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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 30 SEPTEMBER 2016

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 30 September 2016. These interim results have been reviewed by 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 %
	30 September 2016 RMB'000 (Unaudited)	30 June 2016 RMB'000 (Unaudited)	30 September 2015 RMB'000 (Unaudited)		
Revenue	2,226,801	1,765,036	1,506,780	26	48
Profit/(loss) attributable to owners of the parents**	141,693	(807,554)	47,554	Not Applicable	198
	RMB (Unaudited)	RMB (Unaudited)	RMB (Unaudited)		
Basic earnings per share	0.11	(0.63)	0.04	Not Applicable	175
Diluted earnings per share	0.11	(0.63)	0.04	Not Applicable	175

* 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/(loss) attributable to owners of the parent before the effect of share-based compensation cost is RMB185.5 million, RMB(754.5) million and RMB118.5 million for the three months ended 30 September 2016, 30 June 2016 and 30 September 2015, respectively. This represents a YoY increase of 56%. For the three months ended 30 September 2016 and 30 June 2016, we made provisions for impairment of investments RMB144.4 million and RMB926.0 million, respectively.

OPERATIONAL HIGHLIGHTS

	For the three months ended				
	30 September 2016	30 June 2016	30 September 2015	QoQ Change %	YoY Change %
Online Games					
Daily Average Peak Concurrent Users ("ADPCU")	982,914	909,591	562,354	8	75
Monthly Average Paying Accounts ("APA")	4,482,024	4,822,356	3,301,297	(7)	36
	In September 2016	In June 2016	In September 2015	QoQ Change %	YoY Change %
Cheetah Mobile Inc. ("Cheetah Mobile")					
Mobile Monthly Active Users (Mobile "MAU") (Million)	612	623	567	(2)	8
% of Mobile MAU from Overseas Markets	80%	79%	74%	/	/
Mobile Users Installations (Million)	3,464	3,099	1,942	12	78

The Board announces the unaudited results of the Group for the three months ended 30 September 2016.

