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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 MONTHS ENDED 31 MARCH 2014

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 months ended 31 March 2014. 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 HIGHLIGHTS

	For the three months ended			QoQ* Change %	YoY* Change %
	31 March 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Unaudited)	31 March 2013 RMB'000 (Unaudited)		
Revenue	675,625	668,752	456,859	1	48
Profit attributable to owners of the parents**	246,237	166,301	195,914	48	26
	RMB (Unaudited)	RMB (Unaudited)	RMB (Unaudited)		
Basic earnings per share	0.21	0.14	0.17	50	24
Diluted earnings per share	0.20	0.14	0.17	43	18

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

** Profit attributable to owners of the parent before the effect of share-based compensation cost is RMB258.4 million, RMB177.8 million and RMB203.8 million for the three months ended at 31 March 2014, 31 December 2013 and 31 March 2013, respectively. This represents a QoQ increase of 45% and a YoY increase of 27%.

OPERATIONAL HIGHLIGHTS

	For the three months ended			QoQ Change %	YoY Change %
	31 March 2014	31 December 2013	31 March 2013		
Online Games					
Daily Average Peak Concurrent Users	599,384	632,171	631,098	(5)	(5)
Monthly Average Paying Accounts	1,972,027	1,869,433	1,768,190	5	12
Monthly Average Revenue per Paying User (RMB)	48	49	47	(2)	2
	In March 2014	In December 2013	In March 2013	QoQ Change %	YoY Change %
Cheetah Mobile					
Mobile Monthly Active Users ("MAU") (Million)	223	166	46	34	385
% of Mobile MAU from Overseas Markets	63%	53%	Not Available	19	
Mobile Users* (Million)	502	347	Not Available	45	
MAU of Duba.com Personal Start Page** (Million)	54	47	38	15	42

* Mobile Users represents cumulative number of installations from the product's launch date to the end of the period specified.

** MAU of Duba.com Personal Start Page data is from iResearch.

The Board announces the unaudited results of the Group for the three months ended 31 March 2014.

The unaudited condensed consolidated statement of profit or loss, unaudited condensed consolidated statement of comprehensive income, unaudited condensed consolidated statement of financial position and unaudited condensed consolidated statement of cash flows of the Group are listed below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	For the three months ended		
	31 March 2014 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2013 <i>RMB'000</i> <i>(Unaudited)</i>	31 March 2013 <i>RMB'000</i> <i>(Unaudited)</i>
Revenue*			
Online game	294,911	287,724	266,666
Cheetah Mobile	292,847	249,833	125,974
Office software and others	87,867	131,195	64,219
	<u>675,625</u>	<u>668,752</u>	<u>456,859</u>
Cost of revenue	<u>(106,613)</u>	<u>(89,680)</u>	<u>(61,581)</u>
Gross profit	569,012	579,072	395,278
Research and development costs, net of government grants	(196,337)	(175,465)	(115,178)
Selling and distribution expenses	(157,337)	(164,991)	(67,608)
Administrative expenses	(66,317)	(52,378)	(45,481)
Share-based compensation costs	(20,637)	(16,609)	(10,098)
Other income and gains	1,900	6,477	15,215
Other expenses	(217)	7,988	(10,110)
Operating profit	130,067	184,094	162,018
Fair value loss on financial instruments at fair value through profit or loss	(105)	(8,645)	—
Gain on disposal of a subsidiary	—	—	47,452
Gain on disposal of investment in a joint venture classified as held for sale	116,845	—	—
Finance income	45,841	39,640	26,551
Finance costs	(11,685)	(10,864)	(2,057)
Share of profits and losses of:			
Joint ventures	—	4,588	1,154
Associates	(3,139)	(2,774)	(265)
Profit before tax	277,824	206,039	234,853
Income tax expense	(23,338)	(11,028)	(23,706)
Profit for the period	254,486	195,011	211,147
Attributable to:			
Owners of the parent	246,237	166,301	195,914
Non-controlling interests	8,249	28,710	15,233
	<u>254,486</u>	<u>195,011</u>	<u>211,147</u>
	<i>RMB</i> <i>(Unaudited)</i>	<i>RMB</i> <i>(Unaudited)</i>	<i>RMB</i> <i>(Unaudited)</i>
Earnings per share attributable to ordinary equity holders of the parent			
Basic	0.21	0.14	0.17
Diluted	0.20	0.14	0.17

