



Kingsoft Corporation Limited

金山軟件有限公司

(Continued into the Cayman Islands with limited liability)

(Stock Code: 3888)

**CONNECTED TRANSACTION
ACQUISITION OF 30.03% INTERESTS IN SKY PROFIT
AND STRATEGIC PARTNERSHIP
WITH SKY PROFIT COMPANIES**

On 18 December 2008, the Company has entered into the Agreement in respect of i) the Acquisition of approximately 30.03% interest in aggregate in the share capital of Sky Profit in the form of Preferred Shares for a total consideration of US\$8,000,000 and ii) the Strategic Partnership with the Sky Profit Companies, the terms of which are summarised below.

Completion for the Acquisition shall take place in two tranches by way of the First Closing and the Second Closing subject to the terms and the conditions set forth in the Agreement.

LISTING RULES IMPLICATIONS

As at the date of the Agreement, Lei Jun is a substantial shareholder of Sky Profit. In addition, Lei Jun is a substantial shareholder of the Company, a non-executive Director and a controller of the Company under Rule 14A.10(3) of the Listing Rules. Accordingly, the Acquisition, being the acquisition by the Company of an interest in a company where a substantial shareholder of which is a controller of the Company, shall constitute a connected transaction for the Company pursuant to Rule 14A.13(1)(b) of the Listing Rules. The Company has no other connected transaction with Lei Jun or any of his associate that should be subject to aggregation under Rule 14A.25 to Rule 14A.27 of the Listing Rules.

As each of the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) in respect of the Acquisition is less than 2.5%, the Acquisition is only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

BACKGROUND

On 18 December 2008, the Company has entered into the Agreement in respect of i) the Acquisition of approximately 30.03% interest in aggregate in the share capital of Sky Profit in the form of Preferred Shares for a total consideration of US\$8,000,000 and ii) the Strategic Partnership with the Sky Profit Companies, the terms of which are summarised below.

