



(continued into the Cayman Islands with limited liability)
Stock Code:03888

KINGSOFT CORPORATION LIMITED

2015 INTERIM REPORT



獵豹清理大師



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Kingsoft Corporation Limited

Interim Report 2015 | KINGSOFT CORPORATION LIMITED

Contents

Corporate Information	2
Operational Highlights	4
Financial Highlights	5
Business Review and Outlook	7
Management Discussion and Analysis	9
Other Information	14
Independent Review Report on Interim Condensed Consolidated Financial Statements	23
Interim Condensed Consolidated Statement of Profit or Loss	24
Interim Condensed Consolidated Statement of Comprehensive Income	25
Interim Condensed Consolidated Statement of Financial Position	26
Interim Condensed Consolidated Statement of Changes in Equity	28
Interim Condensed Consolidated Statement of Cash Flows	29
Notes to the Interim Condensed Consolidated Financial Statements	32
Terms and Glossaries	94

CORPORATE INFORMATION

Legal Name of the Company

Kingsoft Corporation Limited

Stock Code

03888

Date of Listing

9 October 2007

Head Office and Principal Place of Business

Kingsoft Tower

No. 33 Xiaoying West Road

Haidian District

Beijing 100085

PRC

Principal Place of Business in Hong Kong

Unit 1309A, 13/F

Cable TV Tower

No. 9 Hoi Shing Road

Tsuen Wan, N.T.

Hong Kong

Registered Office

Clifton House

75 Fort Street

P.O. Box 1350 GT George Town

Grand Cayman KY1-1108

Cayman Islands

Executive Directors

Mr. HongJiang ZHANG

Mr. Yuk Keung NG

Mr. Tao ZOU

Non-executive Directors

Mr. Jun LEI (Chairman)

Mr. Pak Kwan KAU

Mr. Chi Ping LAU

Independent Non-executive Directors

Mr. Shun Tak WONG

Mr. David Yuen Kwan TANG

Ms. Wenjie WU

Audit Committee

Ms. Wenjie WU (Chairman)

Mr. Shun Tak WONG

Mr. David Yuen Kwan TANG

Remuneration Committee

Mr. Shun Tak WONG (Chairman)

Mr. Jun LEI

Mr. David Yuen Kwan TANG

Ms. Wenjie WU

Nomination Committee

Mr. Shun Tak WONG (Chairman)

Mr. Chi Ping LAU

Ms. Wenjie WU

Board Secretary/Company Secretary

Mr. Yuk Keung NG

Authorised Representatives

Mr. HongJiang ZHANG

Mr. Yuk Keung NG

CORPORATE INFORMATION (continued)

Principal Share Registrar and Transfer Office

Appleby Trust (Cayman) Ltd.
Clifton House
75 Fort Street
P.O. Box 1350 GT George Town
Grand Cayman KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17/F. Hopewell Centre
183 Queen's Road East
Hong Kong

Auditors

Ernst & Young
Certified Public Accountants
22th Floor, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Legal Advisers on Hong Kong law

Baker & Mckenzie
14th Floor, Hutchison House
10 Harcourt Road
Hong Kong

Principal Bankers

China Merchants Bank Co., Ltd.
China Citic Bank Co., Ltd.
Shanghai Pudong Development Bank Co., Ltd.
China Guangfa Bank Co., Ltd.
Bank of Communications Co., Ltd.
The Bank of East Asia (China) Limited.
Industrial and Commercial Bank of China (Asia) Limited.
JP Morgan Chase Bank, National Association

Investor and Media Relations

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OPERATIONAL HIGHLIGHTS

FOR THE THREE MONTHS ENDED

	30 JUNE 2015	31 MARCH 2015	31 DECEMBER 2014	30 SEPTEMBER 2014	30 JUNE 2014	31 MARCH 2014	31 DECEMBER 2013	30 SEPTEMBER 2013
ONLINE GAMES								
ADPCU	607,571	672,779	661,002	617,717	572,374	599,384	632,171	614,263
Monthly APA	3,438,493	3,069,052	2,717,443	2,374,699	2,255,404	1,972,027	1,869,433	1,791,194
Monthly ARPU (RMB)	27	33	39	41	43	48	49	48

	IN JUNE 2015	IN MARCH 2015	IN DECEMBER 2014	IN SEPTEMBER 2014	IN JUNE 2014
Cheetah Mobile					
Mobile MAU (Million)	493.8	443.6	395.4	340.7	284.3
% of Mobile MAU from Overseas Markets	71%	71%	69%	65%	67%
Mobile Users Installations (Million)	1,595.8	1,340.5	1,089.1	862.2	662.2

FINANCIAL HIGHLIGHTS

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2015 RMB'000 (UNAUDITED)	2014 RMB'000 (UNAUDITED)
REVENUE		
Online game	622,957	602,448
Cheetah Mobile	1,490,363	646,442
Office software and others	278,280	177,241
	2,391,600	1,426,131
Cost of revenue	(530,616)	(222,898)
GROSS PROFIT	1,860,984	1,203,233
Research and development costs, net of government grants	(619,533)	(419,079)
Selling and distribution expenses	(686,239)	(323,615)
Administrative expenses	(217,687)	(133,185)
Share-based compensation costs	(117,979)	(77,755)
Other income	39,221	3,001
Other expenses	(21,128)	1,322
OPERATING PROFIT	237,639	253,922
Other (losses)/gains, net	(4,753)	116,628
Finance income	98,091	107,290
Finance costs	(38,658)	(34,063)
Share of losses of:		
Joint ventures	(14,269)	(953)
Associates	(6,947)	(3,769)
PROFIT BEFORE TAX	271,103	439,055
Income tax expense	(61,287)	(59,368)
PROFIT FOR THE PERIOD	209,816	379,687
ATTRIBUTABLE TO:		
Owners of the parent	208,508	364,358
Non-controlling interests	1,308	15,329
	209,816	379,687
	RMB (UNAUDITED)	RMB (UNAUDITED)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
Basic	0.17	0.31
Diluted	0.16	0.30

FINANCIAL HIGHLIGHTS (continued)

	FOR THE THREE MONTHS ENDED		
	30 JUNE 2015	31 MARCH 2015	30 JUNE 2014
	RMB'000	RMB'000	RMB'000
	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
REVENUE			
Online game	298,065	324,892	307,537
Cheetah Mobile	843,809	646,554	353,595
Office software and others	140,366	137,914	89,374
	1,282,240	1,109,360	750,506
Cost of revenue	(306,892)	(223,724)	(116,285)
GROSS PROFIT	975,348	885,636	634,221
Research and development costs, net of government grants	(325,211)	(294,322)	(222,742)
Selling and distribution expenses	(396,267)	(289,972)	(166,278)
Administrative expenses	(116,526)	(101,161)	(66,868)
Share-based compensation costs	(60,096)	(57,883)	(57,118)
Other income	34,391	4,830	1,101
Other expenses	(11,998)	(9,130)	1,539
OPERATING PROFIT	99,641	137,998	123,855
Other gains/(losses), net	12,671	(17,424)	(112)
Finance income	45,715	52,376	61,449
Finance costs	(18,396)	(20,262)	(22,378)
Share of losses of:			
Joint ventures	(8,297)	(5,972)	(953)
Associates	(4,281)	(2,666)	(630)
PROFIT BEFORE TAX	127,053	144,050	161,231
Income tax expense	(33,668)	(27,619)	(36,030)
PROFIT FOR THE PERIOD	93,385	116,431	125,201
ATTRIBUTABLE TO:			
Owners of the parent	93,972	114,536	118,121
Non-controlling interests	(587)	1,895	7,080
	93,385	116,431	125,201
	RMB	RMB	RMB
	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	0.07	0.10	0.10
Diluted	0.06	0.10	0.10

BUSINESS REVIEW AND OUTLOOK

Mr. Jun Lei, Chairman of Kingsoft, commented, "The performances of our business lines in the first half of 2015 demonstrated firm execution of our mobile, globalization and "ALL-IN CLOUD" strategies. Our mobile MAU reached another new high of 588.2 million in June, an increase of 71% year-over-year. Mobile revenue in the second quarter accounted for 66% of Cheetah Mobile's total revenue, with overseas revenue contributing 51% of the total revenue. The progresses that Cheetah Mobile achieved so far demonstrated that Cheetah Mobile is well on its way to achieve its strategic goal of becoming one of the top three global mobile advertising platforms. We are also encouraged to see the accelerating growth of our cloud services, building strong game cloud alliance and deepening cooperation with intelligent hardware platforms. In order to exploit the huge growth potential ahead in the mobile internet worldwide and cloud businesses, we remain committed to our investment strategies."

Mr. Jun Lei continued, "We are pleased to announce strong and impressive top line growth in the second quarter of 2015, with revenue achieving a new record of RMB1,282.2 million, an increase of 16% quarter-over-quarter and 71% year-over-year. Excluding the impact of share-based compensation costs, the operating profit for the second quarter declined 18% quarter-over-quarter and 12% year-over-year to RMB159.7 million and operating profit margin decreased by six percentage points quarter-over-quarter and twelve percentage points year-over-year to 12%. The operating result is in line with our expectations and the result of execution of our heavy investment strategies in mobile and cloud businesses. The investment strategies would continue to have impact on the Group's performance for the year 2015 and we expect that the operating profit margin might decline to single digit percentages in the coming quarters this year. We are delighted by the progresses we have achieved and are confident that these investments will generate long term shareholder value."

Dr. Hongjiang Zhang, Chief Executive Officer of Kingsoft added, "The second quarter was another strong quarter for Cheetah Mobile both financially and operationally. The total revenue of Cheetah Mobile achieved a high of RMB843.8 million, an increase of 31% quarter-over-quarter and an increase of 139% year-over-year. Most importantly, Cheetah Mobile has achieved its mobile and global transformation goals with overseas revenue improving to 51% of total revenue and mobile revenue increasing to 66% of total revenue. Today, 493.8 million people use Cheetah apps each month worldwide, with 71% coming from overseas markets, which underpinned its

robust financial performance. During the quarter, Cheetah Mobile also continued to improve its mobile and global monetization capabilities. Mobile revenue increased 57% quarter-over-quarter and overseas revenue increased 68% quarter-over-quarter, which were driven by a continued ramp-up of its mobile advertising business, especially in the overseas markets. Cheetah Mobile's mobile and global monetization capabilities have benefited from its strong partnerships with key global Internet giants, such as Facebook, Google and Tencent. In addition, Cheetah Mobile launched Cheetah Mobile advertising platform in June, further improving its mobile and global monetization capabilities. We are delighted by the progress Cheetah Mobile has achieved in the global mobile Internet market. Looking ahead, Cheetah Mobile will continue to invest decisively to solidify its leading position as a global traffic platform, while further enhancing its mobile and global monetization capabilities.

During the quarter, we further consolidated our competitive advantages in cloud storage and computation services and we are excited to capture the rapidly growing cloud market in China. Kingsoft Cloud continued its tremendous momentum in mobile game industry and successfully introduced Hero Entertainment, Changyou, Perfect World, SkyMoons, and Youzu as our new and key customers in the second quarter. Kingsoft Cloud launched cloud distribution, storage acceleration and integration for mobile video services, successfully expanded its services into video industry and introduced GIF Deft and Today's Headlines as its main video customers. For intelligent hardware industry, Kingsoft Cloud deepened its corporation with Xiaomi intelligent hardware platform and ecosystem and also expanded its customer base. In the second quarter, Kingsoft Cloud also entered into strategic cooperation with Peking University Healthcare and Kingdee to further explore opportunities in enterprise service and healthcare markets. The progress Kingsoft Cloud achieved so far gave us confidence in exploring the explosive potential in cloud business.

We are pleased with the performance of our game business. While we did not launch any major marketing activities or expansion packs for JX Online III in the second quarter, its revenue still achieved RMB180.6 million, a growth of 9% year-over-year, well above the growth rate of traditional PC game segment. We are excited to see significant breakthrough in our mobile game business. The release of the 3D version of "Journey to the West: Conquering the Demons" was well accepted by the market and ranked as one of the top ten popular games on Xiaomi and IOS game platforms in July 2015. We expect that our

BUSINESS REVIEW AND OUTLOOK (continued)

prior investments in mobile games will begin to generate top line contribution in the second half of 2015. The mobile games developed on the basis of our core IP, namely JX world and JX III, are expected to be tested in later 2015 and early 2016 respectively. Our mobile game Relics of Gods also expects to be tested in large scale in North America later this year.

Revenue from WPS office, net of advertising revenue derived from cooperation with Cheetah Mobile, achieved rapid quarter-over-quarter and year-over-year increase in the second quarter of 2015 to RMB74.9 million, benefiting from the enlarged enterprise customer base and enhanced monetization capabilities on free traffic of WPS. The global MAU of WPS family reached 169 million, among which the mobile MAU of WPS Office were nearly 74 million, with a 48% increase year-over-year. To solidify its leading position as an office solution provider in China and capture explosive enterprise markets, Kingsoft WPS released “WPS+cloud office” products across platforms with enhanced features such as mail services, WPS cloud documents, business contacts, instant messaging and other more value-added services to provide one-stop cloud office solution. In the second quarter, Kingsoft WPS also established strategic cooperation with Seeyon and Baidu to provide simple, convenient and reliable mobile office solutions.”

Mr. Jun Lei concluded, “We had a sound and promising first half of 2015. All the business lines are well on their way to reach our strategic goals. We will continue to invest aggressively in our core businesses and key strategic focuses in the coming quarters to capture great opportunities in mobile internet and cloud businesses.”

MANAGEMENT DISCUSSION AND ANALYSIS

First Half of 2015 Compared to First Half of 2014

Revenue

Revenue for the first half of 2015 increased 68% year-over-year to RMB2,391.6 million. Revenue from online game, Cheetah Mobile and office software and other businesses represented 26%, 62% and 12%, respectively, of the Group's total revenue for the first half of 2015. Revenues from the three business lines reflect revenue earned by each of the business lines after elimination of intra-group transactions.

Revenue from the online game business mainly consists of revenues from operations of proprietary PC-based online games, mobile games, and game licensing services, which are generated from the Group's companies, other than Cheetah Mobile and its subsidiaries, through research, development and provision of online games across devices. Revenue from the online game business for the first half of 2015 increased 3% year-over-year to RMB623.0 million. This was primarily attributable to the stable revenue growth in JX Online III driven by growing community of users, with the effort of providing innovative expansion packs.

Revenue from Cheetah Mobile business mainly consists of revenues from online marketing services, internet value-added services, and internet security services and others, which are generated from Cheetah Mobile and its subsidiaries through research, development and operation of information security software, internet browser, mission critical mobile applications, and operation of games and provision of global content distribution channel for its business partners. Revenue from Cheetah Mobile business for the first half of 2015 increased 131% year-over-year to RMB1,490.4 million. The remarkable year-over-year increase was primarily attributable to the increase in revenue from mobile advertising business, especially in oversea markets, which reflected substantial improvements in mobile monetization of Cheetah Mobile.

Revenue from the office software and other businesses consists of revenues from all the other businesses, including office application software, cloud storage and computation, dictionary services, etc. Revenue from the office software and other businesses for the first half of 2015 increased 57% year-over-year to RMB278.3 million. The strong year-over-year increase was mainly due to the combination of: i) increasing revenue contribution from cloud storage and cloud computation services of Kingsoft Cloud, driven by rapidly growing data storage demand of Xiaomi, Xunlei and its business expansion into mobile game industry and ii) The increase in online marketing revenue from WPS Office driven by continuous monetization of free user traffic of WPS PC version.

Cost of Revenue and Gross Profit

Cost of revenue for the first half of 2015 increased 138% year-over-year to RMB530.6 million. This increase was mainly due to: i) the higher costs associated with the Cheetah Mobile's mobile advertising business, higher bandwidth and internet data center (IDC) costs associated with Cheetah Mobile's increased user traffic and big data analytics, as well as higher amortization costs from intangible assets resulting from acquisitions of Cheetah Mobile and ii) increase in IDC costs and equipment depreciation expenses of Kingsoft Cloud as a result of rapid usage growth and investments in Cloud computation and data platform.

Gross profit for the first half of 2015 increased 55% to RMB1,861.0 million. The Group's gross profit margin decreased by six percentage points year-over-year to 78%.

R&D Costs

R&D costs, net of government grants, for the first half of 2015 increased 48% year-over-year to RMB619.5 million. The year-over-year increase was primarily attributable to the expansion of research and development personnel of Cheetah Mobile and online game business.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Selling and distribution expenses

Selling and distribution expenses for the first half of 2015 increased 112% year-over-year to RMB686.2 million. The year-over-year increase was primarily driven by increased marketing expenses as Cheetah Mobile accelerated the process of global market expansion.

Administrative Expenses

Administrative expenses for the first half of 2015 increased 63% year-over-year to RMB217.7 million. This increase was primarily due to the increase in professional service fees as well as staff costs.

Share-based Compensation Costs

Share-based compensation costs for the first half of 2015 increased 52% year-over-year to RMB118.0 million. This mainly reflected the grants of Cheetah Mobile's options and awarded shares to selected employees.

Other Income

Other income for the first half of 2015 increased 1,207% year-over-year to RMB39.2 million. The year-over-year increase was mainly due to the recognition of certain government financial incentives in the second quarter of 2015.

Operating Profit before Share-based Compensation Costs

Operating profit before share-based compensation costs for the first half of 2015 increased 7% year-over-year to RMB355.6 million as a result of the combination of above reasons. The operating profit margin before share-based compensation costs for the first half of 2015 decreased eight percentage points year-over-year to 15%.

Other (losses)/gains, net

Other (losses)/gains, net recorded losses of RMB4.8 million for the first half of 2015, compared to gains of RMB116.6 million during the same period last year, which primarily reflected the gain on disposal of investment in Sky Profit Limited in February 2014.

Income Tax Expense

Income tax expense for the first half of 2015 increased 3% year-over-year to RMB61.3 million. The Group's effective tax rate increased nine percentage points year-over-year to 23%.

Profit Attributable to Owners of the Parent

As a result of the reasons discussed above, especially because of the one-off gain from disposing the shares of Sky Profit Limited in the prior year period, profit attributable to owners of the parent for the first half of 2015 decreased 43% year-over-year to RMB208.5 million.

Profit Attributable to Owners of the Parent before Share-based Compensation Costs

Profit attributable to owners of the parent before share-based compensation costs, which is defined as profit attributable to owners of the parent excluding the effect of share-based compensation costs attributable to owners of the parent.

We believe the profit attributable to owners of the parent before share-based compensation costs will enhance investors' overall understanding of the Group's operating performance. When assessing our operating performance, you should not consider this data in isolation or as a substitute for our profit or any other operating performance measure that is calculated in accordance with IFRSs. In addition, our profit attributable to owners of the parent before share-based compensation costs may not be comparable to similarly titled measures utilized by other companies.

Profit attributable to owners of the parent before share-based compensation costs for the first half of 2015 decreased 29% year-over-year to RMB290.8 million. The net profit margin excluding the effect of share-based compensation costs was 12% and 29% for the six months ended 30 June 2015 and 30 June 2014, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Liquidity and Financial Resource

The Group had a strong cash position towards the end of reporting period. As at 30 June 2015, the group had major financial resources in the forms of restricted cash, pledged deposits and cash and bank deposits amounting to RMB122.2 million, RMB70.2 million and RMB7,706.7 million, respectively, which totally represented 56% of the Group's total assets.

As at 30 June 2015, the Group's gearing ratio, which represents total liabilities divided by total assets, was 33%, compared to 41% as at 31 December 2014. As at 30 June 2015, the Group had HK\$3,215.6 million (equivalent of RMB2,540.4 million) debt of convertible bonds and HK\$120.0 million and EUR1.5 million (equivalent of RMB104.9 million) bank loans.

Foreign Currency Risk Management

Certain expenses of the Group were denominated in currencies other than the RMB. The Group generated foreign currency revenue either from license sales made in other Asian countries or from its overseas subsidiaries. RMB against US\$, HK\$, JPY and MYR have been comparatively stable in the past. The Group adopted the "natural immunity" method to match the income and payment in foreign currencies by arranging some expenses and expenditures denominated in foreign currencies.

As at 30 June 2015, RMB4,005.7 million of the Group's financial assets were held in deposits denominated in non-RMB currencies. As there are no cost-effective hedges against the fluctuation of RMB, there is a risk that we may experience a loss as a result of any foreign currency exchange rate fluctuations in connection with our deposits and investments.

Deferred Revenue

Deferred revenue (including current and non-current portion) as at 30 June 2015 was RMB365.4 million compared to RMB324.5 million as at 31 December 2014.

Net Cash Generated from Operating Activities

Cash generated from our operating activities reflects our profit for the six months period, as the case may be, as adjusted for non-cash items, such as depreciation, amortization of capitalized software costs, and share-based compensation costs, as well as the effect of changes in certain items of statement of financial position, such as deferred revenue, other payables and accruals.

Net cash generated from operating activities was RMB362.3 million and RMB324.9 million for the six months ended 30 June 2015 and 30 June 2014, respectively.

Capital Expenditures

Capital expenditures represent cash payments for acquisition of properties, land use rights, fixed assets and intangible assets. Cash used for capital expenditures was RMB305.8 million and RMB195.0 million for the six months ended 30 June 2015 and 30 June 2014, respectively.

Second Quarter of 2015 Compared to First Quarter of 2015 and Second Quarter of 2014

Revenue

Revenue for the second quarter of 2015 increased 16% quarter-over-quarter and 71% year-over-year to RMB1,282.2 million. Revenue from the online game, Cheetah Mobile and office software and others businesses represented 23%, 66% and 11%, respectively, of the Group's total revenue for the second quarter of 2015.