- * On 8 May 2014, the Company's subsidiary, Cheetah Mobile Inc. ("Cheetah Mobile") (originally named Kingsoft Internet Software Holdings Limited, which was renamed as Cheetah Mobile on 25 March 2014) completed its spin-off and listing on the New York Stock Exchange. For the purpose of making decisions about resources allocation and performance assessment after the listing of Cheetah Mobile, the directors of the Company decided to disclose the revenue based on the classification of the three business units. Revenues of comparative periods have been reclassified to conform to the current period's presentation to facilitate comparison.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended		
	31 March 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Unaudited)	31 March 2013 RMB'000 (Unaudited)
Profit for the period	254,486	195,011	211,147
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Change in fair value of available-for-sale investments, net of tax	969	20,927	—
Exchange differences on translation of foreign operations	10,503	(12,940)	(5,479)
Other comprehensive income/(loss) for the period, net of tax	11,472	7,987	(5,479)
Total comprehensive income for the period	265,958	202,998	205,668
Attributable to:			
Owners of the parent	251,509	171,491	192,943
Non-controlling interests	14,449	31,507	12,725
	265,958	202,998	205,668

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Non-current assets		
Property, plant and equipment	382,156	385,067
Lease prepayments	42,025	42,260
Goodwill	54,351	53,994
Other intangible assets	60,122	60,104
Investments in joint ventures	25,000	—
Investments in associates	34,512	34,852
Available-for-sale investments	93,608	62,626
Other financial asset	21,897	21,796
Loan receivables	16,422	15,976
Deferred tax assets	47,711	52,406
Other long-term receivables	133,374	—
	<u>911,178</u>	<u>729,081</u>
Current assets		
Inventories	2,955	3,528
Trade receivables	224,641	185,161
Prepayments, deposits and other receivables	184,298	151,379
Due from related parties	116,159	135,872
Available-for-sale investment	57,326	55,780
Pledged deposit	19,643	19,588
Cash and cash equivalents	4,638,949	4,481,188
	<u>5,243,971</u>	<u>5,032,496</u>
Investment in a joint venture classified as held for sale	—	42,756
	<u>5,243,971</u>	<u>5,075,252</u>
Current liabilities		
Trade payables	44,607	32,463
Interest-bearing bank loans	15,862	15,724
Other payables and accruals	436,208	498,964
Deferred revenue	213,181	202,105
Income tax payable	45,183	39,338
	<u>755,041</u>	<u>788,594</u>
Net current assets	<u>4,488,930</u>	<u>4,286,658</u>
Total assets less current liabilities	<u><u>5,400,108</u></u>	<u><u>5,015,739</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	As at 31 March 2014 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2013 <i>RMB'000</i> <i>(Audited)</i>
Non-current liabilities		
Deferred revenue	32,701	31,533
Deferred tax liabilities	22,294	30,545
Liability component of convertible bonds	1,048,155	1,037,587
Liability component of redeemable convertible preferred shares	80,896	77,982
Other liabilities	7,739	7,401
	<u>1,191,785</u>	<u>1,185,048</u>
Net assets	<u>4,208,323</u>	<u>3,830,691</u>
Equity		
Equity attributable to owners of the parent		
Issued capital	4,725	4,718
Share premium account	266,492	259,665
Shares held for share award scheme	(46,758)	(53,890)
Statutory reserves	173,228	173,228
Employee share-based reserve	169,310	166,756
Capital reserve	598,252	512,651
Equity component of convertible bonds	8,500	8,500
Equity component of redeemable convertible preferred shares	10,015	10,015
Foreign currency translation reserve	(84,588)	(89,277)
Retained earnings	2,535,241	2,278,468
Proposed final dividend	109,387	109,387
	<u>3,743,804</u>	<u>3,380,221</u>
Non-controlling interests	<u>464,519</u>	<u>450,470</u>
Total equity	<u><u>4,208,323</u></u>	<u><u>3,830,691</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the three months ended		
	31 March 2014 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2013 <i>RMB'000</i> <i>(Unaudited)</i>	31 March 2013 <i>RMB'000</i> <i>(Unaudited)</i>
Net cash flows from operating activities	78,236	392,998	97,570
Net cash flows from/(used in) investing activities	214,179	152,287	(80,889)
Net cash flows from/(used in) financing activities	74,587	193,554	(55)
	<hr/>	<hr/>	<hr/>
Net increase in cash and cash equivalents	367,002	738,839	16,626
Cash and cash equivalents at beginning of period	2,677,248	1,956,813	696,499
Effect of foreign exchange rate changes, net	17,854	(18,404)	(6,722)
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at end of period	3,062,104	2,677,248	706,403
Time deposits with original maturity of over three months when acquired	1,596,488	1,823,528	1,961,465
Less: pledged time deposit for a bank loan	(19,643)	(19,588)	(19,000)
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents as stated in the consolidated statement of financial position	<u>4,638,949</u>	<u>4,481,188</u>	<u>2,648,868</u>

