



## KINGSOFT ANNOUNCES 2016 ANNUAL RESULTS

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### FULLY DEVELOPS CORE BUSINESSES REVENUE REACHES A NEW RECORD HIGH

#### FINANCIAL HIGHLIGHTS

(RMB'000)	For the 3 Months Ended Dec 31 (Unaudited)		Change %	For the 12 Months Ended Dec 31 (Audited)		Change %
	2016	2015		2016	2015	
<b>Revenue</b>	<b>2,538,752</b>	<b>1,777,726</b>	43%	<b>8,282,128</b>	<b>5,676,106</b>	46%
- Online Games	820,087	414,952	98%	2,545,671	1,368,811	86%
- Cheetah Mobile	1,245,813	1,118,695	11%	4,448,591	3,660,048	22%
- Cloud services, Office software and others	472,852	244,079	94%	1,287,866	647,247	99%
<b>Gross Profit</b>	<b>1,692,868</b>	<b>1,358,207</b>	25%	<b>5,619,758</b>	<b>4,356,707</b>	29%
<b>Operating Profit Excluding SBC</b>	<b>541,665</b>	<b>364,281</b>	49%	<b>1,333,910</b>	<b>899,051</b>	48%
<b>Basic EPS (RMB Yuan)</b>	<b>0.20</b>	<b>0.09</b>	122%	<b>-0.21</b>	<b>0.29</b>	NA

#### OPERATIONAL HIGHLIGHTS

For the 3 Months Ended				
	31 December 2016	30 September 2016	30 June 2016	31 March 2016
<b>Online Games</b>				
Daily Average Peak Concurrent Users	1,018,826	982,914	909,591	543,836
Monthly Average Paying Accounts ("APA")	4,523,832	4,482,024	4,822,356	2,960,358
	In December 2016	In September 2016	In June 2016	In March 2016
<b>Cheetah Mobile</b>				
Mobile Monthly Active Users ("MAU") (Million)	623	612	623	651
% of Mobile MAU from Overseas Markets	81%	80%	79%	79%
Mobile Users Installations (Million)	3,810	3,464	3,099	2,762

(21 March 2017 – Hong Kong) **Kingsoft Corporation Limited** ("Kingsoft" or the "Company," HKEx stock code: 03888), a leading Chinese software and Internet service company, has announced its audited 2016 annual results and its unaudited 2016 fourth quarter results for the period ended 31 December 2016.

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For the year of 2016, revenue surged 46% year-over-year to RMB8,282.1 million. Revenue from the online game, Cheetah Mobile, and cloud services, office software and others businesses represented 31%, 53% and 16%, respectively, of the Company's total revenue. Gross profit increased 29% year-over-year to RMB5,619.8 million. Operating profit before share-based compensation costs soared 48% year-over-year to RMB1,333.9 million.

For the fourth quarter of 2016, revenue increased 14% quarter-over-quarter and 43% year-over-year to RMB2,538.8 million. Revenue from the online game, Cheetah Mobile, and cloud services, office software and others businesses represented 32%, 49% and 19%, respectively, of the Company's total revenue. Gross profit increased 18% quarter-over-quarter and 25% year-over-year to RMB1,692.9 million. Operating profit before share-based compensation costs increased 56% quarter-over-quarter and 49% year-over-year to RMB541.7 million.

**Mr. Jun LEI, Chairman of Kingsoft,** commented, "Kingsoft has achieved an outstanding performance in 2016. We launched JX Online I mobile game, which was one of the most successful mobile games in 2016. Its exceptional performance showed the great IP value of JX Online series and signified our breakthrough in the mobile game business. Kingsoft Cloud's customer base and revenue increased significantly, and its profit margin also improved continuously in 2016; and more importantly, it took the leading position in the rapidly growing video cloud market. The MAU of WPS Office Android exceeded 100 million for the first time in November. The revenue contribution from WPS online marketing services has grown rapidly, especially from its mobile online marketing services. Cheetah Mobile's content strategy made significant progress, and recorded improved revenue growth and profit level. In the future, we remain fully committed to these key business sectors and strive to maintain the strong growth momentum."

**Mr. Tao ZOU, Chief Executive Officer of Kingsoft,** added, "2016 was another year of consistent and strong growth in terms of revenue. We achieved 46% annual revenue growth and our total revenue reached a new record of RMB8,282.1 million. Though we have made impairment provisions on the carrying value of our investments in Xunlei and 21Vianet in 2016, this one-off factor was not supposed to prevail upon our outstanding business performance. We are glad to report an improved operating profit level, while we kept focused and invested heavily in our core businesses. The operating profit for 2016 increased 79% year-over-year to RMB972.9 million, and the operating profit margin increased by two percentage points year-over-year to 12%."

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## **BUSINESS REVIEW**

### **Online Game Business**

For the year of 2016, revenue from the online game business increased 86% year-over-year to RMB2,545.7 million. For the fourth quarter of 2016, the revenue increased 4% quarter-over-quarter and 98% year-over-year to RMB820.1 million. The revenue growth of this sector is primarily attributable to the outstanding contribution from both PC and mobile games.