Revenue from the online game business for the second quarter of 2015 decreased 8% quarter-over-quarter and 3% year-over-year to RMB298.1 million. The quarter-over-quarter and year-over-year decreases were largely due to decline in revenue from the existing games.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

ADPCU for the Group's online games for the second quarter of 2015 decreased 10% quarter-over-quarter and increased 6% year-over-year to 0.6 million. The quarter-over-quarter decrease was largely due to a decline in the ADPCU of games in Vietnam as a result of poor game market conditions. The year-over-year increase was primarily due to the launch of new version of JX Online I in Vietnam. Monthly APA for the Group's online games for the second quarter of 2015 increased 12% quarter-over-quarter and 52% year-over-year to 3.4 million. The quarter-over-quarter and year-over-year increases were primarily attributable to expanded user base of JX Online III. The monthly ARPU for the Group's online games for the second quarter of 2015 decreased 18% quarter-over-quarter and 37% year-over-year to RMB27.

Revenue from Cheetah Mobile for the second quarter of 2015 increased 31% quarter-over-quarter and 139% year-over-year to RMB843.8 million. The quarter-over-quarter and year-over-year increases were mainly attributable to revenue growth from mobile advertising business in both overseas and domestic markets, driven by substantial improvements in global mobile monetization capabilities of Cheetah Mobile, and, to a lesser extent, the additional revenue contributed by the MobPartner business, which we recently acquired in 2015.

Mobile MAU from Cheetah Mobile increased 11% quarter-over-quarter and 74% year-over-year to 493.8 million in June 2015. In June 2015, approximately 71% of mobile MAU were from overseas markets, mostly the United States, Asia (excluding China) and Europe, compared to approximately 69% in December 2014. Our mobile user installations as of 30 June 2015 have reached 1,595.8 million. These significant increases mainly reflected that our mobile mission critical applications, particularly Clean Master and CM Security, were very popular and expanded rapidly in global markets.

Revenue from the office software and other businesses for the second quarter of 2015 increased 2% quarter-over-quarter and 57% year-over-year to RMB140.4 million. The sequential and year-over-year increases were mainly attributable to: i) the increase of revenue was driven by rapidly growing demand for cloud storage and cloud computation services from new and existing customers; ii) increase in online marketing revenue from WPS Office driven by the increasing monetization of free user traffic of WPS PC version.

Cost of Revenue and Gross Profit

Cost of revenue for the second quarter of 2015 increased 37% quarter-over-quarter and 164% year-over-year to RMB306.9 million. The quarter-over-quarter and year-over-year increases were primarily due to: i) higher costs associated the mobile advertising business, higher overseas bandwidth and IDC costs from Cheetah Mobile, in line with its revenue; ii) an increase in bandwidth and equipment depreciation expenses of Kingsoft Cloud as a result of rapid usage growth and investments in Cloud computation and data platform.

Gross profit for the second quarter of 2015 increased 10% quarter-over-quarter and 54% year-over-year to RMB975.3 million. The Group's gross profit margin decreased four percentage points quarter-over-quarter and nine percentage points year-over-year to 76%.

R&D Costs

R&D costs, net of government grants, for the second quarter of 2015 increased 10% quarter-over-quarter and 46% year-over-year to RMB325.2 million. The quarter-over-quarter increase was due to headcount expansion of Cheetah Mobile, as it continued to focus on mobile internet platform development, and as a result of acquisitions. The year-over-year increase was due to the increased personnel of Cheetah Mobile and online game business.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Selling and distribution expenses

Selling and distribution expenses for the second quarter of 2015 increased 37% quarter-over-quarter and 138% year-over-year to RMB396.3 million. The quarter-over-quarter and year-over-year increases were primarily due to higher spending in promotional activities for the Cheetah Mobile's mobile business.

Administrative Expenses

Administrative expenses for the second quarter of 2015 increased 15% quarter-over-quarter and 74% year-over-year to RMB116.5 million. The quarter-over-quarter and year-over-year increases were mainly due to an increase in staff costs as well as professional service fees.

Share-based Compensation Costs

Share-based compensation costs for the second quarter of 2015 increased 4% quarter-over-quarter and 5% year-over-year to RMB60.1 million. This primarily reflected the grants of Cheetah Mobile's options and awarded shares to selected employees.

Operating Profit before Share-based Compensation Costs

Operating profit before share-based compensation costs for the second quarter of 2015 decreased 18% quarter-over-quarter and 12% year-over-year to RMB159.7 million as a result of the combination of the above reasons. The operating profit margin before share-based compensation costs for the second quarter of 2015 decreased six percentage points quarter-over-quarter and twelve percentage points year-over-year to 12%.

Other gains/(losses), net

Other gains/(losses), net, recorded gains of RMB12.7 million for the second quarter of 2015, compared of losses of RMB17.4 million for the first quarter of 2015 and losses of RMB0.1 million for the second quarter of 2014. The gains for the second quarter in 2015 primarily reflected deemed disposal gains and disposal gains arising from certain investee companies, partly offset by impairment provision for certain goodwill.

Income Tax Expense

Income tax expense for the second quarter of 2015 increased 22% quarter-over-quarter and decreased 7% year-over-year to RMB33.7 million. The Group's effective tax rate increased seven percentage points quarter-over-quarter and four percentage points year-over-year to 26%.

Profit Attributable to Owners of the Parent

As a result of the reasons discussed above, profit attributable to owners of the parent for the second quarter of 2015 decreased 18% quarter-over-quarter and 20% year-over-year to RMB94.0 million.

Profit Attributable to Owners of the Parent before Share-based Compensation Costs

Profit attributable to owners of the parent before share-based compensation costs for the second quarter of 2015 decreased 13% quarter-over-quarter and 10% year-over-year to RMB135.5 million. The net profit margin excluding the effect of share-based compensation costs was 11%, 14% and 20% for the three months ended 30 June 2015, 31 March 2015 and 30 June 2014, respectively.

OTHER INFORMATION

Changes of Directors' Information Under Rule 13.51B (1) of the Listing Rules

Below are the changes of directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules (as amended from time to time) since the date of the Company's 2014 annual report:

NAME OF DIRECTOR	DETAILS OF CHANGES
Mr. Shun Tak WONG	He ceased to serve as the consultant and operating partner of CITIC Capital Partners Ltd.

Directors' Interests in Securities

As at 30 June 2015, the interests and short positions of the Directors and the chief executive of the Company and their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of the SFO which (a) were required to be notified to the Company and the Stock

Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

Interest in the shares and underlying shares of the Company:

NAME OF DIRECTOR	CAPACITY	NUMBER OF SHARES INTERESTED	% OF ISSUED SHARE CAPITAL (NOTE 1)	NATURE OF SHARES INTERESTED
Jun LEI	Interest of controlled corporation	210,116,248	16.14	Long position
	Other	142,714,003	10.96	Long position
	Total	352,830,251 (Note 2)	27.10	Long position
Pak Kwan KAU	Interest of controlled corporation	108,032,566 (Note 3)	8.30	Long position
HongJiang ZHANG	Beneficial owner	5,666,044	0.44	Long position
Yuk Keung NG	Beneficial owner	2,600,000	0.20	Long position
Tao ZOU	Beneficial owner	409,307	0.03	Long position

Notes:

- % of issued share capital was calculated on basis of the total number of issued shares of the Company as at 30 June 2015, which was 1,301,735,294.
- Among these 352,830,251 shares, (i) 174,818,191 shares are held by Color Link Management Limited, a BVI company owned as to 100% by Mr. Jun LEI; (ii) 35,298,057 Shares are held by a wholly-owned subsidiary of Xiaomi Corporation, a company controlled by Mr. Jun LEI under the SFO; and (iii) 142,714,003 shares are deemed to be interested by Mr. Jun LEI under the SFO because under a voting consent agreement entered into by Mr. Jun LEI, Mr. Pak Kwan KAU and Mr. Shuen Lung CHEUNG, Mr.

Pak Kwan KAU and Mr. Shuen Lung CHEUNG will vote in the same way as Mr. Jun LEI with these shares.

- These shares are held by Topclick Holdings Limited, a BVI company wholly owned by Kau Management Limited. Kau Management Limited is a company indirectly owned by a discretionary trust, the beneficiaries of which include Mr. Pak Kwan KAU and his family members. As such, Mr. Pak Kwan KAU is deemed to be interested in these shares under the SFO. In addition, Mr. Jun LEI is also deemed to be interested in these shares under the SFO because under a voting consent agreement entered into by Mr. Jun LEI, Mr. Pak Kwan KAU and Mr. Shuen Lung CHEUNG, Mr. Pak Kwan KAU will vote in the same way as Mr. Jun LEI with these shares.

OTHER INFORMATION (continued)

Interest in the shares and underlying shares of an associated corporation of the Company:

Cheetah Mobile (Note 1)

NAME OF DIRECTOR	CAPACITY	NUMBER OF SHARES INTERESTED	% OF ISSUED SHARE CAPITAL IN CLASS (NOTE 2)	NATURE OF SHARES INTERESTED
Jun LEI (Note 3)	Interest of controlled corporation	14,285,714	4.23	Long position
Yuk Keung NG	Beneficial owner	1,200	0.0004	Long position

Notes:

1. Cheetah Mobile is a non-wholly owned subsidiary of the Company listed on the NYSE.
2. % of issued share capital in class was calculated on basis of the issued Class A Cheetah Shares as at 30 June 2015, which was 337,387,724.
3. As at 30 June 2015, Mr. Jun LEI held above 30% of the voting power of Xiaomi Corporation, which in turn is deemed to have an interest in approximately 4.23% of the Class A Cheetah Shares under the SFO.

Kingsoft Cloud (Note1)

NAME OF DIRECTOR	CAPACITY	NUMBER OF SHARES INTERESTED	% OF ISSUED SHARE CAPITAL IN CLASS (NOTE 2)	NATURE OF SHARES INTERESTED
HongJiang ZHANG (Note 3)	Interest of controlled corporation	34,000,000	3.93	Long position

Notes:

1. Kingsoft Cloud is a non-wholly owned subsidiary of the Company.
 2. % of issued share capital in class was calculated on basis of the Kingsoft Cloud Shares as at 30 June 2015, which was 865,037,500.
 3. As at 30 June 2015, Mr. HongJiang ZHANG held 100% of the voting power of Cloud Expert Limited, which in turn is deemed to have an interest in approximately 3.93% of the Kingsoft Cloud Shares under the SFO.
- Save as disclosed above, none of the directors or chief executive and their associates, had interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations as at 30 June 2015.

OTHER INFORMATION (continued)

Share Option Schemes

Pre-IPO Share Option Schemes

The Company adopted the 2004 Pre-IPO Share Option Scheme and the 2007 Pre-IPO Share Option Scheme, which were approved by resolutions in writing of all the shareholders on 30 June 2004 and 22 January 2007, respectively before its initial public offering. Options granted under the Pre-IPO Share Option Schemes generally vest over a period of four years, with one fourth of the options to vest on the first anniversary of the grant date, and an additional one eighth to vest at the end of each of the third to eighth six-month periods after the grant date as stipulated in the share option agreement. Share options were granted for periods of up to ten years.

The weighted average closing price immediately before the dates on which the options were exercised during the six months ended 30 June 2015 was HK\$25.23 (six months ended 30 June 2014: HK\$27.34).

The Pre-IPO Share Option Schemes were terminated on 3 September 2007. No share options have been granted since then.

The following share options were outstanding under Pre-IPO Share Option Schemes during the six months ended 30 June 2015.

NAME OR CATEGORY OF PARTICIPANT	NUMBER OF SHARE OPTIONS				DATE OF GRANT OF SHARE OPTIONS	EXERCISE PRICE OF SHARE OPTIONS US\$ PER SHARE
	AT 1 JANUARY 2015	EXERCISED DURING THE PERIOD	FORFEITED DURING THE PERIOD	AT 30 JUNE 2015		
Other employees						
In aggregate						
	53,240	40,250	—	12,990	1 August 2005*	0.2118
	5,274,500	506,600	—	4,767,900	1 February 2007**	0.2400
	10,000	—	—	10,000	8 May 2007**	0.2400
	28,000	2,000	—	26,000	1 August 2007**	0.4616
	5,365,740	548,850	—	4,816,890		

* These options were granted under the 2004 Pre-IPO Share Option Scheme.

** These options were granted under the 2007 Pre-IPO Share Option Scheme.

OTHER INFORMATION (continued)

2011 Share Option Scheme

The Company operates the 2011 Share Option Scheme for the purpose of providing incentives and rewards to eligible participants. Eligible participants of the 2011 Share Option Scheme include the Company's directors, independent non-executive directors, and other employees of the Group. The 2011 Share Option Scheme became effective on 9 December 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The following share options were outstanding under the 2011 Share Option Scheme during six months ended 30 June 2015.

NAME OR CATEGORY OF PARTICIPANT	NUMBER OF SHARE OPTIONS					DATE OF GRANT OF SHARE OPTIONS	EXERCISE PRICE OF SHARE OPTIONS HK\$ PER SHARE
	AT 1 JANUARY 2015	GRANTED DURING THE PERIOD	EXERCISED DURING THE PERIOD	CANCELLED DURING THE PERIOD	AT 30 JUNE 2015		
Executive directors							
HongJiang ZHANG	6,500,000	—	—	3,000,000	3,500,000	20 December 2011	2.89
Yuk Keung NG	2,400,000	—	—	—	2,400,000	20 July 2012	3.28
	8,900,000	—	—	3,000,000	5,900,000		

2006–2007 Kingsoft Japan Share Option Scheme

On 2 November 2006 and 31 July 2007, the shareholders of Kingsoft Japan, approved and adopted the 2006–2007 Kingsoft Japan Share Option Scheme for the purpose of enhancing the operational efficiency of Kingsoft Japan and providing additional incentives for its employees and other related persons. Options are exercisable conditional upon a successful initial public offering of Kingsoft Japan. The 2006–2007 Kingsoft Japan Share Option Scheme will remain in force for 10 years from the date on which the scheme is deemed to take effect. On 17 July 2014, directors of Kingsoft Japan approved to split all outstanding shares of Kingsoft Japan in the proportion of 1:100. As such, the number of shares subject to the options under the 2006–2007 Kingsoft Japan Share Option Scheme was adjusted in the proportion of 1:100. More details regarding the 2006–2007 Kingsoft Japan Share Option Scheme are set out in note 21 to the financial statements.

Kingsoft Cloud Share Option Scheme

On 27 February 2013, the shareholders of the Company and Kingsoft Cloud, approved and adopted the Kingsoft Cloud Share Option Scheme for the purpose of providing

incentives and rewards to eligible participants, in which selected employees of Kingsoft Cloud and its subsidiaries are entitled to participate. The Kingsoft Cloud Share Option Scheme will remain in force for 10 years from 27 February 2013. The Kingsoft Cloud Share Option Scheme was amended and refreshed on 27 June 2013 and 20 May 2015. More details regarding the Kingsoft Cloud Share Option Scheme are set out in note 21 to the financial statements.

Westhouse Holdings Share Option Scheme

On 27 June 2013, the shareholders of the Company and Westhouse Holdings, approved and adopted the Westhouse Holdings Share Option Scheme for the purpose of providing incentives and rewards to eligible participants, in which selected employees of Westhouse Holdings, its subsidiaries or its invested entities are entitled to participate. The Westhouse Holdings Share Option Scheme will remain in force for 10 years from 27 June 2013. More details regarding the Westhouse Holdings Share Option Scheme are set out in note 21 to the financial statements.

OTHER INFORMATION (continued)

Cheetah Mobile Equity Incentive Scheme

On 2 January 2014, the shareholders of the Company and Cheetah Mobile approved and adopted the Cheetah Mobile Equity Incentive Scheme for the purpose of aiding Cheetah Mobile and its affiliates in recruiting and retaining key employees, directors or consultants of outstanding ability and to motivate such employees, directors or consultants to exert their best efforts on behalf of Cheetah Mobile and its affiliates by providing incentives through the granting of awards, including but not limited to, the options of Cheetah Mobile. The Cheetah Mobile Equity Incentive Scheme will remain in force for 10 years from 2 January 2014. More details regarding the Cheetah Mobile Equity Incentive Scheme are set out in note 21 to the financial statements.

2014 Kingsoft Japan Share Option Scheme

On 2 January 2014, the shareholders of the Company approved the 2014 Kingsoft Japan Share Option Scheme for the purpose of providing incentives or rewards to eligible participants thereunder for their contribution to Kingsoft Japan and its subsidiaries and/or to enable Kingsoft Japan to recruit and retain high-calibre employees and attract human resources that are valuable to Kingsoft Japan, its subsidiaries and its invested entities. The 2014 Kingsoft Japan Share Option Scheme was approved and adopted by shareholders of Kingsoft Japan on 28 March 2014, and will remain in force for 10 years commencing on 28 March 2014. On 17 July 2014, directors of Kingsoft Japan approved to split all outstanding shares of Kingsoft Japan in the proportion of 1:100. As such, the number of shares subject to the options under the 2014 Kingsoft Japan Share Option Scheme was adjusted in the proportion of 1:100. More details regarding the 2014 Kingsoft Japan Share Option Scheme are set out in note 21 to the financial statements.

Share Award Scheme

Share Award Scheme

The Share Award Scheme was adopted by the Board on 31 March 2008. Unless terminated earlier by the Board, the Share Award Scheme shall be valid and effective for a term of five years commencing on 31 March 2008. On 25 November 2010, the Board approved to extend the term of the Share Award Scheme until 30 March 2017, for which the Company released an announcement on 1 December 2010.

The purpose of the Share Award Scheme is to recognise the contributions by certain employees (including without limitation employees who are also directors) of the Group and to give incentives thereto in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

Pursuant to the terms of the Share Award Scheme, the Board may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each employee determined by the Board from time to time) select an employee for participation in the Share Award Scheme and determine the number of shares to be awarded. The Board shall not grant any award of shares which would result in the total number of awarded shares granted under the Share Award Scheme (but not counting any which have lapsed or have been forfeited) representing in aggregate over 10% of the issued share capital of the Company as at the date of such grant.

More details regarding the Share Award Scheme are set out in note 21 to the financial statements.

2011 Cheetah Mobile Share Award Scheme

On 26 May 2011, the directors of Cheetah Mobile, approved and adopted the 2011 Cheetah Mobile Share Award Scheme.

Unless early terminated by the directors of Cheetah Mobile, the 2011 Cheetah Mobile Share Award Scheme shall be valid and effective for a term of ten years commencing on 26 May 2011.

The purpose of the 2011 Cheetah Mobile Share Award Scheme is to recognise the contributions by certain employees and to give incentives thereto in order to retain them for the continual operation and development of the Cheetah Group and to attract suitable personnel for further development of Cheetah Group.

OTHER INFORMATION (continued)

Pursuant to the terms of the 2011 Cheetah Mobile Share Award Scheme, the board of Cheetah Mobile may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each employee determined by the board of Cheetah Mobile from time to time) select an employee for participation in the 2011 Cheetah Mobile Share Award Scheme and determine the number of the awarded Cheetah Shares. The directors of Cheetah Mobile will not grant any award of shares which would result in the total number of awarded shares granted under the 2011 Cheetah Mobile Share Award Scheme (but not counting any of which have lapsed or have been forfeited) being greater than 100,000,000 shares as at the date of such grant.

More details regarding the 2011 Cheetah Mobile Share Award Scheme are set out in note 21 to the financial statements.

KOS Share Award Scheme

On 3 December 2012, the directors of KOS approved and adopted the KOS Share Award Scheme, for the purpose of providing incentives and rewards to eligible participants, in which selected employees of the KOS Group are entitled to participate. Unless early terminated by the directors of KOS, the KOS Share Award Scheme shall be valid and effective for a term of ten years commencing on 3 December 2012. The KOS Share Award Scheme was amended by the board of KOS on 27 November 2014 to refresh the limit of the scheme. The directors of KOS will not grant any award of shares which would result in the total number of awarded shares granted under the KOS Share Award Scheme (but not counting any which have lapsed or have been forfeited) being greater than 54,000,000 shares, as at the date of such grant.

More details regarding the KOS Share Award Scheme are set out in note 21 to the financial statements.

Kingsoft Cloud Share Award Scheme

On 22 February 2013, the directors of Kingsoft Cloud approved and adopted the Kingsoft Cloud Share Award Scheme for the purpose of providing incentives and rewards to eligible participants, in which selected employees of Kingsoft Cloud Group are entitled to participate. Unless early terminated by the directors of Kingsoft Cloud, the Kingsoft Cloud Share Award Scheme shall be valid and effective for a term of ten years commencing on 22 February 2013. The Kingsoft Cloud Share Award Scheme was amended by the board and shareholders of Kingsoft Cloud on 9 January 2015 to refresh the limit of the scheme. Pursuant to the amended Kingsoft Cloud Share Award Scheme, the directors of Kingsoft Cloud will not grant any award of shares which would result in the total number of awarded shares granted under the Kingsoft Cloud Share Award Scheme (but not counting any which have lapsed or have been forfeited) being greater than 50,000,000 shares, as at the date of such grant.

More details regarding the Kingsoft Cloud Share Award Scheme are set out in note 21 to the financial statements.

