

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Kingsoft Corporation Limited

金山軟件有限公司

(Continued into the Cayman Islands with limited liability)

(Stock Code: 3888)

ADOPTION OF SHARE AWARD SCHEME

The Board has adopted the Scheme in which all employees (including without limitation employees who are also directors) of the Group will be eligible participants. Pursuant to the Scheme, Shares will be acquired by the Trustee at the cost of the Company and be held in trust for the Selected Employees until the end of the relevant vesting period. Vested Shares will be transferred to the Selected Employees at no cost.

THE SCHEME

The Board adopted the Scheme on the Adoption Date. A summary of the principal terms of the Scheme is set out below:

Purpose

The purpose of the Scheme is to recognise the contributions by certain employees (including without limitation employees who are also directors) of the Group and to give incentive thereto in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

Duration and Administration

Unless terminated earlier by the Board, the Scheme shall be valid and effective for a term of five years commencing on the Adoption Date.

The Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Scheme or its interpretation or effect shall be final, conclusive and binding on all parties.

Operation of the Scheme

Pursuant to the terms of the Scheme, the Board may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each Employee determined by the Board from time to time) select an Employee (excluding any Excluded Employee) for participation in the Scheme as a Selected Employee and determine the number of shares to be awarded. The number of Shares awarded will be proportionally adjusted for any subdivision, consolidation, reclassification or reconstruction of the share capital of the Company from time to time.

However, where any award of Shares is proposed to be made to any Selected Employee who is a director of the Company or where the Board proposes to waive any conditions, restrictions or limitations imposed on any award of Shares made to any Selected Employee who is a director of the Company, such award of Shares or waiver (as the case may be) must first be approved by the Remuneration Committee. As at the date of this announcement, the Remuneration Committee comprises Messrs. Tuck Lye Koh, Shun Tak Wong and Mingming Huang. Where a Selected Employee or his associate is a member of the Remuneration Committee, such person will abstain from voting on any approval by the Remuneration Committee of an award of Shares to such Selected Employee.

Pursuant to the Scheme, Shares will be acquired by the Trustee at the cost of the Company. The Board shall cause to be paid to the Trustee the Reference Amount as soon as practicable. The Trustee shall, within twenty (20) trading days of the Stock Exchange on which the trading of the Shares has not been suspended (or such other period as the Trustee and the Company may agree from time to time having regard to the circumstances of the purchase concerned) after receipt of the Reference Amount from the Company, apply the same towards the purchase of the awarded Shares in the market at the prevailing market price. Any excess Reference Amount provided shall be returned by the Trustee to the Company forthwith after completion of the purchase. Where the Reference Amount paid or caused to be paid by the Company to the Trustee is not sufficient to purchase all the awarded Shares, the Trustee shall acquire the maximum number of board lots of Shares and seek further funds from the Company until all the awarded Shares are purchased. The Shares so purchased shall form part of the trust fund of the Trust.

When the Selected Employee has satisfied all vesting conditions specified by the Board at the time of granting the award and become entitled to the Shares forming the subject of the award, the Trustee shall transfer the relevant vested awarded Shares to such Selected Employee at no cost.

In view of the Trustee and CPYI's experience in the securities business and their long history of establishment, the Company decided to engage the Trustee as the trustee of the Trust and the directors of the Company consider that such engagement is in the interest of the Company and its shareholders as a whole.

Vesting and Lapse

Vesting of the Shares will be subject to any conditions, restrictions or limitations as the Board may impose from time to time as it may at its absolute discretion think fit and conditional on the Selected Employee remaining an Employee at all times after the date of the grant of award and on

the relevant vesting dates. Notwithstanding any other provision of the Scheme and the terms and conditions of any award of Shares, the Board (or where the relevant Selected Employee is a director of the Company, the Remuneration Committee) in its sole and absolute discretion may determine from time to time on a general or case by case basis that an award of Shares may be vested at such time determined by the Board (or the Remuneration Committee, as the case may be) subsequent to and notwithstanding a termination of employment of a Selected Employee (including but not limited to as a result of the Selected Employee's retirement or death) or following a change in Control of the Company.