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		
	30 September 2016 <i>RMB'000</i> (Unaudited)	30 June 2016 <i>RMB'000</i> (Unaudited)	30 September 2015 <i>RMB'000</i> (Unaudited)
Revenue			
Online game	791,920	476,794	330,902
Cheetah Mobile	1,103,578	1,014,072	988,344
Cloud services, office software and others	331,303	274,170	187,534
	<u>2,226,801</u>	<u>1,765,036</u>	<u>1,506,780</u>
Cost of revenue	<u>(786,294)</u>	<u>(559,959)</u>	<u>(369,264)</u>
Gross profit	1,440,507	1,205,077	1,137,516
Research and development costs, net of government grants	(490,608)	(419,649)	(362,796)
Selling and distribution expenses	(472,247)	(480,538)	(476,911)
Administrative expenses	(146,095)	(147,549)	(130,873)
Share-based compensation costs	(83,260)	(102,919)	(125,226)
Other income	32,523	54,062	36,035
Other expenses	<u>(16,037)</u>	<u>(22,731)</u>	<u>(13,227)</u>
Operating profit	264,783	85,753	64,518
Other losses, net	(116,606)	(959,639)	(14,794)
Finance income	43,636	37,810	50,290
Finance costs	(32,949)	(27,170)	(21,674)
Share of profits and losses of:			
Joint ventures	53,282	3,941	(6,682)
Associates	<u>(16,715)</u>	<u>(19,791)</u>	<u>(8,547)</u>
Profit/(loss) before tax	195,431	(879,096)	63,111
Income tax expense	<u>(35,331)</u>	<u>(34,315)</u>	<u>(26,435)</u>
Profit/(loss) for the period	<u>160,100</u>	<u>(913,411)</u>	<u>36,676</u>
Attributable to:			
Owners of the parent	141,693	(807,554)	47,554
Non-controlling interests	<u>18,407</u>	<u>(105,857)</u>	<u>(10,878)</u>
	<u>160,100</u>	<u>(913,411)</u>	<u>36,676</u>
	<i>RMB</i> (Unaudited)	<i>RMB</i> (Unaudited)	<i>RMB</i> (Unaudited)
Earnings per share attributable to ordinary equity holders of the parent			
Basic	0.11	(0.63)	0.04
Diluted	<u>0.11</u>	<u>(0.63)</u>	<u>0.04</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended		
	30 September	30 June	30 September
	2016	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
PROFIT/(LOSS) FOR THE PERIOD	160,100	(913,411)	36,676
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value	10,095	(758,171)	(358,451)
Reclassification adjustments for gains or losses included in the consolidated statement of profit or loss			
— Gain on disposal	(24,338)	—	—
— Impairment losses	—	914,541	—
Exchange differences on translation of foreign operations	23,841	143,272	176,796
Share of other comprehensive income of associates	—	—	5,891
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	9,598	299,642	(175,764)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	169,698	(613,769)	(139,088)
Attributable to:			
Owners of the parent	154,360	(537,928)	(174,452)
Non-controlling interests	15,338	(75,841)	35,364
	169,698	(613,769)	(139,088)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 September 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	1,110,595	966,079
Prepaid land lease payments	269,131	272,386
Goodwill	965,479	619,037
Other intangible assets	274,517	246,839
Investments in joint ventures	127,061	74,291
Investments in associates	410,605	250,009
Available-for-sale investments	1,300,081	2,226,302
Other financial assets	41,731	26,294
Deferred tax assets	80,315	55,304
Loan receivables	10,309	12,971
Other non-current assets	26,352	93,318
Total non-current assets	4,616,176	4,842,830
CURRENT ASSETS		
Inventories	9,259	5,371
Trade receivables	1,481,153	966,000
Prepayments, deposits and other receivables	993,698	837,398
Available-for-sale investments	100,000	50,000
Restricted cash	91,353	130,187
Pledged deposits	66,778	46,657
Cash and bank deposits	8,938,894	8,606,434
Total current assets	11,681,135	10,642,047
CURRENT LIABILITIES		
Trade payables	405,443	185,417
Interest-bearing bank loans	356,536	147,029
Other payables and accruals	1,669,968	1,808,689
Deferred revenue	549,597	425,964
Income tax payable	163,818	137,416
Total current liabilities	3,145,362	2,704,515
NET CURRENT ASSETS	8,535,773	7,937,532
TOTAL ASSETS LESS CURRENT LIABILITIES	13,151,949	12,780,362

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	As at 30 September 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
NON-CURRENT LIABILITIES		
Other liabilities	40,146	72,105
Deferred revenue	46,919	24,141
Deferred tax liabilities	99,254	62,540
Interest-bearing bank loans	403,146	10,523
Liability component of convertible bonds	2,795,210	2,699,698
Liability component of redeemable convertible preferred shares	284,530	—
Total non-current liabilities	3,669,205	2,869,007
Net assets	<u>9,482,744</u>	<u>9,911,355</u>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	5,093	5,092
Share premium account	2,366,261	2,474,663
Treasury shares	(25,947)	(34,766)
Equity component of convertible bonds	72,295	72,295
Other reserves	5,100,757	5,353,356
	7,518,459	7,870,640
Non-controlling interests	1,964,285	2,040,715
Total equity	<u>9,482,744</u>	<u>9,911,355</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the three months ended		
	30 September 2016 <i>RMB'000</i> <i>(Unaudited)</i>	30 June 2016 <i>RMB'000</i> <i>(Unaudited)</i>	30 September 2015 <i>RMB'000</i> <i>(Unaudited)</i>
Net cash flows from operating activities	187,768	344,148	213,523
Net cash flows (used in)/from investing activities	(934,381)	(1,100,588)	544,779
Net cash flows from/(used in) financing activities	<u>331,977</u>	<u>310,629</u>	<u>(57,618)</u>
Net (decrease)/increase in cash and cash equivalents	(414,636)	(445,811)	700,684
Cash and cash equivalents at beginning of the period	5,365,439	5,687,591	4,419,770
Effect of foreign exchange rate changes, net	<u>36,649</u>	<u>123,659</u>	<u>160,690</u>
Cash and cash equivalents at end of the period	4,987,452	5,365,439	5,281,144
Time deposits with original maturity of over three months when acquired	1,260,838	1,335,734	764,234
Principle protected structure deposits with original maturity of over three months when acquired	2,757,382	1,946,381	1,828,000
Less: pledged deposits	<u>(66,778)</u>	<u>(66,312)</u>	<u>(70,266)</u>
Cash and bank deposits as stated in the consolidated statement of financial position	<u><u>8,938,894</u></u>	<u><u>8,581,242</u></u>	<u><u>7,803,112</u></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 (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, internet browser, mission critical mobile applications, and provision of online marketing services and internet value-added services across devices; and
- provision of cloud storage, cloud computation services, research, development and distribution of office application software, provision of dictionary services across devices, and provision of online marketing services.

