



## KINGSOFT ANNOUNCES 2016 THIRD QUARTER RESULTS

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### Mobile Game Brings Profit Contribution with Kingsoft Cloud Rapidly Expands Vertical Sectors

#### FINANCIAL HIGHLIGHTS

<i>RMB'000 (Unaudited)</i>	For the Three Months Ended		
	30 September 2016	30 June 2016	30 September 2015
<b>Revenue</b>	<b>2,226,801</b>	1,765,036	1,506,780
- Online Games	<b>791,920</b>	476,794	330,902
- Cheetah Mobile	<b>1,103,578</b>	1,014,072	988,344
- Cloud Services, Office Software & Others	<b>331,303</b>	274,170	187,534
<b>Operating Profit</b>	<b>264,783</b>	85,753	64,518
<b>Profit Attributable to Owners of the Parent</b>	<b>141,693</b>	(807,554)	47,554
<b>Basic EPS (RMB Cent)</b>	<b>11</b>	(63)	4

#### OPERATIONAL HIGHLIGHTS

	For the Three Months Ended		
	30 September 2016	30 June 2016	30 September 2015
<b>Online Games</b>			
Daily Average Peak Concurrent Users ("ADPCU")	<b>982,914</b>	909,591	562,354
Monthly Average Paying Accounts ("APA")	<b>4,482,024</b>	4,822,356	3,301,297
	<b>In September 2016</b>	<b>In June 2016</b>	<b>In September 2015</b>
<b>Cheetah Mobile</b>			
Mobile Monthly Active Users (Mobile "MAU") (Million)	<b>612</b>	623	567
% of Mobile MAU from Overseas Markets	<b>80%</b>	79%	74%
Mobile User Installations (Million)	<b>3,464</b>	3,099	1,942

(21 November 2016 – Hong Kong) **Kingsoft Corporation Limited** ("Kingsoft" or the "Company"; HKEX stock code: 03888), a leading Chinese software and Internet service company, has announced its unaudited quarterly results for the three months ended 30 September 2016.

For the third quarter of 2016, the revenue of Kingsoft increased 26% quarter-over-quarter and 48% year-over-year to RMB2,226.8 million. Revenue from the online game, Cheetah Mobile, and cloud services, office software and others businesses represented 35%, 50% and 15%, respectively, of the total revenue. Operating profit surged by 209% quarter-over-quarter and 310% year-over-year to RMB264.8 million. Profit attributable to owners of the parent increased 198% year-over-year to RMB141.7 million.

**Mr. Jun Lei, Chairman of Kingsoft**, commented, “Kingsoft has performed well in all of its focused businesses in this quarter: the mobile game segment has started to bring profit contribution to the Company; Kingsoft Cloud developed rapidly in its different vertical sectors; Cheetah Mobile’s content strategy began to bear result. Despite the provision for investment impairment in relation to 21 Vianet Group, Inc., our operating profit recorded a strong year-over-year and quarter-over-quarter growth. We are fully committed in executing the mobilization, globalization and ‘All in Cloud’ strategies and actively coping with the challenges ahead.”

**Dr. Hong Jiang Zhang, Chief Executive Officer of Kingsoft**, added, “Our total third quarter revenue reached a new high at RMB2,226.8 million, representing a 48% increase year-over-year and a 26% increase quarter-over-quarter. Operating profit before the share-based compensation costs achieved RMB348.0 million, representing an increase of 83% year-over-year and 84% quarter-over-quarter, which mainly reflected the profit contribution from our mobile game business.”

## **BUSINESS REVIEW**

### **Online Games Business**

For the third quarter of 2016, the revenue of the online game business increased 66% quarter-over-quarter and 139% year-over-year to RMB791.9 million. The strong revenue increase was the result of the sustained growth of the Company’s flagship game JX Online III, and the outstanding performance of the JX Online mobile game series.

With the launch of an expansion pack and a successful anniversary event, the quarterly revenue from JX Online III surged to record high, up 61% year-over-year. The star mobile game JX Online I, which was launched on 31 May 2016, has gained wide popularity from the gamers and ranked high on Apple App Store top grossing games. The second JX Online mobile game JXSJ (劍俠世界) topped the sales and downloads charts of Xiaomi right after its launch on 20 September 2016.