The Company continuously made remarkable achievements by optimizing its industrial layout as well as advancing the development of online games. Its flagship PC game JX Online III marched into its seventh year with strong and sustainable growth as its revenue totaled RMB1,392.8 million, representing a year-over-year surge of 56%. JX Online I mobile game was launched in May 2016, delivered an outstanding performance, consistently ranking among the most popular mobile games on Apple App Store. The game was also introduced in Vietnam during the year and achieved great success in terms of both popularity and revenue contributions in the country.

In 2017, the Company is to deeply develop the great IP value of JX Online series, introduce the third mobile game under the JX Online series and commence the pan-entertainment expansion of JX Online. The Company will also cooperate with 70yx and NetDragon to launch the Genghis Khan and Eudemons Online mobile games, as well as join forces with iQiyi to initiate the film blockbuster and TV program IP adaption business. Kingsoft is integrating its rich resources, enhancing the development of both PC and mobile games, and aiming to create more game classics in the future.

### **Cheetah Mobile**

Revenue from Cheetah Mobile increased 22% year-over-year to RMB4,448.6 million for the year of 2016. In the fourth quarter of 2016, the revenue increased 13% quarter-over-quarter and 11% year-over-year to RMB1,245.8 million. The increase was mainly driven by the steady and sustained revenue growth generated by the utility applications and the contribution from its new content-driven apps, namely Live.me and News Republic. Total revenues and profits resumed sequential growths in the second half of 2016.

Cheetah Mobile continued to gain favor among users worldwide. In December 2016, mobile MAU from Cheetah Mobile was 623 million, of which approximately 81% were from the overseas markets. In February 2017, Cheetah Mobile remained the 3rd largest publisher of non-game mobile applications in Google Play worldwide. According to App Annie, Live.me has become the No.1 grossing social application on the U.S. Google Play since August 2016, and News Republic has become the No. 1 news application on the U.S Google Play since December 2016. Going forward, Cheetah Mobile will focus on implementing its mobile content strategy by leveraging

artificial intelligence, connecting its over 600 million global mobile MAUs with more personalized and expansive content. By transforming into a truly content-driven mobile company, Cheetah Mobile is expected to establish a sustainable and profitable business model for the long term.

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

For the year of 2016, the revenue from the cloud services, office software and other businesses increased 99% year-over-year to RMB1,287.9 million. Revenue in the fourth quarter rose 43% quarter-over-quarter and 94% year-over-year to RMB472.9 million.

All business segments of Kingsoft Cloud reported impressive development in 2016 and sustained strong revenue growth of approximately 171% year-over-year, with improved profit margin level. Revenue from the game cloud business grew steadily in the fourth quarter and succeeded in bringing in key customers with major influence in the industry including Perfect World, Giant and Snail Games. On the customer service front, Kingsoft Cloud hosted the “Game Ecosystem Annual Conference 2016” and secured the market recognition and trust from customers, enabling it to consolidate the brand awareness and reputation of Kingsoft Cloud and pave the way for future business development. In addition, Kingsoft Cloud continued to lead in the video cloud sector, and introduced a live streaming monitoring and assessment platform during the year providing corporations and the market with a more comprehensive live streaming service. Kingsoft Cloud also actively expanded its government cloud and healthcare cloud businesses in the fourth quarter. Looking ahead, Kingsoft Cloud will step up promotion of the hybrid cloud business and position itself as an operation and maintenance solutions specialist in the game industry. In addition, it will continue to perfect its live video cloud streaming products, expand the government cloud and healthcare cloud markets, and pursue cooperation with partners to improve the sales network thereby attaining greater achievements for Kingsoft Cloud’s development.

The revenue of Kingsoft WPS office software business recorded steady growth, and its online marketing services business expanded rapidly, particularly the mobile online marketing service business. In November 2016, the global MAU of WPS Office Android version exceeded the 100 million mark for the first time in history. During the year, the revenue of enterprise software sales and the software utilization rate increased due to contribution from the new business model which leads to increasing user loyalty and better business reputation. Within our software suite, the WPS Office mobile version was continuously recommended by Apple App Store and Google Play. Moving forward, Kingsoft WPS is striving to consolidate its user base to maintain the growth capability of its core products, improve retention rate and strengthen user connectivity to the cloud service to realize revenue growth and create better experiences for its users.

“As a first-class internet company, continuous innovation and optimization of our resources are the foundation of our development and our business success. In the past, we have seen rapid development in our mobile transformation and cloud business investment and we were able to seize market opportunities and embrace changes, which has enabled us to achieve great success. We believe the new era will bring new opportunities while application of artificial intelligence is set to become a major global development trend. Going forward, while we keep focusing on our mobile and cloud businesses, maintaining strong revenue growth momentum, we shall also start to explore new opportunities in the artificial intelligence field and direct ourselves to open a new chapter of growth for the Group.” concluded **Mr. Jun LEI**.

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### **About Kingsoft Corporation Limited (Stock Code: 3888)**

Kingsoft is a leading Chinese software and Internet services company listed on the stock exchange of Hong Kong. It has four subsidiaries including Seasun, 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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