The interim condensed consolidated financial statements for the three months ended 30 September 2016 were approved and authorised for issue in accordance with a resolution of the Board on 19 November 2016.

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 2015.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 2015, 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 2016. The following amendments to IFRSs did not have any significant impact on the accounting policies, financial position or performance of the Group:

IFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to IFRS 11	<i>Joint Arrangements: Accounting for Acquisition of Interests</i>
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to IAS 16 and IAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to IAS 27	<i>Equity Method in Separate Financial Statements</i>
Amendments to IAS 1	<i>Disclosure Initiative</i>
Annual Improvements 2012–2014 Cycle	

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 30 September 2016

Revenue

Revenue for the third quarter of 2016 increased 26% quarter-over-quarter and 48% year-over-year to RMB2,226.8 million. Revenue from the online game, Cheetah Mobile and cloud services, office software and others businesses represented 35%, 50% and 15%, respectively, of the Group's total revenue for the third quarter of 2016. 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 are generated from the Group (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 third quarter of 2016 increased 66% quarter-over-quarter and 139% year-over-year to RMB791.9 million. The impressive quarter-over-quarter increase was primarily driven by the outstanding performance of JX Online I mobile game. The robust year-over-year increase was mainly due to the great contribution from the newly launched JX Online I mobile game and the strong and healthy growth of JX Online III, driven by the continuous improvements in optimizing user experience.

ADPCU for the Group's online games for the third quarter of 2016 increased 8% quarter-over-quarter and 75% year-over-year to 1.0 million. The quarter-over-quarter increase of ADPCU was largely due to the launch of the second JX Online mobile game in September 2016. The year-over-year increase of ADPCU was mainly due to the successful launch of the first and second JX Online mobile games. APA for the Group's online games for the third quarter of 2016 decreased 7% quarter-over-quarter and increased 36% year-over-year to 4.5 million. The quarter-over-quarter decrease was mainly due to the natural decline life cycle of JX Online I mobile game. The year-over-year increase of APA was mainly due to the launch of the first and second JX Online mobile games.

Revenue from Cheetah Mobile business mainly consists of revenues from online marketing services, internet value-added services, and internet security services and others, which are generated from Cheetah Mobile and its subsidiaries through research, development and operation of information security software, internet browser, mission critical mobile applications, and operation of games and provision of global content distribution channel for its business partners. Revenue from Cheetah Mobile business for the third quarter of 2016 increased 9% quarter-over-quarter and 12% year-over-year to RMB1,103.6 million. The increases were mainly driven by the higher demand from advertisers, including direct sales customers, for Cheetah Mobile's mobile advertising services worldwide, the monetization of light casual games through in-game advertising, and initial monetization of Live.me in overseas markets.

Mobile MAU from Cheetah Mobile decreased 2% quarter-over-quarter and increased 8% year-over-year to 612 million in September 2016. In September 2016, approximately 80% of the mobile MAU were from overseas markets, compared to approximately 74% in September 2015. Its mobile user installations as of 30 September 2016 have reached to 3.5 billion, representing a 12% increase quarter-over-quarter and a 78% increase year-over-year. The increases reflected Cheetah Mobile's existing utility apps and casual games are gaining popularity by providing faster, simpler and safer mobile internet experience for users worldwide.

