



KINGSOFT ANNOUNCES 2016 INTERIM RESULTS

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THE FIRST JX MOBILE GAME GAINS WIDE POPULARITY KINGSOFT CLOUD MAINTAINS STRONG GROWTH

FINANCIAL HIGHLIGHTS

(RMB'000)	For the 3 Months Ended June 30 (Unaudited)		For the 6 Months Ended June 30 (Unaudited)	
	2016	2015	2016	2015
Revenue	1,765,036	1,282,240	3,516,575	2,391,600
- Online Games	476,794	298,065	933,664	622,957
- Cheetah Mobile	1,014,072	861,285	2,099,200	1,553,009
- Cloud Services, Office Software & Others	274,170	122,890	483,711	215,634
Gross Profit	1,205,077	975,348	2,486,383	1,860,984
Operating Profit Excluding SBC	188,672	150,811	444,202	345,207

OPERATIONAL HIGHLIGHTS

	For the 3 Months Ended		
	30 June 2016	31 March 2016	30 June 2015
Online Games			
Daily Average Peak Concurrent Users	909,591	543,836	607,571
Monthly Average Paying Accounts ("APA")	4,822,356	2,960,358	3,438,493
	In June 2016	In March 2016	In June 2015
Cheetah Mobile			
Mobile Monthly Active Users ("MAU") (Million)	623	651	494
% of Mobile MAU from Overseas Markets	79%	79%	71%
Mobile Users Installations (Million)	3,099	2,762	1,596

(19 August 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 2016 interim results and its unaudited second quarter results ended 30 June 2016.

For the first half of 2016, the revenue of Kingsoft increased 47% year-over-year to RMB3,516.6 million. Revenue from the online game, Cheetah Mobile, and cloud services, office software and others businesses represented 27%, 59% and 14%, respectively, of the Company's total revenue. Gross profit increased 34% year-over-year to RMB2,486.4 million. Operating profit before share-based compensation costs increased 29% year-over-year to RMB444.2 million.

For the second quarter of 2016, the revenue increased 1% quarter-over-quarter and 38% year-over-year to RMB1,765.0 million. Revenue from the online game, Cheetah Mobile, and cloud services, office software and others businesses represented 27%, 57% and 16%, respectively, of the Company's total revenue. Gross profit increased 24% year-over-year to RMB1,205.1 million. Operating profit before share-based compensation costs increased 25% year-over-year to RMB188.7 million.

Mr. Jun LEI, Chairman of Kingsoft, commented, "Kingsoft has seen some challenges during the second quarter of 2016. The Company has made provisions for impairment on the carrying value of its investments in Xunlei and 21Vianet, which has directly affected our quarterly earnings. This one-off factor, however, was not supposed to prevail upon our extraordinary business operation, in which the game and cloud businesses particularly have contributed a better-than-expected growth in the second quarter. The first JX mobile game was ranked No.1 in both top free and top grossing lists in App Store within 78 hours of its launch. Kingsoft Cloud, on the other hand, has maintained its leading position in both video and game cloud markets, and has penetrated proactively into healthcare and government cloud markets with a strong growth momentum."

Dr. Hong Jiang ZHANG, Chief Executive Officer of Kingsoft, added, "Kingsoft recorded a steady growth in the first half of 2016. The revenue increased 47% year-over-year to RMB3,516.6 million. The operating profit before the share-based compensation costs increased 29% year-over-year to RMB444.2 million, which indicates a stable business performance of the Company. The excellent performance of mobile game business in the second quarter has exhibited the significant value of JX, our core game IP. The accelerating development of Kingsoft Cloud has highlighted our successful transformation from a traditional software provider to an Internet services company. "

BUSINESS REVIEW

Online Game Business

During the first half of 2016, revenue from the online game business increased 50% year-over-year to RMB933.7 million. Revenue for the second quarter of 2016 increased 4% quarter-over-quarter and 60% year-over-year to RMB476.8 million. Supported by a series of innovative expansion packs and the rapid growing player community, the quarterly revenue of Company's flagship game JX Online III achieved a new high record, representing a year-over-year growth of 88%.

The monthly gross billing of the first JX mobile game far exceeded the Company's expectations since its launch, and reached RMB506.8 million in June 2016. The significant success of the JX mobile game is a milestone of the Company's mobile transformation in online game business and reflects the important value of the core game IP. The Company will continue propelling the development of online game business by exploring player preferences and consolidating R&D resources. Supported by the advantages of partnership with Tencent and Xiaomi and the launch of the second and third JX mobile games in the following quarters, it is expected that the mobile game business will continue to contribute increasing revenue in the second half of 2016.

