**Kingsoft Corporation Limited**
**金 山 軟 件 有 限 公 司**
*(Continued into the Cayman Islands with limited liability)*
**(Stock Code: 03888)**

# ANNOUNCEMENT OF THE RESULTS FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2013

The Board ("**Board**") of directors (the "**Directors**") of Kingsoft Corporation Limited (the "**Company**") announces the unaudited results of the Company and its subsidiaries (the "**Group**" or "**Kingsoft**") for the three and six months ended 30 June 2013. These interim results have been reviewed by Ernst & Young, the Auditors of the Company, and the audit committee of the Company (the "**Audit Committee**").

# FINANCIAL INFORMATION
# CONDENSED CONSOLIDATED INCOME STATEMENT
*For the three and six months ended 30 June 2013*

| | | For the three months ended 30 June | | For the six months ended 30 June | |
|---|---|---|---|---|---|
| | | **2013** | 2012 | **2013** | 2012 |
| | *Notes* | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| | | ***(Unaudited)*** | *(Unaudited)* | ***(Unaudited)*** | *(Unaudited)* |
| **Revenue:** | | | | | |
| Online game | | **270,539** | 208,728 | **537,205** | 399,818 |
| Application software | | **219,275** | 112,073 | **407,304** | 202,827 |
| Others | | **6,714** | 1,666 | **8,878** | 12,407 |
| | | **496,528** | 322,467 | **953,387** | 615,052 |
| Cost of revenue | | **(66,044)** | (40,877) | **(127,625)** | (90,531) |
| **Gross profit** | | **430,484** | 281,590 | **825,762** | 524,521 |
| Research and development costs, net of government grants | | **(136,203)** | (86,973) | **(251,381)** | (174,317) |
| Selling and distribution expenses | | **(71,803)** | (40,104) | **(139,411)** | (71,310) |
| Administrative expenses | | **(43,792)** | (36,753) | **(89,273)** | (70,725) |
| Share-based compensation costs | 12 | **(19,478)** | (14,092) | **(29,576)** | (22,244) |
| Other income and gains | | **5,209** | 7,418 | **20,424** | 9,678 |
| Other expenses | | **(5,093)** | (2,305) | **(15,203)** | (3,018) |
| **Operating profit** | | **159,324** | 108,781 | **321,342** | 192,585 |
| Fair value gain on financial instruments at fair value through profit or loss, net | | **249** | — | **249** | — |
| Gain on disposal of a subsidiary | | **—** | — | **47,452** | — |
| Finance income | | **28,517** | 24,152 | **55,068** | 46,359 |
| Finance costs | | **(1,771)** | (1,997) | **(3,828)** | (3,942) |
| Share of profits and losses of: | | | | | |
| Joint ventures | | **(164)** | 2,681 | **990** | 4,646 |
| Associates | | **(294)** | — | **(559)** | (930) |
| **Profit before tax** | 5 | **185,861** | 133,617 | **420,714** | 238,718 |
| Income tax expense | 6 | **(15,796)** | (15,197) | **(39,502)** | (29,976) |
| **Profit for the period** | | **170,065** | 118,420 | **381,212** | 208,742 |
| **Attributable to:** | | | | | |
| Owners of the parent | | **145,255** | 111,897 | **341,169** | 199,423 |
| Non-controlling interests | | **24,810** | 6,523 | **40,043** | 9,319 |
| | | **170,065** | 118,420 | **381,212** | 208,742 |
| **Earnings per share attributable to** | | ***RMB*** | *RMB* | ***RMB*** | *RMB* |
| **ordinary equity holders of the parent** | 7 | ***(Unaudited)*** | *(Unaudited)* | ***(Unaudited)*** | *(Unaudited)* |
| Basic | | **0.1260** | 0.0979 | **0.2967** | 0.1748 |
| Diluted | | **0.1230** | 0.0964 | **0.2890** | 0.1720 |

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the three and six months ended 30 June 2013*

| | For the three months ended 30 June | | For the six months ended 30 June | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Unaudited)* | ***(Unaudited)*** | *(Unaudited)* |
| **Profit for the period** | **170,065** | 118,420 | **381,212** | 208,742 |
| **Other comprehensive income:** | | | | |
| Exchange differences on translation of foreign operations | **(1,042)** | (2,425) | **(6,521)** | (4,456) |
| **Other comprehensive loss for the period, net of tax** | **(1,042)** | (2,425) | **(6,521)** | (4,456) |
| **Total comprehensive income for the period** | **169,023** | 115,995 | **374,691** | 204,286 |
| **Attributable to:** | | | | |
| Owners of the parent | **144,975** | 109,632 | **337,918** | 195,992 |
| Non-controlling interests | **24,048** | 6,363 | **36,773** | 8,294 |
| | **169,023** | 115,995 | **374,691** | 204,286 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2013*

| | Notes | **As at 30 June 2013** *RMB'000* *(Unaudited)* | As at 31 December 2012 *RMB'000* *(Audited)* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **366,743** | 371,213 |
| Lease prepayments | | **42,731** | 43,201 |
| Goodwill | | **54,530** | 14,559 |
| Other intangible assets | | **77,491** | 53,261 |
| Investments in joint ventures | | **30,410** | 20,122 |
| Investments in associates | | **30,446** | — |
| Available-for-sale investments | | **56,868** | 7,182 |
| Other financial asset | | **29,829** | 27,822 |
| Loan receivables | | **7,711** | 5,864 |
| Deferred tax assets | | **31,670** | 32,962 |
| | | **728,429** | 576,186 |
| **Current assets** | | | |
| Inventories | | **8,963** | 17,006 |
| Trade receivables | 8 | **165,394** | 130,346 |
| Prepayments, deposits and other receivables | | **128,957** | 120,589 |
| Due from related parties | | **148,072** | 161,262 |
| Pledged deposit | | **19,000** | 19,000 |
| Cash and cash equivalents | | **3,193,450** | 2,416,259 |
| | | **3,663,836** | 2,864,462 |
| Assets of a disposal group classified as held for sale | | **—** | 200,621 |
| | | **3,663,836** | 3,065,083 |
| **Current liabilities** | | | |
| Trade payables | 9 | **19,572** | 23,089 |
| Interest-bearing bank loans | 10 | **486,723** | 413,559 |
| Other payables and accruals | | **359,156** | 298,827 |
| Deferred revenue | | **177,913** | 185,462 |
| Income tax payable | | **24,239** | 11,022 |
| | | **1,067,603** | 931,959 |
| Liabilities directly associated with the assets classified as held for sale | | **—** | 753 |
| | | **1,067,603** | 932,712 |
| **Net current assets** | | **2,596,233** | 2,132,371 |
| **Total assets less current liabilities** | | **3,324,662** | 2,708,557 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

*As at 30 June 2013*

| | Notes | **As at 30 June 2013** *RMB'000* *(Unaudited)* | As at 31 December 2012 *RMB'000* *(Audited)* |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Deferred revenue | | **13,404** | 14,252 |
| Deferred tax liabilities | | **17,427** | 19,373 |
| Redeemable convertible preferred shares | 11 | **89,521** | — |
| Other liabilities | | **6,901** | — |
| | | **127,253** | 33,625 |
| **Net assets** | | **3,197,409** | 2,674,932 |
| **Equity** | | | |
| **Equity attributable to owners of the parent** | | | |
| Issued capital | | **4,710** | 4,690 |
| Share premium account | | **363,536** | 347,965 |
| Shares held for share award scheme | | **(55,662)** | (82,127) |
| Statutory reserves | | **156,462** | 156,462 |
| Employee share-based reserve | | **148,826** | 160,833 |
| Capital reserve | | **398,786** | 275,739 |
| Foreign currency translation reserve | | **(78,604)** | (75,353) |
| Retained earnings | | **1,965,657** | 1,624,488 |
| Proposed final dividend | 13 | **—** | 102,132 |
| | | **2,903,711** | 2,514,829 |
| **Non-controlling interests** | | **293,698** | 160,103 |
| **Total equity** | | **3,197,409** | 2,674,932 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2013*