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 the Cayman Islands under the Company Law (2004 revision) of Cayman Islands. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited 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, internet browser, mission critical mobile applications, and provision of online marketing services and internet value-added services across devices; and
- research, development and distribution of office application software, provision of cloud storage, cloud computation and dictionary services across devices, and provision of online marketing services.

The interim condensed consolidated financial statements for the three months ended 31 March 2014 were approved and authorised for issue in accordance with a resolution of the Board on 28 May 2014.

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 2013.

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 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), except for the adoption of new standards and interpretations effective as at 1 January 2014. The following amendments to IFRSs did not have any significant impact on the accounting policies, financial position or performance of the Group:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

Novation of Derivatives and Continuation of Hedge Accounting — Amendments to IAS 39

Recoverable Amount Disclosures for Non-Financial Assets — Amendments to IAS 36

IFRIC 21 Levies

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

MANAGEMENT DISCUSSION AND ANALYSIS

For the Three Months Ended 31 March 2014

Revenue

Revenue for the first quarter of 2014 increased 1% quarter-over-quarter and 48% year-over-year to RMB675.6 million. Revenue from the online game, Cheetah Mobile and office software and others businesses represented 44%, 43% and 13%, respectively, of the Group's total revenue for the first quarter of 2014. Revenues from the three business lines reflect revenue earned by each of the business lines after elimination of intra-group transactions.

Revenue from the online game business mainly consists of revenues from operations of proprietary PC-based online games, mobile games, and game licensing services, which is generated from the Group's companies, other than Cheetah Mobile and its subsidiaries, through research, development and provision of online games across devices. Revenue from the online game business for the first quarter of 2014 increased 2% quarter-over-quarter and 11% year-over-year to RMB294.9 million. The quarter-over-quarter increase was primarily due to the sustained growth of JX Online III as a result of the release of JX Online III New Year Version. The year-over-year increase was mainly attributable to the continued strong performance of JX Online III, which has grown for the past eleven consecutive quarters, with the continuous improvement of game experiences.