Unless otherwise determined by the Board (or where applicable, the Remuneration Committee), an award shall automatically lapse when (i) a Selected Employee ceases to be an Employee, or (ii) the company by which a Selected Employee is employed ceases to be a member of the Group, or (iii) an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company (otherwise than for the purposes of an amalgamation, reconstruction or scheme of arrangement).

In the event a Selected Employee is found to be an Excluded Employee, the relevant part of an award made to the relevant Selected Employee shall automatically lapse forthwith and the relevant awarded Shares shall not vest on the relevant vesting date but shall become Returned Shares for the purposes of the Scheme.

The Trustee shall hold the Returned Shares exclusively for the benefit of all or one or more of the Employees as it determines in its absolute discretion and subject to such terms and conditions as it may think fit, after having taken into consideration recommendations of the Remuneration Committee.

In the event of non-cash and non-scrip distribution made by the Company in respect of Shares held upon the Trust, the Trustee shall dispose of such distribution and the net sale proceeds therefrom shall be deemed as income of the trust fund of the Trust and the Trustee may (a) apply such cash for the purchase of Shares which shall become Returned Shares for the purpose of the Scheme, (b) apply such cash to defray such fees, costs and expenses incurred by the Trustee, or (c) return such cash to the Company, as the Trustee in its absolute discretion shall at any time determine, after having taken into consideration recommendations of the Remuneration Committee.

In the event the Company undertakes a scrip dividend scheme, the Trustee shall elect to receive scrip Shares and such Shares shall be deemed as Returned Shares for the purposes of the Scheme.

Scheme Limit

The Board shall not grant any award of Shares which would result in the total number of Shares which are the subject of awards granted by the Board under the Scheme (but not counting any which have lapsed or have been forfeited) representing in aggregate over 10 per cent. of the issued share capital of the Company as at the date of such grant.

No award of Shares shall be granted to any Selected Employee which would result in the maximum number of awarded Shares which are the subject of the awards of Shares granted to such Selected Employee (including any which have lapsed or have been forfeited) under the Scheme in the 12-month period up to and including the date of such grant representing in aggregate over one per cent. of the issued share capital of the Company as at the date of such grant.

Restrictions

No award of Shares shall be made to any Selected Employees:

- (a) after a price sensitive event in relation to the securities of the Company has occurred or a price sensitive matter in relation to the securities of the Company has been the subject of a decision, until such price sensitive information has been published in accordance with the Listing Rules;
- (b) within the period commencing one month immediately preceding the earlier of (i) the date of a meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the Company to publish an announcement of its results for any such period and ending on the date of such announcement; or
- (c) in any other circumstances which are prohibited under the Listing Rules.

No new instructions to acquire Shares shall be given to the Trustee under the Scheme where any director of the Company is in possession of unpublished price sensitive information in relation to the Company or where dealings by directors of the Company are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time.

It should be noted that the Board shall observe the applicable provisions of the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules in respect of acquisition of Shares pursuant to the Scheme.

Voting Rights

The Trustee shall not exercise the voting rights in respect of any Shares held under the Trust and such Shares will abstain from voting at any general meeting of the Company.

Alteration of the Scheme

The Scheme may be altered in any respect by a resolution of the Board provided that no such alteration shall operate to affect adversely in any material respect any subsisting rights of any Selected Employee under the Scheme except with the prior written consent of the relevant Selected Employee. Written notice of any amendment to the Scheme shall be given to all Selected Employees with subsisting Awards.

Termination

The Scheme shall terminate on the earliest of (i) the end of 30 March 2013, being the day before the 5th anniversary of the Adoption Date; (ii) the date when an order for the winding up of the Company is made or a resolution is passed for the voluntary winding-up of the Company (otherwise than for the purposes of an amalgamation, reconstruction or scheme of arrangement); and (iii) such date of early termination as determined by the Board.

Upon termination, (i) no further award of Shares shall be made; (ii) all the awarded Shares not yet vested shall become vested on the Selected Employee so referable on such date of termination; (iii) Returned Shares and such non-cash income remaining in the trust fund of the Trust shall be sold by the Trustee; and (iv) residual cash, net proceeds of sale and such other funds remaining in the Trust (after making appropriate deductions) shall be remitted to the Company forthwith after the sale.