| | Attributable to owners of the parent | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Issued capital** | **Share premium account** | **Shares held for share award scheme** | **Statutory reserves** | **Employee share-based reserve** | **Capital reserve** | **Foreign currency translation reserve** | **Retained earnings** | **Proposed final dividend** | **Total** | **Non-controlling interests** | **Total equity** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(Unaudited)* | *(Unaudited)* | *(Unaudited)* | *(Unaudited)* | *(Unaudited)* | *(Unaudited)* | *(Unaudited)* | *(Unaudited)* | *(Unaudited)* | *(Unaudited)* | *(Unaudited)* | *(Unaudited)* |
| **At 1 January 2013** | **4,690** | **347,965** | **(82,127)** | **156,462** | **160,833** | **275,739** | **(75,353)** | **1,624,488** | **102,132** | **2,514,829** | **160,103** | **2,674,932** |
| Profit for the period | – | – | – | – | – | – | – | 341,169 | – | 341,169 | 40,043 | 381,212 |
| Other comprehensive income for the period: | | | | | | | | | | | | |
| Exchange differences on translation of foreign operations | – | – | – | – | – | – | (3,251) | – | – | (3,251) | (3,270) | (6,521) |
| Total comprehensive income for the period | – | – | – | – | – | – | (3,251) | 341,169 | – | 337,918 | 36,773 | 374,691 |
| Approved and paid final dividend in respect of the previous year | – | 1,381 | – | – | – | – | – | – | (102,132) | (100,751) | – | (100,751) |
| Dividends paid to non-controlling interests | – | – | – | – | – | – | – | – | – | – | (19,596) | (19,596) |
| Share-based compensation costs | – | – | – | | 20,318 | – | – | – | – | 20,318 | 6,859 | 27,177 |
| Exercise of share options | 20 | 14,190 | – | – | (5,860) | – | – | – | – | 8,350 | – | 8,350 |
| Vested awarded shares transferred to employees | – | – | 26,465 | – | (26,465) | – | – | – | – | – | – | – |
| Changes in the ownership interests in subsidiaries | – | – | – | – | – | 123,047 | – | – | – | 123,047 | 109,559 | 232,606 |
| **At 30 June 2013** | **4,710** | **363,536** | **(55,662)** | **156,462** | **148,826** | **398,786** | **(78,604)** | **1,965,657** | **–** | **2,903,711** | **293,698** | **3,197,409** |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

*For the six months ended 30 June 2012*

| | Attributable to owners of the parent | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Issued capital** *RMB'000* *(Unaudited)* | **Share premium account** *RMB'000* *(Unaudited)* | **Shares held for share award scheme** *RMB'000* *(Unaudited)* | **Statutory reserves** *RMB'000* *(Unaudited)* | **Employee share-based reserve** *RMB'000* *(Unaudited)* | **Capital reserve** *RMB'000* *(Unaudited)* | **Foreign currency translation reserve** *RMB'000* *(Unaudited)* | **Retained earnings** *RMB'000* *(Unaudited)* | **Proposed final dividend** *RMB'000* *(Unaudited)* | **Total** *RMB'000* *(Unaudited)* | **Non-controlling interests** *RMB'000* *(Unaudited)* | **Total equity** *RMB'000* *(Unaudited)* |
| At 1 January 2012 | 4,677 | 440,974 | (93,754) | 146,654 | 145,435 | 253,914 | (72,015) | 1,201,707 | 92,241 | 2,119,833 | 93,287 | 2,213,120 |
| Profit for the period | — | — | — | — | — | — | — | 199,423 | — | 199,423 | 9,319 | 208,742 |
| Other comprehensive income for the period: | | | | | | | | | | | | |
| Exchange differences on translation of foreign operations | — | — | — | — | — | — | (3,431) | — | — | (3,431) | (1,025) | (4,456) |
| Total comprehensive income for the period | — | — | — | — | — | — | (3,431) | 199,423 | — | 195,992 | 8,294 | 204,286 |
| Approved and paid final dividend in respect of the previous year | — | (830) | — | — | — | — | — | — | (92,241) | (93,071) | — | (93,071) |
| Dividends paid to non-controlling interests | — | — | — | — | — | — | — | — | — | — | (13,027) | (13,027) |
| Share-based compensation costs | — | — | — | | 14,068 | — | — | — | — | 14,068 | 2,510 | 16,578 |
| Exercise of share options | 12 | 10,918 | — | — | (5,258) | — | — | — | — | 5,672 | — | 5,672 |
| Vested awarded shares transferred to employees | — | — | 7,894 | — | (7,894) | — | — | — | — | — | — | — |
| Capital contributions from non-controlling interests | — | — | — | — | — | — | — | — | — | — | 11,195 | 11,195 |
| Changes in the ownership interests in subsidiaries | — | — | — | — | — | 295 | — | — | — | 295 | (302) | (7) |
| At 30 June 2012 | 4,689 | 451,062 | (85,860) | 146,654 | 146,351 | 254,209 | (75,446) | 1,401,130 | — | 2,242,789 | 101,957 | 2,344,746 |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 June 2013*

| | For the six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Unaudited)* |
| **Net cash flows from operating activities** | **354,176** | 148,470 |
| **Net cash flows used in investing activities** | **(137,477)** | (506,038) |
| **Net cash flows from/(used in) financing activities** | **342,494** | (32,128) |
| **Net increase/(decrease) in cash and cash equivalents** | **559,193** | (389,696) |
| Cash and cash equivalents at beginning of the period | **696,499** | 1,199,313 |
| Effect of foreign exchange rate changes, net | **(13,331)** | (2,686) |
| **Cash and cash equivalents at end of the period** | **1,242,361** | 806,931 |
| Time deposits with original maturity of over three months when acquired | **1,951,089** | 1,325,036 |
| **Cash and cash equivalents as stated in the consolidated statement of financial position** | **3,193,450** | 2,131,967 |

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. Corporate information

The company was incorporated under the Companies Act of the British Virgin Islands on 20 March 1998. On 15 November 2005, it was redomiciled to Cayman Islands under the Company Law (2004 revision) of the Cayman Islands. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 9 October 2007.

The Group is principally involved in the following principal activities:

- research and development of games, and provision of online games, mobile games and casual game services;
- research, development and operation of information security software and web browser, provision of information security service across devices, and provision of online advertising services; and
- research, development and distribution of office application software, provision of cloud storage, cloud computation and dictionary services across devices, and provision of online advertising services.

The interim condensed consolidated financial statements for the six months ended 30 June 2013 were approved and authorised for issue in accordance with a resolution of the board of directors of the Company on 27 August 2013.

## 2. Basis of preparation and significant accounting policies

### Basis of preparation

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting*, issued by International Accounting Standards Board ("**IASB**").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

## 2. Basis of preparation and significant accounting policies (continued)

### Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"). The following amendments to IFRSs did not have any impact on the accounting policies, financial position or performance of the Group:

IAS 1 *Presentation of Items of Other Comprehensive Income — Amendments to IAS 1*

IAS 1 *Clarification of the requirement for comparative information* (Amendment)

IAS 32 *Tax effects of distributions to holders of equity instruments* (Amendment)

IAS 34 *Interim financial reporting and segment information for total assets and liabilities* (Amendment)

IFRS 7 *Financial Instruments: Disclosures Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7*

IFRS 10 *Consolidated Financial Statements and IAS 27 Separate Financial Statements*

IFRS 11 *Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures*

IFRS 12 *Disclosure of Interests in Other Entities*

IFRS 13 *Fair Value Measurement*

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

## 3. Business combination

During the six months ended 30 June 2013, the Group, through a non-wholly owned subsidiary, acquired two businesses ("**Target Businesses**") from third party companies (the "**Selling Parties**"), which mainly engaged in the mobile internet businesses. The total purchase considerations for the two acquisitions were RMB64.0 million, including RMB52.8 million paid in cash upon completion, and a total contingent cash consideration of RMB11.2 million, which will be paid upon the achievements by one of the Target Businesses of certain operating index within the next three years after the completion of the acquisition. In return, the Selling Parties transferred all of the fixed assets, intellectual properties, material contracts and key employees engaged in the Target Businesses to the Group. The acquisitions of the Target Businesses were completed before 30 June 2013.

## 3. Business combination (continued)

The fair values of the identifiable assets of the Target Businesses as at the date of acquisition were as follows:

| | **Fair value recognised on acquisitions** *RMB'000* *(Unaudited)* |
|---|---|
| Property, plant and equipment | 52 |
| Trademarks | 150 |
| Technology | 10,279 |
| User base | 13,548 |
| **Net assets** | 24,029 |
| Goodwill arising on acquisitions | 39,971 |
| **Total consideration satisfied by cash and other payable** | 64,000 |
| Analysis of cash flow on acquisitions: | |
| Cash paid | (52,825) |
| Net outflow of cash and cash equivalent included in cash flows used in investing activities | (52,825) |

The goodwill of RMB40.0 million (unaudited) comprises the value of expected synergies and other benefits from combining the assets and activities of the Target Businesses with those of the Group, which is not separately recognised. Goodwill is allocated entirely to the information security software segment. None of the recognised goodwill is expected to be deductible for income tax purposes.

## 4. Operating segments

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

(a) the entertainment software segment engages in research and development of games, and provision of online games, mobile games and casual game services;

(b) the information security software segment engages in the research, development and operation of information security software and web browser, provision of information security service across devices, and provision of online advertising services; and

(c) the other application software segment engages in the research, development and distribution of office application software, provision of cloud storage, cloud computation and dictionary services across devices, and provision of online advertising services.