2014 Cheetah Mobile Share Award Scheme

On 24 April 2014, the shareholders of Cheetah approved and adopted the 2014 Cheetah Mobile Share Award Scheme to promote the success and enhance the value of Cheetah Mobile by providing the members of the board, employees, and consultants with an incentive for outstanding performance to generate superior returns to the shareholders and to further provide flexibility to Cheetah Mobile in its ability to motivate, attract, and retain the services of such individuals. Under the 2014 Cheetah Mobile Share Award Scheme, the maximum aggregate number of shares, which may be issued pursuant to all awards granted, shall be equal to 122,545,665 Class A ordinary shares. Unless early terminated by the board or the compensation committee of the board of Cheetah Mobile, the 2014 Cheetah Mobile Share Award Scheme shall be valid and effective for a term of ten years commencing on 24 April 2014.

More details regarding the 2014 Cheetah Mobile Share Award Scheme are set out in note 21 to the financial statements.

OTHER INFORMATION (continued)

Substantial Shareholders

As at 30 June 2015, as far as the Directors are aware of, the following, other than the directors or chief executive of the Company, had an interest in the shares or underlying shares in the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of

Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who were, directly or indirectly, interested in 5% or more of the issued capital of the Company:

Interest in the shares and underlying shares of the Company

NAME OF SUBSTANTIAL SHAREHOLDER	CAPACITY	NUMBER OF SHARES INTERESTED	% OF ISSUED SHARE CAPITAL (NOTE 1)	NATURE OF SHARES HELD
Color Link Management Limited (Note 2)	Beneficial owner	174,818,191	13.42	Long position
Topclick Holdings Limited (Note 3)	Beneficial owner	108,032,566	8.30	Long position
Tencent Holdings Limited (Note 4)	Interest of controlled corporation	106,784,515	8.20	Long position
Morgan Stanley	Interest of a controlled corporation	69,709,128	5.35	Long position
		53,138,809	4.08	Short position

Notes:

1. % of issued share capital was calculated on basis of the total number of issued shares of the Company as at 30 June 2015, which was 1,301,735,294.
2. Mr. Jun LEI is deemed to be interested in Color Link Management Limited's interest in the Company pursuant to Part XV of the SFO because Color Link Management Limited is wholly owned by Mr. Jun LEI.
3. These shares are held by Topclick Holdings Limited, a BVI company wholly owned by Kau Management Limited. Kau Management Limited is a company owned by a discretionary trust, the trustee of which is Credit Suisse Trust Limited and the beneficiaries of which include Mr. Pak Kwan KAU and his family members. As such, Mr. Pak Kwan KAU is deemed to be interested in these shares under the SFO. In addition, Mr. Jun LEI is also deemed to be interested in these shares under the SFO because under a voting consent agreement entered into by Mr. Jun LEI, Mr. Pak Kwan KAU and Mr. Shuen Lung CHEUNG, Mr. Pak Kwan KAU would vote in the same way as Mr. Jun LEI with these shares.

4. These shares are held by TCH Saffron Limited, a wholly-owned subsidiary of Tencent Holdings Limited. As such, Tencent Holdings Limited, MIH TC Holdings Limited and Naspers Limited, its beneficial owners, are deemed to be interested in TCH Saffron Limited's interests in the Company pursuant to Part XV of the SFO.

Save as disclosed above, the Directors confirm that they are not aware of any other person who has beneficial interests or short positions in any of the shares or underlying shares in the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or, directly or indirectly, be interested in 5% or more of the nominal value of the shares carrying the right to vote in all circumstances at general meetings of the Company.

OTHER INFORMATION (continued)

Employee and Remuneration Policies

As at 30 June 2015, the Group had 5,687 full-time employees (30 June 2014: 4,561), inclusive of all its staff in Mainland China and overseas offices, most of whom are based in Beijing and Zhuhai, the PRC. The number of employees employed by the Group varies from time to time depending on business needs. Employee remuneration is determined in accordance with prevailing industry practice and employees' educational backgrounds, experiences and performance. The remuneration policy and package of the Group's employees are periodically reviewed. Apart from pension funds, in-house training programs, discretionary bonuses, medical insurance and mandatory provident fund, share awards and share options may be granted to employees according to the assessment of individual performance.

The total remuneration cost (including capitalized remuneration cost) incurred by the Group for the six months ended 30 June 2015 was RMB854.0 million (for the six months ended 30 June 2014: RMB545.5 million).

Purchase, Sale and Redemption of the Company's Listed Securities

None of the Company and its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the six months ended 30 June 2015.

Completion of Placing of Existing Shares and Subscription for New Shares

On 4 June 2015, Color Link Management Limited (a company wholly owned by Mr. Jun LEI, the chairman and substantial shareholder of the Company), the Company, Morgan Stanley & Co. International plc and J.P. Morgan Securities (Asia Pacific) Limited entered into a placing and subscription agreement pursuant to which (i) Morgan Stanley & Co. International plc and J.P. Morgan Securities (Asia Pacific) Limited have severally agreed to procure purchasers for, or failing which, to purchase, an aggregate of 100,000,000 existing shares beneficially owned by Color Link Management Limited, on a fully underwritten basis, at a price of HK\$27.40 per share on the terms of the placing and subscription agreement; and (ii) Color Link Management Limited has agreed to subscribe for, and the Company has agreed to issue, 100,000,000 new shares at subscription price, which is equal to the placing

price less the commissions, fees and the expenses properly incurred by Color Link Management Limited in relation to the placing and/or the subscription. The gross proceeds from the subscription (before deducting the commissions, fees and the expenses properly incurred by Color Link Management Limited in relation to the placing and/or the subscription) was HK\$2,740 million. The net proceeds received by the Company from the subscription was HK\$2,720.6 million. The Completion of the placing and the subscription took place on 8 June 2015 and 11 June 2015, respectively, in accordance with the terms and conditions of the placing and subscription agreement.

Review by Audit Committee

The Audit Committee of the Company has been established since year 2007 with responsibility of assisting the Board in providing an independent review of the financial statements and internal control system. It acts in accordance with its terms of reference which clearly defines its membership, authority, duties and frequency of meetings. It meets regularly with our management, external auditors and internal audit personnel to discuss accounting principles and practices adopted by the Group and internal control and financial reporting matters. Our Audit Committee is comprised of three independent non-executive Directors, namely Ms. Wenjie WU (chairman), Mr. Shun Tak WONG and Mr. David Yuen Kwan TANG.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Audit Committee, together with our external auditors has reviewed the Group's unaudited interim financial information for the six months ended 30 June 2015.

Compliance with Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiries to all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code throughout the six months ended 30 June 2015.

OTHER INFORMATION (continued)

Corporate Governance Code

The Directors, having reviewed the corporate governance practices of the Company, confirm that the Company has complied with all the applicable code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules except for the code provision A.6.7 and C.1.2 of the CG Code.

The code provision A.6.7 of the CG Code is regarding non-executive directors' attendance at general meetings. Non-executive Directors, Mr. Jun LEI and Mr. Chi Ping LAU, did not attend the annual general meeting of the Company held on 20 May 2015 due to pre-arranged engagements. The code provision C.1.2 of the CG Code requires management to provide all members of the board with monthly updates on the issuer's business. The management of the Company currently reports to the Board quarterly on the Group's performance, position and prospects. The Board believes that with the executive Directors overseeing the daily operation of the Group and the effective communication between the executive directors, the management and the non-executive Directors (including the independent non-executive Directors) on the Group's affairs, the current practice is sufficient enough for the members of the Board to discharge their duties. The Board will continue to review this practice and shall make necessary changes when appropriate and report to the shareholders accordingly.

Appreciation

On behalf of the Board, I would like to express our sincere thanks to our shareholders and investors for their continuous support and confidence in us. I would like to thank our employees for their hard work and valuable contributions which are the core elements of the Company's success.

By Order of the Board

Kingsoft Corporation Limited

Jun Lei

Chairman

Hong Kong, 18 August 2015

INDEPENDENT REVIEW REPORT ON INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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To the board of directors of Kingsoft Corporation Limited

(Continued into the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 24 to 93, which comprises the condensed consolidated statement of financial position of Kingsoft Corporation Limited and its subsidiaries as at 30 June 2015 and the related condensed consolidated statements of profit or loss and comprehensive income for the three-month and six-month then ended, condensed consolidated statements of changes in equity and cash flows for the six-month then ended and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board.

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Certified Public Accountants
Hong Kong

18 August 2015

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three and six months ended 30 June 2015

	NOTES	FOR THE THREE MONTHS ENDED 30 JUNE		FOR THE SIX MONTHS ENDED 30 JUNE	
		2015 RMB'000 (UNAUDITED)	2014 RMB'000 (UNAUDITED)	2015 RMB'000 (UNAUDITED)	2014 RMB'000 (UNAUDITED)
Revenue	4	1,282,240	750,506	2,391,600	1,426,131
Cost of revenue		(306,892)	(116,285)	(530,616)	(222,898)
Gross profit		975,348	634,221	1,860,984	1,203,233
Research and development costs, net of government grants		(325,211)	(222,742)	(619,533)	(419,079)
Selling and distribution expenses		(396,267)	(166,278)	(686,239)	(323,615)
Administrative expenses		(116,526)	(66,868)	(217,687)	(133,185)
Share-based compensation costs	21	(60,096)	(57,118)	(117,979)	(77,755)
Other income	4	34,391	1,101	39,221	3,001
Other expenses		(11,998)	1,539	(21,128)	1,322
Other gains/(losses), net	5	12,671	(112)	(4,753)	116,628
Finance income		45,715	61,449	98,091	107,290
Finance costs		(18,396)	(22,378)	(38,658)	(34,063)
Share of losses:					
Joint ventures	12	(8,297)	(953)	(14,269)	(953)
Associates	13	(4,281)	(630)	(6,947)	(3,769)
PROFIT BEFORE TAX	6	127,053	161,231	271,103	439,055
Income tax expense	7	(33,668)	(36,030)	(61,287)	(59,368)
PROFIT FOR THE PERIOD		93,385	125,201	209,816	379,687
Attributable to:					
Owners of the parent		93,972	118,121	208,508	364,358
Non-controlling interests		(587)	7,080	1,308	15,329
		93,385	125,201	209,816	379,687
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8				
Basic		0.07	0.10	0.17	0.31
Diluted		0.06	0.10	0.16	0.30

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and six months ended 30 June 2015

	FOR THE THREE MONTHS ENDED 30 JUNE		FOR THE SIX MONTHS ENDED 30 JUNE	
	2015 RMB'000 (UNAUDITED)	2014 RMB'000 (UNAUDITED)	2015 RMB'000 (UNAUDITED)	2014 RMB'000 (UNAUDITED)
PROFIT FOR THE PERIOD	93,385	125,201	209,816	379,687
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Available-for-sale investments:				
Change in fair value, net of tax	448,965	121,732	353,451	122,701
Reclassification adjustments for gains or losses included in the consolidated statement of profit or loss — impairment losses	—	—	25,891	—
Exchange differences on translation of foreign operations	(12,203)	6,174	(2,144)	16,677
Share of other comprehensive income of associates	3,404	(293)	3,404	(293)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	440,166	127,613	380,602	139,085
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	533,551	252,814	590,418	518,772
Attributable to:				
Owners of the parent	528,386	253,019	583,289	504,528
Non-controlling interests	5,165	(205)	7,129	14,244
	533,551	252,814	590,418	518,772

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2015

	NOTES	30 JUNE 2015 RMB'000 (UNAUDITED)	31 DECEMBER 2014 RMB'000 (AUDITED)
NON-CURRENT ASSETS			
Property, plant and equipment	9	731,093	583,637
Prepaid land lease payments	10	278,896	281,066
Goodwill	25	579,993	267,288
Other intangible assets	11	279,805	197,425
Investments in joint ventures	12	113,437	118,153
Investments in associates	13	197,896	30,718
Available-for-sale investments	14	2,227,865	566,672
Other financial assets	15	63,791	10,063
Loan receivables		12,072	13,555
Deferred tax assets		92,761	77,988
Long term prepayments		6,506	40,246
Other long term receivables		100,532	122,524
Total non-current assets		4,684,647	2,309,335
CURRENT ASSETS			
Inventories		12,737	6,945
Trade receivables	16	729,837	411,137
Prepayments, deposits and other receivables		622,764	397,808
Due from related parties	27	115,203	117,411
Available-for-sale investments	14	56,616	56,913
Other financial assets	15	5,832	78,378
Restricted cash	17	122,192	—
Pledged deposits	17	70,158	19,978
Cash and bank deposits	17	7,706,733	6,983,699
Total current assets		9,442,072	8,072,269
CURRENT LIABILITIES			
Trade payables	18	169,766	80,344
Interest-bearing bank loans	19	94,632	15,778
Other payables and accruals		1,214,425	931,437
Deferred revenue		350,402	310,983
Income tax payable		98,883	56,806
Total current liabilities		1,928,108	1,395,348
NET CURRENT ASSETS		7,513,964	6,676,921
TOTAL ASSETS LESS CURRENT LIABILITIES		12,198,611	8,986,256
NON-CURRENT LIABILITIES			
Other liabilities		70,262	22,272
Deferred revenue		15,018	13,535
Deferred tax liabilities		77,429	41,583
Interest-bearing bank loans	19	10,257	—
Liability component of convertible bonds	22	2,540,387	2,792,322
Total non-current liabilities		2,713,353	2,869,712
NET ASSETS		9,485,258	6,116,544

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2015

	NOTES	30 JUNE 2015 RMB'000 (UNAUDITED)	31 DECEMBER 2014 RMB'000 (AUDITED)
EQUITY			
Equity attributable to owners of the parent			
Issued capital	20	5,089	4,730
Share premium account	20	2,467,586	99,769
Treasury shares	20	(35,236)	(83,964)
Statutory reserves		185,513	185,513
Share-based compensation reserve		265,497	231,360
Other capital reserve	23	1,326,692	1,192,967
Available-for-sale investment revaluation reserve		161,154	(211,898)
Equity component of convertible bonds	22	72,388	74,505
Foreign currency translation reserve		(96,472)	(94,797)
Retained earnings		3,252,260	3,043,752
Proposed final dividend	24	—	119,438
		7,604,471	4,561,375
Non-controlling interests			
		1,880,787	1,555,169
Total equity		9,485,258	6,116,544

HongJiang ZHANG
Director

Yuk Keung NG
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	ATTRIBUTABLE TO OWNERS OF THE PARENT																									
	ISSUED CAPITAL	SHARE PREMIUM ACCOUNT	TREASURY SHARES	STATUTORY RESERVES	SHARE-BASED COMPENSATION RESERVE	OTHER CAPITAL RESERVE	AVAILABLE-FOR-SALE REVALUATION RESERVE	EQUITY COMPONENT OF CONVERTIBLE BONDS	FOREIGN CURRENCY TRANSLATION RESERVE	RETAINED EARNINGS	PROPOSED FINAL DIVIDENDS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY												
															RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
															(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
AT 1 JANUARY 2015	4,730	99,769	(83,964)	185,513	231,360	1,192,967	(211,898)	74,505	(94,797)	3,043,752	119,438	4,561,375	1,555,169	6,116,544												
Profit for the period	—	—	—	—	—	—	—	—	—	208,508	—	208,508	1,308	209,816												
Other comprehensive income/(loss) for the period:																										
Change in fair value of available-for-sale investments, net of tax	—	—	—	—	—	—	373,052	—	—	—	—	373,052	6,290	379,342												
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	(1,675)	—	—	(1,675)	(469)	(2,144)												
Share of other comprehensive income of associates	—	—	—	—	—	3,404	—	—	—	—	—	3,404	—	3,404												
Total comprehensive income for the period	—	—	—	—	—	3,404	373,052	—	(1,675)	208,508	—	583,289	7,129	590,418												
Approved and paid final dividend in respect of the previous year (note 24)	—	(2,083)	—	—	—	—	—	—	—	(119,438)	—	(121,521)	—	(121,521)												
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	(18,860)	(18,860)												
Issue of new shares (note 20)	308	2,145,716	—	—	—	—	—	—	—	—	—	2,146,024	—	2,146,024												
Acquisition of a subsidiary (note 25)	—	—	—	—	—	—	—	—	—	—	—	—	62,223	62,223												
Share-based compensation costs	—	—	—	—	82,512	—	—	—	—	—	—	—	82,512	35,649												
Exercise of share options	2	1,525	—	—	(10,079)	12,760	—	—	—	—	—	—	4,208	4,208												
Vested awarded shares transferred to employees	—	—	3,565	—	(38,296)	34,731	—	—	—	—	—	—	—	—												
Conversion of convertible bonds	62	267,809	—	—	—	—	—	(2,117)	—	—	—	—	265,754	265,754												
Share repurchased for cancellation	(13)	(45,150)	45,163	—	—	—	—	—	—	—	—	—	—	—												
Changes in the ownership of interest in subsidiaries	—	—	—	—	—	82,830	—	—	—	—	—	—	82,830	239,477												
At 30 June 2015	5,089	2,467,586	(35,236)	185,513	265,497	1,326,692	161,154	72,388	(96,472)	3,252,260	—	7,604,471	1,880,787	9,485,258												

	ATTRIBUTABLE TO OWNERS OF THE PARENT																											
	ISSUED CAPITAL	SHARE PREMIUM ACCOUNT	TREASURY SHARES	STATUTORY RESERVES	SHARE-BASED COMPENSATION RESERVE	OTHER CAPITAL RESERVE	AVAILABLE-FOR-SALE REVALUATION RESERVE	EQUITY COMPONENT OF CONVERTIBLE BONDS	EQUITY COMPONENT OF PREFERRED SHARES	FOREIGN CURRENCY TRANSLATION RESERVE	RETAINED EARNINGS	PROPOSED FINAL DIVIDENDS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY													
																RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
																(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
AT 1 JANUARY 2014	4,718	259,665	(53,890)	173,228	166,756	500,055	12,596	8,500	10,015	(89,277)	2,278,468	109,387	3,380,221	450,470	3,830,691													
Profit for the period	—	—	—	—	—	—	—	—	—	—	364,358	—	364,358	15,329	379,687													
Other comprehensive income/(loss) for the period:																												
Change in fair value of available-for-sale investments, net of tax	—	—	—	—	—	—	129,544	—	—	—	—	—	129,544	(6,843)	122,701													
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	10,919	—	—	—	10,919	5,758	16,677													
Share of other comprehensive income of associates	—	—	—	—	—	—	—	—	(293)	—	—	—	(293)	—	(293)													
Total comprehensive income for the period	—	—	—	—	—	—	129,544	—	10,626	364,358	—	504,528	14,244	518,772														
Approved and paid final dividend in respect of the previous year	—	(1,336)	—	—	—	—	—	—	—	—	(109,387)	—	(110,723)	—	(110,723)													
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	—	(36,937)	(36,937)													
Distribution in specie	—	(50,966)	—	—	—	—	—	—	—	—	—	—	(50,966)	—	(50,966)													
Share-based compensation costs	—	—	—	—	44,612	—	—	—	—	—	—	—	44,612	33,616	78,228													
Exercise of share options	9	13,060	—	—	(3,285)	—	—	—	—	—	—	—	9,784	—	9,784													
Vested awarded shares transferred to employees	—	—	13,386	—	(13,386)	—	—	—	—	—	—	—	—	—	—													
Issue of convertible bonds	—	—	—	—	—	—	—	66,005	—	—	—	—	66,005	—	66,005													
Capital contributions from non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	—	37,197	37,197													
Business combination between subsidiaries under common control	—	—	—	—	—	—	—	—	—	10,536	—	—	10,536	(10,536)	—													
Changes in the ownership interests in subsidiaries	—	—	—	—	—	718,546	—	—	—	—	—	—	718,546	721,000	1,439,546													
At 30 June 2014	4,727	220,423	(40,504)	173,228	194,697	1,218,601	142,140	74,505	10,015	(78,651)	2,653,362	—	4,572,543	1,209,054	5,781,597													

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

		For the six months ended 30 June	
	Notes	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		271,103	439,055
Adjustments for:			
Loss on disposal of items of other intangible assets	6	5,699	—
Depreciation of property, plant and equipment	6	80,476	37,303
Amortisation of prepaid land lease payments	6	2,170	1,024
Amortisation of other intangible assets	6	67,355	24,746
Impairment of other intangible assets	6	10,534	—
Finance costs	6	38,658	34,063
Interest income		(98,091)	(107,290)
Fair value loss on financial instruments at fair value through profit or loss	5	557	217
Gain on disposal of investment in a joint venture classified as held for sale	12	—	(116,845)
Share-based compensation costs		117,979	77,755
Provision/(reversal) of impairment of trade and other receivables	6	2,091	(1,322)
Share of losses of joint ventures	12	14,269	953
Share of losses of associates	13	6,947	3,769
Foreign exchange differences, net		(10,591)	—
Impairment loss of available-for-sale investments	5	27,534	—
Loss on disposal of a financial asset	5	6,323	—
Gain on previously held equity interest remeasured at acquisition-date fair value	5	(15,030)	—
Gain on partial disposal of an associate	5	(13,000)	—
Gain on deemed disposal of an associate	5	(13,798)	—
Interest income from an available-for-sale investment	5	(700)	—
Impairment loss of goodwill	5	12,867	—
		513,352	393,428
Increase in trade receivables		(288,978)	(52,311)
Increase in prepayments, deposits and other receivables		(15,476)	(69,971)
Decrease/(increase) in loan receivables		1,787	(671)
(Increase)/decrease in inventories		(5,792)	212
Increase in other long term receivable		(2,967)	—
Increase in trade payables		48,408	25,671
Increase in deferred revenue		45,745	38,615
Increase/(decrease) in other payables and accruals		62,500	(2,261)
		(154,773)	(60,716)
Interest received		32,353	39,733
Income tax paid		(28,672)	(47,555)
Net cash flows from operating activities		362,260	324,890

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2015

	Notes	For the six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		21,337	53,857
Proceeds from disposal of items of property, plant and equipment		—	291
Purchases of items of property, plant and equipment		(267,402)	(53,827)
Purchases of other intangible assets		(38,314)	(19,257)
Addition of prepaid land lease payments		—	(117,000)
Decrease/(increase) in time deposits with original maturity of over three months when acquired		452,621	(2,269,443)
Acquisition of business		—	(4,922)
Acquisition of subsidiaries, net of cash acquired	25	(88,246)	(22,700)
Settlement of contingent considerations		(6,886)	—
Investment in joint ventures		(78,011)	(25,000)
Investments in associates		(62,314)	(2,910)
Purchase of available-for-sale investments		(1,305,011)	(587,752)
Purchase of other financial assets		(53,303)	—
Disposal of a financial asset, net of interest received		65,726	—
Proceeds from disposal of a joint venture investment reclassified as held for sale		25,544	—
Increase in restricted cash for an acquisition		(122,192)	—
Interest income from an available-for-sale investment	5	700	—
Proceeds from partial disposal of an associate		5,200	—
Repayment of loans from third parties		5,000	—
Loan to a third party		(3,000)	—
Repayment of loans from related parties		4,000	26,238
Net cash flows used in investing activities		(1,444,551)	(3,022,425)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2015

	Notes	For the six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of new shares		2,146,024	—
Proceeds from issuance of convertible bonds		—	1,806,333
Proceeds from initial public offering and private placement of Cheetah Mobile Inc. ("Cheetah Mobile")		—	1,369,391
Investment from non-controlling interests		242,270	123,311
Proceeds from exercise of share options		4,208	9,795
Repurchase of shares of an subsidiary from non-controlling interests		(11,205)	—
Dividends paid to owners of the parent		(121,521)	(158,177)
Dividends paid to non-controlling interests		(11,606)	(36,937)
New bank loans		78,854	—
Interest paid		(26,612)	(16,816)
Net cash flows from financing activities		2,300,412	3,096,900
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,218,121	399,365
Cash and cash equivalents at beginning of the period		3,193,934	2,677,248
Effect of foreign exchange rate changes, net		7,715	28,347
CASH AND CASH EQUIVALENTS AT END OF PERIOD		4,419,770	3,104,960
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	17	1,099,277	955,390
Deposits with original maturity of three months or less when acquired	17	3,320,493	2,149,570
CASH AND CASH EQUIVALENTS		4,419,770	3,104,960

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Kingsoft Corporation Limited (the “Company”) was incorporated under the Companies Act of the British Virgin Islands on 20 March 1998. On 15 November 2005, the Company was redomiciled to the Cayman Islands under the Company Law (2004 revision) of the Cayman Islands. The registered office of the Company is located at Clifton House, 75 Fort Street, George Town, Grand Cayman, Cayman Islands. The Company’s shares have been listed on the Stock Exchange of Hong Kong Limited since 9 October 2007.