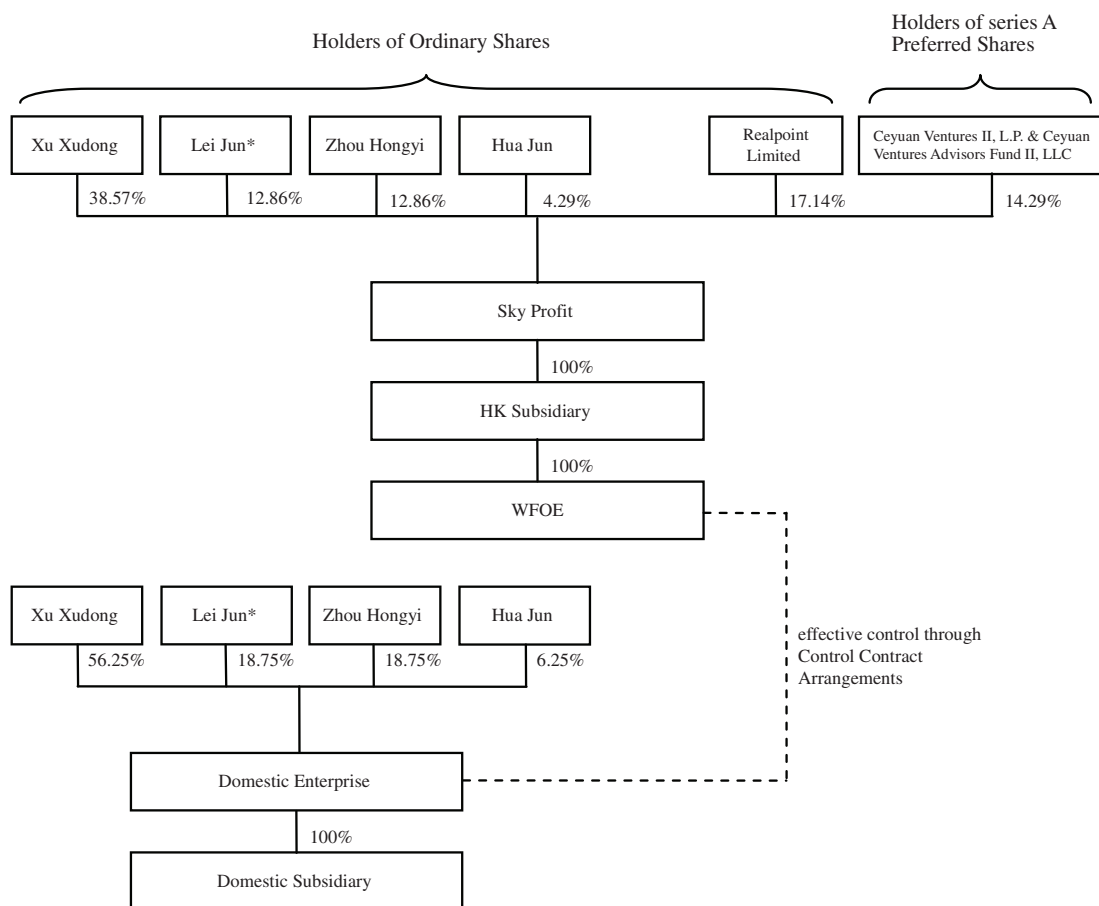
THE AGREEMENT

The principal terms of the Agreement are set out as below:

- Date** : 18 December 2008
- Parties** : (i) the Company;
(ii) the Sky Profit Companies;
(iii) the Sky Profit Shareholders.

Save for Lei Jun, one of the Sky Profit Shareholders, who is a non-executive Director and substantial shareholder of the Company and accordingly a connected person of the Company, the Sky Profit Companies and the Sky Profit Shareholders are third parties independent of the Company and its connected persons, so far as the Directors are aware to the best of their knowledge, information and belief having made all reasonable enquiry.

The structure of the Sky Profit Companies as at the date of the Agreement is as follow:



* Lei Jun is a non-executive Director and, through corporations under his control, indirectly interested in approximately 14.91% of all issued shares of the Company.

Information regarding the Sky Profit Companies are as disclosed in the section headed "Information on the Sky Profit Companies" below.

The Acquisition

An aggregate of 5,298,010 Preferred Shares, which shall represent approximately 30.03% interests in the entire issued share capital of Sky Profit, shall be acquired by the Company in two tranches of subscription and purchase, pursuant to the terms of the Agreement.

First tranche subscription and purchase

At First Closing, the Company shall complete its first tranche subscription of 1,920,529 Preferred Shares to be issued by Sky Profit and purchase of 403,760 Sky Profit Shares from Lei Jun and 1,086,305 Sky Profit Shares in aggregate from the other Sky Profit Shareholders, all of which at the Acquisition Price. The original purchase cost to Lei Jun of the 403,760 Sky Profit Shares was RMB168,233.33 (adopting an exchange rate of 1 USD : RMB6.85 for illustration purpose, equivalent to US\$ 24,559.61) in aggregate.

Immediately upon completion of the First Closing, the total of 1,490,065 Sky Profit Shares as held by the Company shall forthwith be re-designated as Preferred Shares, which together with the 1,920,529 Preferred Shares as acquired by the Company shall represent approximately 21.42% of the entire issued share capital of Sky Profit as enlarged by the first tranche subscription.

Breakdown of Sky Profit Shares upon First Closing

	Held prior to First Closing	To be sold or issued to the Company at First Closing	Held upon First Closing	Shareholding % upon First Closing
Ordinary Shares:				
Xu Xudong	5,400,000	33,112	5,366,888	33.71%
Lei Jun	1,800,000	403,760	1,396,240	8.77%
Zhou Hongyi	1,800,000	403,760	1,396,240	8.77%
Hua Jun	600,000	134,586	465,414	2.92%
Realpoint Limited	2,400,000	66,225	2,333,775	14.66%
series A Preferred Shares:				
Ceyuan Ventures II, L.P.	1,925,000	431,799	1,493,201	9.38%
Ceyuan Ventures Advisors Fund II, LLC	75,000	16,823	58,177	0.37%
series B Preferred Shares:				
The Company	Nil	1,920,529	3,410,594	21.42%
Total:	<u>14,000,000</u>	<u>3,410,594</u>	<u>15,920,529</u>	<u>100%</u>

A summary of the conditions to First Closing are as summarised in the section headed “Conditions to First Closing” below.

Second tranche subscription and purchase

At Second Closing, the Company shall complete its second tranche subscription of 1,721,854 Preferred Shares to be issued by Sky Profit and purchase of 165,562 Sky Profit Shares in aggregate from two Sky Profit Shareholders (other than Lei Jun), all of which at the Acquisition Price.

