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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)

PROFIT WARNING

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).

The board of the Company (the “**Board**”) wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on the preliminary assessment of the draft unaudited consolidated management accounts of the Group for the three months ended 30 September 2014 and the information currently available to the Company, it is expected that the Group would record a significant decline in operating profit for the three months ended 30 September 2014 as compared to that for the corresponding period last year. Such decline was mainly attributable to the following factors:

- (i) a substantial increase in marketing expenses as the Group continued the efforts to expand its mobile internet penetration in the global market and increased marketing expenses for launching its mobile games;
- (ii) a substantial increase in research and development costs mainly due to the expansion in the Group’s mobile application development teams;
- (iii) a substantial increase in share-based compensation costs mainly due to the grant of options and awarded shares to selected employees by the Company’s subsidiaries.

As mentioned in the Company’s interim report for the six months ended 30 June 2014, the Group would continue to reinforce its core competence, expand its mobile user base, strengthen its position in mobile security, mobile office and mobile game, and speed up the global penetration in the coming quarters. Such increases in marketing expenses, research and development costs and share-based compensation costs are in line with the aforesaid business strategies of the Group so as to achieve its goal in 2014.

The Board also anticipated that, despite the estimated significant decline in operating profit, the Group would record an increase in profit before tax for the three months ended 30 September 2014 as compared to that for the corresponding period last year due to the one-off gain arising from the disposal of the business and assets in relation to Kuaipan Personal in September 2014 (for details, please refer to the announcements of the Company dated 19 August 2014 and 2 September 2014).

The Company is still in the process of finalizing the unaudited results of the Group for the three months ended 30 September 2014. The information contained in this announcement are only based on the preliminary assessment of 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 2014 will be disclosed in the quarterly results announcement which is scheduled to be published on 9 November 2014.

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

For the avoidance of doubt, while this profit warning announcement applies to the Group as a whole, it does not apply specifically to Cheetah Mobile Inc. ("Cheetah", a subsidiary of the Company listed on the New York Stock Exchange), the financial performance of which for the three months ended 30 September 2014 is, as the Company understands on the basis of information currently available, in line with the expectation of the management of Cheetah.

By Order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

Hong Kong, 23 October 2014

As at the date of this announcement, the Executive Directors are Messrs. Hong Jiang 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.