Daily average peak concurrent users ("ADPCU") for the Group's online games for the first quarter of 2014 decreased 5% quarter-over-quarter and year-over-year to 0.6 million. The quarter-over-quarter and year-over-year decreases were primarily driven by a decline in the ADPCU of games in Vietnam. Monthly average paying accounts ("APA") for the Group's online games for the first quarter of 2014 increased 5% quarter-over-quarter and 12% year-over-year to 2.0 million. The solid quarter-over-quarter and year-over-year increases in APA primarily reflected the ramping paying accounts of JX Online III. The monthly ARPU for the Group's online games for the first quarter of 2014 decreased 2% quarter-over-quarter and increased 2% year-over-year to RMB48.

Revenue from Cheetah Mobile business mainly consists of revenues from internet value-added services, online marketing services, and internet security services and others, which is generated from Cheetah Mobile and its subsidiaries through research, development and operation of information security software, internet browser, mission critical mobile applications, operation of games and provision of global content distribution channel for its business partners. Revenue from Cheetah Mobile for the first quarter of 2014 increased 17% quarter-over-quarter and 132% year-over-year to RMB292.8 million. The quarter-over-quarter increase was mainly due to revenue growth in both internet value-added services and online marketing services, driven by strong contributions from mobile games and robust user traffic growth of its online platforms. The year-over-year increase was primarily attributable to strong growth in revenue from online marketing services and internet value-added services.

Mobile MAU from Cheetah Mobile increased 34% quarter-over-quarter and 385% year-over-year to 223 million in March 2014. In March 2014, approximately 63% of mobile MAU were from overseas markets, mostly the United States, Asia (excluding China) and Europe, compared to approximately 53% in December 2013. Our mobile users as of 31 March 2014 has reached to 502 million. These significant increases mainly reflected that our mobile mission critical applications, particularly Clean Master, were very popular and expanded rapidly in global markets. Duba.com aggregates a large collection of popular online resources and provides users quick access to most of

their online destinations such as online shopping, video, online game, travel and local information. MAU of Duba.com Personal Start Page increased 15% quarter-over-quarter and 42% year-over-year to 54 million in March 2014. The increases mainly reflected the increasing popularity of Cheetah Browser.

Revenue from the office software and others business consists of revenues from all the other businesses, including office application software, cloud storage, dictionary services, etc. Revenue from the office software and others businesses for the first quarter of 2014 decreased 33% quarter-over-quarter and increased 37% year-over-year to RMB87.9 million. The quarter-over-quarter decrease was mainly due to the adverse seasonal impact on Kingsoft WPS Office. The solid year-over-year increase was primarily attributable to record growth in sales from Kingsoft WPS Office and online marketing revenue from Kingsoft WPS Office.

Cost of Revenue and Gross Profit

Cost of revenue for the first quarter of 2014 increased 19% quarter-over-quarter and 73% year-over-year to RMB106.6 million. The quarter-over-quarter and year-over-year increases were mainly due to the higher bandwidth and server costs along with increasing user base and user activities of Cheetah Mobile, and a significant increase in sharing and content costs primarily associated with the strong performance of licensed mobile game titles on Cheetah Mobile game platform.

Gross profit for the first quarter of 2014 decreased 2% quarter-over-quarter and increased 44% year-over-year to RMB569.0 million. The Group's gross profit margin decreased by three percentage points quarter-over-quarter and year-over-year to 84%.

Research and Development (“R&D”) Costs

R&D costs, net of government grants, for the first quarter of 2014 increased 12% quarter-over-quarter and 70% year-over-year to RMB196.3 million. The quarter-over-quarter and year-over-year increases were mainly due to an increase in salary and benefits expenses with the expansion of the Group's mobile application development teams and increased salary and benefits.