Immediately upon completion of the Second Closing, the 165,562 Sky Profit Shares acquired by the Company in the second tranche purchase shall forthwith be re-designated as Preferred Shares and, together with the 3,410,594 and 1,721,854 Preferred Shares respectively acquired by the Company in First Closing and Second Closing, shall represent approximately 30.03% of the entire issued share capital of Sky Profit as enlarged by the first and second tranche subscriptions.

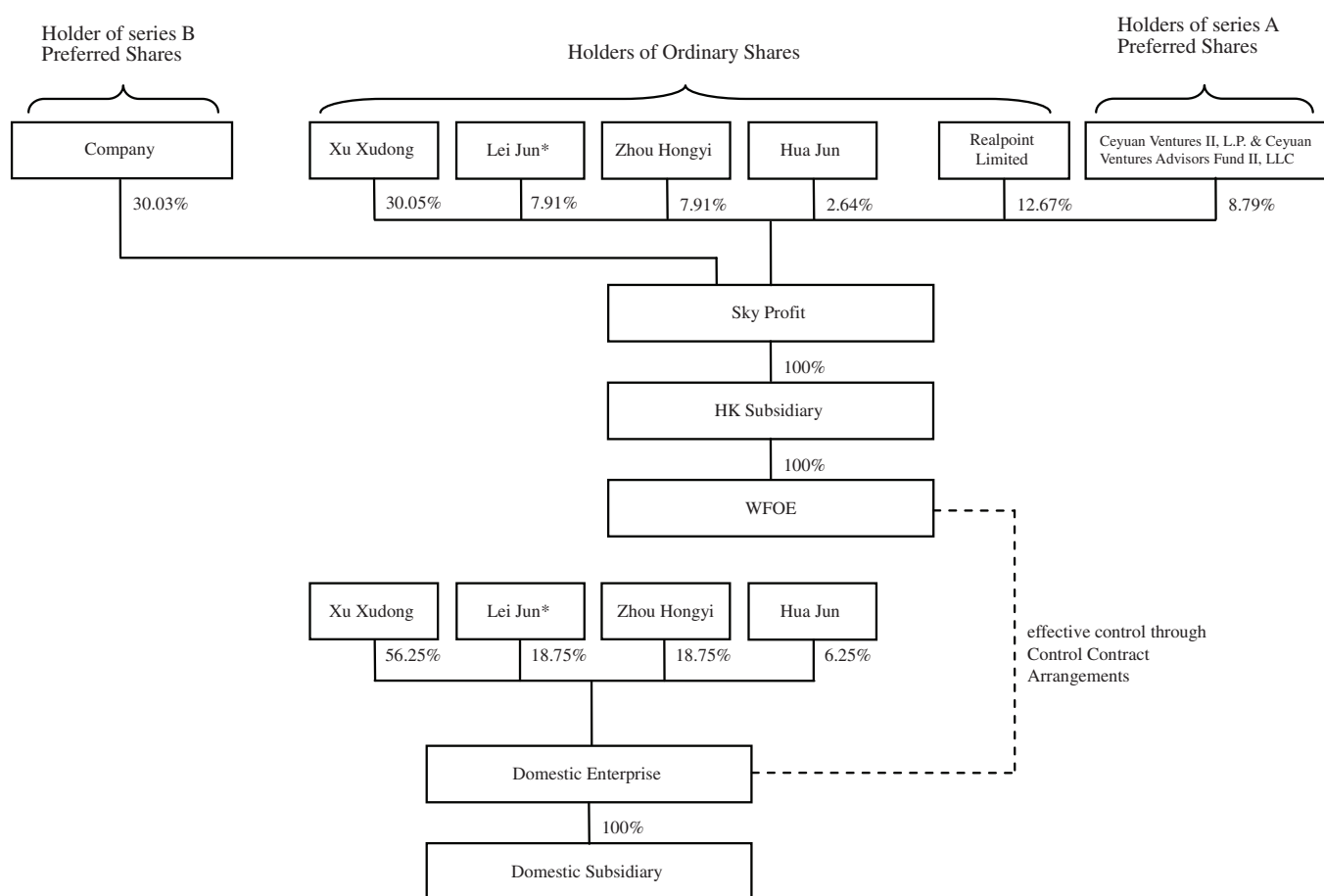
Breakdown of Sky Profit Shares upon Second Closing