Revenue from the cloud services, office software and others business consists of revenues from all the other businesses, including cloud storage and computation, office application software, dictionary services, etc. Revenue from the cloud services, office software and others businesses for the third quarter of 2016 increased 21% quarter-over-quarter and 77% year-over-year to RMB331.3 million. The sequential increase was mainly attributable to the incremental revenue contribution from Kingsoft Cloud driven by growing usage demand, especially from mobile game and video industries, and increased sales of traditional WPS Office. The robust year-over-year increase was primarily attributable to strong revenue growth of cloud storage and computation business as a result of increased customer usage and user base.

Cost of Revenue and Gross Profit

Cost of revenue for the third quarter of 2016 increased 40% quarter-over-quarter and 113% year-over-year to RMB786.3 million. The increases were mainly due to the greater sharing cost associated with JX Online I mobile game, increased investments in content for the Cheetah Mobile's content-driven products, and higher bandwidth and internet data center costs associated with increased user usage and traffic of Kingsoft Cloud and Cheetah Mobile.

Gross profit for the third quarter of 2016 increased 20% quarter-over-quarter and 27% year-over-year to RMB1,440.5 million. The Group's gross profit margin decreased by three percentage points quarter-over-quarter and ten percentage points year-over-year to 65%.

Research and Development ("R&D") Costs, Net of Government Grants

R&D costs, net of government grants, for the third quarter of 2016 increased 17% quarter-over-quarter and 35% year-over-year to RMB490.6 million. The increases were mainly due to an increase in personnel-related costs, driven by the increased investments in big data analytics, new product development and cloud business.

Selling and Distribution Expenses

Selling and distribution expenses for the third quarter of 2016 decreased 2% quarter-over-quarter and 1% year-over-year to RMB472.2 million. The quarter-over-quarter decrease was primarily due to lower expenses on promotional activities as a result of the Cheetah Mobile's implementation of strict cost control.

Administrative Expenses

Administrative expenses for the third quarter of 2016 decreased 1% quarter-over-quarter and increased 12% year-over-year to RMB146.1 million. The quarter-over-quarter decrease was due to lower professional service fee in the third quarter of 2016. The year-over-year increase was mainly due to an increase in headcount and staff-related costs.

Share-based Compensation Costs

Share-based compensation costs for the third quarter of 2016 decreased 19% quarter-over-quarter and 34% year-over-year to RMB83.3 million.

Operating Profit before Share-based Compensation Costs

Operating profit before share-based compensation costs for the third quarter of 2016 increased 84% quarter-over-quarter and 83% year-over-year to RMB348.0 million as a result of the combination of the above reasons. The operating profit margin before share-based compensation costs for the third quarter of 2016 increased by five percentage points quarter-over-quarter and three percentage points year-over-year to 16%.

Other Losses, Net

Other losses, net recorded losses of RMB116.6 million for the third quarter of 2016, compared to losses of RMB959.6 million for the second quarter of 2016 and losses of RMB14.8 million for the third quarter of 2015. The losses in the third quarter of 2016 were mainly due to the additional provision for impairment on the carrying value of investments in 21Vianet Group, Inc. (“**21Vianet**”), as its further decrease of the market value in the third quarter. The losses in the second quarter of 2016 were mainly due to the provisions for impairment on the carrying value of investments in XunLei Limited (“**XunLei**”) and 21Vianet, respectively, as there was a significant or prolonged decline in the market value of the investments in XunLei and 21Vianet below the costs.

Finance Income

Finance income for the third quarter of 2016 increased 15% quarter-over-quarter and decreased 13% year-over-year to RMB43.6 million.

Income Tax Expense

Income tax expense for the third quarter of 2016 increased 3% quarter-over-quarter and 34% year-over-year to RMB35.3 million. Excluding share-based compensation costs and the non-tax-deductible provision for the impairment loss of investment, our effective tax rate would have been 8% in the third quarter of 2016.

