



**KINGSOFT ANNOUNCES 2011 INTERIM RESULTS**

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Promote Consistent Growth of All Segments in 2H 2011 through Active Restructuring and Collaboration with Strategic Shareholders

**FINANCIAL HIGHLIGHTS**

<i>(RMB'000)</i>	For the three months ended June 30		Change	For the six months ended June 30		Change
	2011	2010		2011	2010	
<b>Revenue</b>	<b>262,967</b>	246,314	7%	<b>494,243</b>	492,012	0.5%
- Entertainment software	173,004	158,924	9%	336,380	320,666	5%
- Application software	89,963	87,390	3%	157,863	171,346	-8%
<b>Gross profit</b>	<b>228,359</b>	214,880	6%	<b>426,845</b>	429,811	-1%
<b>Profit for the period</b>	<b>105,895</b>	67,804	56%	<b>174,155</b>	158,018	10%
<b>Basic EPS (RMB cent)</b>	<b>9.27</b>	6.14	51%	<b>15.32</b>	14.47	6%

**OPERATIONAL HIGHLIGHTS**

	For the three months ended		
	June 30, 2011	March 31, 2011	June 30, 2010
<b>Online Games</b>			
Daily Average Peak Concurrent Users ("DAPCU")	<b>653,085</b>	684,023	819,325
Monthly Average Paying Users	<b>1,250,771</b>	1,258,525	1,276,351
Monthly Average Revenue per Paying User (RMB)	<b>46</b>	43	41
<b>Online Services of Internet Securities</b>			
Daily Average Paying Users	<b>2,128,386</b>	2,357,540	7,648,623
Monthly Average Revenue per Paying User (RMB)	<b>4.7</b>	4.9	2.2

(August 25, 2011 – Hong Kong) **Kingsoft Corporation Limited** (“Kingsoft” or the “Company”; SEHK stock code: 03888), a leading application and entertainment software developer, distributor and service provider in China, announced its unaudited interim results for the three and six months ended June 30, 2011.

For the second quarter this year, revenue increased by 14% quarter-over-quarter and 7% year-over-year to RMB263.0 million, and gross profit increased by 15% quarter-over-quarter and 6% year-over-year to RMB228.4 million. In the first half of 2011, revenue recorded was RMB494 million, while gross profit was RMB427 million, both held relatively flat comparing with the corresponding period last year.

## **BUSINESS REVIEW**

Revenue from the entertainment and application software business represented 66% and 34% respectively of the total revenue for the second quarter of 2011.

### **Entertainment Software Business**

Revenue from the entertainment software business increased by 6% quarter-over-quarter and 9% year-over-year to RMB173.0 million. The sequential and year-over-year increase was mainly due to the continued popularity and improved performance of JX series in Mainland China. In the second quarter of 2011, daily average peak concurrent users decreased by 5% quarter-over-quarter to 0.65 million, while monthly average paying users slightly declined 1% quarter-over-quarter to 1.25 million. In the same quarter, the monthly average revenue per paying user (“monthly ARPU”) for the Company’s online games increased by 7% quarter-over-quarter to RMB 46.

The company continued to show remarkable performance with the existing game titles during the second quarter of 2011. Coupled with the launch of **JX Online World** and **JX Online III** expansion packs in March and May respectively, recording a quarter-over-quarter growth of 11% of our existing games in Mainland China. **Legend of Moon**, a new game title, has completed six rounds of close-beta testing and is expected to be launched in October 2011. As a major 2D online game in 2011, **Legend of Moon** has been featured as one of the most-anticipated online games by Duowan.com.

### **Application Software Business**

Revenue from the application software business increased by 32% quarter-over-quarter and 3% year-over-year to RMB90.0 million. The quarter-over-quarter increase primarily reflected the strong growth of Kingsoft WPS Office benefiting from the increasing copyright protection in China which offset the decline in revenue from fee-based Kingsoft Internet Security services.

During the reporting period, the number of daily average fee-based VIP security value-added service subscribers decreased by 10% quarter-over-quarter and 72% year-over-year to 2.13 million. Monthly ARPU for fee-based VIP security value-added services decreased by 4% quarter-over-quarter and increased by 114% year-over-year to RMB4.7.