Accounting treatment of the Scheme

Because (i) the Company has the power to govern the financial and operating policies of the Trust; (ii) the Company can derive benefits from the contributions of the Selected Employees who have been awarded the Shares through their continued employment with the Group; and (iii) all the residual cash, net proceeds of sale and such other funds remaining in the Trust shall be remitted to the Company upon termination, the Group is required to consolidate the Trust under International Financial Reporting Standards.

There shall be no gains or losses recognised in the income statement when the Company pays the Trust to purchase the Shares and when the Company instructs the Trustee to transfer certain Shares to a Selected Employee upon the completion of the vesting period of the share award or awarded Shares and any consideration paid shall be recognised directly in equity. The share based compensation expense is measured by reference to the fair value at the date at which the awarded Shares are granted. The share based compensation expense is recognised as an expense in the income statement, together with a corresponding increase in equity, presented as an employee share-based capital reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant Selected Employees become fully entitled to the awarded Shares.

DEFINITIONS

“Adoption Date”	31 March 2008, being the date on which the Scheme was adopted by the board of directors of the Company
“Board”	the board of directors of the Company or such committee or sub-committee or person(s) delegated with the power and authority by the board of directors of the Company to administer the Scheme

“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, the shares of which are listed on the main board of the Stock Exchange
“Control”	has the meaning given to such term in The Codes on Takeovers and Mergers and Share Repurchases from time to time and in case a waiver is granted pursuant to the said Codes for the making of a general offer, it shall be deemed that no event of change in Control has occurred
“Employee”	any employee (including without limitation an employee who is also a director) of the Group
“Excluded Employee”	any Employee who is resident in a place where (a) the award of the awarded Shares, the award of the Returned Shares or the vesting and transfer of Shares pursuant to the terms of the Scheme is not permitted under the laws and regulations of such place or (b) in the view of the Board, the need to comply with applicable laws and regulations in such place makes it necessary or expedient to exclude such Employee, in each case as determined by the Board in its absolute discretion
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Reference Amount”	the sum of (i) the number of awarded Shares multiplied by the closing price of the Shares as at the Reference Date and (ii) the related purchase expenses
“Reference Date”	the date of final approval by the Board of the total number of Shares to be awarded to the Selected Employees in a single occasion pursuant to the Scheme
“Remuneration Committee”	the remuneration committee of the Company
“Returned Shares”	such awarded Shares which are not vested in accordance with the terms of the Scheme (whether as a result of a lapse or a partial lapse of an award of Shares or otherwise), or was forfeited in accordance with the terms of the Scheme, or such Shares being deemed under the Scheme to be Returned Shares
“Scheme”	the Share Award Scheme constituted by the rules of the such scheme

“Selected Employee(s)”	Employee(s) selected by the Board and Employee(s) selected by the Trustee in respect of the Returned Shares in its absolute discretion, after having taken into consideration recommendations of the Board, for participation in the Scheme
“Shares”	shares of US\$0.0005 each in the capital of the Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time)
“subsidiary(ies)”	has the meaning given to such term in the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Trust”	the trust constituted by the Trust Deed and known as the Share Award Scheme Trust or such other name as the Board may determine from time to time
“Trust Deed”	the trust deed in relation to the Scheme made between the Company and the Trustee as trustee
“Trustee”	Core Pacific-Yamaichi International (H.K.) Nominees Limited, a private limited company incorporated in Hong Kong on 24 June 1977 and is a wholly-owned subsidiary of Core Pacific-Yamaichi International (H.K.) Limited (“CPYI”). The Company was informed that CPYI was established in Hong Kong since 1969 and is licensed to carry out securities businesses under the Securities and Futures Ordinance. The Company was also informed that CPYI has been transacting securities businesses since its establishment and has many years of experience for safe keeping of assets on behalf of clients, corporations and individuals and the Trustee was established by CPYI to provide service for CPYI’s securities businesses in relation to nominee, custodian and trustee services

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

The PRC, 1 April 2008

As at the date of this announcement, the Executive Directors are Messrs. Pak Kwan KAU and Jun LEI; the Non-Executive Directors are Messrs. Wing Chung Anders CHEUNG, Tuck Lye KOH, Wai Ming WONG and Choon Chong TAY; the Independent Non-Executive Directors are Messrs. Shun Tak WONG, Guangming George LU and Mingming HUANG.