Kingsoft Corporation Limited
金 山 軟 件 有 限 公 司

(Continued into the Cayman Islands with limited liability)

(Stock Code: 3888)

ANNOUNCEMENT OF UNAUDITED RESULTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2009

The Board ("Board") of directors (the "Directors") of Kingsoft Corporation Limited (the "Company") announces the unaudited results of the Company and its subsidiaries (collectively, the "Group") for the three months ended September 30, 2009. These results for the three months ended September 30, 2009 have been reviewed by the Company's audit committee (the "Audit Committee"), comprising a majority of the independent non-executive directors of the Company.

FINANCIAL HIGHLIGHTS

	For the three months ended				
	September 30, 2008 *RMB'000 (unaudited)*	June 30, 2009 *RMB'000 (unaudited)*	**September 30, 2009** ***RMB'000 (unaudited)***	**YoY* change** %	**QoQ* change** %
Revenue	216,956	239,981	**246,099**	13	3
Profit attributable to owners of the Company**	102,868	96,551	**69,064**	(33)	(28)
	RMB cents (unaudited)	*RMB cents (unaudited)*	***RMB cents (unaudited)***	%	%
Basic earnings per share	9.68	9.07	**6.48**	(33)	(29)
Diluted earnings per share	9.18	8.35	**5.96**	(35)	(29)

* YoY change % represents a comparison between the current reporting period and the same period last year. QoQ change % represents the comparison between the current reporting period and the previous period.

** Profit attributable to owners of the Company excluding the effect of share-based compensation cost is RMB79.6 million, RMB108.3 million and RMB115.2 million for the three months ended at September 30, 2009, June 30, 2009 and September 30, 2008, respectively. This represents a YoY decrease of 31% and QoQ decrease of 26%.

OPERATIONAL HIGHLIGHTS

	For the three months ended				
	September 30, 2008	June 30, 2009	**September 30, 2009**	**YoY change** %	**QoQ change** %
Online Games					
Daily Average Peak Concurrent Users	990,855	953,817	**1,061,250**	7	11
Monthly Average Paying Users	1,239,609	1,317,755	**1,543,946**	25	17
Monthly Average Revenue per Paying User in RMB	40	39	**35**	(13)	(10)
Online Services of Internet securities					
Daily Average Paying Users	8,657,001	8,211,110	**8,269,916**	(4)	1
Monthly Average Revenue per Paying User in RMB	1.7	2.1	**2.1**	24	—

The Board announces the unaudited results of the Group for the three months ended September 30, 2009.

The unaudited condensed consolidated income statement, unaudited condensed consolidated statement of comprehensive income and unaudited condensed consolidated statement of financial position of the Group are listed below:

CONDENSED CONSOLIDATED INCOME STATEMENT

	For the three months ended		
	September 30, 2008 *RMB'000* *(unaudited)*	June 30, 2009 *RMB'000* *(unaudited)*	**September 30, 2009** ***RMB'000*** ***(unaudited)***
Revenue:			
Entertainment software	148,916	158,251	**162,786**
Applications software	68,013	78,869	**81,464**
Others	27	2,861	**1,849**
	216,956	239,981	**246,099**
Cost of revenue	(29,036)	(29,812)	**(35,369)**
Gross profit	187,920	210,169	**210,730**
Research and development costs, net of government grants	(28,463)	(44,776)	**(61,163)**
Selling and distribution costs	(40,944)	(30,793)	**(62,692)**
Administrative expenses	(21,342)	(23,094)	**(28,037)**
Share-based compensation costs	(12,350)	(11,728)	**(10,524)**
Other operating costs	(1,675)	(344)	**(429)**
Other income and gains	12,500	1,084	**24,309**
Operating Profit	95,646	100,518	**72,194**
Finance income	6,464	5,572	**6,325**
Share of profits of associates	7,367	7,283	**6,164**
Share of losses of jointly-controlled entities	(359)	(1,599)	**(1,863)**
Profit before tax	109,118	111,774	**82,820**
Income tax expense	(6,849)	(14,573)	**(13,104)**
Profit for the period	102,269	97,201	**69,716**
Attributable to:			
Owners of the Company	102,868	96,551	**69,064**
Minority interests	(599)	650	**652**
	102,269	97,201	**69,716**
	RMB *(unaudited)*	*RMB* *(unaudited)*	***RMB*** ***(unaudited)***
Earnings per share attributable to owners of the Company			
Basic	0.0968	0.0907	**0.0648**
Diluted	0.0918	0.0835	**0.0596**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended		
	September 30, 2008	June 30, 2009	**September 30, 2009**
	RMB'000	*RMB'000*	***RMB'000***
	(unaudited)	*(unaudited)*	***(unaudited)***
Profit for the period	102,269	97,201	**69,716**
Exchange differences on translation of foreign operations	(1,442)	791	**547**
Other comprehensive income/(loss) for the period, net of tax	(1,442)	791	**547**
Total comprehensive income for the period, net of tax	100,827	97,992	**70,263**
Attributable to:			
Owners of the Company	101,451	97,141	**68,913**
Minority interests	(624)	851	**1,350**
	100,827	97,992	**70,263**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at September 30, 2009 *RMB'000* *(unaudited)*	As at December 31, 2008 *RMB'000* *(audited)*
Non-current assets		
Property, plant and equipment	**409,910**	345,626
Goodwill	**2,377**	2,377
Other intangible assets	**33,753**	39,071
Lease prepayment	**7,013**	7,138
Interests in associates	**4,400**	27,077
Interests in jointly-controlled entities	**42,389**	4,722
Loan receivables	**3,075**	2,520
Deferred tax assets	**30,476**	29,262
Deferred cost	**994**	273
Long-term prepayments	**38,738**	11,620
	573,125	469,686
Current assets		
Inventories	**5,852**	4,686
Trade receivables	**97,959**	84,819
Prepayments, deposits and other receivables	**66,204**	55,138
Income tax receivable	**182**	182
Deferred cost	**4,085**	5,889
Credit-linked deposits	**—**	111,708
Cash and cash equivalents	**1,158,328**	1,007,115
	1,332,610	1,269,537
Current liabilities		
Trade payables	**8,214**	7,649
Dividend payable	**437**	134
Accrued expenses and other payables	**163,828**	160,972
Deferred revenue	**187,668**	183,445
Income tax payable	**19,626**	19,616
	379,773	371,816
Net current assets	**952,837**	897,721
Total assets less current liabilities	**1,525,962**	1,367,407

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	As at September 30, 2009 *RMB'000* *(unaudited)*	As at December 31, 2008 *RMB'000* *(audited)*
Total assets less current liabilities	**1,525,962**	1,367,407
Non-current liabilities		
Deferred revenue	**41,901**	31,179
Deferred tax liabilities	**11,515**	7,863
	53,416	39,042
Net assets	**1,472,546**	1,328,365
Equity attributable to owners of the Company		
Issued capital	**4,426**	4,362
Share premium	**663,255**	639,034
Shares held for share award scheme	**(79,369)**	(40,050)
Statutory reserves	**81,481**	81,481
Employee share-based capital reserve	**225,211**	194,648
Foreign currency translation reserve	**(66,459)**	(66,128)
Retained earnings	**628,971**	362,447
Proposed final dividend	**—**	139,723
	1,457,516	1,315,517
Minority interests	**15,030**	12,848
Total equity	**1,472,546**	1,328,365

Notes

1. Basis of preparation and significant accounting policies

Basis of preparation

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 audited financial statements for the year ended December 31, 2008.

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 December 31, 2008, except for the adoption of new Standards and Interpretations applicable to the Group as of January 1, 2009, noted below:

IFRS 2 Share-based Payment — Vesting Conditions and Cancellations

The Standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

IFRS 8 Operating Segments

This standard requires disclosure of information about the Group's operating segments and replaces the requirements to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this standard did not have any effect on the financial position or performance of the Group.

IAS 1 Revised Presentation of Financial Statements

The revised Standard separates owners and non-owner changes in equity. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

Improvement to IFRSs

In May 2008, the International Accounting Standards Board ("IASB") issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments, which are applicable to the Group, resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

IAS 16 Property, Plant and Equipment

Replace the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

The IASB has also issued Improvements to IFRSs in April 2009 which set out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. These improvements contain amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, Appendix to IAS 18, IAS 36, IAS 38, IAS 39, IFRIC-Int 9 and IFRIC-Int 16. Except for the amendments to IFRS 2, IAS 38, IFRIC-Int 9 and IFRIC-Int 16 which are effective for annual periods beginning on or after July 1, 2009 and no transitional provisions for amendment to Appendix to IAS 18 has been specified, other amendments are effective for annual periods beginning on or after January 1, 2010 although there are separate transitional provisions for each standard. The adoption of the following amendments, which are applicable to the Group, resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Group.

IFRS 8 Operating Segment Information

Clarifies that an entity shall report a measure of total assets and liabilities for each reportable segment if such amounts are regularly provided to the chief operating decision maker.