Profit/(Loss) Attributable to Owners of the Parent

As a result of the reasons discussed above, profit/(loss) attributable to owners of the parent was RMB141.7 million, RMB(807.6) million and RMB47.6 million for the three months ended 30 September 2016, 30 June 2016 and 30 September 2015, respectively.

Profit/(Loss) Attributable to Owners of the Parent before Share-based Compensation Costs

Profit/(loss) attributable to owners of the parent before share-based compensation costs, which is defined as profit/(loss) 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 IFRS.

We believe the profit/(loss) attributable to owners of the parent before share-based compensation costs will enhance investors' overall understanding of the Company'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/(loss) attributable to owners of the parent before share-based compensation costs may not be comparable to similarly titled measures utilized by other companies.

Profit/(loss) attributable to owners of the parent before share-based compensation costs was RMB185.5 million, RMB(754.5) million and RMB118.5 million for the three months ended 30 September 2016, 30 June 2016 and 30 September 2015, respectively. The net profit/(loss) margin excluding the effect of share-based compensation costs was 8%, (43%) and 8% for the three months ended 30 September 2016, 30 June 2016 and 30 September 2015, respectively.

Liquidity and Financial Resource

The Group had a strong cash position towards the end of the reporting period. As at 30 September 2016, the Group had major financial resources in the forms of restricted cash, pledged deposit and cash and bank deposits amounting to RMB91.4 million, RMB66.8 million and RMB8,938.9 million, respectively, which totally represented 56% of the Group's total assets.

As at 30 September 2016, the Group's gearing ratio, which represents total liabilities divided by total assets, was 42%, compared to 36% as at 31 December 2015. As at 30 September 2016, the Group had HK\$3,246.5 million (equivalent of RMB2,795.2 million) debt of convertible bonds and US\$65.0 million (equivalent of RMB434.1 million), EUR6.5 million (equivalent of RMB48.4 million) and RMB277.2 million bank loans.

Foreign Currency Risk Management

Certain expenses of the Group were denominated in currencies other than the RMB. The Group generates foreign currency revenue either from license sales made in other Asian countries or from its overseas subsidiaries. RMB against US\$, HK\$, 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 30 September 2016, RMB4,303.7 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 fluctuation in connection with our deposits and investments.

Deferred Revenue

Deferred revenue (including current and non-current portion) as at 30 September 2016 was RMB596.5 million, compared to RMB450.1 million as at 31 December 2015.

Net Cash Generated from Operating Activities

Net cash generated from the operating activities reflects the Group’s profit for the three-month period mentioned above, as the case maybe, as adjusted for non-cash items, such as depreciation, amortisation of capitalized 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 RMB187.8 million, RMB344.1 million and RMB213.5 million for the three months ended 30 September 2016, 30 June 2016 and 30 September 2015, respectively.

Capital Expenditures

Capital expenditures represent cash payments for acquisition of business, fixed assets and intangible assets. Cash used for capital expenditures was RMB227.7 million, RMB493.0 million and RMB282.7 million for the three months ended 30 September 2016, 30 June 2016 and 30 September 2015, respectively.

Management comments

Mr. Jun LEI, Chairman of Kingsoft, commented, “Kingsoft performed well in all focused businesses in this quarter. The mobile game segment has started to bring profit contribution to the Company. Kingsoft Cloud developed rapidly in its different vertical sectors. Cheetah Mobile’s content strategy began to bear result. Despite the provision for investment impairment in relation to 21 Vianet, our operating profit recorded a strong year-over-year and quarter-over-quarter growth. We are fully committed in executing the mobilization, globalization and “All in Cloud” strategies and actively coping with the challenges ahead.”

Dr. Hong Jiang ZHANG, Chief Executive Office of Kingsoft, added, “Our total third quarter revenue reached a new high at RMB2,226.8 million, representing a 48% increase year-over-year and a 26% increase quarter-over-quarter. Operating profit before the share-based compensation costs achieved RMB348.0 million, representing an increase of 83% year-over-year and an increase of 84% quarter-over-quarter, which mainly reflected the profit contribution from our mobile game business.

