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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)

UPDATES WITH RESPECT TO ADDITIONAL IMPAIRMENT PROVISION

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).

References are made to the announcements dated 3 July 2016, 19 August 2016 and 19 September 2016 in relation to, among other things, the provision (the “**Provision**”) for impairment on the carrying value of the Group’s investment (the “**Xunlei Investment**”) in Xunlei Limited (“**Xunlei**”) and investment (the “**21Vianet Investment**”) in 21Vianet Group, Inc. (“**21Vianet**”). As disclosed in the previous announcements, the Company had made Provisions for impairment on the carrying value of the Xunlei Investment and the 21Vianet Investment as at 30 June 2016, which amounted to approximately US\$50.70 million and US\$74.44 million, respectively.

As at 30 September 2016, the market price of the American depositary shares (the “**ADS(s)**”) of Xunlei was US\$5.39 per ADS, representing a slight increase as compared with its market price of US\$5.24 per ADS as at 30 June 2016. In accordance with International Financial Reporting Standards (“**IFRSs**”), such increase has been recognised in other comprehensive income, and the amount of the Provision for the Xunlei Investment as at 30 September 2016 remained the same as that as at 30 June 2016.

Meanwhile, the market price of 21Vianet’s ADSs as at 30 September 2016 was US\$7.95 per ADS, representing a further decrease as compared with its market price of US\$10.21 per ADS as at 30 June 2016. In accordance with IFRSs, any subsequent losses, including any portion attributable to foreign currency changes, are also recognised in profit or loss until the underlying asset is derecognised. As such, the Company made an additional Provision for the 21Vianet Investment of approximately US\$21.60 million for the three months ended 30 September 2016, being the result of US\$75.97 million (the market value of the 21Vianet Investment as at 30 September 2016) minus US\$97.57 million (the market value of the 21Vianet Investment as at 30 June 2016). The aggregate amount of the Provisions for the 21Vianet Investment as at 30 September 2016 was approximately US\$96.04 million.

The board of directors of the Company (the “**Board**”) wishes to emphasise that the Provisions are accounting related adjustments and non-cash items, and therefore, will not have any impact on the cash flow of the Group. All in all, the Group continues to maintain a healthy net cash balance.

Despite the additional Provision of US\$21.60 million, based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the three months ended 30 September 2016 and the information currently available to the Company, it is expected that the Group will record a consolidated profit for the three months ended 30 September 2016 while the previous Provision as at 30 June 2016 led to a loss for the three months ended 30 June 2016. This is mainly attributable to the outstanding performance of JX Online I mobile game for the three months ended 30 September 2016. The Company launched JX Online I mobile game as its first JX Online mobile game at the end of this May. As disclosed in the Company’s interim results announcement dated 19 August 2016, the outstanding performance of JX Online I mobile game has been very encouraging, and its monthly gross billing achieved RMB506.80 million in June 2016, far exceeding the Company’s expectations. During the three months ended 30 September 2016, JX Online I mobile game maintained outstanding performance, which is expected to lead to a significant quarter-over-quarter/year-over-year increase in the Company’s operating profit for the third quarter of 2016.

The Company is still in the process of finalizing the unaudited results of the Group for the three months ended 30 September 2016. The information contained in this announcement is only based on the preliminary assessment of the unaudited consolidated management accounts by the Board and the information currently available to the Company and such information has not been audited or reviewed by the Company’s auditor or the audit committee of the Company. Detailed financial results of the Group for the three months ended 30 September 2016 will be disclosed in the quarterly results announcement to be issued in due course.

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

By order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

Beijing, 10 October 2016

As at the date of this announcement, the executive Directors are Messrs. HongJiang ZHANG, Yuk Keung NG and Tao ZOU; the non-executive Directors are Messrs. Jun LEI, Pak Kwan KAU and Chi Ping LAU; the independent non-executive Directors are Messrs. Shun Tak WONG, David Yuen Kwan TANG, and Ms. Wenjie WU.