The Company and its subsidiaries (together, “the Group”) were principally involved in the following principal activities:

- research and development of games, and provision of online games, mobile games and casual game services;
- research, development and operation of information security software, internet browser, mission critical mobile application, and provision of online marketing services and internet value-added services across devices; and
- research, development and distribution of office application software, provision of cloud storage, cloud computation and dictionary services across devices, and provision of online marketing services.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1. Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2014.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2015, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 New standards, interpretations and amendments adopted by the Group (continued)

Annual Improvements 2010–2012 Cycle

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

The above definitions are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods, and thus these amendments do not impact the Group's accounting policies.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This is consistent with the Group's current accounting policy, and thus this amendment does not impact the Group's accounting policy.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Group has not applied the aggregation criteria in IFRS 8.12. The Group did not present the reconciliation of segment assets to total assets in previous periods and continues not to disclose the same in these financial statements as the reconciliation is not reported to the chief operating decision maker.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 New standards, interpretations and amendments adopted by the Group (continued)

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. The Group did not record any revaluation adjustments during the current interim period.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

Annual Improvements 2011–2013 Cycle

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

Kingsoft Corporation Limited is not a joint arrangement, and thus this amendment is not relevant for the Group and its subsidiaries.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Group does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment does not impact the accounting policy of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) the entertainment software segment engages in research and development of games, and provision of online games, mobile games and casual game services;
- (b) the information security and internet services segment engages in the research, development and operation of information security software, internet browser, mission critical mobile applications, and the provision of online marketing services and internet value-added services across devices; and
- (c) the office software and others segment engages in the research, development and distribution of office application software, the provision of cloud storage, cloud computation and dictionary services across devices, and the provision of online marketing services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that finance income, finance costs, administrative expenses, share-based compensation costs, share of profits or losses of joint ventures and associates, other expenses, other income, and net other gains/(losses) are excluded from such measurement.

	ENTERTAINMENT SOFTWARE RMB'000 (UNAUDITED)	INFORMATION SECURITY AND INTERNET SERVICES RMB'000 (UNAUDITED)	OFFICE SOFTWARE AND OTHERS RMB'000 (UNAUDITED)	TOTAL RMB'000 (UNAUDITED)
<i>For the six months ended 30 June 2015</i>				
SEGMENT REVENUE:				
Sales to external customers	622,957	1,490,363	278,280	2,391,600
Sales to intersegments	4,727	2,148	35,656	42,531
Segment results	245,851	342,857	(33,496)	555,212
<i>Reconciliation:</i>				
Administrative expenses				(217,687)
Share-based compensation costs				(117,979)
Other income				39,221
Other expenses				(21,128)
Other losses, net				(4,753)
Finance income				98,091
Finance costs				(38,658)
Share of losses of:				
Joint ventures				(14,269)
Associates				(6,947)
Profit before tax				271,103

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SEGMENT INFORMATION (continued)

	ENTERTAINMENT SOFTWARE RMB'000 (Unaudited)	INFORMATION SECURITY AND INTERNET SERVICES RMB'000 (Unaudited)	OFFICE SOFTWARE AND OTHERS RMB'000 (Unaudited)	TOTAL RMB'000 (Unaudited)
<i>For the six months ended 30 June 2014</i>				
SEGMENT REVENUE:				
Sales to external customers	602,448	646,442	177,241	1,426,131
Sales to inter-segments	12,051	2,611	33,602	48,264
Segment results	300,802	155,447	4,290	460,539
<i>Reconciliation:</i>				
Administrative expenses				(133,185)
Share-based compensation costs				(77,755)
Other income				3,001
Other expenses				1,322
Other gains, net				116,628
Finance income				107,290
Finance costs				(34,063)
Share of losses of:				
Joint ventures				(953)
Associates				(3,769)
Profit before tax				439,055

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers:

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2015 RMB'000 (UNAUDITED)	2014 RMB'000 (UNAUDITED)
Mainland China	1,620,521	1,318,730
Hong Kong	647,868	45,908
Japan	62,644	51,178
Other countries	60,567	10,315
Total	2,391,600	1,426,131

The revenue information above is based on the locations of the Group's operations.

(b) Non-current assets:

	30 JUNE 2015 RMB'000 (UNAUDITED)	31 DECEMBER 2014 RMB'000 (AUDITED)
	China	2,025,316
Japan	10,112	7,551
Other countries	152,198	149,038
Total	2,187,626	1,518,533

The non-current asset information above is based on the locations of the assets and excludes available-for-sale investments, other financial assets, loan receivables, other long term receivables and deferred tax assets.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; the value of services rendered; and the royalties derived from licensing agreements during the period.

An analysis of the Group's revenue and other income is as follows:

	FOR THE THREE MONTHS ENDED 30 JUNE		FOR THE SIX MONTHS ENDED 30 JUNE	
	2015 RMB'000 (UNAUDITED)	2014 RMB'000 (UNAUDITED)	2015 RMB'000 (UNAUDITED)	2014 RMB'000 (UNAUDITED)
<i>Revenue</i>				
Software and related services	105,368	95,322	272,231	188,156
Online marketing services	770,327	274,723	1,261,727	493,372
Online game services	329,194	303,798	674,308	592,279
Internet value-added services	59,441	58,314	117,685	114,161
Royalties	11,063	15,590	24,757	33,255
Others	6,847	2,759	40,892	4,908
	1,282,240	750,506	2,391,600	1,426,131
<i>Other income</i>				
Government grants	24,894	674	25,376	1,430
Others	9,497	427	13,845	1,571
	34,391	1,101	39,221	3,001

5. OTHER GAINS/(LOSSES), NET

	NOTES	FOR THE THREE MONTHS ENDED 30 JUNE		FOR THE SIX MONTHS ENDED 30 JUNE	
		2015 RMB'000 (UNAUDITED)	2014 RMB'000 (UNAUDITED)	2015 RMB'000 (UNAUDITED)	2014 RMB'000 (UNAUDITED)
Gain on previously held equity interest remeasured at acquisition-date fair value	25	15,030	—	15,030	—
Gain on partial disposal of an associate	13	—	—	13,000	—
Gain on deemed disposal of an associate		13,798	—	13,798	—
Loss on disposal of a financial asset	15	(6,323)	—	(6,323)	—
Gain on disposal of an investment in a joint venture classified as held for sale	12	—	—	—	116,845
Interest income from an available-for-sale investment		700	—	700	—
Impairment loss of available-for-sale investments	14	—	—	(27,534)	—
Impairment loss of goodwill	25	(12,867)	—	(12,867)	—
Fair value gains/(losses) on financial instruments at fair value through profit or loss		2,333	(112)	(557)	(217)
		12,671	(112)	(4,753)	116,628

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	FOR THE THREE MONTHS ENDED 30 JUNE		FOR THE SIX MONTHS ENDED 30 JUNE	
	2015 RMB'000 (UNAUDITED)	2014 RMB'000 (UNAUDITED)	2015 RMB'000 (UNAUDITED)	2014 RMB'000 (UNAUDITED)
Employee benefit expense	441,574	300,140	854,004	545,519
Depreciation of property, plant and equipment	44,562	18,358	80,476	37,303
Amortisation of prepaid land lease payments	1,085	788	2,170	1,024
Amortisation of other intangible assets	39,819	15,003	67,355	24,746
Interest on bank loans, convertible bonds and preferred shares	18,396	22,378	38,658	34,063
Provision/(reversal) of impairment of trade and other receivables*	3,251	(1,561)	2,091	(1,322)
Impairment of available-for-sale investments	—	—	27,534	—
Impairment of goodwill	12,867	—	12,867	—
Impairment of other intangible assets	3,666	—	10,534	—
Loss on disposal of items of other intangible assets	—	—	5,699	—

* These are included in "other expenses" of the consolidated statement of profit or loss.

7. INCOME TAX EXPENSE

The major components of income tax expense are:

	FOR THE THREE MONTHS ENDED 30 JUNE		FOR THE SIX MONTHS ENDED 30 JUNE	
	2015 RMB'000 (UNAUDITED)	2014 RMB'000 (UNAUDITED)	2015 RMB'000 (UNAUDITED)	2014 RMB'000 (UNAUDITED)
Current income tax	39,023	30,559	70,122	49,530
Deferred income tax	(5,355)	5,471	(8,835)	9,838
Income tax expense	33,668	36,030	61,287	59,368

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. INCOME TAX EXPENSE (continued)

The People's Republic of China (the "PRC") corporate income tax represents the tax charged on the estimated assessable profits arising in the Mainland China. In general, the PRC subsidiaries of the Group are subject to the PRC corporate income tax rate of 25% except for certain PRC subsidiaries which are entitled to tax holiday and preferential tax rates.

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2014: 16.5%) on estimated assessable profits arising in Hong Kong for the six months ended 30 June 2015.

In accordance with Japanese tax laws, the income tax rate applicable to the Group's subsidiary in Japan was 35.64% for the six months ended 30 June 2015 (six months ended 30 June 2014: 38%).

The Group's subsidiary in Malaysia was granted the Multimedia Super Corridor Malaysia Status ("MSC Malaysia Status"). Therefore the online games related activities of the subsidiary were exempted from corporate income tax for the period from April 2010 to December 2014. The subsidiary in Malaysia is in process of the renewing the MSC Malaysia Status as at 30 June 2015.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,255,294,457 (six months ended 30 June 2014: 1,163,375,769) in issue during the period.

The calculation of diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the impact on earnings arising from the convertible bonds, and the share option schemes and the award share schemes adopted by the Group's subsidiaries. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	FOR THE THREE MONTHS ENDED 30 JUNE		FOR THE SIX MONTHS ENDED 30 JUNE	
	2015 RMB'000 (UNAUDITED)	2014 RMB'000 (UNAUDITED)	2015 RMB'000 (UNAUDITED)	2014 RMB'000 (UNAUDITED)
<i>Earnings</i>				
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	93,972	118,121	208,508	364,358
(Decrease)/increase in earnings adjusted for the convertible bonds, the share option schemes and the award share schemes adopted by the Group's subsidiaries	(1,324)	(344)	(1,608)	18,278
	92,648	117,777	206,900	382,636

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

	NUMBER OF SHARES			
	FOR THE THREE MONTHS ENDED 30 JUNE		FOR THE SIX MONTHS ENDED 30 JUNE	
	2015 (UNAUDITED)	2014 (UNAUDITED)	2015 (UNAUDITED)	2014 (UNAUDITED)
<i>Shares</i>				
Weighted average number of ordinary shares in issue less shares held for the award share scheme during the period, used in the basic earnings per share calculation	1,341,428,250	1,164,197,448	1,255,294,457	1,163,375,769
Effect of dilution — weighted average number of ordinary shares:				
Share options	4,848,681	14,302,048	9,965,602	14,602,185
Awarded shares	3,123,152	8,513,373	6,475,756	9,440,617
Convertible bonds	—	—	—	80,064,713
	1,349,400,083	1,187,012,869	1,271,735,815	1,267,483,284

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. PROPERTY, PLANT AND EQUIPMENT

	BUILDINGS RMB'000	ELECTRONIC EQUIPMENT RMB'000	OFFICE EQUIPMENT AND FIXTURES RMB'000	MOTOR VEHICLES RMB'000	LEASEHOLD IMPROVEMENTS RMB'000	CONSTRUCTION IN PROGRESS RMB'000	TOTAL RMB'000
30 June 2015 (Unaudited)							
At 1 January 2015:							
Cost	256,539	502,680	129,109	4,901	20,433	59,341	973,003
Accumulated depreciation	(23,705)	(232,614)	(117,565)	(2,473)	(13,009)	—	(389,366)
Net carrying amount	232,834	270,066	11,544	2,428	7,424	59,341	583,637
At 1 January 2015, net of accumulated depreciation	232,834	270,066	11,544	2,428	7,424	59,341	583,637
Additions	—	209,256	3,686	—	1,377	10,183	224,502
Acquisition from business combination (note 25)	—	3,477	—	—	—	—	3,477
Depreciation provided during the period	(2,341)	(72,872)	(1,793)	(378)	(3,092)	—	(80,476)
Exchange realignment	—	(12)	—	—	(35)	—	(47)
At 30 June 2015, net of accumulated depreciation	230,493	409,915	13,437	2,050	5,674	69,524	731,093
At 30 June 2015:							
Cost	256,539	714,664	132,770	4,901	21,691	69,524	1,200,089
Accumulated depreciation	(26,046)	(304,749)	(119,333)	(2,851)	(16,017)	—	(468,996)
Net carrying amount	230,493	409,915	13,437	2,050	5,674	69,524	731,093
31 December 2014 (Audited)							
At 1 January 2014:							
Cost	256,539	252,824	123,512	4,320	15,751	40,229	693,175
Accumulated depreciation	(19,254)	(170,784)	(108,383)	(1,783)	(7,904)	—	(308,108)
Net carrying amount	237,285	82,040	15,129	2,537	7,847	40,229	385,067
At 1 January 2014, net of accumulated depreciation	237,285	82,040	15,129	2,537	7,847	40,229	385,067
Additions	—	265,936	6,364	581	4,885	19,112	296,878
Acquisition from business combination (note 25)	—	949	—	—	—	—	949
Government grants received	—	(11,091)	—	—	—	—	(11,091)
Disposals	—	(1,356)	(250)	—	—	—	(1,606)
Depreciation provided during the year	(4,451)	(67,613)	(9,699)	(690)	(5,051)	—	(87,504)
Exchange realignment	—	1,201	—	—	(257)	—	944
At 30 June 2014, net of accumulated depreciation	232,834	270,066	11,544	2,428	7,424	59,341	583,637
At 31 December 2014:							
Cost	256,539	502,680	129,109	4,901	20,433	59,341	973,003
Accumulated depreciation	(23,705)	(232,614)	(117,565)	(2,473)	(13,009)	—	(389,366)
Net carrying amount	232,834	270,066	11,544	2,428	7,424	59,341	583,637

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. PREPAID LAND LEASE PAYMENTS

	30 JUNE 2015 RMB'000 (UNAUDITED)	31 DECEMBER 2014 RMB'000 (AUDITED)
Carrying amount at 1 January	281,066	42,260
Additions	—	242,000
Amortisation during the period/year	(2,170)	(3,194)
Carrying amount at 30 June/31 December	278,896	281,066
At 30 June/31 December:		
Cost	288,206	288,206
Accumulated amortisation	(9,310)	(7,140)
Net carrying amount	278,896	281,066

The Group's leasehold lands are situated in Mainland China and are held under the following lease terms:

	30 JUNE 2015 RMB'000 (UNAUDITED)	31 DECEMBER 2014 RMB'000 (AUDITED)
Long term leases	245,200	246,786
Medium term leases	33,696	34,280
	278,896	281,066

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. OTHER INTANGIBLE ASSETS

	PURCHASED SOFTWARE RMB'000	LICENSE RIGHTS FOR GAMES RMB'000	CAPITALISED SOFTWARE COSTS RMB'000	USER BASE RMB'000	OTHERS RMB'000	TOTAL RMB'000
30 June 2015 (Unaudited)						
At 1 January 2015:						
Cost	137,713	67,668	27,229	93,534	16,737	342,881
Accumulated amortisation and impairment	(68,570)	(23,467)	(23,082)	(27,733)	(2,604)	(145,456)
Net carrying amount	69,143	44,201	4,147	65,801	14,133	197,425
Cost at 1 January 2015, net of accumulated amortisation and impairment	69,143	44,201	4,147	65,801	14,133	197,425
Additions	50,055	13,902	—	—	—	63,957
Acquisition from business combination (note 25)	93,293	—	—	6,696	—	99,989
Amortisation provided during the period	(32,860)	(12,771)	(4,147)	(16,774)	(803)	(67,355)
Disposals	(1,546)	(4,153)	—	—	—	(5,699)
Impairment during the period	—	(10,534)	—	—	—	(10,534)
Exchange realignment	2,130	4	—	(40)	(72)	2,022
At 30 June 2015, net of accumulated amortisation and impairment	180,215	30,649	—	55,683	13,258	279,805
At 30 June 2015:						
Cost	280,926	77,421	27,229	100,121	16,737	502,434
Accumulated amortisation and impairment	(100,711)	(46,772)	(27,229)	(44,438)	(3,479)	(222,629)
Net carrying amount	180,215	30,649	—	55,683	13,258	279,805

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. OTHER INTANGIBLE ASSETS (continued)

	PURCHASED SOFTWARE RMB'000	LICENSE RIGHTS FOR GAMES RMB'000	CAPITALISED SOFTWARE COSTS RMB'000	USER BASE RMB'000	OTHERS RMB'000	TOTAL RMB'000
31 December 2014 (Audited)						
At 1 January 2014:						
Cost	49,620	—	27,229	13,537	3,921	94,307
Accumulated amortisation and impairment	(17,473)	—	(9,468)	(6,476)	(786)	(34,203)
Net carrying amount	32,147	—	17,761	7,061	3,135	60,104
Cost at 1 January 2014, net of accumulated amortisation and impairment	32,147	—	17,761	7,061	3,135	60,104
Additions	12,190	67,668	—	21,098	12,816	113,772
Acquisition from business combinations (note 25)	54,679	—	—	59,256	—	113,935
Amortisation provided during the year	(21,608)	(15,191)	(13,614)	(21,257)	(1,818)	(73,488)
Impairment during the year	(883)	(8,304)	—	—	—	(9,187)
Disposals	(5,901)	—	—	—	—	(5,901)
Exchange realignment	(1,481)	28	—	(357)	—	(1,810)
At 31 December 2014, net of accumulated amortisation and impairment	69,143	44,201	4,147	65,801	14,133	197,425
At 31 December 2014:						
Cost	137,713	67,668	27,229	93,534	16,737	342,881
Accumulated amortisation and impairment	(68,570)	(23,467)	(23,082)	(27,733)	(2,604)	(145,456)
Net carrying amount	69,143	44,201	4,147	65,801	14,133	197,425

12. INVESTMENTS IN JOINT VENTURES

	30 JUNE 2015 RMB'000 (UNAUDITED)	31 DECEMBER 2014 RMB'000 (AUDITED)
Share of net assets	43,788	70,963
Goodwill on acquisition	69,649	47,190
	113,437	118,153

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. INVESTMENTS IN JOINT VENTURES (continued)

Particulars of the principal joint ventures are as follows:

NAME	PLACE OF REGISTRATION/ INCORPORATION AND BUSINESS	NOMINAL VALUE OF REGISTERED CAPITAL	PERCENTAGE OF EQUITY INTEREST ATTRIBUTABLE TO THE GROUP	PRINCIPAL ACTIVITIES
Shanghai Westhouse Quwan Network Corporation Limited ("Shanghai Quwan")**/***(i)	Mainland China	RMB2,000,000	38.87	Research and development of games
Moxiu Technology (Beijing) Co., Ltd. ("Moxiu Technology")**/***(ii)	Mainland China	RMB2,020,314	—	Technology development and mobile launchers
Zhuhai Lequ Corporation Limited**/***	Mainland China	RMB3,042,327	15.24	Research and development of mobile games
Shenzhen Lvbi Age Network Corporation Limited **/***	Mainland China	RMB4,000,000	8.47	Research and development of mobile games
Beijing Shuangmi Interactive Information Technology Corporation Limited **/***	Mainland China	RMB4,000,000	22.86	Research and development of mobile games
Beijing Shuangren technology Corporation Limited **/***	Mainland China	RMB6,000,000	12.70	Research and development of mobile games
Zhuhai Jianxin Interactive Entertainment Corporation Limited */**/***	Mainland China	RMB16,667	30.48	Research and development of games
Baomi Information Technology (Shanghai) Corporation Limited */**/***	Mainland China	RMB6,000,000	9.78	Research and development of games
Beijing Qingxin Interactive Entertainment Information Technology Corporation Limited*/**/***	Mainland China	RMB6,000,000	14.66	Research and development of games
Shanghai Wenxue Network Technology Corporation Limited */**/***	Mainland China	RMB5,000,000	9.78	Research and development of games
Particle Media Inc. */**	America	NA	15.40	Research and development of games

* All these joint ventures were newly set up or acquired during the six months ended 30 June 2015.