Driven by the solid performance of Cheetah Mobile’s utility products, its total revenue resumed sequential growth and its mobile and overseas revenues have hit all-time record highs. Cheetah Mobile’s utility products continue to see steady revenue growth as well as attractive profitability even as the overall utilities segment continues to mature. In particular, Clean Master maintained its No. 1 position in the U.S. tool application category in early November, according to App Annie. More importantly, two of Cheetah Mobile’s content-driven products, Live.me and News Republic, continued to gain in popularity this quarter, particularly in the U.S. market. According to App Annie’s October data, Live.me was the No.1 grossing social application in the U.S. on Google Play and was ranked as one of the top 5 social apps on Apple App Store. In addition, News Republic was ranked as one of the top 3 news & magazine apps in the U.S. on Google Play in October. Looking ahead, Cheetah Mobile will continue to leverage its more than 600 million global mobile MAU and further expand upon its mobile content strategy while delivering more personalized and richer content to its users, in attempt to improve user engagement and establish a sustainable and profitable growth model for the long term.

We are delighted to report the sustained growth of the Company’s flagship game JX Online III, and the outstanding performance of the JX Online mobile game series in the past quarter. With the launch of an expansion pack and a successful anniversary event, the quarterly revenue from JX Online III surged to record high, representing a year-over-year increase of 61%. The star mobile game JX Online I, which was launched on 31 May 2016, has gained wide popularity from the gamers and ranked high on Apple App Store top grossing games. The second JX Online mobile game JXSJ (劍俠世界) topped the sales and download charts of Xiaomi platform right after its launch on 20 September 2016. JX Online III mobile game (劍網3：指尖江湖), the third JX Online mobile game, and Genghis Khan (成吉思汗) and Eudemons Online (魔域), the mobile games jointly developed with 70yx (麒麟遊戲) and NetDragon (網龍網絡) respectively will be launched in 2017. Kingsoft will continue to combine the rich experience and resources in PC and mobile games to keep adding to the league of classics and provide game players new and hassle-less online games that they can play and share experiences with each other.

The vertical businesses of Kingsoft Cloud developed quickly in the third quarter of 2016. Kingsoft Cloud further consolidated its industry position, bracing the stable operation of popular mobile games including LineAge II (天堂 2), JXSJ (劍俠世界) and QYZ (青雲志). With the overall quality of video cloud enhanced and optimized, it not only continued to penetrate the mobile Internet market, but is also able to connect with conventional video websites including iQiYi (愛奇藝), hence further expanded the video cloud customer coverage in the industry. In the third quarter, government cloud business continued to make progress and secured projects from the Beijing Municipal Commission of Housing and Urban-Rural Development, People's Daily, etc., representing a solid step forward in its market expansion.

The global MAU of the WPS family reached a new record of 228.5 million in September 2016. On 6 November, the global MAU of the WPS Office android version exceeded the 100 million mark for the first time in history. Both the annotation feature of WPS Office 6.0 edition PDF and the collaborative function of the WPS Office Cloud were regard as recommended tools by Apple App Store in July 2016. WPS released a new edition of its mobile mailbox, boasting the breakthrough of enhanced WPS cloud services, and this new edition WPS Mail was launched to the market in scale for the first time in the third quarter. In September and October, WPS made strategic investment in and cooperated closely with other new SaaS companies in the office collaboration sector, including Yiqixie (一起寫) and Bestsign (上上簽) aiming to optimize product features, enhance customer stickiness and build a tighter eco-alliance. Efforts were also made in exploring and perfecting the monetization of the traffic of PC and mobile free editions. Currently, Beijing Kingsoft Office Software, Inc. and its subsidiaries, which mainly engage in office software and other related services business, are preparing for listing on one of the stock exchanges in China.”

“As the third quarter results showed, all business lines are developing in accord with the overall strategic goals of the Company. Going forward, we expect our revenue to continue to grow steadily. We pledge to actively embrace the opportunities and challenges that the global mobile and Internet era bring.” concluded Mr. Jun LEI.

By order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

Hong Kong , 21 November 2016

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. Shun Tak WONG, David Yuen Kwan TANG, and Ms. Wenjie WU.