## 4. Operating segments (continued)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that finance income, finance costs, administrative expenses, share-based compensation costs, share of profits and losses of joint ventures and associates, other expenses, other income and gains, fair value gain on financial instruments at fair value through profit or loss, net, and gain on disposal of a subsidiary are excluded from such measurement.

| | Entertainment software *RMB'000* *(Unaudited)* | Information security software *RMB'000* *(Unaudited)* | Other application software *RMB'000* *(Unaudited)* | Total *RMB'000* *(Unaudited)* |
|---|---|---|---|---|
| *For the six months ended 30 June 2013* | | | | |
| **Segment revenue:** | | | | |
| Sales to external customers | **537,205** | **295,022** | **121,160** | **953,387** |
| **Segment results** | **296,314** | **91,678** | **46,978** | **434,970** |
| *Reconciliation:* | | | | |
| Administrative expenses | | | | **(89,273)** |
| Share-based compensation costs | | | | **(29,576)** |
| Other income and gains | | | | **20,424** |
| Other expenses | | | | **(15,203)** |
| Finance income | | | | **55,068** |
| Finance costs | | | | **(3,828)** |
| Fair value gain on financial instruments at fair value through profit or loss, net | | | | **249** |
| Gain on disposal of a subsidiary | | | | **47,452** |
| Share of profits and losses of: | | | | |
| Joint ventures | | | | **990** |
| Associates | | | | **(559)** |
| **Profit before tax** | | | | **420,714** |

## 4. Operating segments (continued)

| | Entertainment software *RMB'000* *(Unaudited)* | Information security software *RMB'000* *(Unaudited)* | Other application software *RMB'000* *(Unaudited)* | Total *RMB'000* *(Unaudited)* |
|---|---|---|---|---|
| *For the six months ended 30 June 2012* | | | | |
| **Segment revenue:** | | | | |
| Sales to external customers | 408,264 | 108,771 | 98,017 | 615,052 |
| **Segment results** | 226,985 | 7,145 | 44,764 | 278,894 |
| *Reconciliation:* | | | | |
| Administrative expenses | | | | (70,725) |
| Share-based compensation costs | | | | (22,244) |
| Other income and gains | | | | 9,678 |
| Other expenses | | | | (3,018) |
| Finance income | | | | 46,359 |
| Finance costs | | | | (3,942) |
| Share of profits and losses of: | | | | |
| Joint ventures | | | | 4,646 |
| Associates | | | | (930) |
| **Profit before tax** | | | | 238,718 |

## 5. Profit before tax

The Group's profit before tax is arrived at after charging:

| | For the three months ended 30 June | | For the six months ended 30 June | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Unaudited)* | ***(Unaudited)*** | *(Unaudited)* |
| Employee benefit expenses | **175,656** | 119,148 | **329,263** | 233,050 |
| Bandwidth and server hosting costs | **21,812** | 14,148 | **39,226** | 28,581 |
| Depreciation of property, plant and equipment | **14,963** | 15,296 | **32,627** | 31,440 |
| Amortisation of lease prepayments | **235** | 235 | **471** | 471 |
| Amortisation of other intangible assets | **7,533** | 6,092 | **14,094** | 19,123 |
| Impairment of other intangible assets* | **—** | 2,000 | **—** | 2,000 |
| Provision of other receivables* | **4,050** | — | **10,500** | — |
| Donation* | **1,000** | 460 | **3,670** | 870 |
| Interest on bank loans | **1,771** | 1,997 | **3,828** | 3,942 |

* They are included in "other expenses" on the face of the condensed consolidated income statement.

## 6. Income tax expense

The major components of income tax expense in the condensed consolidated income statement are:

| | For the three months ended 30 June | | For the six months ended 30 June | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Unaudited)* | ***(Unaudited)*** | *(Unaudited)* |
| Current income tax | **13,879** | 13,729 | **40,156** | 35,586 |
| Deferred income tax | **1,917** | 1,468 | **(654)** | (5,610) |
| Income tax expense | **15,796** | 15,197 | **39,502** | 29,976 |

The People's Republic of China (the "**PRC**") corporate income tax represents the tax charged on the estimated assessable profits arising in the Mainland China. In general, the PRC subsidiaries of the Group are subject to the PRC corporate income tax rate of 25% except for certain PRC subsidiaries which are entitled to tax holiday and preferential tax rates.

## 6. Income tax expense (continued)

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2012: 16.5%) on estimated assessable profits arising in Hong Kong for the six months ended 30 June 2013.

In accordance with Japanese tax laws, the income tax rate applicable to the Group's subsidiaries in Japan was 41% for the six months ended 30 June 2013 (six months ended 30 June 2012: 41%).

The Group's subsidiary in Malaysia was granted the Multimedia Super Corridor Malaysia Status ("**MSC Malaysia Status**"). Therefore the online games related activities of the subsidiary were exempted from corporate income tax for the period from April 2010 to December 2014.

## 7. Earnings per share attributable to ordinary equity holders of the parent

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period.

The calculation of diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares relating to the Group's share option schemes and share award scheme into ordinary shares.

## 7. Earnings per share attributable to ordinary equity holders of the parent (continued)

The calculations of basic and diluted earnings per share are based on:

| | For the six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Unaudited)* |
| *Earnings* | | |
| Profit attributable to ordinary equity holders of the parent | **341,169** | 199,423 |

| | Number of shares For the six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***(Unaudited)*** | *(Unaudited)* |
| *Shares* | | |
| Weighted average number of ordinary shares in issue less shares held for share award scheme | **1,149,910,622** | 1,141,171,733 |
| Effect of dilution — weighted average number of ordinary shares: | | |
| Share options | **17,578,736** | 10,672,345 |
| Awarded shares | **12,946,244** | 7,566,372 |
| | **1,180,435,602** | 1,159,410,450 |

## 8. Trade receivables

Trade receivables, which are non-interest-bearing and generally on credit terms of 30 to 90 days, are recognised and carried at original invoiced amounts less any impairment loss.

An aged analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

| | **30 June 2013** | 31 December 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Audited)* |
| 0–30 days | **94,750** | 71,842 |
| 31–60 days | **28,283** | 30,206 |
| 61–90 days | **16,203** | 9,018 |
| 91–365 days | **22,962** | 14,900 |
| Over one year | **3,196** | 4,380 |
| | **165,394** | 130,346 |

## 9. Trade payables

An aged analysis of the Group's trade payables at the end of the reporting period, based on the invoice date, is as follows:

| | **30 June 2013** | 31 December 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Audited)* |
| 0–30 days | **9,638** | 7,929 |
| 31–60 days | **1,354** | 5,065 |
| 61–90 days | **1,214** | 2,420 |
| 91–365 days | **4,345** | 5,194 |
| Over one year | **3,021** | 2,481 |
| | **19,572** | 23,089 |

Trade payables are non-interest-bearing and are normally settled on two to three months terms.

## 10. Interest-bearing bank loans

| | Notes | **Maturity** | **Principal amount** |
|---|---|---|---|
| | | | *RMB'000* |
| 30 June 2013 | | | *(Unaudited)* |
| Current | | | |
| Bank loan — unsecured | (a) | 2013 | 470,791 |
| Bank loan — secured | (b) | 2013 | 15,932 |
| | | | 486,723 |
| 31 December 2012 | | | *(Audited)* |
| Current | | | |
| Bank loan — unsecured | | 2013 | 397,341 |
| Bank loan — secured | | 2013 | 16,218 |
| | | | 413,559 |

(a) The Group provided RMB deposits of amount not less than 50% or 100% of the bank loans outstanding from time to time as an undertaking of banking facilities from which the above unsecured bank loans were drawn down.

(b) As at 30 June 2013, one of the Group's bank loans was secured by the Group's time deposit of RMB19.0 million (31 December 2012: RMB19.0 million).

(c) As at 30 June 2013 and 31 December 2012, all bank loans were denominated in Hong Kong dollars.

## 11. Redeemable convertible preferred shares

On 9 April 2013, the Group's non-wholly owned subsidiary, Kingsoft Cloud Holdings Limited ("**KC Holdings**"), issued 188,636,000 and 80,844,000 series A redeemable convertible preferred shares of par value of USD0.001 each to a third party investor and the Company, respectively, at a price of USD0.0742 per share for an aggregate consideration of USD20.0 million (equivalent to approximately RMB123.6 million).

The series A redeemable convertible preferred shares was designated as a financial liability at fair value through profit or loss upon initial recognition. The fair value of the series A redeemable convertible preferred shares was RMB89.5 million at 30 June 2013.

## 12. Share-based compensation costs

### (a) Share options

**2004 and 2007 Pre-IPO Share Option Schemes**

The Company adopted the 2004 Pre-IPO Share Option Scheme and the 2007 Pre-IPO Share Option Scheme (collectively, the "**Pre-IPO Share Option Schemes**") on 30 September 2004 and 22 January 2007, respectively. The Pre-IPO Share Option Schemes were terminated on 3 September 2007. The following table illustrates the number of and movements in the Company's share options of Pre-IPO Share Option Schemes for the six months ended 30 June 2013 and 2012.

| | **2013 Number of share options *(Unaudited)*** | 2012 Number of share options *(Unaudited)* |
|---|---|---|
| Outstanding at 1 January | **17,026,800** | 22,920,300 |
| Exercised during the period | **(6,583,500)** | (3,870,000) |
| Outstanding at 30 June | **10,443,300** | 19,050,300 |

**2011 Share Option Scheme**

The Company operates the 2011 Share Option Scheme for the purpose of providing incentives and rewards to eligible participants. Eligible participants of the 2011 Share Option Scheme include the Company's directors. The 2011 Share Option Scheme became effective on 9 December 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The outstanding number of share options under the 2011 Share Option Scheme at 30 June 2013 is 10,500,000 (2012: 12,500,000). There is no movement of outstanding share options during the six months period ended 30 June 2013 and 2012.

