

[For Immediate Release]



Kingsoft Corporation Limited
金山軟件有限公司

Kingsoft Reports Robust Growth for The Third Quarter

Net Profit Increased by 243%

Financial Highlights

RMB'000	For the three months ended September 30		Change (%)
	2008 (unaudited)	2007 (unaudited)	
Revenue	216,956	146,957	+48
- Entertainment Software	148,916	101,183	+47
- Applications Software	64,472	45,607	+41
- Others	3,568	167	+2,036
Gross Profit	187,920	122,807	+53
Profit Attributable to Shareholders	102,868	29,974	+243
Basic EPS (RMB cent)	9.68	3.48	+178

Operational Highlights

	September 30, 2008	June 30, 2008	September 30, 2007
Online Games			
Daily Average Peak Concurrent Users	990,855	846,180	529,794
Monthly Average Paying users	1,239,609	1,036,692	1,035,371
Monthly Average Revenue per Paying Users (RMB)	40	34	31
Online Services of Internet securities			
Daily Average Paying Users	8,657,001	8,696,519	6,505,150
Monthly Average Revenue per Paying Users (RMB)	1.7	1.6	1.4

(November 26, 2008 – Hong Kong) Kingsoft Corporation Limited (“Kingsoft” or the “Company”; SEHK stock code: 3888), China’s leading entertainment and applications software developer, distributor and service provider based on market share, announced its third quarter results for the three months ended September 30, 2008.

Kingsoft reported a very encouraging growth in both revenue and net profit in the third quarter compared with the corresponding period last year. Revenue increased by 48% to RMB217.0 million, driven by growing revenue from JX Online World, the Company's new online game which started unlimited close beta testing in June 2008 and the overall promising performance of the applications software. Due to the increased revenue from entertainment software, of which gross profit margin is relatively higher, together with well controlled cost and the improved utilization of servers and bandwidth, the Company's gross profit increased by 53% year-over-year to RMB187.9 million while gross profit margin increased by three percentage points year-over-year to 87%.

As a result of the above factors and the increased government grants recognized as other income and gains, the profit attributable to shareholders before share-based compensation costs increased by 99% to RMB115.2 million compared to the same period last year. After deducting the share-based compensation cost, profit attributable to shareholders in the third quarter was RMB102.9 million, representing an increase of 243% compared with the corresponding period last year.

Mr. Pak Kwan Kau, Chairman and CEO of Kingsoft, said, "I am very pleased that Kingsoft reported strong growth despite the turbulence in the global financial markets during the year. I believe that there will be many opportunities to drive the Company's performance through the launch of a series of new products."

BUSINESS REVIEW

Revenue from the entertainment and applications software businesses represented 69% and 30%, respectively, of the Company's total revenue in the third quarter

Entertainment Software business

Revenue from the entertainment software business increased by 38% quarter-over-quarter and increased by 47% year-over-year to RMB148.9 million.

Daily average peak concurrent users, a measure used to monitor the popularity of the Company's massively multi-player online role playing games ("MMORPGs"), increased by 17% quarter-over-quarter and increased by 87% year-over-year to 1.0

million. The number of monthly average paying users increased by 20% quarter-over-quarter and increased by 20% year-over-year to 1.2 million. This quarter-over-quarter increase in monthly paying users and daily average peak concurrent users resulted from the expanded player base of JX Online World, which started unlimited close beta testing in June and then open beta testing in October.

The monthly average revenue per paying user (“monthly ARPU”) for the Company’s MMORPGs increased by 18% quarter-over-quarter and increased by 29% year-over-year to RMB40.

The phenomenal success of JX Online World has carried on the legend and influence of JX franchise, the Company’s flagship contents as well as the origin of Kingsoft games. In September, all of JX games inclusive of JX Online I, JX Online II and JX Online World made a combined daily average peak concurrent users of over three quarters of a million in China and overseas. The continuous success of JX self-speaks Kingsoft’s leadership in producing top-quality martial arts games.

Applications Software business

Revenue from the applications software business increased by 3% quarter-over-quarter and increased by 41% year-over-year to RMB64.5 million. The quarter-over-quarter increase was primarily due to the increased sales of WPS. The year-over-year increase was primarily due to an increase in the number of subscribers for online services of Kingsoft Internet Security to 8.7 million daily average paying users. This increase in users represents a 33% year-over-year increase in daily average paying users. The number of subscribers for online services of Kingsoft Internet Security was impacted by increasing competition in China and held flat quarter-over-quarter.

Monthly ARPU for online services of Kingsoft Internet Security business increased by RMB0.1 quarter-over-quarter and increased by RMB0.3 year-over-year. This increase resulted primarily from the increased proportion of SMS subscribers with higher monthly ARPU.

Research and Development (R&D)

During the reporting period, the Company’s research and development costs, net of

government grants, decreased by 6% compared to the last quarter and increased by 40% year-over-year to RMB28.5 million. The quarter-over-quarter decrease was primarily due to the recognition of government grants related to specific research projects, which amounted to RMB2.8 million, while the year-over-year increase mainly resulted from a company-wide raise in salaries and benefits, and an overall increase in research and development headcount.

OUTLOOK

Looking ahead, Mr. Kau Pak Kwan concluded: “We just marched in 20th anniversary this month and successfully launched four new products during the gala ceremony, namely ‘WPS Office 2009’, ‘Kingsoft PowerWord 2009 Oxford Edition’, ‘Kingsoft Internet Security 2009’ and ‘JX Online 3’. We believe that these will further enhance the Company's overall revenue growth.”

About Kingsoft

Following the commercial launch of its first office applications software WPS 1.0 in 1989, Kingsoft Corporation Limited has now become a leading entertainment and applications software developer, distributor and service provider in China, based on market share. The Company leverages its comprehensive software development platform to offer a wide range of innovative entertainment and applications software.

Kingsoft has several well-known products such as WPS Office, Kingsoft PowerWord, Kingsoft Internet Security, and online games such as the JX Series and The First Myth. In addition, the Company sells various products such as Kingsoft Internet Security and Kingsoft PowerWord to retail consumers, corporate organizations and government agencies in China using online and offline distribution channels.

With its headquarters in Beijing, Kingsoft has multiple research and development centers based in Zhuhai, Beijing, Chengdu, Dalian and Shenzhen. The Company's vision is to create world-class software products that run on every computer. The Company's strategy is to enhance its position as a leading entertainment and application software developer, operator and distributor in China and to expand its presence in certain overseas markets.

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