** All the joint ventures were held by the Group through its non-wholly-owned subsidiaries.

*** The English names of these principal joint ventures which registered in Mainland China represent the best efforts by management of the Company in directly translating the Chinese names of these companies, as no English names have been registered.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. INVESTMENTS IN JOINT VENTURES (continued)

- (i) The Group has discontinued the recognition of its share of losses of a joint venture, Shanghai Quwan, because the share of losses of the joint venture exceeded the Group's interest in the joint venture and the Group has no obligation to take up further losses since 31 December 2014. The amounts of the Group's unrecognised share of losses of this joint venture for the six months ended 30 June 2015 were RMB99,000 (2014: RMB4,692,000) and cumulatively as at 30 June 2015 was RMB5,437,000 (31 December 2014: RMB5,338,000), respectively.
- (ii) On 25 May 2015, the Group through its non-wholly-owned subsidiary, Beike Internet (Beijing) Security Technology Co., Ltd. ("Beike Internet") entered into a capital contribution agreement with Moxiu Technology and the existing shareholders of Moxiu Technology, pursuant to which, Moxiu Technology increased its registered capital by RMB67,344 and Beike Internet subscribed for all such additional registered capital at a consideration of RMB25,000,000 in cash, representing a capital premium of RMB24,932,656. Before the above capital injection, Beike Internet held approximately 50.5% of equity interest of Moxiu Technology, based on the shareholders' agreement, decisions on operating and financial activities of Moxiu Technology requires 2/3 of the shareholders' approval, therefore, the Group only has joint control over Moxiu Technology and accounted it as an investment in joint venture using the equity method. Upon completion of the additional capital injection, the Group holds 52.1% of the equity interest in Moxiu Technology, based on the revised shareholders' agreement, decisions on operating and financial activities of Moxiu Technology requires 1/2 of the shareholders' approval, therefore, the Group obtained the control over Moxiu Technology, and Moxiu Technology become the subsidiary of the Group (Note 25).

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	FOR THE THREE MONTHS ENDED		FOR THE SIX MONTHS ENDED	
	30 JUNE 2015 RMB'000 (UNAUDITED)	30 JUNE 2014 RMB'000 (UNAUDITED)	30 JUNE 2015 RMB'000 (UNAUDITED)	30 JUNE 2014 RMB'000 (UNAUDITED)
Share of the joint ventures' loss for the period	(8,297)	(953)	(14,269)	(953)
Share of the joint ventures' total comprehensive loss	(8,297)	(953)	(14,269)	(953)
Aggregate carrying amount of the Group's investments in the joint ventures	113,437	24,047	113,437	24,047

As at 31 December 2013, the Company held 29.28% equity interest in Sky Profit Limited ("Sky Profit"), which was classified as an investment in a joint venture held for sale as the Group decided to dispose of the investment in the first quarter of 2014. On 25 February 2014, the Group completed the disposal of its equity interest in Sky Profit, and recognised gain on disposal of RMB117 million. According to the share purchase agreement, the consideration for the disposal is to be settled within 4 years, and the current and non-current portion of the consideration of RMB40 million and RMB83 million were recorded in other receivables and other long term receivable, respectively as at 30 June 2015 (31 December 2014: RMB36 million and RMB113 million, respectively).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. INVESTMENTS IN ASSOCIATES

	30 JUNE 2015 RMB'000 (UNAUDITED)	31 DECEMBER 2014 RMB'000 (AUDITED)
Share of net assets	167,981	29,912
Goodwill on acquisition	30,387	1,278
	198,368	31,190
Impairment	(472)	(472)
	197,896	30,718

Particulars of the principal associates are as follows:

NAME	PLACE OF REGISTRATION/ INCORPORATION AND BUSINESS	NOMINAL VALUE OF REGISTERED CAPITAL/ISSUED ORDINARY SHARE CAPITAL	PERCENTAGE OF EQUITY ATTRIBUTABLE TO THE GROUP	PRINCIPAL ACTIVITIES
Zhigu Holdings Limited	Cayman Islands	US\$1,081,250	23.08	Research and development of technology; provision of technology service
Beijing Weilaihongtu Education Technology Corporation Limited**/**	Mainland China	RMB3,077,000	15.00	On-line education
Beijing Shangyao Technology Corporation Ltd. ("Shangyao")**/**	Mainland China	RMB1,000,000	16.75	Development of online games
Wuhan Antian Internet Security Technology Co., Ltd. ("Wuhan Antian") **/**(i)	Mainland China	RMB2,000,000	19.70	Research and development of mobile security software
Beijing Kingsoft Security System Management Technology Co., Ltd. **/**	PRC	RMB12,000,000	19.70	Research and development of cloud security technology; provision of cloud technology service
Beijing Liangliangshiye Technology Co., Ltd. **/**	PRC	RMB4,800,000	4.69	Development of PC based online games
Beijing Dianqingzhiyuan Investment Center**/**	PRC	RMB45,000,000	20.53	Development of PC based online games
Quwan Limited**	Cayman	US\$50,000	17.11	Development of PC based online games

* All those associates were newly set up or acquired during the six months ended 30 June 2015.

** All the associates were held by the Group through its non-wholly-owned subsidiaries.

*** The English names of these principal joint ventures which registered in Mainland China represent the best efforts by management of the Company in directly translating the Chinese names of these companies, as no English names have been registered.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. INVESTMENTS IN ASSOCIATES (continued)

- (i) The Group has discontinued the recognition of its share of losses of Wuhan Antian, because the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses since 31 December 2014. The amounts of the Group's unrecognised share of losses of this associate for the six months ended 30 June 2015 was RMB747,200 (2014: RMB478,000) and cumulatively as at 30 June 2015 was RMB1,225,200 (31 December 2014: RMB478,000), respectively. In March 2015, the Group disposed 20% shares of Wuhan Antian at a consideration of RMB13 million and gain of RMB13 million was recorded in other gains/(losses), net in profit or loss for the six months ended 30 June 2015.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	FOR THE THREE MONTHS ENDED		FOR THE SIX MONTHS ENDED	
	30 JUNE 2015 RMB'000 (UNAUDITED)	30 JUNE 2014 RMB'000 (UNAUDITED)	30 JUNE 2015 RMB'000 (UNAUDITED)	30 JUNE 2014 RMB'000 (UNAUDITED)
Share of the associates' loss for the period	(4,281)	(630)	(6,947)	(3,769)
Share of the associates' total comprehensive loss	(877)	(923)	(3,543)	(4,062)
Aggregate carrying amount of the Group's investments in the associates	197,896	34,394	197,896	34,394

14. AVAILABLE-FOR-SALE INVESTMENTS

	NOTES	30 JUNE 2015 RMB'000 (UNAUDITED)	31 DECEMBER 2014 RMB'000 (AUDITED)
Available-for-sale investment, at fair value — current			
Listed equity investments in United States	(1)	6,616	6,913
Available-for-sale investments, at cost — current			
Unlisted equity investments		50,000	50,000
		56,616	56,913
Available-for-sale investments, at fair value — non-current			
Listed equity investments in United States	(2)	1,802,509	392,627
Available-for-sale investments, at cost — non-current			
Unlisted equity investments	(3)	425,356	174,045
		2,227,865	566,672
		2,284,481	623,585

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. AVAILABLE-FOR-SALE INVESTMENTS (continued)

During the period, the gross gain in respect of the Group's available-for-sale investments at fair value recognised in other comprehensive income amounted to RMB353,451,000 (for the six months ended 30 June 2014: RMB122,701,000). During the six months ended 30 June 2015, the impairment loss recognised in the consolidated statement of profit or loss was RMB27,534,000, including RMB25,891,000 reclassified from other comprehensive income.

- (1) On 8 November 2013, the Group acquired 445,632 American Depository Shares ("ADSs") of Sungy Mobile Limited ("Sungy") at a consideration of US\$5 million (equivalent to RMB30,485,000). Sungy was listed at NASDAQ on 22 November 2013. In July and August 2014, the Group disposed of 219,221 ADSs of Sungy with a gain of US\$320,000 (equivalent to RMB1,968,000) recognised in profit or loss. As at 31 December 2014, the trading price of Sungy declined significantly, the investment was remeasured at fair value of RMB6,913,000 with an impairment loss of US\$1,411,000 (equivalent to RMB8,664,000) recognised in profit or loss. During the first quarter of 2015, the trading price of Sungy's ADS decreased continually and further impairment of US\$274,000 (equivalent to RMB1,681,000) was recognised in profit or loss. As at 30 June 2015, the trading price of Sungy's ADS increased to US\$4.78, no further impairment was recognised in profit or loss, and changes in fair value of (compare with 31 March 2015) US\$226,000 (equivalent to RMB1,387,000) was recorded in other comprehensive income for the six months ended 30 June 2015.
- (2) On 3 April 2014, the Group entered into a share purchase agreement with Xunlei Limited ("Xunlei"), a NASDAQ listed company, to subscribe for 31,939,676 Series E Preferred Shares of Xunlei for a total consideration of US\$90 million (equivalent to RMB557,655,000). On 27 September 2014, all the Series E Preferred Shares held by the Group were converted into ordinary shares, representing 10.01% of the total issued ordinary shares of Xunlei. As at 30 June 2015, the investment in Xunlei was remeasured at fair value of RMB555,450,000, with a gain in fair value of RMB218,674,000 recognised in other comprehensive income during the six month end 30 June 2015.

On 8 July 2014, the Group entered into a subscription agreement with iDreamSky Technology Limited ("iDreamSky") to subscribe for 2,133,333 ordinary shares of iDreamSky for a total consideration of US\$8 million (equivalent to RMB49 million). As at 31 December 2014, the investment in iDreamSky was remeasured at fair value of RMB55,740,000, with a gain in fair value of RMB6,514,000 recognised in other comprehensive income. As at 31 March 2015, the fair value of the available-for-sale investment in iDreamSky was US\$3,781,000 (equivalent to RMB23,226,000), which was US\$4,219,000 (equivalent to RMB25,891,000) or 53% below the initial cost, an impairment loss of RMB25,891,000 was classified from other comprehensive income to profit or loss in the first quarter. As at 30 June 2015, the trading price of iDreamsky's ADS increased to US\$12.53, no further impairment was recognised in profit or loss, and change in fair value of (compare with 31 March 2015) RMB17,629,000 was recorded in other comprehensive income for the six months ended 30 June 2015.

On 29 November 2014, the Group entered into a share purchase agreement ("SPA") with 21Vianet and the founder parties. Pursuant to the SPA, 21Vianet agrees to issue 39,087,125 Class A Shares and 18,250,268 Class B Shares to the Group at price of US\$172,012,179 (equivalent to RMB1,058,839,000). On 15 January 2015, the shares were transferred to the Group. As at 30 June 2015, the investments in 21 Vianet was remeasured at fair value of RMB1,206,204,000, with the changes in fair value of RMB148,130,000 recognised in other comprehensive income for the six months ended 30 June 2015.

- (3) As at 30 June 2015, the unlisted equity investments with a carrying amount of RMB425,356,000 (31 December 2014: RMB174,045,000) were stated at cost less impairment. The directors are of the opinion that the fair value of these investments cannot be reliably measured. The Group has no intention to dispose of these investments in the near future.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. OTHER FINANCIAL ASSETS

		30 JUNE 2015 RMB'000 (UNAUDITED)	31 DECEMBER 2014 RMB'000 (AUDITED)
Current			
Unlisted debt investment	(1)	5,832	78,378
Non-current			
Ordinary share subscription option	(2)	10,419	10,063
Call option	(3)	53,372	—
		63,791	10,063

- (1) These unlisted debt investments were, upon initial recognition, classified as a financial asset at fair value through profit or loss. The unlisted debt investments included:
- a. A convertible note issued by Trustlook Inc. (“Trustlook”), which bears interest at 6% per annum with maturity of two years from July 2013;
 - b. In June 2015, NDP Media Corporation (“NDP”) redeemed the convertible bond from the Group at the price of US\$10,000,000 (equivalent to RMB61,146,000), compared with the carrying amount of US\$11,779,000 (equivalent to RMB72,075,000), and the Group received interest of US\$747,000 (equivalent to RMB4,580,000) from NDP. Accordingly, disposal loss of US\$1,032,000 (equivalent to RMB6,323,000) was recognised in other loss in the interim condensed consolidated statement of profit or loss.
- (2) The ordinary share subscription option (the “VNG Option”) was granted by VNG Corporation (“VNG”), an independent third party in Vietnam, to a subsidiary of the Group, whereby the subsidiary or any of its designated subsidiaries can subscribe from VNG at a predetermined exercise price for an aggregate of 1,032,917 ordinary shares of VNG, which can be exercised from time to time at its full discretion on or before 31 December 2020. Upon initial recognition, the VNG Option was classified as a financial asset at fair value through profit or loss, and the Group has no intention to dispose or exercise these options in the near future.
- (3) On 29 January 2015, a call option was granted by Wifimaster Limited (“Wifimaster”) to a subsidiary of the Group, Cheetah Technology Corporation Limited (“Cheetah Technology”), where Cheetah Technology (i) has the right to participate in the next round of financing within two years with an aggregate investment amount of no more than US\$100 million at such per share purchase price that equals to 90% of the per share purchase price paid by other investors; (ii) so long as Cheetah Technology remains the shareholder of Wifimaster, if the founders and Wifimaster agree on a financing in which pre-money valuation of Wifimaster is US\$1 billion or more but less than US\$1.2 billion, the founder and Wifimaster should take necessary measures to ensure Cheetah Technology’s equity in Wifimaster is no lower than 2.8% (on a fully-diluted and as-converted basis) without paying any substantial consideration. Upon initial recognition, the call option was reclassified as a financial asset at fair value through profit or loss, and the Group has no intention to dispose or exercise these options in the near future.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for online sales, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 JUNE 2015 RMB'000 (UNAUDITED)	31 DECEMBER 2014 RMB'000 (AUDITED)
0–30 days	562,221	338,453
31–60 days	42,076	36,366
61–90 days	18,061	11,890
91–365 days	99,256	23,668
Over one year	8,223	760
	729,837	411,137

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. CASH AND BANK DEPOSITS, PLEDGED DEPOSITS AND RESTRICTED CASH

	NOTES	30 JUNE 2015 RMB'000 (UNAUDITED)	31 DECEMBER 2014 RMB'000 (AUDITED)
Cash and bank balances	(a)	1,099,277	1,026,446
Time deposits with original maturity of three months or less when acquired	(a)	2,775,918	1,167,798
Principle protected structure deposits with original maturity of less or equal to three months when acquired		544,575	999,690
		4,419,770	3,193,934
Time deposits with original maturity of over three months when acquired	(a)	1,098,170	1,726,451
Principle protected structure deposits with original maturity of over three months when acquired		2,258,951	2,083,292
Less: Pledged time deposit for a bank loan (note 19)	(a)	(70,158)	(19,978)
Cash and bank deposits		7,706,733	6,983,699
Denominated in RMB	(b)	3,843,426	3,819,527
Denominated in US\$		3,304,597	1,444,859
Denominated in HK\$		535,453	1,697,453
Denominated in JPY		17,713	21,611
Denominated in MYR		—	15
Denominated in other currencies		5,544	234
		7,706,733	6,983,699

- (a) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and a year depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents as at 30 June 2015 and 31 December 2014 approximated to their fair values.
- (b) The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.
- (c) As at 30 June 2015, restricted cash of RMB122,192,000 was not a part of cash and cash equivalent, which are not available for the Group's use. The restricted cash represents the escrow amount and its related interest income held in an escrow account by the Company, which shall be available for the payment of the consideration payable to the seller in accordance with the terms of the share purchase agreement to acquire MobPartner S.A.S ("MobPartner").

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. TRADE PAYABLES

An aged analysis of the Group's trade payables at the end of the reporting period, based on the invoice date, is as follows:

	30 JUNE 2015 RMB'000 (UNAUDITED)	31 DECEMBER 2014 RMB'000 (AUDITED)
0–30 days	112,010	45,073
31–60 days	6,496	6,148
61–90 days	32,815	959
91–365 days	16,641	24,852
Over one year	1,804	2,292
	169,766	79,324

Trade payables are non-interest-bearing and are normally settled on two to three months terms.

19. INTEREST-BEARING BANK LOANS

	EFFECTIVE INTEREST RATE	MATURITY	PRINCIPAL AMOUNT RMB'000
30 June 2015 (Unaudited)			
Current			
Bank loan — secured	HIBOR plus 0.75%–1.25% per annum	2015	94,632
Non-Current			
Bank loan — unsecured	2.32%–2.92% per annum	2017–2022	10,257
31 December 2014 (Audited)			
Current			
Bank loan — secured	HIBOR plus 0.75% per annum	2015	15,778

The secured interest-bearing bank loan represented a drawdown of HK\$100,000,000 (equivalent to RMB78,860,000) and HK\$20,000,000 (equivalent to RMB15,772,000) (31 December 2014: HK\$20,000,000, equivalent to RMB15,778,000) from the Group's banking facilities of HK\$200,000,000. The bank loan was secured by the Group's time deposit of RMB70,158,000 (31 December 2014: RMB19,978,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. ISSUED CAPITAL, SHARE PREMIUM ACCOUNT AND SHARES HELD FOR SHARE AWARD SCHEME

The movement of the Company's issued capital is as follows:

	NUMBER OF SHARES IN ISSUE (UNAUDITED)	ISSUED SHARE CAPITAL RMB'000 (UNAUDITED)	SHARE PREMIUM ACCOUNT RMB'000 (UNAUDITED)	TREASURY SHARES RMB'000 (UNAUDITED)	TOTAL RMB'000 (UNAUDITED)
At 1 January 2015	1,164,641,188*	4,730	99,769	(83,964)	20,535
Exercise of share options	548,850	2	1,525	—	1,527
Issue of new shares (1)	100,000,000	308	2,145,716	—	2,146,024
Conversion of convertible bonds	20,145,951	62	267,809	—	267,871
Approved and paid final dividend in respect of the previous year	—	—	(2,083)	—	(2,083)
Share repurchased for cancellation (2)	—	(13)	(45,150)	45,163	—
Vested awarded shares transferred to employees	1,515,467	—	—	3,565	3,565
At 30 June 2015	1,286,851,456*	5,089	2,467,586	(35,236)	2,437,439
At 1 January 2014	1,159,444,361*	4,718	259,665	(53,890)	210,493
Exercise of share options	3,013,200	9	13,060	—	13,069
Approved and paid final dividend in respect of the previous year	—	—	(1,336)	—	(1,336)
Distribution in specie	—	—	(50,966)	—	(50,966)
Vested awarded shares transferred to employees	3,233,967	—	—	13,386	13,386
At 30 June 2014	1,165,691,528*	4,727	220,423	(40,504)	184,646

* Excluding 14,883,838 shares (31 December 2014: 20,201,305 shares) held by the Share Award Scheme Trust as at 30 June 2015.

- (1) On 4 June 2015, the Company issued 100,000,000 ordinary shares at the price of HK\$27.40 per share, with the net proceeds of RMB2,146,024,000.
- (2) The Company purchased 3,802,000 of its shares on the Hong Kong Stock Exchange in December 2014 for a total consideration of HK\$57,218,000 (equivalent to RMB45,163,000), which has been cancelled in February 2015.

Share options

Details of the Company's share option schemes and the share options issued under these schemes are included in note 21 to the financial statement.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. SHARE-BASED COMPENSATION COSTS

Share option schemes

(a) The Company's Pre-IPO Share Option Schemes

The Company adopted the pre-IPO share option schemes in September 2004 and January 2007 ("Pre-IPO Share Option Schemes") before its initial public offering. The Pre-IPO Share Option Schemes were terminated on 3 September 2007. The following table illustrates the number of and movements in the Company's share options of Pre-IPO Share Option Schemes for the six months ended 30 June 2015 and 2014.

	2015 NUMBER OF SHARES OPTIONS (UNAUDITED)	2014 NUMBER OF SHARES OPTIONS (UNAUDITED)
Outstanding at 1 January	5,365,740	7,974,600
Exercised during the period	(548,850)	(1,413,200)
Outstanding at 30 June	4,816,890	6,561,400
Exercisable at 30 June	4,816,890	6,561,400

(b) The Company's 2011 Share Option Scheme

The Company operates the 2011 share option scheme for the purpose of providing incentives and rewards to eligible participants which became effective on 9 December 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date (the "2011 Share Option Scheme"). Eligible participants of the 2011 Share Option Scheme include the Company's directors, independent non-executive directors, and other employees of the Group. The following table illustrates the number of and movements in the Company's share options of 2011 Share Option Schemes for the six months ended 30 June 2015 and 2014.

