



KINGSOFT ANNOUNCES 2010 ANNUAL RESULTS
ACTIVELY RESTRUCTURING BUSINESS TO ACHIEVE BETTER RESULTS

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FINANCIAL HIGHLIGHTS

(RMB'000)	Year ended December 31		Change (%)
	2010	2009	
Revenue	971,397	1,022,412	-5.0%
- Entertainment software	640,917	684,242	-6.3%
- Application software	321,003	329,196	-2.5%
- Others	9,477	8,974	+5.6%
Gross Profit	840,399	893,945	-6.0%
Profit Attributable to Owners of the Parent	372,480	387,224	-3.8%
Basic EPS (RMB cent)	34.16	36.38	-6.1%
Final Dividend per Share (HK cent)	15	15	-

OPERATIONAL HIGHLIGHTS

For the Three Months Ended				
	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010
Online Games				
Daily Average Peak Concurrent Users ("DAPCU")	915,212	817,835	773,349	771,352
Monthly Average Paying Users	1,457,101	1,276,351	1,325,056	1,347,806
Monthly Average Revenue per Paying User (RMB)	36	41	39	41
Online Services of Internet Security				
Daily Average Paying Users	8,416,136	7,648,623	6,598,690	3,671,877
Monthly Average Revenue per Paying User (RMB)	2.0	2.2	2.2	3.0

(March 23, 2011 – Hong Kong) **Kingsoft Corporation Limited** (“Kingsoft” or the “Company”; HKEx: 03888), a leading developer, distributor and service provider of application and entertainment software in China, announced its audited annual results for the year ended 31 December 2010.

In the year under review, revenue from the entertainment and application software businesses have slightly decreased, resulting in a decline of total revenue by 5% to RMB971 million. Profit attributable to owners of the parent decreased by 3.8% year-over-year to RMB372 million. Basic earnings per share for the year were RMB34.16 cents (2009: RMB36.38 cents). The Board of directors has recommended a final dividend of HK15 cents per share for year 2010 (2009: HK15 cents) and a special dividend of HK25 cents per share.

Revenue from entertainment and application software business segments were RMB640 million and RMB321 million respectively, represented approximately 66% and 33% of total revenue in 2010.

Selling and distribution expenses decreased by 25% year-over-year. This decline was primarily due to no new games launched in 2010 and more cost-effective campaigns for marketing and promotional activities for existing games. R&D costs increased by 36% year-over-year as the result of the increase in staff salaries and benefits. Cash and cash equivalents increased by 31% from RMB1.27 billion in 2009 to RMB1.66 billion in 2010, reflecting a strong cash position of the Company.

Mr Pak Kwan KAU, Chairman and Chief Executive Officer of Kingsoft, said, “It has been a revolutionary year for Kingsoft in 2010. In response to market demand, we have transformed from traditional business model into the free model by launching free versions of Kingsoft’s Internet Security products. WPS Office has successfully transformed into the Internet market, extending to provide more value added services, such as office automation, cloud-based storage and web-office service, etc. Kingsoft PowerWord has transformed from a software package to a learning community. Meanwhile, the Company is undergoing active business reorganisation and has introduced top talents of the Internet industry. Recently, we have completed the restructuring of Kingsoft Internet Security, while the restructuring of our online game R&D studios is in good progress. All of these initiatives are aimed at improving the operational efficiency and the integrated competitiveness of the Company in preparation for sustainable long-term development.”

BUSINESS REVIEW

Application Software Business

During the year under review, subscriptions for Kingsoft Internet Security services declined due to the launch of free version in November, 2010, which was partially offset by the increase of sales from **Kingsoft WPS Office** both in China and Japan. Revenue from the application software business decreased by 2% year-over-year to RMB321.0 million. Revenue from Kingsoft Internet Security decreased by 8% year-over-year to RMB239.2 million, representing 75% of total revenue from application software business.

In October 2010, Kingsoft Internet Security Software Holdings Limited, a wholly-owned subsidiary of the Company, joined Conew, a top-tier Internet security software developer in China to establish Kingsoft Network Technology Limited and announced the launch of Kingsoft Internet Security free version in November 2010, resulting in a decrease in the number of paid users in the fourth quarter of 2010. The number of subscribers for online services of Kingsoft Internet Security decreased by 44% quarter-over-quarter and decreased by 58% year-over-year to 3.7 million in the fourth quarter. From the fourth quarter of 2010, monthly average paying users (“monthly ARPU”) were fee-based VIP security service subscribers, and thus, monthly average revenue per paid user increased by 36% quarter-on-quarter and 43% year-over-year to RMB3.0.