The following table sets forth a breakdown of our R&D costs for the three months ended 31 March 2014, 31 December 2013 and 31 March 2013:

	For the three months ended		
	31 March 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Unaudited)	31 March 2013 RMB'000 (Unaudited)
Staff costs	150,245	130,934	95,564
Depreciation & Amortisation	10,840	14,991	7,492
Others	32,872	29,511	14,754
	<u>193,957</u>	<u>175,436</u>	<u>117,810</u>
Less: Capitalised software costs (excluding share-based compensation costs)	—	—	(4,442)
Add: Amortisation of capitalised software costs	3,404	3,404	3,560
Less: Government grants for research and development activities	(1,024)	(3,375)	(1,750)
Total	<u>196,337</u>	<u>175,465</u>	<u>115,178</u>

Selling and Distribution Expenses

Selling and distribution expenses for the first quarter of 2014 decreased 5% quarter-over-quarter and increased 133% year-over-year to RMB157.3 million. The quarter-over-quarter decrease was primarily due to less marketing and advertising expenses for the promotion of games as there were no major expansion packs or new game titles launched in the first quarter of 2014. The year-over-year increase was mainly attributable to higher selling and marketing expenses as Cheetah Mobile continued its efforts to expand the global user base of its mobile applications, particularly Clean Master.

Administrative Expenses

Administrative expenses for the first quarter of 2014 increased 27% quarter-over-quarter and 46% year-over-year to RMB66.3 million. The quarter-over-quarter and year-over-year increases were largely due to the increase in staff costs and professional fees.

Share-based Compensation Costs

Share-based compensation costs for the first quarter of 2014 increased 24% quarter-over-quarter and 104% year-over-year to RMB20.6 million. The quarter-over-quarter and year-over-year increases primarily reflected the new grants of Cheetah Mobile's options and awarded shares to selected employees.

Operating Profit before Share-based Compensation Costs

Operating profit before share-based compensation costs for the first quarter of 2014 decreased 25% quarter-over-quarter and 12% year-over-year to RMB150.7 million as a result of the combination of above reasons. The operating profit margin before share-based compensation costs for the first quarter of 2014 decreased eight percentage points quarter-over-quarter and sixteen percentage points year-over-year to 22%.

Gain on Disposal of Investment in a Joint Venture Classified as Held for Sale

Gain on disposal of investment in a joint venture classified as held for sale for the first quarter of 2014 recorded RMB116.8 million, which represents the disposal gain of the shares of Sky Profit Limited owned by the Company.

Finance Income

Finance income for the first quarter of 2014 increased 16% quarter-over-quarter and 73% year-over-year to RMB45.8 million.

Income Tax Expense

Income tax expense for the first quarter of 2014 increased 112% quarter-over-quarter and decreased 2% year-over-year to RMB23.3 million. The Group's effective tax rate increased three percentage points quarter-over-quarter and decreased two percentage points year-over-year to 8%.

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 quarter of 2014 increased 48% quarter-over-quarter and 26% year-over-year to RMB246.2 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 quarter of 2014 increased 45% quarter-over-quarter and 27% year-over-year to RMB258.4 million. The net profit margin excluding the effect of share-based compensation costs was 38%, 27% and 45% for the three months ended 31 March 2014, 31 December 2013 and 31 March 2013, respectively.

Liquidity and Financial Resource

The Group had a strong cash position towards the end of reporting period. As at 31 March 2014, the group had major financial resources in the forms of cash and cash equivalents, time deposits with original maturity of over three months amounting to RMB3,062.1 million, RMB1,596.5 million, respectively, which totally represented 76% of the Group's total assets.

As at 31 March 2014, the Group's gearing ratio, which represents total liabilities divided by total assets, was 32%, compared to 34% as at 31 December 2013. As at 31 March 2014, the Group had HKD1,321.6 million (equivalent of RMB1,048.2 million) debt of convertible bonds, USD13.1 million (equivalent of RMB80.9 million) debt of preferred shares of a subsidiary and HKD20.0 million (equivalent of RMB15.9 million) bank loan.

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 arranging some expenses and expenditures denominated in foreign currencies.

As at 31 March 2014, RMB1,210.0 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 31 March 2014 was RMB245.9 million compared to RMB233.6 million as at 31 December 2013.

