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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)

INSIDE INFORMATION

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).

In April 2014, the Group subscribed for 31,939,676 series E preferred shares of Xunlei Limited (“**Xunlei**”) for a total consideration of US\$90 million. In September 2014, all the series E preferred shares held by the Group were converted into ordinary shares of Xunlei. The ordinary shares of Xunlei have been listed on The NASDAQ Global Select Market under the symbol “XNET” by way of American depositary shares (the “**ADSs**”) since June 2014.

In November 2014, the Group subscribed for 39,087,125 class A ordinary shares and 18,250,268 class B ordinary shares of 21Vianet Group, Inc. (“**21Vianet**”) for a total consideration of approximately US\$172 million. The ordinary shares of 21Vianet had been listed on The NASDAQ Global Select Market under the symbol “VNET” by way of ADSs since April 2011.

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company and potential investors that the Group is likely to make provisions (the “**Provisions**”) for impairment on the carrying value of its aforementioned investments in Xunlei and 21Vianet, respectively, as there is a significant or prolonged decline in the market value of the investments in Xunlei and 21Vianet below the costs. The aggregate amount of the Provisions is expected to be approximately US\$125 million as at 30 June 2016.

The Provisions are expected to lead to a loss for the six months ended 30 June 2016, while the Group recorded a consolidated profit for the six months ended 30 June 2015.

The Board wishes to emphasise that the Provisions in question 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.

At the same time, due to the Group's continuing investment in implementing the mobilization, globalization, and "All-in Cloud" strategies, it is expected that the Group's operating profits (before the Provisions) for the six months ended 30 June 2016 may be under pressure.

The Provisions and the above estimation of the Group's operating profits contained in this announcement are only based on the preliminary assessment of the Board with reference to the unaudited consolidated management accounts of the Group for the five months ended 31 May 2016 and other information currently available, which has not been reviewed by the auditors of the Company. The Company's interim results announcement for the six months ended 30 June 2016 is expected to be released before the end of August 2016.

Shareholders of the Company 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, 3 July 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.