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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)

(Convertible Bonds Code: 40210)

INSIDE INFORMATION ANNOUNCEMENT

This announcement is made by Kingsoft Corporation Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Details of the Company’s investment in Kingsoft Cloud and the Proposed Provision for Impairment on Kingsoft Cloud

The board of directors (the “**Board**”) of the Company hereby informs the shareholders that, as at 30 September 2022, the Company held 1,423,246,584 shares in Kingsoft Cloud Holdings Limited (“**Kingsoft Cloud**”), the shares of which are listed on the National Association of Securities Dealers Automated Quotations (“**NASDAQ**”) in the form of American Depositary Shares (stock code: KC). The Company has observed that the recoverable amount of the investment in Kingsoft Cloud has been significantly impacted by the sluggish stock prices and recent financial performance of Kingsoft Cloud. According to the principle of prudence and the requirements of the International Accounting Standards, the Company is in the process of assessing the recoverable amount of the investment in Kingsoft Cloud and plans to make an impairment provision. It is expected that the amount of the proposed provision as at 30 September 2022 will be within the range between approximately RMB5.6 billion to RMB6.5 billion, before tax, and RMB5.0 billion to RMB5.9 billion, net of tax. The Company is still in the process of conducting the assessment, and the specific amount of provision is yet to be finalized.

Effect of the Proposed Provision for Impairment on the Financial Position of the Group

After taking into account of the proposed impairment provision, it is expected that the Group would record a substantial loss for the nine months ended 30 September 2022. In respect of this proposed provision, the Board wishes to emphasize that this accounting treatment would not have any impact on the cash flow and operating performance of the Group. In conclusion, the Group continues to maintain a healthy net cash balance to support its operating and investing activities.

Recognition Criteria and Methods of Provisions for Assets Impairment

Pursuant to the requirements of IAS 28 *Investments in Associates and Joint Ventures* and IAS 36 *Impairment of Assets*, at balance sheet date, if any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated and impairment test will be performed. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, an impairment provision is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Fair value of an asset is determined based on the transaction amount in arm's length transaction; when there are no transactions but has an active market for the asset, the fair value is determined based on the bid price in the market; when there are no transactions and active market for the asset, the fair value is estimated based on the best information available. Costs to sell include legal fee, taxes and other expenses that incurred directly to bring the asset to saleable condition. Value in use of an asset is the present value of the future cash flows expected to be derived from the asset, which is calculated by discounting the expected future cash flows from continuous use of the asset and disposal of the asset using an appropriate discount rate.

The information contained in this announcement is only based on the preliminary assessment of the Board and the information currently available to the Company, but it has not been audited or reviewed by the auditor or the Audit Committee of the Company. The Company is still in the process of reviewing and finalising the unaudited condensed consolidated financial results of the Group for the nine months ended 30 September 2022. Detailed financial results of the Group for the nine months ended 30 September 2022 will be further disclosed in the results announcement of the Company for the nine months ended 30 September 2022 to be made.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

Hong Kong, 6 October 2022

As at the date of this announcement, the Executive Director is Mr. Tao ZOU; the Non-executive Directors are Messrs. Jun LEI, Pak Kwan KAU and Leiwen YAO; the Independent Non-executive Directors are Messrs. Shun Tak WONG, David Yuen Kwan TANG and Ms. Wenjie WU.