	Held prior to Second Closing	To be sold or issued to the Company at Second Closing	Held upon Second Closing	Shareholding % upon Second Closing
Ordinary Shares:				
Xu Xudong	5,366,888	66,225	5,300,663	30.05%
Lei Jun	1,396,240	Nil	1,396,240	7.91%
Zhou Hongyi	1,396,240	Nil	1,396,240	7.91%
Hua Jun	465,414	Nil	465,414	2.64%
Realpoint Limited	2,333,775	99,337	2,234,438	12.67%
series A Preferred Shares:				
Ceyuan Ventures II, L.P.	1,493,201	Nil	1,493,201	8.46%
Ceyuan Ventures Advisors Fund II, LLC	58,177	Nil	58,177	0.33%
series B Preferred Shares:				
The Company	3,410,594	1,721,854	5,298,010	30.03%
Total:	<u>15,920,529</u>	<u>1,887,416</u>	<u>17,642,383</u>	<u>100%</u>

Information on the conversion and redemption rights associated with the Preferred Shares are disclosed in the section headed “The Restated Articles” below. The respective number of Sky Profit Shares acquired through subscription or purchase from each of Sky Profit and the Sky Profit Shareholders was based on individual negotiations between the parties to the Agreement, with reference to the equity percentages intended to be achieved post-closing and an acceptable level of dilution of earnings on a per share basis to the Sky Profit Shareholders through subscription of Sky Profit Shares by the Company.

A summary of the conditions to Second Closing are provided in the section headed “Condition to Second Closing” below.

The shareholding structure of Sky Profit after the First Closing and immediately upon completion of the Second Closing shall be as follow:



* Lei Jun is a non-executive Director and, through corporations under his control, indirectly interested in approximately 14.91% of all issued shares of the Company.

Consideration

Subject to the terms and conditions set forth in the Agreement, at the Acquisition Price, an aggregate amount of US\$8,000,000 shall be paid by the Company as consideration for the Acquisition by wire transfer to each of Sky Profit and the Sky Profit Shareholders as appropriate, on the First Closing and/or the Second Closing as the case may be, for the respective number of Sky Profit Shares then subscribed for or purchased by the Company.

The consideration for the Acquisition was determined after arm's length negotiations between the parties to the Agreement, with reference to 1) the consideration and terms of the Acquisition after benchmarking against comparable acquisitions in recent years by other public companies in internet messaging and online gaming markets, with regard to their post-money values and peak online user levels; 2) offers of acquisition made to Sky Profit by a third party venture capital firm independent from the parties to the Acquisition, which Sky Profit considers to be less competitive than the terms offered by the Company in about October 2008; and 3) the terms and benefits of the Strategic Partnership as summarized in the sections headed "Strategic Partnership" and "Reasons for and benefits of the Acquisition" below.

The consideration for the Acquisition shall be satisfied from the internal financial resources of the Group.

Conditions to First Closing

The obligation of the Company to complete the First Closing is conditional upon the fulfillment to the satisfaction of the Company (or waiver by the Company) on or prior to the First Closing of conditions including, among others, the following:

- (a) The Company shall have completed its business, legal, financial due diligence investigation of the Sky Profit Companies to its satisfaction;
- (b) Any and all consents and/or waivers necessary for the conduct of the principal business of the WFOE, the Domestic Enterprise and the Domestic Subsidiary and the consummation of the transactions contemplated under the Agreement shall have been obtained;
- (c) There shall have been no material adverse change in the business, affairs, prospects, operations, properties, assets or condition of any Sky Profit Companies since the date of the Agreement;
- (d) The Restated Articles shall have been duly adopted by Sky Profit and the Company shall have received the Shareholders Agreement duly executed by all other parties thereto for execution by the Company;
- (e) Sky Profit shall cause the key employees of the Sky Profit Companies to enter into employment agreements and confidentiality, non-compete and invention assignment agreements to the reasonable satisfaction of the Company;
- (f) The Domestic Enterprise shall have expanded its business scope to include publishing advertisement and obtained from the competent authority an updated business license reflecting such expansion.

Conditions to Second Closing

The obligation of the Company to complete the Second Closing is conditional upon the fulfillment to the satisfaction of the Company (or waiver by the Company) on or prior to the Second Closing of conditions including, among others, the following:

- (a) The PRC Shareholders shall have obtained the necessary registration with the relevant PRC authority in connection with the variation of his or her direct or indirect beneficial ownership in Sky Profit and the HK Subsidiary from the First Closing to the date immediately prior to the Second Closing;
- (b) The Domestic Enterprise shall have obtained the approval and license issued by the relevant PRC authority for its operation of value-added telecommunication business and the provision of internet information services, and the product registration certificate for certain of its client software;
- (c) Within 6 months of the First Closing, certain milestones as regards the business operation of the Sky Profit Companies shall have been met and the Strategic Partnership shall have been established. Such milestones include: i) the daily average peak concurrent users of certain client software of the Domestic Enterprise shall have reached 450,000, excluding users of the said software generated by the Company on its own; and ii) the operating net cash flow for the 5-month period ending 31 May 2009 shall at least be positive.