	2015 NUMBER OF SHARES OPTIONS (UNAUDITED)	2014 NUMBER OF SHARES OPTIONS (UNAUDITED)
Outstanding at 1 January	8,900,000	10,500,000
Exercised during the period	—	(1,600,000)
Forfeited during the period	(3,000,000)	—
Outstanding at 30 June	5,900,000	8,900,000
Exercisable at 30 June	4,100,000	2,000,000

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. SHARE-BASED COMPENSATION COSTS (continued)

Share option schemes (continued)

(c) Kingsoft Japan Inc. (“Kingsoft Japan”) Share Options Scheme

On 2 November 2006, the shareholders of Kingsoft Japan, a subsidiary of the Company, approved to grant share options to employees in exchange for Kingsoft Japan’s ordinary shares. The maximum number of Kingsoft Japan’s ordinary shares in respect of which options may be granted is 1,000 in aggregate. Options are conditional upon a successful initial public offering of Kingsoft Japan. Options granted will be expired in ten years. As at 31 December 2008, 550 share options were outstanding.

On 17 July 2014, all shares of Kingsoft Japan were split by 1:100 shares and outstanding options were also split by 1:100.

The outstanding number of share options granted to Kingsoft Japan at 30 June 2015 is 55,000 (30 June 2014: 550). There is no movement of outstanding share options during the six months ended 30 June 2015 and 2014 except for the share split mentioned above.

(d) Kingsoft Japan 2014 Share Option Scheme

On 2 January 2014, the shareholders of the Company approved the Kingsoft Japan 2014 Share Option Scheme for the purpose of providing incentives and rewards to eligible participants, which was approved and adopted by the shareholders of Kingsoft Japan on 28 March 2014 and revised on 16 July 2014. The maximum number of share options under Kingsoft Japan 2014 Share Option Scheme which may be issued upon exercise of all share options to be granted may not in aggregate exceed 2,837 shares (representing 2.85% of the shares in issue at the adoption date). The Kingsoft Japan 2014 Share Option Scheme shall be valid and effective for a term of ten years from 28 March 2014.

On 17 July 2014, all shares of Kingsoft Japan were split by 1: 100 shares and outstanding options were also split by 1:100.

The number of share options granted to employee on 20 September 2014 was 116,000. The outstanding number of share options granted in Kingsoft Japan at 30 June 2015 is 116,000 (30 June 2014: Nil). There is no movement of outstanding share options during the six months ended 30 June 2015 and 2014.

(e) Kingsoft Cloud Holdings Limited (“Kingsoft Cloud”) Share Option Scheme

On 27 February 2013, the shareholders of the Company and Kingsoft Cloud, a subsidiary of the Company, approved and adopted the share option scheme for the purpose of providing incentives and rewards to eligible participants, in which selected employees of Kingsoft Cloud and its subsidiaries are entitled to participate (“Kingsoft Cloud Share Option Scheme”). The maximum number of share options under Kingsoft Cloud Share Option Scheme which may be issued upon exercise of all share options to be granted may not in aggregate exceed 94,750,000 shares (representing 10% of the shares in issue). The Kingsoft Cloud Share Option Scheme will remain in force for 10 years from 27 February 2013.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. SHARE-BASED COMPENSATION COSTS (continued)

Share option schemes (continued)

(e) Kingsoft Cloud Share Option Scheme (continued)

The following table illustrates the number of and movements in the Kingsoft Cloud Share Option Scheme for the six months ended 30 June 2015 and 2014.

	2015 NUMBER OF SHARE OPTIONS (UNAUDITED)	2014 NUMBER OF SHARE OPTIONS (UNAUDITED)
Outstanding at 1 January	75,250,000	46,300,000
Granted during the period	49,950,000	32,000,000
Forfeited during the period	(4,400,000)	(3,450,000)
Outstanding at 30 June	120,800,000	74,850,000
Exercisable at 30 June	—	—

(f) Kingsoft Jingcai Online Game Holdings Limited (“JC Holdings”) Share Option Scheme

On 27 February 2013, the shareholders of the Company and JC Holdings, a subsidiary of the Company, approved and adopted the share option scheme for the purpose of providing incentives and rewards to eligible participants, in which selected employees of JC Holdings and its subsidiaries are entitled to participate (“JC Holdings Share Option Scheme”). The maximum number of share options under JC Holdings Share Option Scheme which may be issued upon exercise of all share options to be granted may not in aggregate exceed 1,000,000 shares (representing 10% of the shares in issue). The JC Holdings Share Option Scheme will remain in force for 10 years from 27 February 2013.

The JC Holdings Share Option Scheme was cancelled in September 2014.

(g) Westhouse Holdings Limited (“Westhouse Holdings”) Share Option Scheme

On 27 June 2013, the shareholders of the Company and Westhouse Holdings, a subsidiary of the Company, approved and adopted the Westhouse Holdings Share Option Scheme for the purpose of providing incentives and rewards to eligible participants, in which selected employees of Westhouse Holdings and its subsidiaries are entitled to participate (“Westhouse Holdings Share Option Scheme”). The maximum number of share options under Westhouse Holdings Share Option Scheme which may be issued upon exercise of all share options to be granted may not in aggregate exceed 80,000,000 shares (representing 10% of the shares in issue). The Westhouse Holdings Share Option Scheme shall be valid and effective for a term of ten years from 27 June 2013.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. SHARE-BASED COMPENSATION COSTS (continued)

Share option schemes (continued)

(g) Westhouse Holdings Share Option Scheme (continued)

The following table illustrates the numbers of and movements in the Westhouse Holdings Share Option Scheme during the six months ended 30 June 2015 and 2014.

	2015 NUMBER OF SHARE OPTIONS (UNAUDITED)	2014 NUMBER OF SHARES OPTIONS (UNAUDITED)
Outstanding at 1 January	7,255,000	6,625,000
Granted during the period	515,000	610,000
Forfeited during the period	—	(80,000)
Outstanding at 30 June	7,770,000	7,155,000
Exercisable at 30 June	—	—

(h) Cheetah Mobile Share Option Scheme

On 2 January 2014, the shareholders of the Company and Cheetah Mobile, a subsidiary of the Company, approved and adopted the share option scheme for the purpose of providing incentives and rewards to eligible participants, in which selected employees of Cheetah Mobile and its subsidiaries are entitled to participate ("Cheetah Mobile Share Option Scheme"). The maximum number of share options under Cheetah Mobile Share Option Scheme which may be issued upon exercise of all share options to be granted may not in aggregate exceed 64,497,718 shares (representing 6.44% of the shares in issue at the adoption date). The Cheetah Mobile Share Option Scheme shall be valid and effective for a term of ten years from 2 January 2014.

The following table illustrates the numbers of and movements in the Cheetah Mobile Share Option Scheme during the six months ended 30 June 2015 and 2014.

	2015 NUMBER OF SHARE OPTIONS (UNAUDITED)	2014 NUMBER OF SHARES OPTIONS (UNAUDITED)
Outstanding at 1 January	55,292,131	—
Granted during the period	1,995,000	53,371,131
Exercised during the period	(1,637,950)	—
Forfeited during the period	(1,789,000)	—
Outstanding at 30 June	53,860,181	53,371,131
Exercisable at 30 June	11,166,626	—

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. SHARE-BASED COMPENSATION COSTS (continued)

Share Award Schemes

(a) Share Award Scheme adopted by the Company

On 31 March 2008, the directors of the Company approved and adopted a share award scheme in which selected employees of the Group have been awarded the awarded shares through their continued employment with the Group ("Share Award Scheme"). Unless early terminated by the directors of the Company, the Share Award Scheme is valid and effective for a term of five years commencing from 31 March 2008. On 25 November 2010, the directors of the Company resolved to extend the termination date of the Share Award Scheme from 30 March 2013 to 30 March 2017. The directors will not grant any awarded shares which would result in the total number of shares, (but not counting any which have lapsed or have been forfeited), representing in aggregate over 10% of the issued capital of the Company as at the date of such grant.

No shares of the Company were acquired by the trust of the Share Award Scheme during the six months ended 30 June 2015 and 2014.

The following table illustrates the number of and movements in the Share Award Scheme during the six months ended 30 June 2015 and 2014.

	2015 NUMBER OF AWARDED SHARES (UNAUDITED)	2014 NUMBER OF AWARDED SHARES (UNAUDITED)
Outstanding at 1 January	11,597,068	13,102,935
Awarded during the period	285,000	415,000
Forfeited during the period	(3,521,000)	(576,400)
Vested and transferred during the period	(1,515,467)	(3,225,967)
Outstanding at 30 June	6,845,601	9,715,568
Exercisable at 30 June	31,000	31,000

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. SHARE-BASED COMPENSATION COSTS (continued)

Share Award Schemes (continued)

(b) Share Award Scheme adopted by Cheetah Mobile

On 26 May 2011, the directors of Cheetah Mobile, a subsidiary of the Company, approved and adopted the share award scheme, in which selected employees of Cheetah Mobile and its subsidiaries have been awarded the awarded shares through their continued employment with the Group ("Cheetah Mobile Share Award Scheme"). Unless early terminated by the directors of Cheetah Mobile, the 2011 Cheetah Mobile Share Award Scheme shall be valid and effective for a term of ten years from 26 May 2011. The directors of Cheetah Mobile will not grant any award of shares which would result in the total number of shares (but not counting any which have lapsed or have been forfeited) being greater than 100,000,000 shares, as at the date of such grant.

The following table illustrates the number of and movements in the Cheetah Mobile Share Award Scheme during the six months ended 30 June 2015 and 2014.

	2015 NUMBER OF AWARDED SHARES (UNAUDITED)	2014 NUMBER OF AWARDED SHARES (UNAUDITED)
Outstanding at 1 January	38,398,753	87,772,500
Awarded during the period	5,004,530	12,032,500
Vested and transferred during the period	(17,687,246)	—
Forfeited during the period	(955,000)	(1,265,000)
Outstanding at 30 June	24,761,037	98,540,000
Exercisable at 30 June	—	52,850,000

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. SHARE-BASED COMPENSATION COSTS (continued)

Share Award Schemes (continued)

(c) Share Award Scheme adopted by Kingsoft Office Software Holdings Limited ("KOS Holdings")

On 3 December 2012, the directors of KOS Holdings, a subsidiary of the Company, approved and adopted the share award scheme, in which selected employees of KOS Holdings and its subsidiaries are entitled to participate ("KOS Share Award Scheme"). Unless early terminated by the directors of KOS Holdings, the KOS Share Award Scheme shall be valid and effective for a term of ten years from 3 December 2012. The directors of KOS Holdings will not grant any award of shares which would result in the total number of shares (but not counting any which have lapsed or have been forfeited) being greater than 54,000,000 shares, as at the date of such grant.

The following table illustrates the number of and movements in the KOS Share Award Scheme during the six months ended 30 June 2015 and 2014.

	2015 NUMBER OF AWARDED SHARES (UNAUDITED)	2014 NUMBER OF AWARDED SHARES (UNAUDITED)
Outstanding at 1 January	43,200,000	29,050,000
Awarded during the period	3,600,000	4,500,000
Forfeited during the period	(900,000)	(500,000)
Outstanding at 30 June	45,900,000	33,050,000
Exercisable at 30 June	—	—

(d) Share Award Scheme adopted by Kingsoft Cloud

On 22 February 2013, the directors of Kingsoft Cloud approved and adopted the share award scheme, in which selected employees of Kingsoft Cloud and its subsidiaries are entitled to participate ("Kingsoft Cloud Share Award Scheme"). Unless early terminated by the directors of Kingsoft Cloud, the Kingsoft Cloud Share Award Scheme shall be valid and effective for a term of ten years from 22 February 2013. The directors of Kingsoft Cloud will not grant any award of shares which would result in the total number of shares (but not counting any which have lapsed or have been forfeited) being greater than 48,000,000 shares, as at the date of such grant. On 9 January 2015, the board and shareholders of Kingsoft Cloud approved to increase the limit of the total number of Shares under the aforementioned share award scheme from 48,000,000 to 50,000,000.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. SHARE-BASED COMPENSATION COSTS (continued)

Share Award Schemes (continued)

(d) Share Award Scheme adopted by Kingsoft Cloud (continued)

The following table illustrates the number of and movements in the Kingsoft Cloud Share Award Scheme during the six months ended 30 June 2015 and 2014.

	2015 NUMBER OF AWARDED SHARES (UNAUDITED)	2014 NUMBER OF AWARDED SHARES (UNAUDITED)
Outstanding at 1 January	25,000,000	25,000,000
Awarded during the period	16,350,000	—
Forfeited during the period	(15,000,000)	—
Outstanding at 30 June	26,350,000	25,000,000
Exercisable at 30 June	—	—

(e) Share Award Scheme adopted by JC Holdings

On 11 April 2013, the directors of JC Holdings approved and adopted the JC Share Award Scheme, in which selected employees of JC Holdings and its subsidiaries are entitled to participate. Unless early terminated by the directors of JC Holdings, the JC Share Award Scheme shall be valid and effective for a term of ten years from 11 April 2013. The directors of JC Holdings will not grant any awarded shares which would result in the total number of shares (but not counting any which have lapsed or have been forfeited) being greater than 500,000 shares, as at the date of such grant.

The JC Share Award Scheme was cancelled in September 2014.

(f) Cheetah Mobile 2014 Share Award Scheme

On 24 April 2014, the shareholders of Cheetah Mobile approved and adopted a share award scheme (the "Cheetah Mobile 2014 Share Award Scheme"), in which selected employees of Cheetah Mobile and its subsidiaries are entitled to participate. Unless early terminated by the board or the compensation committee of the board of Cheetah Mobile, the Cheetah Mobile 2014 Share Award Scheme shall be valid and effective for a term of ten years commencing from 24 April 2014. The maximum aggregate number of shares, which may be issued pursuant to all awards granted, shall be equal to 122,545,665 Class A ordinary shares. Vesting conditions will be specified under each award agreement.

During the period ended 30 June 2015 and period ended 30 June 2014, no award share was granted, respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. CONVERTIBLE BONDS

		30 JUNE 2015 RMB'000 (UNAUDITED)	31 DECEMBER 2014 RMB'000 (AUDITED)
Liability component			
2013 Convertible Bonds	(a)	785,688	1,047,132
2014 Convertible Bonds	(b)	1,754,699	1,745,190
		2,540,387	2,792,322
Equity component			
2013 Convertible Bonds	(a)	6,383	8,500
2014 Convertible Bonds	(b)	66,005	66,005
		72,388	74,505

- (a) On 23 July 2013, the Company issued five-year convertible bonds in the principal amount of HK\$1,356,000,000 which bear interest at a rate of 3% per annum payable semi-annually (the "2013 Convertible Bonds"). The 2013 Convertible Bonds are convertible at the option of the bondholders into ordinary shares of the Company from 2 September 2013 to the close of business on the date falling 10 days prior to the maturity date, at a price of HK\$16.9363 per share, subject to adjustments. The Company may redeem under certain circumstances, in whole, the outstanding 2013 Convertible Bonds at principal amount together with interest accrued by giving the bondholders not less than 30 days' prior notice. On the maturity date, any 2013 Convertible Bonds not converted will be redeemed by the Company at its principal amount together with accrued and unpaid interest thereon.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

In accordance with the respective terms and conditions of the 2013 Convertible Bonds, the payment of the 2014 final dividend, together with the distribution in specie of ADS of Cheetah Mobile in May 2014 and the payment of final dividend of HK\$0.12 per share for the financial year of 2013, resulted in an adjustment (the "Adjustment") to the respective conversion prices of each of the 2013 Convertible Bonds. Considering the 2014 final dividend has been approved by the shareholders at the annual general meetings, the Adjustment became effective on 2 June 2015, the respective conversion price of the 2013 Convertible Bonds was adjusted to HK\$16.70 per share.

Certain holders of the bonds have exercised their rights to convert the 2013 Conversion Bonds into shares at the conversion price of HK\$16.9363 (HK\$16.70 adjusted price after 2 June 2015) per share during the six months ended 30 June 2015. Upon such conversions of the 2013 Convertible Bonds, 20,145,951 shares were allotted and issued by the Company to the relevant holders of the bonds. The aggregate principal amount of the 2013 Convertible Bonds remaining outstanding following the conversion of the 2013 Convertible Bonds is HK\$1,015 million.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. CONVERTIBLE BONDS (continued)

(a) (continued)

The movements of the liability component and the equity component of the 2013 Convertible Bonds for the period are set out below:

	LIABILITY COMPONENT RMB'000 (UNAUDITED)	EQUITY COMPONENT RMB'000 (UNAUDITED)
At 1 January 2015	1,047,132	8,500
Conversion to ordinary shares	(263,665)	(2,117)
Interest expenses	2,722	—
Exchange realignment	(501)	—
At 30 June 2015	785,688	6,383

(b) On 11 April 2014, the Company issued five-year convertible bonds in the principal amount of HK\$2,327,000,000 which bear interest at a rate of 1.25% per annum payable semi-annually (the "2014 Convertible Bonds"). The 2014 Convertible Bonds are convertible at the option of the bondholders into ordinary shares of the Company from 22 May 2014 to the close of business on the date falling 10 days prior to the maturity date, at a price of HK\$43.89 per share, subject to adjustments. The Company may redeem under certain circumstances, in whole, the outstanding 2014 Convertible Bonds at principal amount together with interest accrued by giving the bondholders not less than 30 days' prior notice. On the maturity date, any 2014 Convertible Bonds not converted will be redeemed by the Company at its principal amount together with accrued and unpaid interest thereon.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

Similar with the 2013 convertible bonds, the convertible price of the 2014 Convertible Bonds adjusted to HK\$43.29 per share since 2 June 2015.

There was no conversion or redemption of the 2014 Convertible Bonds during the six months ended 30 June 2015.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. CONVERTIBLE BONDS (continued)

(b) (continued)

The movements of the liability component and the equity component of the Convertible Bonds for the period are set out below:

	LIABILITY COMPONENT RMB'000 (UNAUDITED)	EQUITY COMPONENT RMB'000 (UNAUDITED)
At 1 January 2015	1,745,190	66,005
Interest expenses	10,060	—
Exchange realignment	(551)	—
At 30 June 2015	1,754,699	66,005

23. OTHER CAPITAL RESERVE

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiary, and the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributed to the owners of the parent, which is recorded in the "other capital reserve" in the consolidated statement of financial position.

24. DIVIDENDS

Final dividend

A final dividend of HK\$0.13 per ordinary share for 2014 proposed by the Board was approved by the shareholders on 20 May 2015. The actual 2014 final dividend paid was RMB121,521,000.

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. BUSINESS COMBINATIONS

MobPartner S.A.S (“MobPartner”)

On 25 March 2015, the Group, through Hong Kong Cheetah Mobile Technology Co., Ltd., a wholly owned subsidiary of Cheetah Mobile, entered into a share purchase agreement with the original shareholders of MobPartner to acquire 100% equity interest of MobPartner, a global mobile advertising company, at a total consideration of US\$51,150,000 (equivalent of RMB314,237,000). The total consideration consists of (i) cash of US\$44,556,000 (equivalent of RMB273,726,000); (ii) Cheetah Mobile's ordinary shares of US\$3,794,000 (equivalent of RMB23,309,000); (iii) cash contingent consideration to be paid over a two-year period upon the fulfillment of certain performance-based milestones by MobPartner, which was estimated and recognised as a financial liability at fair value of US\$2,800,000 (equivalent of RMB17,202,000) at the acquisition date.

The acquisition was accounted for as a business combination and the acquisition date was 1 April 2015.

The fair values of the identifiable assets and liabilities of MobPartner as at the acquisition date were as follows:

	FAIR VALUE RECOGNISED ON ACQUISITION RMB'000
Intangible assets:	
Trademark	13,515
Software	67,579
User base	6,266
Property, plant and equipment	1,207
Other non-current assets	465
Cash and cash equivalents	60,150
Accounts receivable	37,308
Prepayments and other current assets	1,091
Deferred tax liabilities	(29,117)
Accounts payable	(41,774)
Accrued expenses and other current liabilities	(7,007)
Income tax payable	(626)
Other non-current liabilities	(10,028)
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Total identified net assets at fair value	99,029
Goodwill arising on acquisition	215,208
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	314,237
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Satisfied by cash	150,128
Other current and non-current payables	123,598
Contingent consideration	17,202
Cheetah Mobile's ordinary shares	23,309
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Total consideration	314,237

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. BUSINESS COMBINATIONS (continued)

MobPartner (continued)

The Group incurred transaction costs of RMB7,022,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

An analysis of cash flows in respect of the acquisition of MobPartner is as follows:

	RMB'000
Cash consideration paid	(150,128)
Cash and cash equivalents acquired	60,150
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(89,978)

As part of the purchase agreement, contingent consideration is payable dependent on the performance of MobPartner. There will be two batches of cash payments to the original shareholders of MobPartner as below:

- a) First contingent consideration, up to 10.5% of the enterprise value shall be paid within 30 days following finalization of the 2015 audited financial statements of MobPartner based on the following formula while the result is negative, there will be no payment.

$$\text{Payment} = ((35\% \text{ of the enterprise value}) \times ((\text{actual 2015 EBITDA}/\$4.4 \text{ million})/2) + (35\% \text{ of the enterprise value}) \times ((\text{actual 2015 sales}/\$50 \text{ million})/2)) - 24.5\% \text{ of the enterprise value}$$

- b) Second contingent consideration, up to 7.5% of the enterprise value shall be paid within 30 days following finalisation of the 2016 audited financial statements for MobPartner based on the following formula while the result is negative, there will be no payment.

$$\text{Payment} = ((25\% \text{ of the enterprise value}) \times (\text{actual 2016 sales}/\$75 \text{ million})) - 17.5\% \text{ of the enterprise value.}$$

The initial amount recognised was US\$2,800,000 (equivalent of RMB17,202,000) which was determined using the discounted cash flow model and is under Level 3 fair value measurement at the acquisition date.

