



## KINGSOFT ANNOUNCES 2014 INTERIM RESULTS

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### Revenue Records Solid and Continuous Growth Global Mobile MAU Hits New Record High

#### Financial Highlights

(RMB'000)	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
<b>Revenue</b>	<b>750,506</b>	496,528	<b>1,426,131</b>	953,387
- Online Game	307,537	270,539	602,448	537,205
- Cheetah Mobile	353,595	143,890	646,442	269,864
- Office Software and Others	89,374	82,099	177,241	146,318
<b>Gross Profit</b>	<b>634,221</b>	430,484	<b>1,203,233</b>	825,762
<b>Operating Profit</b>	<b>123,855</b>	159,324	<b>253,922</b>	321,342
<b>Basic EPS (RMB yuan)</b>	<b>0.10</b>	0.13	<b>0.31</b>	0.30

#### Operational Highlights

Online Games	For the Three Months Ended		
	30 June 2014	31 March 2014	30 June 2013
Daily Average Peak Concurrent Users ("DAPCU")	<b>572,374</b>	599,384	616,285
Monthly Average Paying Accounts	<b>2,255,404</b>	1,972,027	2,002,414
Cheetah Mobile	In June 2014	In March 2014	In Dec 2013
Mobile Monthly Active Users ("MAU") (Million)	<b>284.3</b>	222.5	166.2
% of Mobile MAU from Overseas Markets	<b>67%</b>	63%	53%
Mobile User Installations (Million)	<b>662.2</b>	502.1	346.6
MAU of Duba.com Personal Start Page (Million)	<b>67.6</b>	54.3	46.8

(19 Aug 2014 – Hong Kong) **Kingsoft Corporation Limited** ("Kingsoft" or the "Company;" SEHK stock code: 03888), a well-known Chinese software and Internet services company, announced its unaudited quarterly and interim results for the three and six months ended 30 June 2014 respectively.

For the second quarter of 2014, revenue increased 11% quarter-over-quarter and 51% year-over-year to RMB750.5 million. Revenue from the online game, Cheetah Mobile and office software and other businesses represented 41%, 47% and 12%, respectively, of the Company's total revenue. Gross profit increased 11% quarter-over-quarter and 47% year-over-year to RMB634.2 million. Operating profit before share-based compensation costs increased 20% quarter-over-quarter and 1% year-over-year to RMB180.1 million.

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For the first half of 2014, revenue increased 50% year-over-year to RMB1,426.1 million. Revenue from the online game, Cheetah Mobile and office software and other businesses represented 42%, 45% and 13%, respectively, of the Company's total revenue. Gross profit surged 46% to RMB1,203.2 million. Operating profit before share-based compensation costs decreased 5% year-over-year to RMB331.7 million.

For the first half of 2014, the Company has made proactive investments in its mobile internet business to support its long term business growth and strategy in mobile development and market expansion. As a result, the Company has achieved significant progress in the mobile internet business as its global Mobile MAU skyrocketed 242% year-over-year to a new record of 344 million in June 2014. R&D costs, net of government grants, increased 67% year-over-year to RMB419.1 million, primarily attributable to the expansion of the Company's mobile application development teams. As a result, the Company has launched and will continue to introduce new products throughout the year. The company has also been continuously committed to improving the product quality and enhancing the user experience across all of its business lines. Selling and distribution expenses increased 132% year-over-year to RMB323.6 million for the first half of 2014, primarily driven by higher marketing expenses as Cheetah Mobile continued to extend its mobile internet penetration in the global market. As a result, Mobile MAU from Cheetah Mobile soared 255% year-over-year to 284.3 million in June 2014.

**Mr. Jun LEI, Chairman of Kingsoft,** commented, "During the first half of 2014, we have achieved significant progress in our mobile internet business. We have continued to gain traffic share and competitive advantage with the rapid growth of our mission critical apps. In the coming quarters, we will continue to reinforce our core competence, expand our mobile user base, strengthen our position in mobile security, mobile office and mobile game, and speed up our global penetration."

**Dr. Hong Jiang ZHANG, Chief Executive Officer of Kingsoft,** added, "The second quarter of 2014 marked another quarter of consistent and strong top-line growth with revenue posted a growth of 11% quarter-over-quarter and 51% year-over-year to RMB750.5 million. I am pleased with the results, particularly the progress of mobile monetization. All of our business lines have set new records in terms of both revenue and operational results. The decrease in operating profit primarily reflected our proactive investments in mobile applications development and market expansion, and is in line with our strategy. As the mobile Internet is growing tremendously, we firmly believe that it is the right time to make investment in mobile development and market expansion in order to support our long-term business growth. The rapid increase of our overall mobile user base has shown that our strategy is effective."

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## **BUSINESS REVIEW**

### **Online Game Business**

For the second quarter of 2014, the revenue from the online game business increased 4% quarter-over-quarter and 14% year-over-year to RMB307.5 million. For the first half of 2014, the revenue from the online game business increased 12% year-over-year to RMB602.4 million, outperforming the growth rate of the MMO gaming market in China. The continuous increases were primarily due to the sustained strong performance of JX Online III driven by the continuous optimization and innovation of the game through expansion packs on quarterly basis, and the Company's constant efforts in improving game experiences.