Completion

Completion of the First Closing shall occur on the fifth Business Day from the date all the conditions to First Closing have been fulfilled and completion of the Second Closing shall occur within six months from the First Closing.

Termination

The Agreement may be terminated by the Company on or after 31 December 2008, if First Closing has not occurred by then, without prejudice to any claim that the parties may have under the Agreement with respect to any antecedent breach.

Strategic Partnership

Within 6 months of First Closing, the Company and the Sky Profit Companies shall form a Strategic Partnership, including the implementation of the following key initiatives:

- i) the Sky Profit Companies and the Company shall be mutually compatible to user registration and log-ons;
- ii) the Company shall promote the installation of certain client software of the Domestic Enterprise;

iii) the Sky Profit Companies shall embed the game channel buttons of the Company into certain client software of the Domestic Enterprise.

In addition, the Company shall allow Sky Profit the priority to introduce certain client software, products and services of the Domestic Enterprise to game players and software end users of the Company.

THE SHAREHOLDERS AGREEMENT

Date : To be entered into upon First Closing.

Parties : The same parties as in the Agreement.

Upon the First Closing, the parties to the Agreement shall enter into the Shareholders Agreement to govern the affairs of the Sky Profit Shareholders and the Sky Profit Companies.

Rights in relation to the holders of Preferred Shares

The Shareholders Agreement shall provide to holders of the Preferred Shares rights including, among others, the right:

- i) to inspect the books and accounts of Sky Profit and its subsidiaries;
- ii) to participate in potential Qualified Public Offering by Sky Profit;
- iii) to purchase Sky Profit Shares on a pro-rata basis in new share issues by Sky Profit;
- iv) to acquire Sky Profit Shares disposed by Sky Profit Shareholders (other than from holders of Preferred Shares) or, alternatively, to participate in such disposals;
- v) to require the Sky Profit Shareholders to participate in a sale of substantially all assets of Sky Profit which has approved by the holders of a two thirds of all the then outstanding shares of Sky Profit (on an as-converted basis) (which must include a majority of the series B Preferred Shares);
- vi) to restrict the Sky Profit Shareholders (other than the Company) from transferring any Sky Profit Share to competitors of the Company without its consent.

The Preferred Shares (or Ordinary Shares upon conversion thereof) are not subject to any transfer restriction, save for the restrictions under paragraph vi) above.

Board seats in the Sky Profit Companies

Under the Shareholders Agreement, the Company shall be entitled to, for so long as it holds any Preferred Shares (or Ordinary Shares upon conversion thereof), appoint and remove one director in the Sky Profit board and the number of directors in the Sky Profit board shall be fixed to three. The structure of the Sky Profit board shall be mirrored in the board of all Sky Profit Companies.

Matters requiring approval by the Company and holders of Preferred Shares

Under the Shareholders Agreement, certain matters shall require the affirmative approval of the Company including: i) on amendment to rights or privileges attached to the series B Preferred Shares; ii) in respect of the Sky Profit Companies, in addition to approval from holders of the series A Preferred Shares, on matters including declaration or payment of dividend; changes in capital; sale of substantial assets; incurrence of significant indebtedness; transactions out of the ordinary course of business; material change in business scope; and liquidation or winding-up.

THE RESTATED ARTICLES

Date : To be adopted upon First Closing.

Parties : By resolution of the Sky Profit Shareholders.

The Restated Articles mirror certain provisions in the Shareholders Agreement, such as board composition of the Sky Profit Companies and matters requiring approval by holders of the Preferred Shares and provide, among others, the provisions for class privileges, conversion and redemption of Preferred Shares, which are summarized below.

Class privileges of Preferred Shares

Holders of the series B Preferred Shares shall be entitled to class privileges including, among others:

- i) payment of dividends (on an as converted basis) in preference to holders of Ordinary Shares;
- ii) distribution of assets in the event of liquidation in preference to holders of Ordinary Shares and the series A Preferred Shares;
- iii) for voting upon ordinary resolutions at general meetings, one vote for each Ordinary Share convertible and, for voting upon special resolutions at general meetings, a preferential weighted vote (calculated on an as converted basis) exercisable together with holders of the series A Preferred Shares.