Significant unobservable valuation inputs for the fair value measurement of contingent consideration are as follows:

	ASSUMED COMPLETION OF AGREED PERFORMANCE	ASSUMED PROBABILITY	DISCOUNT RATE
First Contingent Consideration	—	90%	18%
Second Contingent Consideration	100%	90%	18%

As of 30 June 2015, the fair value of the contingent consideration liability was remeasured as RMB17,852,000. A loss of RMB735,000 resulted from the change in fair value of the contingent consideration liability was recognised in the consolidated statement of profit or loss for the period ended 30 June 2015.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. BUSINESS COMBINATIONS (continued)

MobPartner (continued)

A significant increase (decrease) in the profit before tax of MobPartner would result in a significant increase (decrease) in the fair value of the contingent consideration liability. A significant increase (decrease) in the discount rate would result in a significant decrease (increase) in the fair value of the contingent consideration liability.

Since the acquisition, MobPartner contributed RMB53,226,000 to the Group's turnover and RMB13,673,000 loss to the consolidated profit for the period.

Had the combination taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the period would have been RMB2,453,413,000 and RMB209,390,000, respectively.

Moxiu Technology

As at 31 December 2014, the Group, through its subsidiary, Beike Internet held 50.5% equity interest in Moxiu Technology, which was accounted for as an investment in a joint venture.

On 25 May 2015, Beike Internet entered into a capital contribution agreement with Moxiu Technology and its other existing shareholders, pursuant to which, Moxiu Technology increased its registered capital by RMB67,344 and Beike Internet subscribed for all such additional registered capital at a consideration of RMB25,000,000 in cash, representing a capital premium of RMB24,932,656. Upon completion of the capital injection, the Group holds 52.1% of the equity interest in Moxiu Technology. The total consideration for all the investments in Moxiu Technology consists of (i) cash of RMB25,000,000; and (ii) the fair value of the equity interest in Moxiu Technology previously held by the Group immediately before the acquisition of RMB63,488,000. As a result of the remeasurement of the equity interest in Moxiu Technology from its carrying amount immediately before the acquisition of RMB48,458,000 to its fair value of RMB63,488,000, a gain of RMB15,030,000 was recognised in "other gains, net" in the consolidated statement of profit or loss during the six months ended 30 June 2015.

The acquisition was accounted for as a business combination achieved in stages and the acquisition date was 28 May 2015.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. BUSINESS COMBINATIONS (continued)

Moxiu Technology (continued)

The fair values of the identifiable assets and liabilities of Moxiu Technology as at the acquisition date were as follows:

	FAIR VALUE RECOGNISED ON ACQUISITION RMB'000
Intangible assets:	
Trademark	6,000
Software	10,620
User base	430
Property, plant and equipment	2,270
Other non-current assets	645
Cash and cash equivalents	26,732
Accounts receivable	1,043
Prepayment and other current assets	766
Deferred tax liabilities	(1,895)
Accounts payable	(259)
Accrued expenses and other current liabilities	(7,361)

Total identified net assets at fair value	38,991
Goodwill arising on acquisition	111,720
Non-controlling interest	(62,223)

	88,488

Satisfied by cash	25,000
Previously held equity interest remeasured at acquisition-date fair value	63,488

Total consideration	88,488

No transaction costs were incurred in this acquisition.

An analysis of cash flows in respect of the acquisition of Moxiu Technology is as follows:

	RMB'000
Cash consideration paid	(25,000)
Cash and cash equivalents acquired	26,732

Net inflow of cash and cash equivalents included in cash flows used in investing activities	1,732

Since the acquisition, Moxiu Technology contributed RMB1,047,000 to the Group's turnover and RMB1,127,000 loss to the consolidated profit for the period.

Had the combination taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the period would have been RMB2,396,385,000 and RMB203,933,000, respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. BUSINESS COMBINATIONS (continued)

Jiangduoduo Business

On 13 March 2014, the Group, through a subsidiary, Suzhou Jiangduoduo Technology Co. Ltd., signed a purchase agreement with a third party, Suzhou Leying Technology Co. Ltd., to acquire its lottery business (“Jiangduoduo Business”) for a contract amount of RMB54,000,000, of which RMB49,700,000 was the initial purchase consideration and RMB4,000,000 was the employee’s compensation for future services and RMB300,000 was the employee compensation-non-compete agreement. Among the initial purchase consideration, RMB27,000,000 was contingent based on the performance of the Jiangduoduo Business. The contingent consideration was valued as RMB3,963,000 by American Appraisal, a third party valuer using the discounted cash flow model.

The acquisition was accounted for as a business combination and the acquisition date was 1 April 2014.

The fair values of the identifiable assets and liabilities of the Jiangduoduo Business as at the acquisition date were as follows:

	FAIR VALUE RECOGNISED ON ACQUISITION RMB'000
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Intangible assets:	
Software	1,700
User base	400
Property, plant and equipment	817
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Total identified net assets at fair value	2,917
Goodwill arising on acquisition	23,746
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	26,663
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Satisfied by cash	22,700
Contingent consideration	3,963
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Total consideration	26,663
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The Group incurred transaction costs of RMB173,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

As at 30 June 2015, the directors of the Company are of view that, based on its assessment on Jiangduoduo Business, impairment of goodwill amounted to RMB12,867,000 was provided (31 December 2014: nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. BUSINESS COMBINATIONS (continued)

Jiangduoduo Business (continued)

As part of the purchase agreement, contingent consideration is payable dependent on the performance of the Jiangduoduo Business. There will be two batches of cash payments to the original owner of the Jiangduoduo Business as below.

- a) The first contingent consideration of RMB13.5 million, if the revenue and net profit for the period from 1 April 2014 to 1 April 2015 under US generally accepted accounting principles of the Jiangduoduo Business reaches RMB100 million and RMB30 million, respectively;
- b) The second contingent consideration of RMB13.5 million, if the net profit for the period from 1 April 2015 to 1 April 2016 under US generally accepted accounting principles of the Jiangduoduo Business reaches RMB62 million.

If the Jiangduoduo Business does not meet the above performance requirement, the contingent consideration will be adjusted as:

Cash consideration = RMB13,500,000* (actual performance/agreed performance)

The initial amount recognised was RMB3,963,000 which was determined using the discounted cash flow model and is under Level 3 fair value measurement.

Significant unobservable valuation inputs for the fair value measurement of contingent consideration are as follows:

	ASSUMED COMPLETION OF AGREED PERFORMANCE	ASSUMED PROBABILITY	DISCOUNT RATE
First contingent consideration	72%	100%	8%
Second contingent consideration	0%	0%	8%

As of 30 June 2015, the Group paid RMB9,698,000 of the contingent consideration and the fair value of the remaining contingent consideration liability was recognised as nil. A gain of RMB2,606,000 resulted from the change in fair value of the contingent consideration liability was recognised in the consolidated statement of profit or loss for the period ended 30 June 2015.

A significant increase (decrease) in the profit before tax of the Jiangduoduo Business would result in a significant increase (decrease) in the fair value of the contingent consideration liability. A significant increase (decrease) in the discount rate would result in a significant decrease (increase) in the fair value of the contingent consideration liability.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. BUSINESS COMBINATIONS (continued)

Hong Kong Zoom Interactive Network Marketing Technology Limited (“HK Zoom”)

On 11 June 2014, the Group, through two subsidiaries, entered into a share and asset purchase agreement to acquire a 100% equity interest of HK Zoom, certain assets and some key employees. The total consideration consists of (i) cash of US\$20 million (equivalent to RMB123 million); and (ii) up to US\$6 million (equivalent to RMB37 million) to be paid over a two-year period in cash contingent upon the fulfillment of certain performance-based milestones by HK Zoom. HK Zoom is a leading mobile advertising agency, providing unique digital advertising experience for mobile campaign planning, management and performance evaluation for global clients. In addition, US\$4 million (equivalent to RMB24,656,000) representing 2,431,775 shares at US\$1.64 per share in Cheetah Mobile’s restricted class A ordinary shares will be granted to the selling shareholders for their future services; 200,000 shares have been granted as of 30 June 2015, which is subject to a four-year vesting schedule.

The acquisition of HK Zoom was accounted for as a business combination and the acquisition date was 4 July 2014.

The fair values of the identifiable assets and liabilities of HK Zoom as at the acquisition date were as follows:

	FAIR VALUE RECOGNISED ON ACQUISITION RMB’000
Cash and cash equivalents	13,768
Account receivables	11,170
Other working capital*	(16,749)
Property, plant and equipment	132
Intangible assets:	
Software	36,000
User base	31,100
Deferred tax liabilities	(11,072)
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Total identified net assets at fair value	64,349
Goodwill arising on acquisition	87,925
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	152,274
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Satisfied by cash	123,284
Contingent consideration	28,990
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Total consideration	152,274

* Other working capital represented other assets and liabilities.

The fair value of the account receivables as at the date of acquisition amounted to RMB11,170,000. The gross contractual amount of account receivables was RMB11,170,000.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. BUSINESS COMBINATIONS (continued)

HK Zoom (continued)

The Group incurred transaction costs of RMB846,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

As part of the total consideration, contingent consideration of US\$6 million is payable depended on the performance of HK Zoom. There will be two batches of cash payments to the original shareholders of HK Zoom as below:

- a) The first contingent consideration of US\$3 million, if the revenue for the period from July 2014 to June 2015 of HK Zoom reaches US\$10 million;
- b) The second contingent consideration of US\$3 million, if the revenue from July 2015 to June 2016 of HK Zoom reaches US\$20 million.

If HK Zoom does not meet the above performance requirement, the contingent consideration will be adjusted as:

Current consideration = original consideration* (actual performance/performance target)

The initial amount recognised was RMB28,990,000 which was determined using the discounted cash flow model and is under Level 3 fair value measurement.

Significant unobservable valuation inputs for the fair value measurement of contingent consideration are as follows:

	ASSUMED COMPLETION OF AGREED PERFORMANCE	ASSUMED PROBABILITY	DISCOUNT RATE
First Contingent Consideration	100%	90%	12.7%
Second Contingent Consideration	90%	90%	12.7%

As of 30 June 2015, the fair value of the contingent consideration liability was recognised as US\$5,682,000 (equivalent to RMB34,738,000). A loss of RMB2,234,000 resulted from the change in fair value of the contingent consideration liability was recognised in the consolidated statement of profit or loss for the period ended 30 June 2015.

A significant increase (decrease) in the profit before tax of the HK Zoom Business would result in a significant increase (decrease) in the fair value of the contingent consideration liability. A significant increase (decrease) in the discount rate would result in a significant decrease (increase) in the fair value of the contingent consideration liability.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. BUSINESS COMBINATIONS (continued)

Hong Kong Youloft Technology Limited (“Youloft”)

On 13 June 2014, the Group, through a subsidiary, acquired 51.875% equity interests of Youloft from Fast Run International Limited (“Fast Run”) and Lin Xianwen (the “Founder”) at the total consideration of US\$16,600,000 (equivalent to RMB102,390,000) in cash, among which US\$12,600,000 (equivalent to RMB77,718,000) was payable to selling shareholder and US\$4,000,000 (equivalent to RMB24,672,000) was payable to Youloft. Youloft has legally owned and operated the business of “萬年曆”.

The key employee and the Founder should provide service for 4 years and 2 years, respectively. In case of violation of the employment agreement, the shares held by the key employee will be repurchased by the Group at a total consideration of US\$1 and the shares held by the Founder will be repurchased at a total consideration calculated proportionate to US\$21 million valuation of Youloft. The post-acquisition employment compensation to the key employees and the Founder of RMB6,662,000 and RMB8,073,000, respectively, shall be recognised over the respective contractual periods of 4 years and 2 years.

The acquisition was accounted for as a business combination and the acquisition date was 1 August 2014.

The fair values of the identifiable assets and liabilities of Youloft as at the acquisition date were as follows:

	FAIR VALUE RECOGNISED ON ACQUISITION RMB'000
Other receivables	24,672
Intangible assets:	
Software	15,420
User base	27,756
Deferred tax liabilities	(7,124)
Total identified net assets at fair value	60,724
Goodwill arising on acquisition	98,481
Non-controlling interest	(71,550)
	87,655
Satisfied by cash	62,983
Other payables	24,672
Total consideration	87,655

The fair value of the other receivables as at the date of acquisition amounted to RMB24,672,000. The gross contractual amount of account receivables was RMB24,672,000.

The non-controlling interest in the acquisition is measured at fair value using the discounted cash flow method. The significant inputs used to measure that value are long term growth rate for cash flow, long term operating margin and weighted average cost of capital.

The transaction costs is nil for this acquisition.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. BUSINESS COMBINATIONS (continued)

WowTech Inc. ("WowTech")

On 18 July 2014, the Group, through a subsidiary, Kingsoft Japan signed a purchase agreement with the original shareholders of WowTech, a company engaged in social networking service on mobile internet and VoIP service, to acquire 95.5% equity interest of WowTech, at a total consideration of JPY96 million (equivalent to RMB5.7 million), among which JPY46 million (equivalent to RMB2.7 million) was in cash and JPY50 million (equivalent to RMB3 million) was in Kingsoft Japan's ordinary shares. The Group completed the purchase of 95.5% equity interest of WowTech on 18 July 2014.

The acquisition was accounted for as a business combination and the acquisition date was 18 July 2014.

The fair values of the identifiable assets and liabilities of WowTech as at the acquisition date were as follows:

	FAIR VALUE RECOGNISED ON ACQUISITION RMB'000
Intangible assets	1,559
Cash and cash equivalents	11
Total liabilities	(983)
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Total identified net assets at fair value	587
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Non-controlling interest	(26)
Goodwill arising on acquisition	5,176
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	5,737
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Satisfied by cash	1,367
Other payables	1,367
Kingsoft Japan's ordinary shares	3,003
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Total consideration	5,737

The Group incurred transaction costs of RMB19,000 for this acquisition.

These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. BUSINESS COMBINATIONS (continued)

Photo Grid Business

On 20 May 2013, the Group, through its non-wholly owned subsidiary, Cheetah Mobile, acquired certain intellectual properties, customer relationship and key employees of the Photo Grid Business from a third party for a cash consideration of US\$6,600,000 (equivalent to RMB40,785,000), which was fully settled as of 31 December 2013. The acquisition is accounted for as a business combination. The acquisition allows the Group to enhance the mobile application and provides synergy with its existing business.

A contingent consideration with an upper limit of US\$800,000 per year will be paid conditional upon the achievements of certain performance targets from June 2013 to May 2016 of the Photo Grid Business in accordance with the sale and purchase agreement. The Group has estimated and recognised a financial liability for the contingent consideration at its fair value of US\$1,807,000 (equivalent to RMB11,167,000) at the acquisition date.

The fair values of the identifiable assets of the Photo Grid Business as at the date of acquisition were as follows:

	FAIR VALUE RECOGNISED ON ACQUISITION RMB'000
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Intangible assets:	
Software	9,270
User base	11,154
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Total identifiable net assets at fair value	20,424
Goodwill arising on acquisition	31,528
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	51,952
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Satisfied by cash	40,785
Contingent consideration	11,167
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Total consideration	51,952
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The Group incurred transaction costs of RMB61,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

As part of the total consideration, US\$2.4 million is payable dependent on the performance of Photo Grid. There will be three batches of cash payments to the original shareholders of Photo Grid as below:

- a) Contingent I: US\$800,000, if the increase rate of MAU in the 12th months is 150% compared with the acquisition month;
- b) Contingent II: US\$800,000, if the increase rate of MAU in the 24th months is 225% compared with the acquisition month, and no less than the MAU in the 12th months.
- c) Contingent III: US\$800,000, if The increase rate of MAU in the 36th months is 337.5% compared with the acquisition month, and no less than the MAU in the 12th months

If Photo Grid does not meet the above performance requirement, the contingent consideration will be adjusted as:

Current consideration = original consideration* (actual performance/performance target)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. BUSINESS COMBINATIONS (continued)

Photo Grid Business (continued)

The initial amount recognised was RMB11,167,000 which was determined using the discounted cash flow model and is under Level 3 fair value measurement. The consideration is due for final measurement and payment to the former shareholders from the first to the third anniversary of the acquisition date period.

Significant unobservable valuation inputs for the fair value measurement of contingent consideration are as follows:

	ASSUMED PROBABILITY	DISCOUNT RATE
Contingent I	99%	15.35%
Contingent II	99%	15.35%
Contingent III	99%	15.35%

As of 30 June 2015, the fair value of the contingent consideration liability was recognised as US\$649,660 (equivalent to RMB4,408,000). The first payment of US\$793,000 (equivalent to RMB4,923,000) was settled in 2014 and second payment of US\$800,000 (equivalent to RMB4,892,000) was settled in 2015. A loss of RMB437,000 resulted from the change in fair value of the contingent consideration liability was recognised in the consolidated statement of profit or loss for the period ended 30 June 2015.

26. COMMITMENTS

Operating lease commitments — Group as lessee

The Group leases certain of its office premises, dormitories and electronic equipment under operating lease arrangements. These non-cancellable leases have remaining terms ranging one to five years.

At 30 June 2015, the Group had total future minimum lease payments under non-cancelled operating leases falling due as follows:

	30 JUNE 2015 RMB'000 (UNAUDITED)	31 DECEMBER 2014 RMB'000 (AUDITED)
Within one year	154,220	57,462
After one year but not more than five years	104,606	176,558
	258,826	234,020

As at 30 June 2015, the calculation of lease payment of some electronic equipment was based on the actual number of users of the relevant servers. The rental expense under these operating leases was RMB47,914,000 for the six months period ended 30 June 2015. As future lease payments for these arrangements are based on the actual number of users and thus cannot be reasonably estimated, they are not included in the minimum lease payments shown above.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. COMMITMENTS (continued)

Capital commitments

The Group had the following capital commitments as at the end of the reporting period:

	NOTE	30 JUNE 2015 RMB'000 (UNAUDITED)	31 DECEMBER 2014 RMB'000 (AUDITED)
Contracted, but not provided for:			
Purchase of electronic equipment		1,147	—
Development of land and buildings	(a)	896,900	921,033
Investment in a joint venture		—	2,000
Acquisition of intangible assets		3,100	6,097
Total		901,147	929,130

- (a) The capital commitment for the development of land and buildings at 30 June 2015 represented the commitment to invest in an aggregate amount of RMB896,900,000 in the development of a piece of land in Zhuhai.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period:

	NOTES	FOR THE THREE MONTHS ENDED 30 JUNE		FOR THE SIX MONTHS ENDED 30 JUNE	
		2015 RMB'000 (UNAUDITED)	2014 RMB'000 (UNAUDITED)	2015 RMB'000 (UNAUDITED)	2014 RMB'000 (UNAUDITED)
Equity contribution from a company controlled by a director of the Company	(i)	—	123,114	73,706	246,166
Provision of services to a company whose parent has a significant influence on the Company	(ii)	65,252	9,491	118,087	15,032
Online marketing services to a company whose parent has a significant influence on the Company	(ii)	4,835	—	23,734	—
Sales of product to a company whose parent has a significant influence on the Company	(ii)	—	1,709	—	1,709
Provision of services to a company controlled by a director of the Company	(iii)	33,977	10,578	61,381	15,916
Purchases of products from a company controlled by a director of the Company	(iii)	1,928	2,498	9,656	4,650
Purchase of service from a company controlled by a director of the Company	(iii)	22,204	—	26,787	—
Interest income from non-controlling shareholders of subsidiaries	(iv)	583	620	1,344	1,320

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. RELATED PARTY TRANSACTIONS (continued)

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period: (continued)

- (i) On 30 March 2015, the company controlled by a director of the Company, exercised the warrants in full at the exercise price of US\$0.0742 per Kingsoft Cloud series A preferred share. Under the full exercise of the warrants, the company controlled by a director of the Company subscribed for 161,688,000 Kingsoft Cloud series A preferred shares in an aggregate consideration of US\$12 million (equivalent to RMB73,706,000). Upon completion of the full exercise of the warrants, the company controlled by a director of the Company own approximately 32.77% of equity interest of Kingsoft Cloud.

On 14 February 2014, Westhouse Holdings issued 40,000,000 ordinary shares to a company controlled by a director of the Company, at a subscription price of US\$0.5 per share for an aggregate consideration of US\$20 million (equivalent to RMB123,052,000).

On 8 May 2014, Cheetah Mobile issued 14,285,714 class A ordinary shares to a company controlled by a director of the Company with a total purchase price of US\$20 million (equivalent to RMB123,114,000).

- (ii) On 27 September 2012, the Group entered into framework agreements with a company whose parent has a significant influence on the Company. Pursuant to the framework agreements, the Group provides various forms of promotion services to this related company and its controlled affiliates through the Group's internet platforms. The price is based on (i) the prevailing fair market price, (ii) the actual cost incurred plus a reasonable profit margin, or (iii) a price with reference to the price or reasonable profit margin of an independent third party conducting the similar transactions. The Group received a total of approximately RMB118,087,000 and RMB65,252,000 for the six months and three months ended 30 June 2015, respectively (six months and three months ended 30 June 2014: RMB15,032,000 and RMB9,491,000, respectively).