## 12. Share-based compensation costs (continued)

### (a) Share options (continued)

**KC Holdings Share Option Scheme**

On 27 February 2013, the shareholders of the Company and KC Holdings, a subsidiary of the Company, approved and adopted the KC Holdings Share Option Scheme for the purpose of providing incentives and rewards to eligible participants, in which selected employees of KC Holdings and its subsidiaries are entitled to participate. The KC Holdings Share Option Scheme will remain in force for 10 years from 27 February 2013.

The following table illustrates the number of and movements in the KC Holdings Share Option Scheme during the six months ended 30 June 2013.

| | **2013 Number of shares options** *(Unaudited)* |
|---|---|
| Outstanding at 1 January | **—** |
| Granted during the period | **48,700,000** |
| Forfeited during the period | **(20,600,000)** |
| Outstanding at 30 June | **28,100,000** |

**Jingcai Holdings Limited ("JC Holdings") Share Option Scheme**

On 27 February 2013, the shareholders of the Company and JC Holdings, a subsidiary of the Company, approved and adopted the JC Holdings Share Option Scheme for the purpose of providing incentives and rewards to eligible participants, in which selected employees of JC Holdings and its subsidiaries are entitled to participate. The JC Holdings Share Option Scheme will remain in force for 10 years from 27 February 2013.

The following table illustrates the number of and movements in the JC Holdings Share Option Scheme during the six months ended 30 June 2013.

| | **2013 Number of shares options** *(Unaudited)* |
|---|---|
| Outstanding at 1 January | **—** |
| Granted during the period | **815,000** |
| Forfeited during the period | **(5,000)** |
| Outstanding at 30 June | **810,000** |

## 12. Share-based compensation costs (continued)

### (b) Awarded Shares

#### Share Award Scheme

On 31 March 2008, the directors of the Company approved and adopted a share award scheme (the "**Share Award Scheme**") in which selected employees of the Group have been awarded the awarded shares (the "**Awarded Shares**") through their continued employment with the Group. The Group has set up a trust (the "**Share Award Scheme Trust**") for the purpose of administering the Share Award Scheme and holding the Awarded Shares before they vest. Unless early terminated by the directors of the Company, the Share Award Scheme is valid and effective for a term of five years commencing from 31 March 2008. On 25 November 2010, the directors of the Company resolved to extend the termination date of the Share Awarded Scheme from 30 March 2013 to 30 March 2017. The directors will not grant any awarded shares which would result in the total number of shares, which are the subject of awards granted by the directors of the Company under the Share Award Scheme (but not counting any which have lapsed or have been forfeited), representing in aggregate over 10% of the issued capital of the Company as at the date of such grant.

No shares of the Company were acquired by the Share Award Scheme Trust during the six months ended 30 June 2013 and 2012.

The following table illustrates the number of and movements in the Company's Awarded Shares during the six months ended 30 June 2013 and 2012.

| | **2013 Number of awarded shares *(Unaudited)*** | 2012 Number of awarded shares *(Unaudited)* |
|---|---|---|
| Outstanding at 1 January | **17,644,670** | 16,207,004 |
| Awarded during the period | **800,000** | 7,242,000 |
| Forfeited during the period | **(20,000)** | (147,668) |
| Vested and transferred during the period | **(5,063,735)** | (2,596,332) |
| Outstanding at 30 June | **13,360,935** | 20,705,004 |

## 12. Share-based compensation costs (continued)

### (b) Awarded Shares (continued)

**Share Award Scheme adopted by Kingsoft Internet Security Software Holdings Limited ("KIS Holdings")**

On 26 May 2011 (the "**KIS Adoption Date**"), the directors of KIS Holdings, a subsidiary of the Company, approved and adopted a share award scheme (the "**KIS Share Award Scheme**"), in which selected employees of KIS Holdings and its subsidiaries ("**KIS Group**") have been awarded the awarded shares (the "**KIS Awarded Shares**") through their continued employment with the Group. Unless early terminated by the directors of KIS Holdings, the KIS Share Award Scheme shall be valid and effective for a term of ten years commencing on the KIS Adoption Date. The directors of KIS Holdings will not grant any award of shares which would result in the total number of shares which are subject of awards granted by the board of directors of KIS Holdings under the KIS Share Award Scheme (but not counting any which have lapsed or have been forfeited) being greater than 100,000,000 shares, as at the date of such grant.

The following table illustrates the number of and movements in the KIS Awarded Shares during the six months ended 30 June 2013 and 2012.

| | **2013** | 2012 |
|---|---|---|
| | **Number of awarded shares** | Number of awarded shares |
| | ***(Unaudited)*** | *(Unaudited)* |
| Outstanding at 1 January | **74,927,500** | 49,870,000 |
| Awarded during the period | **8,775,000** | 23,060,000 |
| Forfeited during the period | **(1,415,000)** | (3,087,500) |
| Outstanding at 30 June | **82,287,500** | 69,842,500 |

## 12. Share-based compensation costs (continued)

### (b) Awarded Shares (continued)

**Share Award Scheme adopted by Kingsoft Office Software Holdings Limited ("KOS Holdings")**

On 3 December 2012 (the "**KOS Adoption Date**"), the directors of KOS Holdings, a subsidiary of the Company, approved and adopted the share award scheme ("**KOS Share Award Scheme**"), in which selected employees of KOS Holdings and its subsidiaries ("**KOS Group**") are entitled to participate. Unless early terminated by the directors of KOS Holdings, the KOS Share Award Scheme shall be valid and effective for a term of ten years commencing on the KOS Adoption Date. The directors of KOS Holdings will not grant any award of shares ("**KOS Awarded Shares**") which would result in the total number of shares (but not counting any which have lapsed or have been forfeited) being greater than 50,000,000 shares, as at the date of such grant.

The following table illustrates the number of and movements in the KOS Awarded Shares during the six months ended 30 June 2013.

| | **2013 Number of awarded shares** ***(Unaudited)*** |
|---|---|
| Outstanding at 1 January | **30,000,000** |
| Awarded during the period | **300,000** |
| Forfeited during the period | **(550,000)** |
| Outstanding at 30 June | **29,750,000** |

**Share Award Scheme adopted by KC Holdings**

On 22 February 2013 (the "**KC Adoption Date**"), the directors of KC Holdings approved and adopted the share award scheme ("**KC Share Award Scheme**"), in which selected employees of KC Holdings and its subsidiaries are entitled to participate. Unless early terminated by the directors of KC Holdings, the KC Share Award Scheme shall be valid and effective for a term of ten years commencing on the KC Adoption Date. The directors of KC Holdings will not grant any award of shares ("**KC Awarded Shares**") which would result in the total number of shares (but not counting any which have lapsed or have been forfeited) being greater than 48,000,000 shares, as at the date of such grant.

The number of KC Awarded Shares granted during the period and outstanding at 30 June 2013 is 25,000,000.

## 12. Share-based compensation costs (continued)

### (b) Awarded Shares (continued)

**Share Award Scheme adopted by JC Holdings**

On 11 April 2013 (the "**JC Adoption Date**"), the directors of JC Holdings approved and adopted the share award scheme ("**JC Share Award Scheme**"), in which selected employees of JC Holdings and its subsidiaries are entitled to participate. Unless early terminated by the directors of JC Holdings, the JC Share Award Scheme shall be valid and effective for a term of ten years commencing on the JC Adoption Date. The directors of JC Holdings will not grant any award of shares ("**JC Awarded Shares**") which would result in the total number of shares (but not counting any which have lapsed or have been forfeited) being greater than 500,000 shares, as at the date of such grant.

The number of JC Awarded Shares granted during the period and outstanding at 30 June 2013 is 450,000.

## 13. Dividends

A final dividend of HKD0.11 per ordinary share for 2012 was proposed pursuant to a resolution passed by the Board on 19 March 2013, and was approved by the shareholders in the annual general meeting held on 23 May 2013.

The actual 2012 final dividend paid was RMB102.1 million after eliminating RMB2.4 million paid for shares held by the Share Award Scheme Trust.