Conversion of Preferred Shares

The Preferred Shares may be converted into Ordinary Shares at any time by their holders or be automatically converted upon the closing of a Qualified Public Offering by Sky Profit in the US or on an internationally recognized securities exchange outside of US.

The price at which Ordinary Shares shall be issuable upon conversion of the Preferred Shares shall initially be the Acquisition Price per Ordinary Share, representing initially a 1:1 basis of conversion. Such conversion price shall be adjusted if certain events occur including, among others: i) any scrip dividend issue, subdivision, consolidation, or combination of Ordinary Shares by Sky Profit; ii) any reclassification, exchange or substitution of Ordinary Shares; iii) any distribution by Sky

Profit payable in assets otherwise than in Ordinary Shares; iv) any issue of options or convertible securities by Sky Profit; or v) any issue of additional Ordinary Shares where the issue price is less than the prevailing conversion price for Preferred Shares.

Redemption of Preferred Shares

Holders of the Preferred Shares may compel Sky Profit to redeem the Preferred Shares at a premium to the Acquisition Price in circumstances including, among others i) for holders of series B Preferred Shares, that the Domestic Enterprise fails to obtain a value-added telecommunication license within 6 months after the First Closing; or ii) for holders of Preferred Shares, on the fifth anniversary of the date the particular series of Preferred Shares was first issued.

The redemption price shall be determined according to the following formula:

Redemption price = acquisition price of Preferred Shares (which in respect of the series B Preferred Shares, shall be the Acquisition Price) x $(1.10)^N$,

where N = (number of days elapsed between the date the particular series of Preferred Shares was first issued and the redemption date)/365. Such rate of redemption is of comparable or more favourable terms to the Company than it might otherwise obtain from the annual yield rate in a typical high investment grade bond under current market conditions.

In other words, the Preferred Shares shall be automatically converted upon a Qualified Public Offering by Sky Profit, to allow the Company to participate in such public offering, or be redeemed on the fifth anniversary of their issue, to allow the Company to recapitulate its investment at a premium. The Directors believe that such arrangement is fair and reasonable and in the interest of the shareholders of the Company as a whole.

INFORMATION ON THE SKY PROFIT COMPANIES

Sky Profit is an exempted limited liability company established under the laws of the Cayman Islands, its sole business is the holding of its investment interests in the HK Subsidiary.

The HK Subsidiary is a limited liability company incorporated under the laws of Hong Kong, its sole business is the holding of its investment interests in the WFOE.

The WFOE is a wholly foreign owned enterprise established under the laws of the PRC, the entire registered capital of which is held by the HK Subsidiary. The WFOE is engaged in the business of research and development of computer software and hardware, system integration, technical training and services.

The Domestic Enterprise is a domestic company organized under the laws of the PRC, the entire equity of which is held by the same PRC Shareholders of Sky Profit, namely Xu Xudong, Mr. Lei, Zhou Hongyi and Hua Jun, respectively as to approximately 56.25%, 18.75%, 18.75%, and 6.25%. The Domestic Enterprise is engaged in the business of internet technology software, system integration, technical training and consultancy, design and production of advertisement in the PRC. The WFOE, the Domestic Enterprise, and the PRC Shareholders, being also the shareholders

of the Domestic Enterprise, have entered into a series of contractual arrangements which enable the WFOE to (i) exercise effective control over the Domestic Enterprise, (ii) receive a substantial portion of the economic benefits from the Domestic Enterprise in consideration for the services provided by the WFOE, and (iii) have an exclusive option to purchase all or part of the equity interests held by each Domestic Shareholder in the Domestic Enterprise in each case when and to the extent permitted by PRC law (the “**Control Contract Arrangements**”).

The Domestic Subsidiary is a domestic company organized under the laws of the PRC, the entire equity of which is held by the Domestic Enterprise. The Domestic Subsidiary is engaged in the business of computer software and hardware development, system integration, technical development, transfer, consultancy, service, training, construction and promotion of network software technology, design and production of advertisement and the development of computer software and hardware and accessories distribution.