Cheetah Mobile

Revenue of Cheetah Mobile increased 35% year-over-year to RMB2,099.2 million for the first half of 2016. The second quarter revenue decreased 7% quarter-over-quarter and increased 18% year-over-year to RMB1,014.1 million.

To cope with the lackluster revenue from overseas third-party advertisement platforms and rejuvenate its sustainable and profitable growth, Cheetah Mobile has been expanding its content-driven products portfolio to a wider range than before, including news service, short video, live streaming and casual gaming. Most notably, each of the content-driven products has demonstrated a strong performance over the second quarter, particularly in the U.S. market. According to App Annie's July data, News Republic, a global mobile news service operator that Cheetah Mobile has recently acquired, was ranked as one of the top 3 news & magazine Apps in the U.S. on Google Play. Live.me, a live streaming app, was ranked as one of the top 5 social Apps in the U.S. on Google Play in July and has recently ranked as one of the top 10 social networking apps in the U.S. on Apple App Store. Cheetah Mobile will continue to invest aggressively in content-driven products and services in the future and leverage its over 600 million mobile MAUs to deliver extensive personalized and relevant content to its users.

In the second quarter, Cheetah Mobile has also committed in refreshing its App products and advertisement layouts, strengthening its direct sales capabilities, implementing strict cost control and improving management efficiency of its product promotion strategies. These initiatives would help sustain its growth and improve its financial position in the coming quarters. Cheetah Mobile is committed to establishing a sustainable and profitable business model for the long term, and builds itself into one of the world's leading mobile Internet companies.

Cloud services, Office Software and Others

For the first half of 2016, the revenue of cloud services, office software and others businesses increased 124% year-over-year to RMB483.7 million. Revenue in the second quarter rose 31% quarter-over-quarter and 123% year-over-year to RMB274.2 million. The substantial growth benefited from the exceptional progress of Kingsoft Cloud and the improved monetization capabilities of WPS free user traffic.

Kingsoft Cloud has become the leading video cloud and game cloud service provider in China, and maintained a strong growth momentum in the second quarter of 2016. In the second quarter, Kingsoft Cloud has been establishing numerous new industry standards for the video cloud services so as to consolidate the market shares of top quality customers. It has covered so far all the core mobile Internet companies in China and established partnerships with more than half of the top 200 live streaming platforms. The game cloud segment saw a steady growth driven by 60 new games being introduced. Kingsoft Cloud has also expedited the market penetration into healthcare cloud and government cloud and already become the pioneer and the leader in both segments. In May 2016, Kingsoft Cloud has successfully completed Series C+ round financing, which indicates the capital market's positive view of the cloud industry. The "China Public Cloud Services Analysis Report 2015" issued by IDC says that among the top 5 cloud services providers in China's IaaS market, Kingsoft Cloud is the fastest-growing one with growth rate at 251.6% in 2015. Kingsoft Cloud also ranks first in terms of valuation among all the cloud services providers on the China's Top 300 Unicorn Companies Ranking List issued by iResearch. The tremendous opportunities and market volume in China's cloud market will continue to boost Kingsoft Cloud's performance in the following quarters.

The commercialization of Kingsoft WPS personal edition and the monetization capability of WPS mobile applications traffic have made a breakthrough in the second quarter of 2016. The global MAU of the WPS family reached a new record of 222 million in June 2016. The traditional enterprise business of WPS contributed a healthy growth, meanwhile the mobile applications of WPS have been devoting better experiences to its mobile office users through continuous optimization of its applications. The business model of WPS has been transforming from a product provider to service provider, which has made a significant progress.

"The highlights of Kingsoft's performance in the first half of the year include the successful debut of the first JX mobile game, the accelerating growth of cloud business and the steady revenue growth of WPS business. Though our margins may be under short-term pressure, we are fully committed to developing our core businesses, and we are confident in the growing trend of the revenue in the following quarters." 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 Season, Cheetah Mobile, WPS and Kingsoft Cloud. 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 6,000 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. In addition to PC desktop products, the Company has launched mobile products such as Clean Master and mobile WPS Office targeting the mobile Internet market. These products rank number one in their respective categories in the global market.

For more information, please visit www.kingsoft.com

For Press Enquiries:

Kingsoft Corporation Limited

Ms. Francie Lu

Tel:(86) 10 6292 7777 ext.5581

Email: ir@kingsoft.com

Strategic Financial Relations (China) Limited

Ms. Karen Hung

Tel: (852) 2864 4845

Email: sprg-kingsoft@sprg.com.hk