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

## 14. Capital commitments

The Group had the following capital commitments as at the end of the reporting period:

| | Note | **30 June 2013** | **31 December 2012** |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| | | ***(Unaudited)*** | *(Audited)* |
| Contracted, but not provided for: | | | |
| Purchase of electronic equipment | | **2,855** | 415 |
| Development of land and buildings | (a) | **921,201** | 922,975 |
| Acquisition of intangible assets | | **—** | 34 |
| Total | | **924,056** | 923,424 |

## 14. Capital commitments (continued)

(a) The capital commitment for the development of land and buildings represented the commitment to invest an aggregate of RMB921.2 million before 2014 in the development of a piece of land in Zhuhai, the PRC, in accordance with the relevant land use rights acquisition agreements.

## 15. Related party transactions

### (a) The Group had the following material transactions with related parties during the period:

| | | For the three months ended 30 June | | For the six months ended 30 June | |
|---|---|---|---|---|---|
| | Notes | **2013** | 2012 | **2013** | 2012 |
| | | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| | | ***(Unaudited)*** | *(Unaudited)* | ***(Unaudited)*** | *(Unaudited)* |
| Equity contribution from non-controlling shareholders of subsidiaries | (i) | **290,181** | — | **290,181** | — |
| Interest income from non-controlling shareholders of subsidiaries | (ii) | **823** | 565 | **1,757** | 1,155 |
| Provision of services to companies whose parent has a significant influence on the Company | (iii) | **29,151** | 11,368 | **57,082** | 18,464 |
| Provision of services to a company controlled by a director | (iii) | **1,504** | — | **2,390** | — |
| Purchases of products from a company controlled by a director | (iv) | **704** | 684 | **1,613** | 1,275 |

(i) On 24 June 2013, KIS Holdings entered into a series B preferred shares purchase agreement with TCH Copper Limited ("**TCH**"), who is a non-controlling shareholder of KIS Holdings. Under the agreement, TCH purchased from KIS Holdings 110,240,964 series B preferred shares with cash consideration of USD47.0 million (equivalent to RMB290.2 million) or USD0.43 per share.

## 15. Related party transactions (continued)

### (a) The Group had the following material transactions with related parties during the period: (continued)

(ii) On 3 July 2012, KOS Holdings issued 200,000,000 shares (representing 21% of enlarged equity interest of KOS Holdings) to WPS Holdings Limited ("**WPS Holdings**"), which is owned by some founding employees, at a subscription price of USD0.03 per share for an aggregate consideration of approximately USD6.0 million (equivalent to RMB37.1million) pursuant to an ordinary share subscription agreement dated 21 May 2012 entered into by KOS Holdings, WPS Holdings and the founding employees. Part of the consideration amounting to USD4.5 million (equivalent to RMB27.8 million) was funded by a loan advanced from the Company, the parent of KOS Holdings, which bears interest at a rate of HIBOR plus 1.3%, and was secured by 200,000,000 shares of KOS Holdings held by WPS Holdings. The term of the above loan is one year and can be automatically extended for the succeeding one year upon expiration if certain conditions have been satisfied.

On 8 April 2011, Westhouse Holdings Limited ("**Westhouse Holdings**") issued 160,000,000 shares (representing 20% of enlarged equity interest of Westhouse Holdings) to WestGame Holdings Limited ("**WestGame Holdings**"), which is owned by some founding employees, at a subscription price of HKD1.18 per share for an aggregate consideration of approximately HKD189.3 million (equivalent to RMB150.8 million) pursuant to a share subscription agreement dated 24 January 2011 entered into by Westhouse Holdings, WestGame Holdings and the founding employees. Part of the consideration amounting to HKD151.5 million (equivalent to RMB120.7 million) was funded by a loan advanced from Kingsoft Entertainment Software Holdings Limited ("**KES Holdings**"), the parent of Westhouse Holdings, which bears interest rate of HIBOR plus 1.3%, and was secured by 128,000,000 shares of Westhouse Holdings held by WestGame Holdings. The term of the above loan is one year and can be automatically extended for the succeeding one year upon expiration if certain conditions have been satisfied.

A loan of RMB13.0 million was due from non-controlling shareholders of a subsidiary. This loan bears interest at a rate of HIBOR plus 1.5% per annum and will be repaid in four years since June 2009. The loan is secured by certain equity interest of the subsidiary held by the non-controlling shareholders. RMB2.1 million and RMB4.2 million of the loan has been collected during the six months ended 30 June 2013 and July 2013 respectively by the Group. The Group is preparing to enter into a loan extension agreement with the borrower for the remaining un-collected balance of the loan.

## 15. Related party transactions (continued)

### (a) The Group had the following material transactions with related parties during the period: (continued)

(iii) The directors of the Company consider that the provision of services was made according to the published prices and conditions offered to the major customers of the Group.

(iv) The directors of the Company consider that the purchases were made according to the published prices and conditions similar to those offered to the major customers of the related party.

### (b) Outstanding balances with related parties:

The Group had the following outstanding balances with related parties as at the end of the reporting period:

| | | **30 June 2013** | 31 December 2012 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| | | ***(Unaudited)*** | *(Audited)* |
| Due from related parties: | | | |
| Loans to non-controlling shareholders of subsidiaries | (i) | **148,072** | 161,262 |
| Due from related parties included in trade receivables: | | | |
| Receivables from companies whose parent has a significant influence on the Company | | **19,990** | 12,746 |

(i) Loans of RMB148.1 million were due from non-controlling shareholders of subsidiaries. Details are included in note 15(a) (ii) above.

The related party transactions in respect of items (a) (iii) and (a) (iv) above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

15. **Related party transactions (continued)**

(c) **Compensation of key management personnel of the Group (including directors' remuneration):**

| | **For the three months ended 30 June** | | **For the six months ended 30 June** | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Unaudited)* | ***(Unaudited)*** | *(Unaudited)* |
| Salaries, allowances, and benefits in kind | **3,740** | 2,862 | **6,768** | 5,721 |
| Pension scheme contributions | **86** | 76 | **172** | 127 |
| Share-based compensation costs | **11,872** | 3,530 | **13,644** | 6,652 |
| Total compensation paid to key management personnel | **15,698** | 6,468 | **20,584** | 12,500 |

16. **Contingent liabilities**

At the end of the reporting period, neither the Group nor the Company had any significant contingent liabilities.

17. **Events after the reporting period**

The Company issued 3% convertible bonds due in 2018 in an aggregate amount of HKD1,356.0 million. The bonds are convertible into shares of the Company in certain circumstances and conditions at an initial conversion price of HKD16.94 per share (subject to adjustments). Assuming full conversion of the bonds at the initial conversion price of HKD16.94 per share and no further issue of shares, the bonds will be convertible into approximately 80,064,713 shares, representing approximately 6.36% of the issued share capital of the Company as at the issue date as enlarged by the issue of the conversion shares upon full conversion of the bonds.

The proceeds from the subscription of the bonds, after deduction of commissions and other related expenses, are approximately HKD1,327.0 million. The Company's intended use of the net proceeds is to repay existing short-term bank loans, for general corporate purposes and to supplement working capital. The issue of the convertible bonds has been completed on 23 July 2013.

# OPERATIONAL HIGHLIGHTS

| | For the three months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **30 June 2013** | 31 March 2013 | 31 December 2012 | 30 September 2012 | 30 June 2012 | 31 March 2012 | 31 December 2011 | 30 September 2011 |
| **Online Games** | | | | | | | | |
| Daily Average Peak Concurrent Users | **616,285** | 631,098 | 633,084 | 611,474 | 615,221 | 631,485 | 661,774 | 608,607 |
| Monthly Average Paying Accounts | **2,002,414** | 1,768,190 | 1,650,636 | 1,524,761 | 1,459,883 | 1,330,868 | 1,326,071 | 1,186,481 |
| Monthly Average Revenue per Paying User (RMB) | **43** | 47 | 48 | 46 | 47 | 47 | 47 | 46 |

# FINANCIAL HIGHLIGHTS

| | For the six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Unaudited)* |
| **Revenue:** | | |
| Online game | **537,205** | 399,818 |
| Application software | **407,304** | 202,827 |
| Others | **8,878** | 12,407 |
| | **953,387** | 615,052 |
| Cost of revenue | **(127,625)** | (90,531) |
| **Gross profit** | **825,762** | 524,521 |
| Research and development costs, net of government grants | **(251,381)** | (174,317) |
| Selling and distribution expenses | **(139,411)** | (71,310) |
| Administrative expenses | **(89,273)** | (70,725) |
| Share-based compensation costs | **(29,576)** | (22,244) |
| Other income and gains | **20,424** | 9,678 |
| Other expenses | **(15,203)** | (3,018) |
| **Operating profit** | **321,342** | 192,585 |
| Fair value gain on financial instruments at fair value through profit or loss, net | **249** | — |
| Gain on disposal of a subsidiary | **47,452** | — |
| Finance income | **55,068** | 46,359 |
| Finance costs | **(3,828)** | (3,942) |
| Share of profits and losses of: | | |
| Joint ventures | **990** | 4,646 |
| Associates | **(559)** | (930) |
| **Profit before tax** | **420,714** | 238,718 |
| Income tax expense | **(39,502)** | (29,976) |
| **Profit for the period** | **381,212** | 208,742 |
| **Attributable to:** | | |
| Owners of the parent | **341,169** | 199,423 |
| Non-controlling interests | **40,043** | 9,319 |
| | **381,212** | 208,742 |
| **Earnings per share attributable to ordinary equity holders of the parent** | ***RMB*** ***(Unaudited)*** | *RMB* *(Unaudited)* |
| Basic | **0.2967** | 0.1748 |
| Diluted | **0.2890** | 0.1720 |