In China, **Kingsoft WPS Office** has been widely adopted by various Chinese government departments, state-owned enterprises and renowned corporations. By the end of 2010, **Kingsoft WPS Office** was deployed by over 50 central ministries, and more than 300 provincial government institutions and municipalities, as well as numerous large and medium-sized enterprises, which demonstrates Kingsoft’s leading position in the software market within China. WPS Office has extended its services to the Internet industry, providing the Internet users with services including office automation, cloud-based storage (Kingsoft Kuaipan), web-office service (Kingsoft Kuaixie) and mobile tablet office products, etc.

Entertainment Software Business

During the year under review, revenue from the entertainment software decreased by 6% year-over-year to RMB640.9 million. The decrease was mainly due to no new release of games in 2010 and the termination of the licensed online game **Shui Hu Q Zhuan** in November 2009. Irrespective of the unsatisfactory year-over-year revenue performance, revenue from the entertainment software business increased by 6% quarter-over-quarter to RMB165.0 million as the result of the recovery of revenue from JX Online World both in Mainland China and Vietnam during the fourth quarter of 2010.

Daily average peak concurrent users in the fourth quarter of 2010 were 0.8 million, which

held flat compared with the previous quarter and decreased by 32% year-over-year. Monthly ARPU increased by 2% quarter-over-quarter and decreased by 24% year-over-year to 1.3 million. Monthly ARPU for the Company's online game increased by 5% quarter-over-quarter and by 8% year-over-year to RMB41.

Marching into 2011, Kingsoft is actively implementing business reorganisation. In January, 2011, the Company established Westhouse Holdings Limited ("Westhouse"), and acquired the businesses under Chengdu Xishanju Interactive Entertainment Technology Co., Ltd. and Zhuhai Kingsoft Online Game Technology Co., Ltd through the new entity. The founding employees were offered share-options as an incentive for them to contribute to the long-term development of Westhouse. Looking ahead in 2011, Kingsoft is launching five new games, including **Legend of Moon** (月影傳說), **Rush Team** (熱血戰隊), **CangQiongZhinu** (蒼穹之怒) and two other titles. The launch of new games will boost the revenue of the entertainment software business. In addition, the company will also develop advanced casual games and casual games on mobile tablet devices.

Looking ahead, **Mr Kau** concluded, "The Government has shown solid support to the software industry by defining it as a strategic new industry within the 'Twelfth Five-Year' Plan, creating considerable growth potential for Kingsoft in the future. With respect to online games business, the operational efficiency will be improved through restructuring the online game R&D studios and implementing incentive policies for employees. We are confident in the upcoming launches of the new titles. In view of the ever-changing Internet industry, we are committed to the product and service innovation, minimising management costs and enhancing operational efficiency through streamlining our organisational structure as well as introducing management talent to strive for a better business performance, and maximise shareholders' returns through a win-win relationship."

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About Kingsoft Corporation Limited (Stock Code: 03888)

Kingsoft is a leading developer, distributor and service provider of applications and entertainment software in China. Following the commercial launch of its first office applications software WPS 1.0 in 1989 and through over 20 years of innovative endeavor, Kingsoft has been widely recognized as a household renowned software brand in China. We have rejuvenated and successfully transited ourselves from the legacy of “the King of package software” to be an Internet application based model of Software as a service (SAAS).

Kingsoft’s main business lines are on-line games, Internet security and application software. We have built an extensive sales and distribution network through our online and offline distribution channels. We provide numerous well-known software products such as WPS Office, Kingsoft PowerWord, Kingsoft Internet Security and online games including the JX Series and the First Myth series to retail customers, corporate clients and government bodies in China. Kingsoft is building a converged user platform for its diversified product portfolio and providing a variety of value-add-services.

The mission of Kingsoft is being committed to improving the quality of people's digital lives. With its headquarter located in Beijing; Kingsoft has built a number of R&D centers in Zhuhai, Beijing, Chengdu and Dalian. While leveraging our R&D strength, we have introduced groups of top software and game operation talents to our management team with the aim to better user engagement and improve operation efficiency. Kingsoft will carry on developing new products and expanding its market share in China, while making strong entrance into other overseas markets.

For more information, please visit www.kingsoft.com

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