Set out below are the unaudited financial information of Sky Profit Companies on a consolidated basis for the two years ended 31 December 2006 and 2007 and nine months ended 30 September 2008 which are prepared in accordance with accounting principles generally accepted in the PRC:

Sky Profit Companies

	For the year ended		For the nine
	31 December 2006 and 2007		months ended
	<i>RMB'000</i>	<i>RMB'000</i>	30 September
			2008
			<i>RMB'000</i>
Turnover	457	405	2,464
Net profit (loss) before taxation	(421)	(81)	516
Net profit (loss) after taxation	(447)	(119)	233

The unaudited consolidated net assets and total assets values of the Sky Profit Companies for the year ended 31 December 2007 were approximately RMB154,404 and RMB1,669,328 respectively. The unaudited consolidated net assets and total assets values of the Sky Profit Companies as at 30 September 2008 were approximately RMB5,958,318 and RMB8,570,365 respectively.

INFORMATION ON THE GROUP, REALPOINT LIMITED, CEYUAN VENTURES II, L.P. AND CEYUAN VENTURES ADVISORS FUND II, LLC

The Group is a leading software developer, distributor and software provider and principally engaged in research and development distribution of online games entertainment and applications software in the PRC and offers a wide range of innovative entertainment and software applications in the market inside and outside of the PRC.

Among the Sky Profit Shareholders, Realpoint Limited is an investment holding company, while Ceyuan Ventures II, L.P. and Ceyuan Ventures Advisors Fund II, LLC, are both investment funds.

REASONS FOR AND BENEFITS OF THE ACQUISITION

It is the objective of the Company that the Acquisition, coupled with the Strategic Partnership arrangement, shall further enhance the market position of the Group with the ability to leverage on the client base and certain existing software products of the Sky Profit Companies, which shall offer an opportunity for growth by sourcing additional customers and end users through software and technical system integration and mutual promotion and expansion.

The Company also considers the Acquisition shall constitute a good opportunity to acquire an investment interest in the Sky Profit Companies, subject to the protective provisions accorded to the Company under the Shareholders Agreement and the Restated Articles, which the Company believe to have potential.

The Company believes the Acquisition shall provide business opportunities to diversify the investment portfolio of the Group and help enhance the revenue potential of the Group as a whole. The Company shall continue to identify suitable business opportunities to augment the performance of the Group. According to the information provided by Sky Profit, iSpeak Voice Chat software, one of Sky Profit Companies' products, and www.iSpeak.cn community are among the largest independent Voice Chat software service providers and game user communities in the PRC in terms of their total number of registered users. The iSpeak Voice Chat software is now one of the most widely used Voice Chat software among Chinese games and serves also as a co-operator for several MMORPG games in the PRC.

The Directors (including the independent non-executive Directors) consider that the terms of the Acquisition and the Agreement, the Shareholders Agreement, the Restated Articles, so far as the Company is concerned, are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of the Agreement, Lei Jun is a substantial shareholder of Sky Profit. In addition, Lei Jun is a substantial shareholder of the Company, a non-executive Director and a controller of the Company under Rule 14A.10(3) of the Listing Rules. Accordingly, the Acquisition, being the acquisition by the Company of an interest in a company where a substantial shareholder of which is a controller of the Company, shall constitute a connected transaction for the Company pursuant to Rule 14A.13(1)(b) of the Listing Rules. The Company has no other connected transaction with Lei Jun or any of his associate that should be subject to aggregation under Rule 14A.25 to Rule 14A.27 of the Listing Rules.

As each of the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) in respect of the Acquisition is less than 2.5%, the Acquisition is only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the respective meaning set out below:

“Acquisition”	the acquisition of Preferred Shares by the Company from Sky Profit and the Sky Profit Shareholders representing an aggregate of approximately 30.03% interests in the issued share capital of Sky Profit in two tranches subject to the terms and conditions in the Agreement
“Acquisition Price”	means the price of US\$1.51 per Sky Profit Share
“Agreement”	the conditional Preferred Shares purchase agreement dated 18 December 2008 entered into by the Company, the Sky Profit Companies and the Sky Profit Shareholders
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which banks in New York, Hong Kong and the PRC are open for business
“Company”	Kingsoft Corporation Limited, an exempted limited liability company organized under the laws of the Cayman Islands, the shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Control Contract Arrangements”	means the contractual arrangement whereby WFOE exercises control over the Domestic Enterprise, details of which are as summarized in the section headed “ <i>Information on the Sky Profit Companies</i> ” above
“Director(s)”	the director(s) of the Company
“Domestic Enterprise”	Shanghai Qinhe Internet Technology Software Development Co., Ltd. (上海勤和互聯網技術軟件開發有限公司), details of which are as summarized in the section headed “ <i>Information on the Sky Profit Companies</i> ” above