## FINANCIAL HIGHLIGHTS (CONTINUED)

| | For the three months ended | | |
|---|---|---|---|
| | **30 June 2013** | 31 March 2013 | 30 June 2012 |
| | ***RMB'000*** | *RMB'000* | *RMB'000* |
| | ***(Unaudited)*** | *(Unaudited)* | *(Unaudited)* |
| **Revenue:** | | | |
| Online game | **270,539** | 266,666 | 208,728 |
| Application software | **219,275** | 188,029 | 112,073 |
| Others | **6,714** | 2,164 | 1,666 |
| | **496,528** | 456,859 | 322,467 |
| Cost of revenue | **(66,044)** | (61,581) | (40,877) |
| **Gross profit** | **430,484** | 395,278 | 281,590 |
| Research and development costs, net of government grants | **(136,203)** | (115,178) | (86,973) |
| Selling and distribution expenses | **(71,803)** | (67,608) | (40,104) |
| Administrative expenses | **(43,792)** | (45,481) | (36,753) |
| Share-based compensation costs | **(19,478)** | (10,098) | (14,092) |
| Other income and gains | **5,209** | 15,215 | 7,418 |
| Other expenses | **(5,093)** | (10,110) | (2,305) |
| **Operating profit** | **159,324** | 162,018 | 108,781 |
| Fair value gain on financial instruments at fair value through profit or loss, net | **249** | — | — |
| Gain on disposal of a subsidiary | **—** | 47,452 | — |
| Finance income | **28,517** | 26,551 | 24,152 |
| Finance costs | **(1,771)** | (2,057) | (1,997) |
| Share of profits and losses of: | | | |
| Joint ventures | **(164)** | 1,154 | 2,681 |
| Associates | **(294)** | (265) | — |
| **Profit before tax** | **185,861** | 234,853 | 133,617 |
| Income tax expense | **(15,796)** | (23,706) | (15,197) |
| **Profit for the period** | **170,065** | 211,147 | 118,420 |
| **Attributable to:** | | | |
| Owners of the parent | **145,255** | 195,914 | 111,897 |
| Non-controlling interests | **24,810** | 15,233 | 6,523 |
| | **170,065** | 211,147 | 118,420 |
| **Earnings per share attributable to ordinary equity holders of the parent** | ***RMB (Unaudited)*** | *RMB (Unaudited)* | *RMB (Unaudited)* |
| Basic | **0.1260** | 0.1708 | 0.0979 |
| Diluted | **0.1230** | 0.1666 | 0.0964 |

# MANAGEMENT DISCUSSION AND ANALYSIS

## First Half of 2013 Compared to First Half of 2012

### Revenue

Revenue for the first half of 2013 increased 55% year-over-year to RMB953.4 million. Revenue from the online game and the application software businesses represented 56% and 43%, respectively, of the Group's total revenue for the first half of 2013.

Revenue from the online game business for the first half of 2013 increased 34% year-over-year to RMB537.2 million. This was mainly attributable to the robust revenue growth in JX Online III driven by the regular releases of expansion packs and revenue contribution from newly launched games.

Revenue from the application software business for the first half of 2013 increased 101% year-over-year to RMB407.3 million. The remarkable year-over-year increase was primarily due to: i) the strong growth of revenue from online advertising and internet value-added services from Kingsoft Internet Security ("KIS"), driven by the higher user traffic and activities and ii) the sustained strong performance of Kingsoft WPS Office.

### Cost of Revenue and Gross Profit

Cost of revenue for the first half of 2013 increased 41% year-over-year to RMB127.6 million. This increase was mainly due to:(i) the higher bandwidth cost and server hosting cost driven by the expanded user base and increasing user activities of KIS and Kingsoft Cloud and (ii) cost of inventory liquidation of pad in Japan.

Gross profit for the first half of 2013 increased 57% to RMB825.8 million. The Group's gross profit margin increased by two percentage points year-over-year to 87%.

**Research and Development ("R&D") Costs**

R&D costs, net of government grants, for the first half of 2013 increased 44% year-over-year to RMB251.4 million. The year-over-year increase was largely due to the increased investment in talents for mobile internet and cloud business and annual salary increases. The following table sets forth a breakdown of our R&D costs for the six months ended 30 June 2013 and 30 June 2012:

| | For the six months ended | |
|---|---|---|
| | **30 June 2013** | 30 June 2012 |
| | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Unaudited)* |
| Staff costs | **202,967** | 141,201 |
| Depreciation & Amortisation | **16,526** | 15,019 |
| Others | **36,807** | 21,601 |
| | **256,300** | 177,821 |
| Less: Capitalised software costs (excluding share-based compensation costs) | **(9,121)** | (4,322) |
| Add: Amortisation of capitalised software costs | **7,123** | 4,462 |
| Less: Government grants for research and development activities | **(2,921)** | (3,644) |
| Total | **251,381** | 174,317 |

**Selling and Distribution Expenses**

Selling and distribution expenses for the first half of 2013 increased 95% year-over-year to RMB139.4 million. The year-over-year increase was mainly attributable to strengthened marketing and advertising for Cheetah Browser, mobile applications of KIS and promotion activities for the release of expansion packs for JX Online III.

**Administrative Expenses**

Administrative expenses for the first half of 2013 increased 26% year-over-year to RMB89.3 million. This increase was primarily due to increased office rentals and staff costs.

**Share-based Compensation Costs**

Share-based compensation costs for the first half of 2013 increased 33% year-over-year to RMB29.6 million. This mainly reflected the grants of certain subsidiaries' shares and options to selected employees.

**Other Income and Gains**

Other income and gains for the first half of 2013 increased 111% year-over-year to RMB20.4 million. The year-over-year increase was primarily due to that certain amount of deferred government grants relating to a WPS project funded by HEGAOJI was recognized in the first quarter of 2013 upon completion of final inspection.

**Other Expenses**

Other expenses for the first half of 2013 increased 404% year-over-year to RMB15.2 million. The increase was mainly due to the write-off of certain other receivables in the first half of 2013.

**Operating Profit before Share-based Compensation Costs**

Operating profit before share-based compensation costs for the first half of 2013 increased 63% year-over-year to RMB350.9 million as a result of the combination of above reasons. The operating profit margin before share-based compensation costs for the first half of 2013 increased two percentage points year-over-year to 37%.

**Gain on Disposal of a Subsidiary**

Gain on disposal of a subsidiary was RMB47.5 million for the first half of 2013, which represented the gain arising from dispose of 80% equity interest in Chengdu Baiming Real Estate Company limited ("**Chengdu Baiming**") on 5 February 2013 and a revaluation gain of the residual 20% equity interest in Chengdu Baiming.

**Finance Income**

Finance income for the first half of 2013 increased 19% year-over-year to RMB55.1 million. The increase was mainly due to the increased deposit balances.

**Income Tax Expense**

Income tax expense for the first half of 2013 increased 32% year-over-year to RMB39.5 million. The Group's effective tax rate decreased four percentage points year-over-year to 9%.

**Profit Attributable to Owners of the Parent**

As a result of the reasons discussed above, profit attributable to owners of the parent for the first half of 2013 increased 71% year-over-year to RMB341.2 million.

**Profit Attributable to Owners of the Parent before Share-based Compensation Costs**

Profit attributable to owners of the parent before share-based compensation costs, which is defined as profit attributable to owners of the parent excluding the effect of share-based compensation costs attributable to owners of the parent, a measure supplementary to the consolidated financial statements presented in accordance with IFRSs.

We believe the profit attributable to owners of the parent before share-based compensation costs will enhance investors' overall understanding of the Group's operating performance. When assessing our operating performance, you should not consider this data in isolation or as a substitute for our profit or any other operating performance measure that is calculated in accordance with IFRSs. In addition, our profit attributable to owners of the parent before share-based compensation costs may not be comparable to similarly titled measures utilized by other companies.

Profit attributable to owners of the parent before share-based compensation costs for the first half of 2013 increased 66% year-over-year to RMB363.9 million. The net profit margin excluding the effect of share-based compensation costs was 38% and 36% for the six months ended 30 June 2013 and 30 June 2012, respectively.

**Liquidity and Financial Resource**

The Group had a strong cash position towards the end of reporting period. As at 30 June 2013, the group had major financial resources in the forms of cash and cash equivalents, time deposits with initial term of over three months amounting to RMB1,242.4 million, RMB1,951.1 million, respectively, which totally represented 73% of the Group's total assets.