JX Online III continued to achieve a 64% year-over-year growth for the first half of 2014 and accounted for 54% of the revenue for online game. On 21 July, the "Polished" version of JX Online III was launched and has gained solid ground in terms of user population, users' rating and revenue. There are also 12 mobile games currently under development, 4 of which will be in close beta testing in the third quarter.

### **Cheetah Mobile**

In the second quarter of 2014, the revenue and operating metrics of Cheetah Mobile achieved impressive growth. Supported by the significant progress in mobile monetization, and robust growth in traffic from Duba.com personal start page, the revenue from Cheetah Mobile increased 21% quarter-over-quarter and 146% year-over-year to RMB353.6 million for the second quarter of 2014. For the first half of 2014, the revenue from Cheetah Mobile soared 140% year-over-year to RMB646.4 million, and approximately 18% of its revenue was from mobile services, compared with approximately 3% in the first half of 2013.

Mobile MAU from Cheetah Mobile increased 28% quarter-over-quarter and increased 255% year-over-year to 284.3 million in June 2014. Clean Master, a flagship mobile application launched in September 2012, has rapidly gained an extremely large user base to be a "super app". The MAU of Duba.com Personal Start Page increased 25% quarter-over-quarter and 70% year-over-year to 67.6 million in June 2014. Other new products launched during the first half of 2014 were CM Security and CM Browser, which have also quickly ramped up user traffic.

On 8 May 2014, Cheetah Mobile was successfully listed on the New York Stock Exchange, and this initiative helped Kingsoft to strengthen and accelerate its mobile and global expansion strategies. In June 2014, approximately 67% of mobile MAU of Cheetah Mobile was from overseas markets, mostly the United States, Asia (excluding China) and Europe, compared to approximately 53% in December 2013. This significant increase shows the mobile mission critical applications, particularly Clean Master, have become very popular globally, and the Company's efforts in mobile and global expansion were a great success during the first half of 2014.

### **Office Software and Others**

For the second quarter of 2014, the revenue from the office software and other business increased 2% quarter-over-quarter and 9% year-over-year to RMB89.4 million. For the first half of 2014, the revenue increased 21% year-over-year to RMB177.2 million. Revenue from WPS for the first half of 2014 grew 30% year-over-year to RMB132.4 million. The online marketing revenue from WPS is becoming a growth catalyst supported by the increasing user traffic of WPS Personal Edition and Docer.com.

The MAU of WPS Personal Edition recorded 73 million in June 2014 compared to 56 million in June 2013. The global mobile MAU of WPS Office continued to grow robustly, exceeding 50 million in June 2014 compared to 21 million in June 2013. In addition to user base expansion, the Company was committed in improving the quality of the products in WPS and compatibility with other enterprise application systems to enhance the products' competitiveness and penetration of enterprise markets. During the second quarter of 2014, WPS Mobile Office for Android 6.0 was launched and new features, including a simplified user interface, phone reading mode redesign, and document synchronization were introduced to enhance the mobile user experience with the products.

The Company's growth in the enterprise data storage services has been accelerated, driven by the rapid increase of users' data from Xiaomi, WPS and Kuaipan. The daily upload of data into storage services is approximately 250T at the end of June 2014. The Company will focus on optimizing the underlying storage framework and providing its users with stable, secure and cost-efficient storage services. Also, the one-stop game cloud service platform has grown robustly, and the Company provided game cloud services to approximately 50 third party game developers since the services are launched. In the second quarter, the Company improved the platform layout based on the feedbacks from third party developers. These progresses have laid a solid ground for Kingsoft to become a leading player in China cloud storage and computing market.

"We had an impressive and encouraging first half of 2014. With the continuous proactive investment in mobile businesses, strengthened mobile monetization of Cheetah Mobile, continuous optimization of JX Online III, four mobile games to be launched, strong sales and fast growing users base of WPS as well as advantageous partnerships with Xiaomi, Tencent, Sogou and Xunlei, we are well positioned to achieve our goal in 2014." concluded **Dr. ZHANG**.

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

Kingsoft is a leading Chinese software and Internet service company with its shares listed on the Stock Exchange of Hong Kong Limited. Since the commercial launch of its first office applications software, WPS 1.0, in 1989 followed by more than 20 years of innovative endeavors, Kingsoft has become well recognized as a leading brand in China. Kingsoft has also rejuvenated itself by successfully transforming from “the King of Packaged Software” to an internet technologies and services provider.

Kingsoft provides a range of products and services across devices and platforms, and its main business encompasses online game, internet software, mobile applications, office software, and cloud storage and computing services. The Company utilizes the internet as an effective channel to market and distribute its products and services, and has built an extensive sales and distribution network.

Enhancing the quality of the digital lifestyle has been the mission of Kingsoft. Kingsoft will continue developing new products, expanding our products and services across the internet especially the mobile internet and expanding its market share in China, while vigorously penetrating overseas markets.

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

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