



## KINGSOFT ANNOUNCES 2016 FIRST QUARTER RESULTS

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### Kingsoft Cloud Accelerates its Expansion while JX Online III Maintains Steady Growth

#### FINANCIAL HIGHLIGHTS

| <i>RMB'000 (Unaudited)</i>                             | For the Three Months Ended |                  |               |
|--|----------------------------|------------------|---------------|
|  | 31 March 2016              | 31 December 2015 | 31 March 2015 |
| <b>Revenue</b>   | <b>1,751,539</b>           | 1,777,726        | 1,109,360     |
| - Online Games   | <b>456,870</b>             | 414,952          | 324,892       |
| - Cheetah Mobile                                       | <b>1,085,128</b>           | 1,118,695        | 691,724       |
| - Cloud Services,<br>Office Software & Others          | <b>209,541</b>             | 244,079          | 92,744        |
| <b>Gross Profit</b>                                    | <b>1,281,306</b>           | 1,358,207        | 885,636       |
| <b>Profit Attributable to Owners<br/>of the Parent</b> | <b>133,803</b>             | 113,116          | 114,536       |
| <b>Basic EPS (RMB Cent)</b>                            | <b>13</b>                  | 9                | 10            |

#### OPERATIONAL HIGHLIGHTS

|  | For the Three Months Ended |                             |                          |
|--|----------------------------|-----------------------------|--------------------------|
|  | 31 March 2016              | 31 December 2015            | 31 March 2015            |
| <b>Online Games</b>  |                            |                             |                          |
| Monthly Average Paying Accounts ("APA")                        | <b>2,960,358</b>           | 2,919,683                   | 3,069,052                |
| Monthly Average Revenue per Paying User<br>("ARPU") (RMB Yuan) | <b>47</b>                  | 44                          | 33                       |
|  | <b>In March<br/>2016</b>   | <b>In December<br/>2015</b> | <b>In March<br/>2015</b> |
| <b>Cheetah Mobile</b>  |                            |                             |                          |
| Mobile Monthly Active Users ("MAU") (Million)                  | <b>651</b>                 | 635                         | 444                      |
| % of Mobile MAU from Overseas Markets                          | <b>79%</b>                 | 79%                         | 71%                      |
| Mobile User Installations (Million)                            | <b>2,762</b>               | 2,341                       | 1,341                    |

(19 May 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 31 March 2016.

During the period under review, the revenue of Kingsoft increased 58% year-over-year to RMB1,751.5 million. Revenue from the online game, Cheetah Mobile, and cloud services, office software and others businesses represented 26%, 62% and 12%, respectively, of total revenue. Gross profit increased by 45% year-over-year to RMB1,281.3 million. Profit attributable to owners of the parent increased 17% year-over-year to RMB133.8 million.

**Mr. Jun Lei, Chairman of Kingsoft,** commented, “We have started 2016 with a sound quarter, and remain firmly committed to our mobile, global and cloud businesses. In March 2016, our mobile MAU reached a new high record of 767 million. Cheetah Mobile is dedicated to expand its global sales growth by investing in new content products and expanding its direct sales operations, and its mobile and overseas revenues accounted for 75% and 58% of its total revenue, respectively, in the first quarter. We are delighted with the strong growth of Kingsoft Cloud as it further solidified its leading position in game cloud and mobile video cloud services. Looking ahead, we are well positioned to continue strengthening our mobile Internet and cloud businesses in the coming quarters.”

**Dr. Hong Jiang Zhang, Chief Executive Officer of Kingsoft,** said, “We achieved a total revenue of RMB1,751.5 million in the first quarter, a 58% annual growth rate, but experienced a slight quarter-over-quarter decrease due to seasonality factors. Despite the 30% quarter-over-quarter decrease resulting from seasonal impact, operating profit before the share-based compensation costs increased 32% year-over-year to RMB255.5 million.”

## **BUSINESS REVIEW**

### **Online Games Business**

For the first quarter of 2016, the revenue of the online game business increased 10% quarter-over-quarter and 41% year-over-year to RMB456.9 million. The solid increase benefited from the ongoing efforts to improve the quality and user experience of the Company’s flagship game JX Online III. With four updated versions released in the first quarter, JX Online III posted a revenue of RMB331.0 million with a 19% quarter-over-quarter increase. The Company continues to cultivate the game’s broad and engaged user base, and expects to further enhance its popularity following the launch of its expansion packs in the coming quarters.

In the first quarter, Kingsoft signed an agreement with Tencent Shenzhen in regarding to its mobile game operation, under which the Company will license Tencent Shenzhen to operate two of its JX series mobile games. The first JX mobile game is currently under testing and expected to be commercially launched in the second quarter of 2016.

### **Cheetah Mobile**

Cheetah Mobile has begun 2016 on a solid note, with revenue increasing 57% year-over-year to RMB1,085.1 million in the first quarter. Mobile revenue contribution rose from 56% of total revenue in the prior year period to 75% in the first quarter of 2016. Overseas revenue contribution climbed from 42% of total revenue in the corresponding period in the prior year to 58% in the first quarter of 2016. Mobile MAU of Cheetah Mobile increased 47% year-over-year to 651 million in March 2016, among which approximately 79% were from overseas markets.

Cheetah Mobile is facing some headwinds in ad sales by some of its third-party advertising platform partners in the international markets. To address the issue, it has begun introducing new content products which will increase user engagement, as well as strengthening its direct sales operations globally. For example, it has recently rolled out new content apps such as InstaNews, a news app in India, as well as Toupai, its social video service in China, both of which are showing very promising results. Cheetah Mobile's effort in strengthening its direct sales operations in both China and the international markets should help in boosting growth for its mobile advertising revenues going forward.

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

For the first quarter of 2016, cloud services, office software and others businesses recorded a revenue of RMB209.5 million, representing a 14% quarter-over-quarter decrease and a 126% year-over-year increase. The significant year-over-year increase reflected the exceptional progress made by Kingsoft Cloud and WPS. The quarter-over-quarter decrease was a result of the seasonal impact on the sales of WPS Office, though it was partially offset by the rapid revenue growth of its cloud service.

Kingsoft Cloud enjoyed a solid start in providing game cloud, mobile video cloud, and enterprise cloud services. More than sixty new games were introduced in the first quarter, continuing to solidify its leading position in the game cloud market. The mobile live video cloud service has experienced exceptional growth in the first quarter, supported by the technology advantages in Kingsoft Cloud's comprehensive live video cloud solutions. The healthcare cloud also made significant progress, as Kingsoft Cloud started to form a healthcare cloud ecosystem in order to continue expanding cooperation with hospitals and mobile healthcare businesses.

Thanks to efforts on delivering a wider range of value-added services, the monetization capabilities of WPS free user traffic have steadily improved. Despite the typical seasonality impact during the first quarter, WPS achieved a 65% year-over-year revenue growth. The global MAU of the WPS family reached 205 million in March 2016, with mobile MAU for WPS Office approached 89 million, a 26% increase year-over-year. Kingsoft WPS is further exploring the great growth potential of enterprise markets, improving its users' experiences through products innovation and enhancing "WPS+" as a one-stop cloud office solution service. In January 2016, Kingsoft Ciba initiated strategic cooperation with Systran, a South Korean company, seeking collaboration in providing translation services.

"Given the strong performance of our key business initiatives, we are confident in our revenue growth prospects for the year of 2016 and beyond. At the same time, our investment in implementing the mobilization, globalization, and 'All-in Cloud' strategies will continue in the coming quarters." 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, 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](http://www.kingsoft.com)

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