“Domestic Subsidiary”	Shanghai Qiao Heng Internet Technology Co., Ltd. (上海橋橫網絡科技有限公司), details of which are as summarized in the section headed “ <i>Information on the Sky Profit Companies</i> ” above
“First Closing”	shall mean the completion of the first tranche subscription and purchase of the Sky Profit Shares by the Company, on the fifth Business Day from the date when all the conditions for First Closing have been fulfilled (such conditions are as summarized in the section headed “Conditions to First Closing” above)
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK Subsidiary”	Winning Point Holdings Limited, details of which are as summarized in the section headed “ <i>Information on the Sky Profit Companies</i> ” above
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ordinary Shares”	means the ordinary shares issued by Sky Profit of nominal value US\$0.001 each
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Shareholders”	means the Sky Profit Shareholders who are PRC individuals, namely Xu Xudong, Lei Jun, Zhou Hongyi and Hua Jun
“Preferred Shares”	means the preferred shares issued by Sky Profit of nominal value US\$0.001 each, which shall have the rights and privileges as provided in the Restated Articles, in respect of which, the Preferred Shares to be acquired by the Company pursuant to the Agreement are termed “ series B Preferred Shares ”, the Preferred Shares as held by Ceyuan Ventures II, L.P. and Ceyuan Ventures Advisors Fund II, LLC, as existing investors of Sky Profit, are termed “ series A Preferred Shares ”, and “ Preferred Shares ” shall refer to either series A and/or series B Preferred Shares as the context may require

“Qualified Public Offering”	means an underwritten public offering of Ordinary Shares in the US, with gross proceeds to Sky Profit in excess of US\$35 million and an implied market capitalization of at least US\$200 million, or in a similar public offering in another jurisdiction resulting in the Ordinary Shares trading publicly on an international stock exchange
“Restated Articles”	the second amended and restated memorandum and articles of association of Sky Profit
“RMB”	Renminbi, the lawful currency of the PRC
“Second Closing”	shall mean the completion of the second tranche subscription and purchase of the Sky Profit Shares by the Company within six months of the First Closing when all the conditions to Second Closing have been fulfilled, as summarised in the section headed <i>“Second tranche subscription and purchase”</i> above
“Shareholders Agreement”	an amended and restated shareholders agreement to be entered into at the First Closing between the parties to the Agreement
“Sky Profit”	mean Sky Profit Limited, details which are as summarized in the section headed <i>“Information on the Sky Profit Companies”</i> above
“Sky Profit Companies”	means Sky Profit, the HK Subsidiary, the WFOE, the Domestic Enterprise and the Domestic Subsidiary, and any one of which shall be referred to as “Sky Profit Company”
“Sky Profit Shares”	shall mean the Ordinary Shares and/or the Preferred Shares as the context may require
“Sky Profit Shareholders”	shall mean the PRC Shareholders, Ceyuan Ventures II, L.P., (an exempted limited partnership established under the laws of the Cayman Islands), Ceyuan Ventures Advisors Fund II, LLC., (a company established under the laws of the Cayman Islands) and Realpoint Limited (a company established under the laws of the British Virgin Islands)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Strategic Partnership”	means the strategic partnership between the Company and the Sky Profit Companies as provided in the Agreement and summarised in the section headed <i>“Strategic Partnership”</i> above
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

“**substantial shareholder(s)**” has the meaning ascribed to it under the Listing Rules

“**US**” the United States of America

“**US\$**” US dollars, the lawful currency of the US

“**WFOE**” means **Qun Yin Information Technology (Beijing) Co., Ltd.** (群音信息科技(北京)有限公司), details which are as summarized in the section headed “*Information on the Sky Profit Companies*”

“**%**” percent

By order of the Board
Kingsoft Corporation Limited
Pak Kwan KAU
Chairman

The PRC, 18 December 2008

As at the date of this announcement, the executive Directors are Messrs. Pak Kwan KAU and Donghui WANG; the non-executive Directors are Messrs. Jun LEI, Choon Chong TAY, Wai Ming WONG and Wing Chung Anders CHEUNG; the independent non-executive Directors are Messrs. Shun Tak WONG, Guangming George LU and Mingming HUANG.