As at 30 June 2013 the Group's gearing ratio, which represents total liabilities divided by total assets, was 27%, held flat with that of 31 December 2012. As at 30 June 2013, the Group had HKD611.0 million (equivalent of RMB486.7 million) bank loans.

**Foreign Currency Risk Management**

Certain expenses of the Group were denominated in currencies other than the RMB. The Group generated foreign currency revenue either from license sales made in other Asia countries or from its overseas subsidiaries. RMB against USD, HKD, JPY and MYR have been comparatively stable in the past. The Group adopted "natural immunity" method to match the income and payment in foreign currencies by arrange some expenses and expenditures denominated in foreign currencies.

As at 30 June 2013, RMB455.3 million of the Group's financial assets were held in deposits and investments denominated in non-RMB currencies. As there are no cost-effective hedges against the fluctuation of RMB, there is a risk that we may experience a loss as a result of any foreign currency exchange rate fluctuation in connection with our deposits and investments.

### Deferred Revenue

Deferred revenue (including current and non-current portion) as at 30 June 2013 was RMB191.3 million compared to RMB199.7 million as at 31 December 2012. The decrease was mainly due to the decreased deferred government grants as a result of the completion of final inspection of a WPS project funded by HEGAOJI Fund.

### Net Cash Generated from Operating Activities

Cash generated from our operating activities reflects our profit for the six months period, as the case may be, as adjusted for non-cash items, such as depreciation, amortisation of capitalised software costs, and share-based compensation costs, as well as the effect of changes in certain items of statement of financial position, such as deferred revenue, other payables and accruals.

Net cash generated by operating activities was RMB354.2 million and RMB148.5 million for the six months ended 30 June 2013 and 30 June 2012, respectively.

### Capital Expenditures

Capital expenditures represent cash payments for acquisition of properties, land use rights, fixed assets and intangible assets. Cash used for capital expenditures was RMB103.0 million and RMB48.0 million for the six months ended 30 June 2013 and 30 June 2012, respectively.

## Second Quarter of 2013 Compared to First Quarter of 2013 and Second Quarter of 2012

### Revenue

Revenue for the second quarter of 2013 increased 9% quarter-over-quarter and 54% year-over-year to RMB496.5 million. Revenue from the online game and application software business represented 54% and 44%, respectively, of the Group's total revenue.

Revenue from the online game business for the second quarter of 2013 increased 1% quarter-over-quarter and 30% year-over-year to RMB270.5 million. The quarter-over-quarter increase was mainly due to the strong performance of JX Online III, with its popularity and revenue achieved another historical high in June upon the release of expansion pack "Anshi Rebellion"(安史之亂) on 8 June. The year-over-year increase was primarily due to the growth of JX Online III and MAT, the releases of new games.

Daily average peak concurrent users ("**ADPCU**") for the Group's online games for the second quarter of 2013 decreased 2% quarter-over-quarter and held flat year-over-year to 0.62 million. Monthly average paying accounts ("**APA**") for the Group's online games for the second quarter of 2013 increased 13% quarter-over-quarter and 37% year-over-year to 2.0 million. The quarter-over-quarter and solid year-over-year increases were primarily attributable to doubled active paying accounts for JX Online III compared to the same period last year. The monthly ARPU for the Group's online games for the second quarter of 2013 decreased 9% quarter-over-quarter and 9% year-over-year to RMB43.

Revenue from the application software business for the second quarter of 2013 increased 17% quarter-over-quarter and 96% year-over-year to RMB219.3 million. The quarter-over-quarter increase was due to the combination of strong performance of both online advertising and value-added services from KIS and strong sales growth from Kingsoft WPS Office. The strong year-over-year increase was mainly due to the robust growth of online advertising and value-added services from KIS driven by increasing traffic of landing page navigation and Cheetah Browser.

**Cost of Revenue and Gross Profit**

Cost of revenue for the second quarter of 2013 increased 7% quarter-over-quarter and 62% year-over-year to RMB66.0 million. The quarter-over-quarter increase was primarily due to an increase in bandwidth and server costs as a result of the large-scale upgrade of KIS. The year-over-year increase was mainly attributable to the higher bandwidth and server costs with the expansion of use base and increasing user activities of Kingsoft Cloud and KIS.

Gross profit for the second quarter of 2013 increased 9% quarter-over-quarter and 53% year-over-year to RMB430.5 million. The Group's gross profit margin held flat quarter-over-quarter and year-over-year to 87%.

**R&D Costs**

R&D costs, net of government grants, for the second quarter of 2013 increased 18% quarter-over-quarter and 57% year-over-year to RMB136.2 million. The sequential and year-over-year quarterly increases in R&D costs were primarily due to increased investments in high talents for mobile application development.

The following table sets forth a breakdown of our R&D costs for the three months ended 30 June 2013, 31 March 2013 and 30 June 2012:

| | For the three months ended | | |
|---|---|---|---|
| | **30 June 2013** | 31 March 2013 | 30 June 2012 |
| | ***RMB'000*** | *RMB'000* | *RMB'000* |
| | ***(Unaudited)*** | *(Unaudited)* | *(Unaudited)* |
| Staff costs | **107,403** | 95,564 | 70,919 |
| Depreciation & Amortisation | **9,034** | 7,492 | 7,390 |
| Others | **22,053** | 14,754 | 10,942 |
| | **138,490** | 117,810 | 89,251 |
| Less: Capitalised software costs (excluding share-based compensation costs) | **(4,679)** | (4,442) | (2,417) |
| Add: Amortisation of capitalised software costs | **3,563** | 3,560 | 2,230 |
| Less: Government grants for research and development activities | **(1,171)** | (1,750) | (2,091) |
| Total | **136,203** | 115,178 | 86,973 |

**Selling and Distribution Expenses**

Selling and distribution expenses for the second quarter of 2013 increased 6% quarter-over-quarter and 79% year-over-year to RMB71.8 million. The quarter-over-quarter increase was primarily attributable to an increase in advertising and marketing expenses for the launch of expansion pack for JX Online III. The year-over-year increase was mainly due to the combination of: (i) increased marketing activities for Cheetah Browser and mobile applications of KIS and (ii) higher advertising expenses for the launch of expansion packs for existing games.

**Administrative Expenses**

Administrative expenses for the second quarter of 2013 decreased 4% quarter-over-quarter and increased 19% year-over-year to RMB43.8 million. The year-over-year increase was mainly due to an increase in office rental and staff costs.

**Share-based Compensation Costs**

Share-based compensation costs for the second quarter of 2013 increased 93% quarter-over-quarter and 38% year-over-year to RMB19.5 million. The increases in share-based compensation costs primarily reflected the granting of the Group's and certain subsidiaries' shares to selected employees.

### Other Income and Gains

Other income and gains for the second quarter of 2013 decreased 66% quarter-over-quarter and 30% year-over-year to RMB5.2 million. The quarter-over-quarter and year-over-year decreases mainly reflected the decrease of government grants recognized.

### Operating Profit before Share-based Compensation Costs

Operating profit before share-based compensation costs for the second quarter of 2013 increased 4% quarter-over-quarter and 46% year-over-year to RMB178.8 million as a result of the combination of above reasons. The operating profit margin before share-based compensation costs for the second quarter of 2013 decreased two percentage points quarter-over-quarter and year-over-year to 36%.

### Finance Income

Finance income for the second quarter of 2013 increased 7% quarter-over-quarter and 18% year-over-year to RMB28.5 million.

### Income Tax Expense

Income tax expense for the second quarter of 2013 decreased 33% quarter-over-quarter and increased 4% year-over-year to RMB15.8 million. The Group's effective tax rate decreased two percentage points quarter-over-quarter and three percentage points year-over-year to 8%.

### Profit Attributable to Owners of the Parent

As a result of the reasons discussed above, especially the disposal gain of a subsidiary recognized in the first quarter of 2013, profit attributable to owners of the parent for the second quarter of 2013 decreased 26% quarter-over-quarter and increased 30% year-over-year to RMB145.3 million.

### Profit Attributable to Owners of the Parent before Share-based Compensation Costs

Profit attributable to owners of the parent before share-based compensation costs for the second quarter of 2013 decreased 21% quarter-over-quarter and increased 29% year-over-year to RMB160.0 million. The net profit margin excluding the effect of share-based compensation costs was 32%, 45% and 38% for the three months ended 30 June 2013, 31 March 2013 and 30 June 2012, respectively.

# BUSINESS REVIEW AND OUTLOOK

Dr.Hongjiang ZHANG, Chief Executive Officer of Kingsoft commented, “We are delighted to report a strong second quarter and first half of 2013. With revenue for the first half ramping to RMB953 million, we achieved healthy growth across all of our major business lines.”