The Group has early adopted this improvement as of January 1, 2009. Since the segment assets and liabilities information is not reported regularly to the chief operating decision maker of the Group, such disclosures on segment assets or liabilities were not made.

Apart from the above, the IASB issued an amendment to IAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*, which is effective for annual periods beginning on or after February 1, 2010. The amendment is unlikely to have a significant impact on the financial position or performance of the Group.

2. Events after statement of financial position date

On October 21, 2009, the founder of Sky Profit Limited ("Sky Profit") transferred 796,026 ordinary shares to the Group, which was pursuant to an agreement the Group entered into with Sky Profit and its subsidiaries (collectively, the "Sky Profit Group"), its shareholders, Shanghai Qinhe Internet Technology Software Development Co., Ltd. and Shanghai Qiao Heng Internet Technology Co., Ltd., the latter two are effectively controlled by the Sky Profit Group through control contract arrangements.

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2009

Revenue

Revenue increased by 3% quarter-over-quarter and increased by 13% year-over-year to RMB246.1 million. Revenue from the entertainment and applications software businesses represented 66% and 33%, respectively, of the Group's total revenue.

Revenue from the entertainment software business increased by 3% quarter-over-quarter and increased by 9% year-over-year to RMB162.8 million.

Daily average peak concurrent users, a measure we use to monitor the popularity of the Group's massively multi-player online role playing games ("MMORPGs"), increased by 11% quarter-over-quarter and increased by 7% year-over-year to 1.06 million. Monthly average paying users increased by 17% quarter-over-quarter and increased by 25% year-over-year to 1.54 million. This quarter-over-quarter increase in daily average peak concurrent users and monthly paying users were mainly due to the commercial launch of the Group's 3D MMORPG- JX III in China and the commercial launch of JX World in Vietnam.

The monthly average revenue per paying user ("monthly ARPU") for the Group's MMORPGs decreased by 10% quarter-over-quarter and decreased by 13% year-over-year to RMB35 as a result of an increased proportion of monthly average paying users of game licensing.

Revenue from the applications software business increased by 3% quarter-over-quarter and increased by 20% year-over-year to RMB81.5 million. The quarter-over-quarter increase was primarily driven by the sequential increase of revenue from online subscription of Kingsoft Internet Security and the enterprise sales.

The number of subscribers for online services of Kingsoft Internet Security recorded 8.3 million daily average paying users, which increased by 1% quarter-over-quarter and decreased by 4% year-over-year. This slightly increase resulted from the increasing of bank card subscribers which was partially offset by the decline of the users from traditional channels.

Monthly ARPU for online services of Kingsoft Internet Security business held flat quarter-over-quarter and increased by RMB0.4 year-over-year to RMB2.1. This increase resulted primarily from the increased portion of SMS and bank card subscribers with higher monthly ARPU.

Gross Profit and Cost of Revenue

Gross profit held flat quarter-over-quarter and increased by 12% year-over-year to RMB210.7 million. Gross profit margin decreased by two percentage points quarter-over-quarter and decreased by one percentage point year-over-year to 86%.

Cost of revenue increased by 19% quarter-over-quarter and increased by 22% year-over-year to RMB35.4 million. This quarter-over-quarter increase was primarily due to the increased bandwidth costs incurred by the launch of JX III.

Research and Development ("R&D") Costs

R&D costs, net of government grants, increased by 37% quarter-over-quarter and increased by 115% year-over-year to RMB61.2 million. This quarter-over-quarter increase was mainly due to (i) the impact of the accrued bonus; (ii) an increase in research and development headcount for new games development.

Selling and Distribution Costs

Selling and distribution costs increased by 104% quarter-over-quarter and increased by 53% year-over-year to RMB62.7 million, which was primarily due to the promotions for the launching of JX III.

Administrative Expenses

Administrative expenses increased by 21% quarter-over-quarter and increased by 31% year-over-year to RMB28.0 million. This was primarily attributable to (i) the impact of the accrued bonus; (ii) the increased depreciation associated with new buildings and facilities in Zhuhai; and (iii) the increased staff welfare costs.

Share-based Compensation Costs

Share-based compensation costs decreased by 10% quarter-over-quarter and decreased by 15% year-over-year to RMB10.5 million.