Net Cash Generated from Operating Activities

Cash generated from our operating activities reflects our profit for the three 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 from operating activities was RMB78.2 million, RMB393.0 million and RMB97.6 million for the three months ended 31 March 2014, and 31 December 2013 and 31 March 2013, respectively. The decreases in net cash generated from operating activities were mainly due to the payment of discretionary year-ended bonuses in the first quarter of 2014.

Capital Expenditures

Capital expenditures represent cash payments for acquisition of business, property, land use rights, fixed assets and intangible assets. Cash used for capital expenditures was RMB23.5 million, RMB38.7 million and RMB26.3 million for the three months ended 31 March 2014, 31 December 2013 and 31 March 2013, respectively.

Management Comments

Mr. Jun LEI, Chairman of Kingsoft, commented, “The financial and operating metrics for the first quarter of 2014 demonstrated the successful adoption of our mobile business strategy. Our mobile MAU continued to grow rapidly to a new record of 276 million in March 2014, compared to 62 million a year ago. Though the business model of mobile internet is still evolving, we have made significant progress in mobile monetization. Leveraging the tremendous growth potential of mobile internet business, I believe the year of 2014 will manifest Kingsoft’s breakthrough in its mobile transformation.”

Dr. Hongjiang ZHANG, Chief Executive Officer of Kingsoft added, “We are pleased to report another strong first quarter results. Our total revenue achieved a new record of RMB675.6 million, an increase of 48% year-over-year. We will make proactive investments in mobile business development and market expansion in 2014, though it may have adverse impact on our operating margin in the short term. We firmly believe that these investments are important to support our long term business growth and help us to align our strategy with tremendous mobile opportunities.

Thanks to the strong performance of JX Online III, the revenue for online game posted a quarter-over-quarter growth of 2% and a year-over-year growth of 11% to RMB294.9 million, even under the adverse impact of Chinese New Year holidays. On 23 April 2014, we launched a new expansion “Zhu Lu Zhong Yuan” for JX Online III and have received positive feedbacks. By introducing innovative and exciting features, such as new character DIY system and cool physical damage effects, the population of JX Online III consolidated further to a new high. For now, more than five mobile games are under full swing development, of which two to three games are in the pipeline for release. On 8 May 2014, we held a press conference to pre-market Shen Zhi Yi Ji, a next generation 3D mobile game, and have received positive feedbacks.

We are excited to see an impressive start to 2014 for Cheetah Mobile. Despite the seasonal effect, the revenue for Cheetah Mobile achieved quarter-over-quarter growth of 17% and year-over-year growth of 132% to RMB292.8 million. Mobile MAU of Cheetah Mobile has increased 385% year-over-year from 46 million in March 2013 to 223 million in March 2014. For the first quarter of 2014, Cheetah Mobile generated approximately 17% of its revenue from mobile services, compared with approximately 11% in the fourth quarter of 2013.

Due to the seasonal effect, the revenue from WPS decreased 39% quarter-over-quarter and posted a 49% year-over-year growth to RMB66.3 million. The MAU of WPS Personal Edition continued to rise to over 66 million. The global MAU of WPS Mobile Office ramped up to 43 million in March 2014.

Through continuous technical and business optimization, we have dedicated to provide the underlying cloud storage services for thousands of customers, and our daily data storage growth is close to 200T at the end of first quarter of 2014. Meanwhile, we focused on establishing a one-stop cloud service platform for game developers. By partnering with Xiaomi and leveraging the fast growing mobile games business, the platform will offer game developers a one-stop solution for server deployment, game testing, game operation and game promotion.

We had an impressive and promising start to 2014. With the focused investment in mobile internet business, strengthened monetization capabilities of Cheetah Mobile, continuous optimization of JX Online III, full swing mobile game development, strong sales and fast growing user base of WPS, we are in a great position to continue making progress towards our mobile transformation.”

By order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

Hong Kong, 28 May 2014

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.