According to iResearch, total monthly active users of KIS PC-based products reached to 155 million at the end of June 2013 from 105 million a year ago. Supported by the expanded user base, advertising revenue from KIS continued its strong growth momentum. In the first half of 2013, game revenue from KIS achieved tremendous growth year-over-year. KIS has also been actively growing its mobile active user base. In June, our mobile browser, codenamed Cheetah was officially launched. With innovative product and UI design, Cheetah Mobile brings its users excellent experiences in internet surfing as well as movie-chasing. In the first half of 2013, we acquired several mobile apps, both in China and international markets. With the expanding user base of our home made and acquired mobile apps, mobile product users of KIS expanded over 100 million at the end of July from 41 million at the end of January, 2013.

Kingsoft WPS Office achieved solid revenue growth in the first half, with revenue posted a 13% year-over-year growth. We are excited to report that the contract with ICBC on adoption of WPS has been signed recently. The monthly active users of WPS Personal Edition continued to grow and exceeded 56 million at the end of June. Also, we have successfully monetized the PC user traffic of free version of WPS with promising results. On 17 July, Kingsoft WPS Office 2013 version was officially launched and gained positive feedbacks from our users. With introduction of Qing Office (輕辦公), enterprise users can easily share and update documentations across devices and within or across teams. WPS 2013 also offers rich online templates to help its users to produce professional presentations and various types of office documents in an easy manner. Meanwhile, the global monthly active users of WPS mobile office ramped up significantly to 20 million in June, 2013 from 4 million a year ago.

The top line for online game for the first half posted a year-over-year growth of 34% and outpaced handsomely the growth rate of MMO gaming market. In particular, our flagship 3D MMO, JX Online III, has achieved historical highs in terms of both the revenue and APA thanks to the release of “Anshi Rebellion (安史之亂)”, this year’s largest expansion pack. Also, MAT has demonstrated an accelerated growth in the second quarter since the release of expansion pack “Gun Fate Version of MAT (反恐行動槍緣版)”. In September new expansion packs for MAT and JX Online III will be launched. We believe that, with the launch of the expansion packs, we shall continue to grow the user population and revenue of these two 3D games. The closed beta testing for “The Young Elf King (少年精靈王)” are promising and the weekly active users of “The Young Elf King” has risen to more than 1.2 million. We are now actively improving “The Young Elf King” targeting to have it commercially launched in September. In addition, the second episode “The Young Brave King (少年勇者王)” for Young Genre is in the pipeline. We shall continue to increase our investment in mobile game and grow our game portfolio and user base of Kingsoft Game across devices, which will ultimately turn into new growth catalysts of our game business.

As a leading player in cloud storage service in China, Kingsoft Cloud focuses on user needs and user experiences. In June, the new commercial version of Kingsoft Cloud with refined functionality and improved user experience was released. In July, Kingsoft Cloud entered into strategic agreement with ChinaCache ("藍訊") to provide SMEs with one-stop solution for virtual server solutions. To leverage the robust growth of social platforms, Kingsoft Cloud for Wechat was also released in July. More importantly, Kingsoft Cloud has issued series A preferred shares to Apoletto Limited ("**Apoletto**") and the Company at a consideration of USD20.0 million. We believe that the introduction of Apoletto as a strategic investor in Kingsoft Cloud will better our strategy and accelerate the development of this internal venture business.

"Looking forward, JX Online III and MAT will continue the growth momentum as we keep on introducing new excitements to gamers. Our focus on potential user needs, product innovation and user experiences will support our efforts to grow our user base of KIS and Cheetah Browser across devices and increase our monetization capabilities. Strengthened collaboration between KIS and Tencent shall help KIS to leverage the fast development of QQ and WeChat platform. As a Chinese leading office service provider, WPS Office will continue to capitalize on a historic opportunity as the government continues to improve IPR environment and the explosive growth of mobile internet. With more and more enterprise users from finance, energy, infrastructure and business sectors to adopt WPS as office solution, WPS Office will achieve long-term healthy growth in the coming years. The fast expansion of mobile internet will bring great opportunities to WPS Office in providing mobile office solution. The impressive growing monthly active users of WPS PC and WPS Mobile have laid a solid foundation for long-term development of WPS Office. With the development of all major business lines, we are well on our way to achieve the goals set for 2013." Dr Zhang concluded.

# OTHER INFORMATION

## Changes of Directors' Information Under Rule 13.51B(1) of the Listing Rules

Below are the changes of directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), as amended from time to time (the "**Listing Rules**") since the date of the Company's 2012 annual report:

| NAME OF DIRECTOR | DETAILS OF CHANGES |
|---|---|
| Mr. To Thomas Hui | Resignation as an independent non-executive director, the chairman of the Audit Committee and a member of the remuneration committee of the Company on 6 May 2013 |
| Ms. Wenjie Wu | Appointment as the chairman of the Audit Committee on 6 May 2013 |

| | |
|---|---|
| Mr. David Yuen Kwan Tang | Appointment as an independent non-executive director, a member of the Audit Committee and a member of the remuneration committee of the Company on 6 May 2013<br><br>In May 2013, Mr. Tang was appointed as an independent non-executive director of YY Inc. (NASDAQ:YY) which was listed on NASDAQ in November 2012 |

**Employee and Remuneration Policies**

As at 30 June 2013, the Group had 3,275 employees (30 June 2012: 2,577), most of whom are based in Beijing and Zhuhai, the PRC. The number of employees employed by the Group varies from time to time depending on need. Employee remuneration is determined in accordance with prevailing industry practice and employees' educational backgrounds, experiences and performance. The remuneration policy and package of the Group's employees are periodically reviewed. Apart from pension funds, in-house training programs, discretionary bonuses, medical insurance and mandatory provident fund, share awards and share options may be granted to employees according to the assessment of individual performance.

The total remuneration cost (including capitalized remuneration cost) incurred by the Group for the six months ended 30 June 2013 was RMB329.3 million (for the six months ended 30 June 2012: RMB233.1 million).

**Purchase, Sale and Redemption of the Company's Listed Securities**

None of the Company, its subsidiaries and the trustee of the Share Award Scheme had purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the period under review.

**Review by Audit Committee**

The Audit Committee of the Company has been established since year 2007 with responsibility of assisting the Board in providing an independent review of the financial statements and internal control system. It acts in accordance with its terms of reference which clearly defines its membership, authority, duties and frequency of meetings. It meets regularly with our management, external auditor and internal audit personnel to discuss accounting principles and practices adopted by the Group and internal control and financial reporting matters. Our Audit Committee is comprised of three independent non-executive directors, namely Ms. Wenjie Wu (chairman), Mr. Guangming George Lu and Mr. David Yuen Kwan Tang.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Audit Committee, together with our external auditors has reviewed the Group's unaudited interim financial information for the three and six months ended 30 June 2013.

## Compliance with Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry to all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code throughout the six months ended 30 June 2013.

## Corporate Governance Code

The Directors, having reviewed the corporate governance practices of the Company, confirm that the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules except for the code provision A.6.7 and C.1.2 of the CG Code.

The code provision A.6.7 of the CG Code is regarding non-executive directors' attendance at general meetings. Due to pre-arranged engagements, non-executive directors Mr. Jun Lei and Mr. Chi Ping Lau, and independent non-executive directors Mr. To Thomas Hui and Mr. Chuan Wang did not attend the extraordinary general meeting held on 27 February 2013; non-executive directors Mr. Pak Kwan Kau and Mr. Chi Ping Lau did not attend the annual general meeting held on 23 May 2013; and non-executive directors Mr. Jun Lei, Mr. Pak Kwan Kau and Mr. Chi Ping Lau, and independent non-executive directors Mr. David Yuen Kwan Tang and Ms. Wenjie Wu did not attend the extraordinary general meeting held on 27 June 2013. The code provision C.1.2 of the CG Code requires management to provide all members of the board with monthly updates on the issuer's business. The management of the Company currently reports to the Board quarterly on the Group's performance, position and prospects. The Board believes that with the executive directors overseeing the daily operation of the Group and the effective communication between the executive directors, the management and the non-executive directors (including the independent non-executive directors) on the Group's affairs, the current practice is sufficient enough for the members of the Board to discharge their duties. The Board will continue to review this practice and shall make necessary changes when appropriate and report to the shareholders accordingly.

## Publication of Interim Results and Interim Report

This announcement, containing the relevant information required by the Listing Rules, is published on the Company's website (www.kingsoft.com) and the website of the Stock Exchange (www.hkex.com.hk). The Company's interim report will be available on the above websites and dispatched to our shareholders in due course.

## Appreciation

On behalf of the Board, I would like to express our sincere thanks to our shareholders and investors for their continuous support and confidence in us. I would like to thank our employees for their hard work and valuable contributions which are the core elements of the Company's success.

By Order of the Board
**Kingsoft Corporation Limited**
**Jun LEI**
*Chairman*

Hong Kong, 27 August 2013

*As at the date of this announcement, the executive Directors are Messrs. HongJiang ZHANG, Yuk Keung NG and Tao ZOU; the non-executive Directors are Messrs. Jun LEI, Pak Kwan KAU and Chi Ping LAU; the independent non-executive Directors are Messrs. Guangming George LU, David Yuen Kwan TANG, and Ms. Wenjie WU.*