On August 18, 2011, we launched **Kingsoft Antivirus 2012 – the Cheetah Version** based on our proprietary 30-core cloud-based engine. The Cheetah version is a lean version, capable of detecting new internet threats at tens of times faster speed than the traditional versions. The performance of Cheetah version demonstrates that Kingsoft owns the leading R&D capabilities of cloud-based information security technology in China.

Compared with the adverse seasonality in the first quarter, Kingsoft **WPS Office** received strong sales orders both from enterprise customers and government organization. The sales of **WPS** in Japan recovered in the second quarter from the earthquake. On June 23, 2011, **Kingsoft WPS Office** was officially sponsored by HEGAOJI Project, a national project for the development of science and technology. This allows for an encouraging environment for the development of Kingsoft Office software, and brings a series of supporting policies from the government.

### **Strategic Alliance**

In July 2011, Kingsoft Internet Security Holdings have entered into strategic partnerships with Tencent. Tencent holds 15.68% shareholding in Kingsoft Corporation Limited through acquiring shares from Kingsoft's existing shareholders; and will make a strategic investment in Kingsoft Internet Security Software, an Internet Security services provider under Kingsoft Corporation Limited, in the meantime. Through the establishment of long-term strategic partnerships, the two companies will join hands to provide trustworthy Internet security solutions for the users; and will explore further collaboration in Internet application software and online game markets.

Within the same period, the Company entered into a share purchase agreement with TCH Copper Limited, Matrix Partners China I, L.P. and Matrix Partner China I-A, L.P., who subscribed 102.41 million preferred shares for an aggregate purchase price of RMB120.2 million.

## **Outlook**

To remain competitive and achieve higher game success rate, Kingsoft has been undertaking measures to improve studio and game operation efficiency, along with stringent company-wide cost cutting. We believe our growth will continue by launching the game titles of **Legend of Moon**, **Rush Teams** and other new game titles in the second half of 2011. On application software, the release of **Cheetah** version is expected to help further expand the market share of Kingsoft Internet Security.

**Mr. Jun Lei, Chairman of Kingsoft** said, “As we continue to reorganize our businesses, we have seen improved results from game operations, expanded market share of Kingsoft Internet Security services and strengthened sales of **WPS Office** in China. Looking forward in the second half of 2011, we believe the momentum will continue. Capturing the opportunity to cooperate with Tencent and other strategic shareholders to further expand the application software and entertainment software businesses. We are confident that we will be able to bring more fruitful returns for our investors”.

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## **About Kingsoft Corporation Limited (Stock Code: 3888)**

Kingsoft is a leading Internet-based developer, distributor and service provider of entertainment software, Internet security and application software in China. Since the commercial launch of its first office applications software, WPS 1.0, in 1989 followed by over 20 years of innovative endeavors, Kingsoft has become well recognized as a leading software brand in China. Kingsoft has also rejuvenated itself by successfully transiting from “the King of package software” legacy to become an Internet application based model of Software as a Service (SAAS).

Kingsoft’s main business encompasses on-line games, Internet security and application software. We utilize the Internet as an effective and relatively secure channel to market and distribute our products, and have built an extensive sales and distribution network. We provide numerous well-known software products such as WPS Office, Kingsoft PowerWord, Kingsoft Internet Security and online games, including the JX Series and the First Myth series to retail customers, corporate clients and government bodies in China. Kingsoft is currently building a converged user platform for its diversified product portfolio and providing a variety of value-added services. The Company distributes certain entertainment software products in Vietnam, Taiwan, Malaysia, Thailand, Cambodia and the U.S., as well as certain Internet security and application software products in Japan, Hong Kong, Macau, Thailand and Vietnam.

Headquartered in Beijing, Kingsoft has R&D centers in Chengdu, Dalian, Zhuhai and Beijing. In addition to possessing strong R&D capabilities, Kingsoft has introduced top Internet and on-line game operation talents to its management team with the aim to enhancing user engagement and improving the efficiency of operations. Kingsoft will continue developing new products and expanding its market share in China, while vigorously penetrating into other overseas markets.

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

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