital of the Company
“Shareholder(s)”	registered holder(s) of the Shares
“Shell Internet”	貝殼網際（北京）安全技術有限公司 (Shell Internet (Beijing) Security Technology Company Limited), a subsidiary of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	Supplemental agreement entered into between Tencent Shenzhen and Shell Internet dated 6 September 2011, for the amendment of some terms in the original agreement with service period from 1 March 2011 to 29 February 2012

“Tencent”	Tencent Holdings Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange (stock code: 0700)
“Tencent Shenzhen”	深圳市騰訊計算機系統有限公司 (Shenzhen Tencent Computer System Company Limited), a subsidiary of Tencent

By order of the Board
Kingsoft Corporation Limited
Jun Lei
Chairman

Hong Kong, 6 September 2011

As at the date of this announcement, the executive Directors are Messrs. Pak Kwan KAU, Donghui WANG and Tao ZOU; the non-executive Directors are Messrs. Jun LEI and Chi Ping LAU; and the independent non-executive Directors are Messrs. Shun Tak WONG, Guangming George LU and Chuan WANG.