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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)

ANNOUNCEMENT

References are made to the announcement dated 3 July 2016 in relation to the Provisions (see defined below) and the interim results announcement (the “**Results Announcement**”) for the six months ended 30 June 2016 dated 19 August 2016 of Kingsoft Corporation Limited (the “**Company**”), together with its subsidiaries, the “**Group**”).

As disclosed in the Results Announcement, the Company recorded impairment losses of available-for-sale investments of approximately RMB914.5 million as of 30 June 2016, the substantial part of which is due to the provisions (the “**Provisions**”) 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**”).

This announcement is made by the Company to provide investors with more information in relation to the Xunlei Investment, 21Vianet Investment and the Provisions.

I. Additional Information in relation to the Xunlei Investment

Xunlei is a leading cloud-based acceleration technology company in China, whose ordinary shares have been listed on The NASDAQ Global Select Market under the symbol “XNET” by way of American depositary shares (the “**ADSs**”) since June 2014. Xunlei is mainly engaged in the provision of online advertising services on its websites, premium downloading services to its members and online game platforms for game developers and users.

In April 2014, the Group subscribed for 31,939,676 series E preferred shares of Xunlei for a total consideration of US\$90.00 million. In September 2014, all the series E preferred shares held by the Group were converted into ordinary shares of Xunlei. As of 30 June 2016, the Company held 37,500,000 ordinary shares (equivalent to 7,500,000 ADS) in Xunlei, representing 10.17% of its total issued ordinary shares. The market value of the Xunlei Investment was US\$56.70 million as at 31 December 2015 and US\$39.30 million as at 30 June 2016, respectively, which was included in the balance of available-for-sale investments. The Group has not received any dividend from Xunlei since the Xunlei Investment in April 2014. As of 31 December 2015 and 30 June 2016, the value of Xunlei Investment represented 3.71% and 2.83% relative to the Company’s net assets, respectively.

The Group has made Provisions for impairment on the carrying value of the Xunlei Investment due to the reason that as at 30 June 2016, the market price of Xunlei's ADS fell to US\$5.24 per ADS, representing a 56% decline compared with the Group's investment cost of US\$12 per ADS (the "**Xunlei Investment Cost Per ADS**"), which is a significant decline in the market value of the Xunlei Investment below the costs (as at 31 December 2015, the market price was US\$7.56 per ADS, representing a 37% decline compared with the Xunlei Investment Cost Per ADS).

As Xunlei is a listed company, its fair value can be determined by the number of shares held multiplied by the market price as at the reporting date. Taking this into account, there was no independent valuer engaged to determine the fair value in relation to the Xunlei Investment. The impairment loss recognised is the difference between the market value as of 30 June 2016 and the investment cost. As such, the impairment loss in relation to the Xunlei Investment amounted to US\$50.70 million, being the result of US\$39.30 million (the market value of the Xunlei Investment as at 30 June 2016) minus US\$90.00 million (the total investment cost of the Xunlei Investment).

II. Additional Information in relation to the 21Vianet Investment

21Vianet is a leading carrier-neutral Internet data centers services provider in China, whose ordinary shares had been listed on The NASDAQ Global Select Market under the symbol "VNET" by way of ADSs since April 2011. 21Vianet is mainly engaged in the provision of hosting and related services, managed network services, cloud infrastructure services, content delivery network services, consumer broadband services and business VPN services, improving the reliability, security and speed of its customers' internet infrastructure.

In November 2014, the Group subscribed for 39,087,125 class A ordinary shares and 18,250,268 class B ordinary shares of 21Vianet for a total consideration of approximately US\$172.01 million. As of 30 June 2016, the Company held 39,087,125 class A ordinary shares (equivalent to 6,514,521 ADS) and 18,250,268 class B ordinary shares (equivalent to 3,041,711 ADS) of 21Vianet, representing 5.72% and 2.67% of the total issued class A ordinary shares and class B ordinary shares of 21Vianet, respectively. The market value of 21Vianet Investment was US\$202.02 million as at 31 December 2015 and US\$97.57 million as at 30 June 2016, respectively, which was included in the balance of available-for-sale investments. The Group has not received any dividend from 21Vianet since the 21Vianet Investment in November 2014. As of 31 December 2015 and 30 June 2016, the value of 21Vianet Investment represented 13.24% and 7.01% relative to the Company's net assets, respectively.

The Group has made Provisions for impairment on the carrying value of the 21Vianet Investment based on the following reasons: 1) as at 30 June 2016, the market price of 21Vianet fell to US\$10.21 per ADS, representing a 43% decline compared with the investment cost of US\$18 per ADS (the "**21Vianet Investment Cost Per ADS**"), which is a significant decline in the market value of the 21Vianet Investment below the costs (as at 31 December 2015, the market price was US\$21.14 per ADS, which is higher than the 21Vianet Investment Cost Per ADS); and 2) the proposed privatization of 21Vianet with a proposed privatization price of US\$23 per ADS ceased in the second quarter of year 2016.

As 21Vianet is a listed company, its fair value can be determined by the number of shares held multiplied by the market price as at the reporting date. Taking this into account, there was no independent valuer engaged to determine the fair value in relation to the 21Vianet Investment. The impairment loss recognised is the difference between the market value as of 30 June 2016 and the investment cost. As such, the impairment loss in relation to the 21Vianet Investment amounted to approximately US\$74.44 million, being the result of US\$97.57 million (the market value of the 21Vianet Investment as at 30 June 2016) minus US\$172.01 million (the total investment cost of the 21Vianet Investment).

By order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

Beijing, 19 September 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.