In January 2015, Beike Internet entered into framework agreements with a company whose parent has a significant influence on the Company. Pursuant to the framework agreements, the company whose parent has a significant influence on the Company provides various forms of promotion services to the Group through the internet platforms. The price is based on CPA model with (i) the prevailing fair market price, (ii) the actual cost incurred plus a reasonable profit margin, or (iii) a price with reference to the price or reasonable profit margin of an independent third party conducting the similar transactions. For the six months and three months ended 30 June 2015, the aforementioned revenue was approximately RMB23,734,000 and RMB4,835,000, respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. RELATED PARTY TRANSACTIONS (continued)

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period: (continued)

- (ii) (continued)

On 27 December 2013, Beijing Kingsoft Office entered into a licensing agreement with a company whose parent has a significant influence on the Company to grant the right to perpetually use WPS Office 2013 Professional Office Software V9.6 on the computers of this related company and its controlled affiliates. No sales of products was recognised under this licensing agreement for the six months and three months ended 30 June 2015 (six months and three months ended 30 June 2014: RMB1,709,000 and RMB1,709,000, respectively).

- (iii) In 2013 and 2014, the Group entered into various agreements with a company controlled by a director of the Company. Pursuant to the agreements, the Group provided cloud storage services, online advertising services and joint operations of online games to this related company and its affiliates at the prevailing fair market price in the same industry for similar transactions and the Group purchased smart phones and phone accessories from this related company at markets price. For the six months ended 30 June 2015 and 30 June 2014, the Group provided cloud services and online marketing services of approximately RMB61,381,000 and RMB15,916,000 to an affiliate of the related company and purchased smart phones and phone accessories of approximately RMB9,656,000 and RMB4,650,000 from the affiliate of the related company, respectively. For the three months ended 30 June 2015 and 30 June 2014, the Group provided services to an affiliate of the related company of approximately RMB33,977,000 and RMB10,578,000 and purchased smart phones and phone accessories approximately RMB1,928,000 and RMB2,498,000, respectively.

In January 2014, Beike Internet entered into framework agreements with a company controlled by a director of the Company. Pursuant to the framework agreements, the related party provides various forms of promotion services to the Group through the internet platforms. The price is based on CPA model with (i) the prevailing fair market price, (ii) the actual cost incurred plus a reasonable profit margin, or (iii) a price with reference to the price or reasonable profit margin of an independent third party conducting the similar transactions. For the six months and three months ended 30 June 2015, the aforementioned service was approximately RMB26,787,000 and RMB22,204,000, respectively (six months and three months ended 30 June 2014: nil and nil, respectively).

- (iv) The interest income from non-controlling shareholders of subsidiaries was approximately RMB1,344,000 and RMB1,320,000 for the six months ended 30 June 2015 and 2014, respectively. For the three months ended 30 June 2015 and 2014, the aforementioned interest income was approximately RMB583,000 and RMB620,000. Details of the loans as disclosed in note 27(b).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties:

The Group had the following outstanding balances with related parties as at the end of the reporting period:

NOTES	30 JUNE 2015 RMB'000 (UNAUDITED)	31 DECEMBER 2014 RMB'000 (AUDITED)
Due from related parties:		
Loans to non-controlling shareholders of Westhouse Holdings (i)	82,649	89,062
Loans to non-controlling shareholders of KOS Holdings (ii)	28,641	28,349
Loans to companies controlled by senior management of Kingsoft Cloud	3,913	—
	115,203	117,411
Receivables from a company controlled by a director of the Company		
	21,746	10,591
Receivables from a company whose parent has a significant influence on the Company		
	106,100	28,575
Payables to a company controlled by a director of the Company		
	28,389	1,436
Payables to a company whose parent has a significant influence on the Company		
	10,610	1,020
	166,845	41,622

(i) On 8 April 2011, Westhouse Holdings issued 160,000,000 ordinary shares (representing 20% of enlarged capital of Westhouse Holdings) to a company owned by some founding employees including a director of the Company, at a subscription price of HK\$1.1834 per share for an aggregate consideration of approximately HK\$189,344,000 (equivalent to RMB150,301,000). Part of the consideration amounting to HK\$151,475,000 (equivalent to RMB120,241,000) was funded by a loan advanced from KES Holdings, the parent of Westhouse Holdings, which bears interest at a rate of Hong Kong Interbank Offered Rate plus 1.3% for initial term and Hong Kong Bank Offered Loan Rate for the succeeding terms, and is secured by 128,000,000 shares of Westhouse Holdings held by the company owned by some founding employees. The term of the above loan is one year and can be automatically extended for the succeeding one year upon expiration if certain conditions have been satisfied. The outstanding balance of this loan included unpaid principal and interest receivable of RMB81,755,000 and RMB894,000, respectively as of 30 June 2015.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties: (continued)

(ii) On 21 May 2012, KOS Holdings issued 200,000,000 ordinary shares (representing 21.05% of the enlarged capital of KOS Holdings) to a company owned by some founding employees of KOS Holdings, including a director of some subsidiaries of KOS Holdings, at a subscription price of US\$0.03 per share for an aggregate consideration of US\$6,000,000 (equivalent to RMB36,917,000). Part of the consideration amounting to US\$4,500,000 (equivalent to RMB27,688,000) was funded by a loan advanced from the Company, the parent of KOS Holdings, which bears interest at a rate of Hong Kong Interbank Offered Rate plus 1.3%, and is secured by 200,000,000 shares of KOS Holdings held by a company owned by some founding employees. The term of the above loan is one year and can be automatically extended for the succeeding one year upon expiration if certain conditions have been satisfied. The outstanding balance of this loan included unpaid principle and interest receivable of RMB27,444,000 and RMB1,197,000, respectively as of 30 June 2015.

(c) Compensation of key management personnel of the Group (including directors' remuneration):

	FOR THE THREE MONTHS ENDED 30 JUNE		FOR THE SIX MONTHS ENDED 30 JUNE	
	2015 RMB'000 (UNAUDITED)	2014 RMB'000 (UNAUDITED)	2015 RMB'000 (UNAUDITED)	2014 RMB'000 (UNAUDITED)
Salaries, allowances, and benefits in kind	3,355	3,504	6,140	6,551
Pension scheme contributions	88	77	173	164
Share-based compensation costs	13,296	22,895	34,266	27,289
Total compensation paid to key management personnel	16,739	26,476	40,579	34,004

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Group as at the end of the reporting period are as follows:

30 June 2015

FINANCIAL ASSETS	LOANS AND RECEIVABLES RMB'000 (UNAUDITED)	AVAILABLE- FOR-SALE INVESTMENTS RMB'000 (UNAUDITED)	DESIGNATED AS FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS UPON INITIAL RECOGNITION RMB'000 (UNAUDITED)	TOTAL RMB'000 (UNAUDITED)
Other financial asset	—	—	69,623	69,623
Available-for-sale investments	—	2,284,481	—	2,284,481
Loan receivables	12,072	—	—	12,072
Trade receivables	729,837	—	—	729,837
Due from related parties	115,203	—	—	115,203
Other long term receivables	100,532	—	—	100,532
Financial assets included in prepayments, deposits and other receivables	549,750	—	—	549,750
Restricted cash	122,192	—	—	122,192
Pledged deposit	70,158	—	—	70,158
Cash and bank deposits	7,706,733	—	—	7,706,733
Total	9,406,477	2,284,481	69,623	11,760,581

FINANCIAL LIABILITIES	DESIGNATED AS FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS UPON INITIAL RECOGNITION RMB'000 (UNAUDITED)	FINANCIAL LIABILITIES AT AMORTISED COST RMB'000 (UNAUDITED)	TOTAL RMB'000 (UNAUDITED)
Trade payables	—	169,766	169,766
Financial liabilities included in other liabilities	56,998	896,749	953,747
Interest-bearing bank loans	—	104,889	104,889
Liability component of convertible bonds	—	2,540,387	2,540,387
Total	56,998	3,711,791	3,768,789

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments of the Group as at the end of the reporting period are as follows: (continued)

31 December 2014

FINANCIAL ASSETS	LOANS AND RECEIVABLES RMB'000 (AUDITED)	AVAILABLE-FOR-SALE INVESTMENTS RMB'000 (AUDITED)	DESIGNATED AS FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS UPON INITIAL RECOGNITION	TOTAL RMB'000 (AUDITED)
			RMB'000 (AUDITED)	
Other financial asset	—	—	88,441	88,441
Available-for-sale investments	—	623,585	—	623,585
Loan receivables	13,555	—	—	13,555
Trade receivables	411,137	—	—	411,137
Due from related parties	117,411	—	—	117,411
Other long term receivables	122,524	—	—	122,524
Financial assets included in prepayments, deposits and other receivables	350,245	—	—	350,245
Pledged deposit	19,978	—	—	19,978
Cash and bank deposits	6,983,699	—	—	6,983,699
Total	8,018,549	623,585	88,441	8,730,575

FINANCIAL LIABILITIES	DESIGNATED AS FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS UPON INITIAL RECOGNITION RMB'000 (AUDITED)	FINANCIAL LIABILITIES AT AMORTISED COST RMB'000 (AUDITED)	TOTAL RMB'000 (AUDITED)
Trade payables	—	80,344	80,344
Financial liabilities included in other liabilities	53,591	808,340	861,931
Interest-bearing bank loans	—	15,778	15,778
Liability component of convertible bonds	—	2,792,322	2,792,322
Total	53,591	3,696,784	3,750,375

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	CARRYING AMOUNTS		FAIR VALUES	
	30 JUNE 2015 RMB'000 (UNAUDITED)	31 DECEMBER 2014 RMB'000 (AUDITED)	30 JUNE 2015 RMB'000 (UNAUDITED)	31 DECEMBER 2014 RMB'000 (AUDITED)
Financial assets				
Loan receivables	12,072	13,555	11,995	13,500
Available-for-sale investments	1,809,125	399,540	1,809,125	399,540
Other financial asset	69,623	88,441	69,623	88,441
Other long term receivables	100,532	122,524	100,532	122,524
	1,991,352	624,060	1,991,275	624,005
Financial liabilities				
Liability component of convertible bonds	2,540,387	2,792,322	2,540,387	2,792,322
Other liabilities	56,998	53,591	56,998	53,591
Interest-bearing bank loans	104,889	15,778	105,035	15,778
	2,702,274	2,861,691	2,702,420	2,861,691

Management has assessed that the fair values of cash and bank deposits, pledged deposits, restricted cash, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, other financial liabilities included in other payables and accruals and amounts due from related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of loan receivables and interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2015 was assessed to be insignificant. The fair value of the liability component of the convertible bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted available-for-sale equity investments have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows including expected future dividends and proceeds on subsequent disposal of the shares. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The fair value of other financial asset has been estimated using the Black Scholes Model. The valuation technique is based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about life of option, expected volatility, underlying equity value and discount rates. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in consolidated statement of profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The fair values of other liabilities have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows including expected future dividends and proceeds on subsequent disposal of the shares. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2015

	FAIR VALUE MEASUREMENT USING			TOTAL RMB'000 (UNAUDITED)
	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1) RMB'000 (UNAUDITED)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) RMB'000 (UNAUDITED)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) RMB'000 (UNAUDITED)	
Available-for-sale investments	1,809,126	—	—	1,809,126
Other financial assets	—	—	69,623	69,623
	1,809,126	—	69,623	1,878,749

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

As at 31 December 2014

	FAIR VALUE MEASUREMENT USING			TOTAL RMB'000 (AUDITED)
	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1) RMB'000 (AUDITED)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) RMB'000 (AUDITED)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) RMB'000 (AUDITED)	
Available-for-sale investments	399,540	—	—	399,540
Other financial assets	—	—	88,441	88,441
	399,540	—	88,441	487,981

The movement of assets in fair value measurements in Level 3 during the period is as follows:

	RMB'000
Other financial asset:	
At 1 January 2014 (Audited)	27,699
Purchased	61,548
Disposal	(7,052)
Total gain recognised in profit or loss	6,551
Total loss recognised in other comprehensive income	(305)
At 31 December 2014 (Audited)	88,441
Purchased	53,303
Disposal	(72,075)
Total loss recognised in profit or loss	76
Total loss recognised in other comprehensive income	(122)
At 30 June 2015 (unaudited)	69,623

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2015:

	Valuation techniques	Significant unobservable inputs	Sensitivity of the input to fair value
Other financial assets — VNG option	Black Scholes model	Fair value per share	5% increase(decrease) in fair value per share would result in increase(decrease) in fair value by RMB884,000
		Risk-free rate	5% increase(decrease) in risk-free rate would result in increase(decrease) in fair value by RMB126,000
		Volatility	5% increase(decrease) in volatility would result in increase(decrease) in fair value by RMB631,000
Other financial assets — Trustlook convertible notes	Guideline companies method	Discount for lack of marketability	5% increase(decrease) in discount for lack of marketability would result in decrease(increase) in fair value by RMB24,000
Other financial assets — Wifimaster call option	Discounted Cash Flow model	Probability of next round of financing	5% increase(decrease) in probability would result in increase(decrease) in fair value by RMB3,338,000

Liabilities measured at fair value:

As at 30 June 2015

	FAIR VALUE MEASUREMENT USING			TOTAL RMB'000 (UNAUDITED)
	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1) RMB'000 (UNAUDITED)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) RMB'000 (UNAUDITED)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) RMB'000 (UNAUDITED)	
Other liability	—	—	56,998	56,998

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities measured at fair value: (continued)

As at 31 December 2014

	FAIR VALUE MEASUREMENT USING			TOTAL RMB'000 (AUDITED)	
	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1) RMB'000 (AUDITED)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) RMB'000 (AUDITED)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) RMB'000 (AUDITED)		
	Other liability	—	—		53,591
					53,591

The movement of liabilities in fair value measurements in Level 3 during the period is as follows:

	RMB'000
Other financial liabilities at fair value through profit or loss:	
At 1 January 2014 (Audited)	11,974
Purchased	59,381
Paid	(4,923)
Total loss recognised in the statement of profit or loss	(12,952)
Total gain recognised in other comprehensive income	111
<hr/>	
At 31 December 2014 (Audited)	53,591
<hr/>	
Purchased	17,202
Paid	(14,590)
Total gain recognised in profit or loss	800
Total loss recognised in other comprehensive income	(5)
<hr/>	
At 30 June 2015 (Unaudited)	56,998

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities measured at fair value: (continued)

During the six months ended 30 June 2015, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (for the six months ended 30 June 2014: nil).

	Valuation techniques	Significant unobservable inputs	Sensitivity of the input to fair value
Other liabilities	Discounted cash flow method	Discount rate for cash flows	5% increase(decrease) in discount rate would result in decrease(increase) in fair value by RMB351,000

Assets for which fair values are disclosed:

As at 30 June 2015

	FAIR VALUE MEASUREMENT USING			TOTAL RMB'000 (UNAUDITED)
	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1) RMB'000 (UNAUDITED)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) RMB'000 (UNAUDITED)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) RMB'000 (UNAUDITED)	
Loan receivables	—	11,995	—	11,995

As at 31 December 2014

	FAIR VALUE MEASUREMENT USING			TOTAL RMB'000 (AUDITED)
	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1) RMB'000 (AUDITED)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) RMB'000 (AUDITED)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) RMB'000 (AUDITED)	
Loan receivables	—	13,500	—	13,500

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities for which fair values are disclosed:

As at 30 June 2015

	FAIR VALUE MEASUREMENT USING			TOTAL RMB'000 (UNAUDITED)
	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1) RMB'000 (UNAUDITED)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) RMB'000 (UNAUDITED)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) RMB'000 (UNAUDITED)	
Liability component of convertible bonds	—	—	2,540,387	2,540,387
Interest-bearing bank loans	—	105,035	—	105,035
	—	105,035	2,540,387	2,645,422

As at 31 December 2014

	FAIR VALUE MEASUREMENT USING			TOTAL RMB'000 (AUDITED)
	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1) RMB'000 (AUDITED)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) RMB'000 (AUDITED)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) RMB'000 (AUDITED)	
Liability component of convertible bonds	—	—	2,792,322	2,792,322
Interest-bearing bank loans	—	15,778	—	15,778
	—	15,778	2,792,322	2,808,100

30. CONTINGENT LIABILITIES

At 30 June 2015, the Group had no significant contingent liabilities (31 December 2014: nil).

31. EVENTS AFTER THE REPORTING PERIOD

Conversion of 2013 Convertible Bonds due 2018

Certain holders of the 2013 Conversion Bonds exercised their rights to convert the 2013 Conversion Bonds into shares at the conversion price of HK\$16.70 (which adjusted on 2 June 2015) per share on 8 July 2015. Upon such conversions of the 2013 Conversion Bonds, 898,203 shares were allotted and issued by the Company to the relevant holders of the bonds. The aggregate principal amount of the bonds remaining outstanding following the conversion of the 2013 Conversion Bonds is HK\$1,000 million.

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 18 August 2015.

TERMS AND GLOSSARIES

“2004 Pre-IPO Share Option Scheme”	the share option scheme adopted by the Company on 30 June 2004 before its initial public offering
“2006–2007 Kingsoft Japan Share Option Scheme”	the share option scheme adopted by Kingsoft Japan on 2 November 2006 and 31 July 2007
“2007 Pre-IPO Share Option Scheme”	the share option scheme adopted by the Company on 22 January 2007 before its initial public offering
“2011 Cheetah Mobile Share Award Scheme”	the share award scheme approved and adopted by the directors of Cheetah Mobile on 26 May 2011
“2011 Share Option Scheme”	the share option scheme adopted by the Company on 9 December 2011
“2013 Convertible Bonds”	the five-year convertible bonds issued by the Company in the principal amount of HK\$1,356,000,000 which bear interest at a rate of 3% per annum payable semi-annually on 23 July 2013
“2014 Convertible Bonds”	the five-year convertible bonds issued by the Company in the principal amount of HK\$2,327,000,000 which bear interest at a rate of 1.25% per annum payable semi-annually on 11 April 2014
“2014 Cheetah Mobile Share Award Scheme”	the share award scheme approved and adopted by the shareholders of Cheetah Mobile on 24 April 2014
“2014 Kingsoft Japan Share Option Scheme”	the share option scheme of Kingsoft Japan approved by the shareholders of the Company on 2 January 2014 and adopted by the shareholders of Kingsoft Japan on 28 March 2014
“ADPCU”	daily average peak concurrent users
“ADS”	American Depositary Share
“APA”	average paying accounts
“ARPU”	average revenue per paying user
“Board”	the board of directors of the Company
“CG Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“Cheetah Mobile Equity Incentive Scheme”	the equity incentive scheme of Cheetah Mobile approved by the shareholders of the Company and Cheetah Mobile on 2 January 2014
“Cheetah Group”	Cheetah Mobile and its subsidiaries
“Cheetah Mobile”	Cheetah Mobile Inc, a non-wholly owned subsidiary of the company and was listed on NYSE in May 2014
“Cheetah Share(s) ”	ordinary share(s) of Cheetah Mobile

TERMS AND GLOSSARIES (continued)

“Company” or “Kingsoft”	Kingsoft Corporation Limited, an exempted limited liability company incorporated in the British Virgin Islands on 20 March 1998 and discontinued in the British Virgin Islands and continued into the Cayman Islands on 15 November 2005, with its shares listed on the Stock Exchange (stock code: 03888)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IAS”	International Accounting Standard issued by the International Accounting Standards Board
“IFRSs”	International Financial Reporting Standards
“Kingsoft Cloud”	Kingsoft Cloud Holdings Limited, a subsidiary of the Company
“Kingsoft Cloud Group”	Kingsoft Cloud and its subsidiaries
“Kingsoft Cloud Share(s)”	the issued ordinary shares of Kingsoft Cloud
“Kingsoft Cloud Share Award Scheme”	the share award scheme approved and adopted by the directors of Kingsoft Cloud on 22 February 2013
“Kingsoft Cloud Share Option Scheme”	the share option scheme approved and adopted by the shareholders of the Company and Kingsoft Cloud on 27 February 2013
“Kingsoft Japan”	Kingsoft Japan Inc., a subsidiary of the Company
“KOS” or “KOS Holdings”	Kingsoft Office Software Holdings Limited, a subsidiary of the Company
“KOS Group”	KOS and its subsidiaries
“KOS Share Award Scheme”	the share award scheme approved and adopted by the directors of KOS on 3 December 2012
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MAU”	monthly active users
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
“NASDAQ”	National Association of Securities Dealers Automated Quotations

TERMS AND GLOSSARIES (continued)

“NYSE”	New York Stock Exchange
“PRC”, “China” or “Mainland China”	the People’s Republic of China excluding, for the purpose of this interim report only, Hong Kong, the Macau Special Administrative Region and Taiwan
“Pre-IPO Share Option Schemes”	the 2004 Pre-IPO Share Option Scheme and the 2007 Pre-IPO Share Option Scheme
“R&D”	research and development
“RMB” or “Renminbi”	the lawful currency of the PRC
“SFO”	the Securities and Future Ordinance, Chapter 571 of the Laws of Hong Kong
“Share Award Scheme”	the share award scheme of the Company adopted by the Board on 31 March 2008
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“U.S. ”	United States of America
“US\$”	United States dollars, the lawful currency of the U.S.
“Westhouse Holdings”	Westhouse Holdings Limited, a subsidiary of the Company
“Westhouse Holdings Share Option Scheme”	the share option scheme approved by the shareholders of the Company and Westhouse Holdings on 27 June 2013