Share of Profits of Associates

The Group's share of profits of associates, which primarily represented our 30% share of profit of Guangzhou Kingsoft Duoyi Internet Technology Co. Ltd. ("Kingsoft Guangzhou"), decreased by 15% quarter-over-quarter and decreased by 16% year-over-year to RMB6.2 million. The decrease resulted primarily from that the Group, pursuant to the shareholders' agreement, reduced its shareholding percentage in Kingsoft Guangzhou from 40% to 30% on the condition of the out-performance of the first game of Kingsoft Guangzhou.

Operating Profit Excluding Share-based Compensation Costs

Operating profit excluding share-based compensation costs decreased by 26% quarter-over-quarter and decreased by 23% year-over-year to RMB82.7 million. Operating profit margin excluding the impact of share-based compensation costs decreased by thirteen percentage points quarter-over-quarter and decreased by sixteen percentage points year-over-year to 34% due to the reasons discussed above.

Income Tax Expense

Income tax expense decreased by 10% quarter-over-quarter and increased by 91% year-over-year to RMB13.1 million. The Group's effective tax rate (excluding the impact of share-based compensation costs) increased by two percentage points quarter-over-quarter and increased by eight percentage points year-over-year to 14%. This quarter-over-quarter increase was mainly due to the accrual of dividend tax provision to be levied by Chinese tax authorities.

Profit Attributable to Owners of the Company

As a result of the reasons discussed above, profit attributable to owners of the Company decreased by 28% quarter-over-quarter and decreased by 33% year-over-year to RMB69.1 million.

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

The Group's profit attributable to owners of the Company before share-based compensation costs decreased by 26% quarter-over-quarter and decreased by 31% year-over-year to RMB79.6 million. The net profit margin excluding the effect of share-based compensation costs was 32%, 45% and 53% for the three months ended September 30, 2009, June 30, 2009 and September 30, 2008, respectively.

Liquidity and Financial Resource

The Group had a strong cash position towards the end of the reporting period. As at September 30, 2009, the Group had major financial resources in the forms of cash and cash equivalent, time deposits with initial term of over three months amounting to RMB356.3 million, RMB802.0 million, respectively, which totally represented 61% of the Group's total assets.

As at September 30, 2009, the Group's gearing ratio, which represents total liabilities divided by total assets, was 23%, decreased one percentage point from 24% as at December 31, 2008. As at September 30, 2009, the Group did not have any borrowings from banks or other institutions.

Foreign Currency Risk Management

Certain expenses of the Group were denominated in currencies other than the RMB. The Group generated foreign currency revenue primarily from license sales made in other Asia countries. 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 arranging some expenses and expenditures denominated in foreign currencies.

As at September 30, 2009, RMB133.6 million of the Group's financial assets were held in deposits 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 fluctuations in connection with our deposits and investments.

Deferred Revenue

Deferred revenue (including current and non-current portion) increased by 14% quarter-over-quarter and increased by 12% year-over-year to RMB229.6 million as at September 30, 2009.

Net Cash Generated from Operating Activities

Cash and cash equivalent and credit-linked deposits increased by 4% to RMB1,158.3 million from December 31, 2008 as a result of net cash inflows from operating activities.

Cash generated from our operating activities reflects our profit for the three months periods, 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 balance sheet items, such as deferred revenue and accrued expenses and other payables. The Group's net cash generated by operating activities was RMB151.3 million, RMB67.9 million and RMB124.5 million for the three months ended September 30, 2009, June 30, 2009 and September 30, 2008, respectively.

Capital Expenditures

Capital expenditures represent cash payments for acquisition of property, fixed assets and intangible assets such as software. Cash used for capital expenditures was RMB19.8 million, RMB6.4 million and RMB69.1 million for the three months ended September 30, 2009, June 30, 2009 and September 30, 2008, respectively.

Management Comments

Commenting on the third Quarter, Pak Kwan Kau, the Chairman and CEO of the Company said, "Our online game's daily average peak concurrent users and monthly average revenue paying users improved by 11% and 17% sequentially. Our profit margin was impacted by heavy marketing expenses for promoting JX III. JX III started commercialisation on September 21, 2009 and recorded a PCU of about 140 thousand post commercialisation. We expect to see increasing game revenue with the help of JX III."

By Order of the Board
Kingsoft Corporation Limited
Pak Kwan KAU
Chairman

Hong Kong, November 26, 2009

As at the date of this announcement, the Executive Directors are Messrs. Pak Kwan KAU, Donghui WANG and Tao ZOU; the Non-executive Directors are Messrs. Jun LEI, Wai Ming WONG and Wing Chung Anders CHEUNG; the Independent Non-Executive Directors are Messrs. Shun Tak WONG, Guangming George LU and Mingming HUANG.