JX Online III 指尖江湖, the third JX Online mobile game, and Genghis Khan (成吉思汗) and Eudemons Online (魔域), the mobile games jointly developed with 70yx and NetDragon respectively will be launched in 2017. Kingsoft will continue to combine the rich experience and resources in PC and mobile games to keep adding to the league of classics and provide game players new and hassle-less online games that they can play and share experiences with each other.

### **Cheetah Mobile**

Revenue from Cheetah Mobile for the third quarter of 2016 increased 9% quarter-over-quarter and 12% year-over-year to RMB1,103.6 million. Driven by the solid performance from the utility products, total revenues of Cheetah Mobile resumed its sequential growth and its mobile and overseas revenues have hit all-time record highs.

The utility products continue to see steady revenue growth as well as improved profitability as the utility segment continues to mature. Clean Master maintained its No. 1 position in the U.S. tool application category in early November, according to App Annie, an App market data provider. The content products have made a significant progress in this quarter. According to App Annie's October data, Live.me was the No.1 grossing social application in the U.S. on Google Play and was ranked as one of the top 5 social Apps on Apple App Store. In addition, News Republic was ranked as one of the top 3 News & Magazine Apps in the U.S. on Google Play in October.

Looking ahead, Cheetah Mobile will continue to leverage its more than 600 million global mobile MAUs and expand upon its mobile content strategy to further strengthen its user engagement. Cheetah Mobile will expand its platform from a successful utility App based mobile company to a broader, content-driven mobile company.

### **Cloud Services, Office Software and Others**

Cloud services, office software and others businesses recorded a revenue of RMB331.3 million in the third quarter of 2016, representing a 21% quarter-over-quarter and a 77% year-over-year increase. Kingsoft Cloud contributed a significant part of revenue with its accelerating market penetration, especially in mobile game and video industries. WPS also experienced a steady growth during the past quarter with its increased sales of traditional WPS Office and improved monetization ability of WPS mobile version.

The vertical businesses of Kingsoft Cloud developed quickly in the third quarter. Kingsoft Cloud further consolidated its industry position, bracing the stable operation of popular mobile games including LineAge II (天堂2), JXSJ (劍俠世界) and QYZ (青雲志). With the overall quality of video cloud enhanced and optimized, it not only continued to penetrate the mobile Internet market, but was also able to connect with conventional video websites including iQiYi, hence further expanded the video cloud customer coverage in the industry. In the third quarter, government cloud business continued to make progress and secured projects from the Beijing Municipal Commission of Housing and Urban-Rural Development, People's Daily, etc., representing a solid step forward in its market expansion.

The global MAU of the WPS family reached a new record of 228.5 million in September 2016. On 6 November 2016, the global MAU of the WPS Office android version exceeded the 100 million mark for the first time in history. Both the annotation feature of WPS Office 6.0 edition PDF and the collaborative function of the WPS Office Cloud were regard as recommended tools by Apple App Store in July 2016. WPS released a new edition of its mobile mailbox, boasting the breakthrough of enhanced WPS cloud services, and this new edition WPS Mail was launched to the market in scale for the first time. In September and October, WPS made strategic investment in and cooperated closely with other new SaaS companies in the office collaboration sector, including Yiqixie (一起寫) and Bestsign (上上簽) aiming to optimize product features, enhance customer stickiness and build a tight eco-alliance. Currently, Beijing Kingsoft Office Software, Inc. and its subsidiaries, which mainly engage in office software and other related services business, are preparing for listing on one of the stock exchanges in China.

“As the third quarter results showed, all business lines are developing in accord with the overall strategic goals of the Company. Going forward, we expect our revenue to continue to grow steadily. We pledge to actively embrace the opportunities and challenges that the global mobile and Internet era bring.” concluded **Mr. Jun Lei**.

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**About Kingsoft Corporation Limited (Stock Code: 03888)**

Kingsoft is a leading Chinese software and Internet services company listed on the stock exchange of Hong Kong. It has four subsidiaries including Season, Cheetah Mobile, Kingsoft Cloud and WPS. Following the implementation of its “mobile internet transformation” strategy, Kingsoft has completed the comprehensive transformation of its overall business and management models and formed a strategic platform with interactive entertainment, Internet security and office software as the pillars and cloud computing as the new growth driver and source. The Company has approximately 7,000 staff around the world. It has set up R&D centers and offices in Beijing, Zhuhai, Chengdu, Dalian, Guangzhou and Hong Kong and enjoys a large market share overseas in North America, Europe, Japan and Malaysia.

For more information, please visit [www.kingsoft.com](http://www.kingsoft.com)

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