KINGSOFT®

(continued into the Cayman Islands with limited liability)
Stock Code:03888

KINGSOFT CORPORATION LIMITED
2015 ANNUAL REPORT

獵豹清理大師 獵豹瀏覽器 劍俠情緣网络版叁 全民神将 WPS Office 金山云

Beijing / Zhuhai / Chengdu / Guangzhou / Dalian / Chongqing / Hongkong / Japan / America / France / Singapore / Malaysia

KINGSOFT
Kingsoft Corporation Limited

Contents

CORPORATE INFORMATION

Legal Name of the Company

Kingsoft Corporation Limited

Stock Code

03888

Date of Listing

9 October 2007

Head Office and Principal Place of Business

Kingsoft Tower
No.33 Xiaoying West Road
Haidian District
Beijing 100085
PRC

Principal Place of Business in Hong Kong

Unit 1309A, 13/F
Cable TV Tower
No. 9 Hoi Shing Road
Tsuen Wan, N.T.
Hong Kong

Registered Office

Clifton House
75 Fort Street
P.O. Box 1350 GT George Town
Grand Cayman KY1-1108
Cayman Islands

Executive Directors

Mr. HongJiang ZHANG
Mr. Yuk Keung NG
Mr. Tao ZOU

Non-executive Directors

Mr. Jun LEI (Chairman)
Mr. Pak Kwan KAU
Mr. Chi Ping LAU

Independent Non-executive Directors

Mr. Shun Tak WONG
Mr. David Yuen Kwan TANG
Ms. Wenjie WU

Audit Committee

Ms. Wenjie WU (Chairman)
Mr. Shun Tak WONG
Mr. David Yuen Kwan TANG

Remuneration Committee

Mr. Shun Tak WONG (Chairman)
Mr. Jun LEI
Mr. David Yuen Kwan TANG
Ms. Wenjie WU

Nomination Committee

Mr. Shun Tak WONG (Chairman)
Mr. Chi Ping LAU
Ms. Wenjie WU

Board Secretary/Company Secretary

Mr. Yuk Keung NG

Authorised Representatives

Mr. HongJiang ZHANG
Mr. Yuk Keung NG

Principal Share Registrar and Transfer Office

Appleby Trust (Cayman) Ltd.

Clifton House

75 Fort Street

P.O. Box 1350 GT George Town

Grand Cayman KY1-1108

Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited

Shops 1712–1716, 17/F. Hopewell Centre

183 Queen's Road East

Hong Kong

Auditors

Ernst & Young

Certified Public Accountants

22th Floor, CITIC Tower

1 Tim Mei Avenue

Central

Hong Kong

Legal Advisers on Hong Kong law

Baker & McKenzie

14th Floor, Hutchison House

10 Harcourt Road

Hong Kong

Principal Bankers

China Citic Bank Corporation Limited

China Merchants Bank Corporation Limited

Industrial and Commercial Bank of China (Asia) Limited

The Hongkong and Shanghai Banking Corporation Limited

Bank of Beijing Corporation Limited

Standard Chartered Bank Limited

Bank of Tokyo-Mitsubishi UFJ (China) Limited

Shanghai Pudong Development Bank Corporation Limited

Bank of Communications Corporation Limited

Hang Seng Bank Limited

China Guangfa Bank Corporation Limited

BNP Paribas (China) Limited

Bank of East Asia Limited

JP Morgan Chase Bank N.A.

China Minsheng Bank Corporation Limited

Investor and Media Relations

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FINANCIAL HIGHLIGHTS

Consolidated Statement of Profit or Loss

	Year ended 31 December				
	2011	**2012**	**2013**	**2014**	**2015**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Revenue:					
Online game	689,519	851,402	1,095,913	1,252,753	**1,368,811**
Cheetah Mobile	134,305	286,931	694,389	1,674,060	**3,561,739**
Office software and others	196,684	272,828	382,967	423,320	**745,556**
	1,020,508	1,411,161	2,173,269	3,350,133	**5,676,106**
Cost of revenue	(147,812)	(186,939)	(297,104)	(589,655)	**(1,319,399)**
Gross profit	872,696	1,224,222	1,876,165	2,760,478	**4,356,707**
Research and development costs, net of government grants	(303,848)	(385,409)	(596,491)	(956,097)	**(1,347,566)**
Selling and distribution expenses	(125,873)	(234,115)	(382,848)	(797,416)	**(1,755,727)**
Administrative expenses	(127,498)	(147,954)	(192,245)	(297,412)	**(442,577)**
Share-based compensation costs	(17,266)	(48,472)	(61,387)	(201,922)	**(356,012)**
Other income	41,244	28,609	45,949	30,199	**147,364**
Other expenses	(10,747)	(22,380)	(7,287)	(29,873)	**(60,140)**
Operating profit	328,708	414,501	681,856	507,957	**542,049**
Other (losses)/gains, net	834	15,419	37,121	305,367	**(72,829)**
Finance income	65,130	97,973	129,462	238,900	**194,511**
Finance costs	(3,461)	(8,702)	(24,466)	(75,944)	**(78,067)**
Share of profits or losses of:					
Joint ventures	(1,945)	9,532	4,827	(7,657)	**(24,005)**
Associates	(4,070)	(930)	(3,748)	(6,868)	**(19,299)**
Profit before tax	385,196	527,793	825,052	961,755	**542,360**
Income tax expense	(50,162)	(61,359)	(71,178)	(95,188)	**(200,656)**
Profit for the year	335,034	466,434	753,874	866,567	**341,704**
Attributable to:					
Owners of the parent	324,729	432,589	670,746	768,783	**369,178**
Non-controlling interests	10,305	33,845	83,128	97,784	**(27,474)**
	335,034	466,434	753,874	866,567	**341,704**
Proposed final dividends	92,241	102,132	109,387	119,438	**107,895**
	RMB	**RMB**	**RMB**	**RMB**	**RMB**
Earnings per share attributable to ordinary equity holders of the parent					
Basic	0.29	0.38	0.58	0.66	**0.29**
Diluted	0.28	0.37	0.55	0.63	**0.29**

Consolidated Statement of Financial Position (Selected items)

	As at 31 December				
	2011	**2012**	**2013**	**2014**	**2015**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Cash and bank deposits	1,953,770	2,416,259	4,481,188	6,983,699	**8,606,434**
Pledged deposits	85,000	19,000	19,588	19,978	**46,657**
Restricted cash	—	—	—	—	**130,187**
Assets of a disposal group classified as held for sale	—	200,621	—	—	**—**
Total assets	3,014,519	3,641,269	5,804,333	10,381,604	**15,484,877**
Total equity	2,213,120	2,674,932	3,830,691	6,116,544	**9,911,355**

Consolidated Statement of Cash Flows (Selected Items)

	Year ended 31 December				
	2011	**2012**	**2013**	**2014**	**2015**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Net cash flows from operating activities	451,768	555,946	938,124	952,264	**1,435,334**
Net cash flows used in investing activities	(616,353)	(1,063,120)	(44,019)	(3,367,589)	**(471,910)**
Net cash flows from financing activities	179,199	9,943	1,121,716	2,950,177	**2,233,959**
Net increase/(decrease) in cash and cash equivalents	14,614	(497,231)	2,015,821	534,852	**3,197,383**

CHAIRMAN'S STATEMENT

Business Review and Prospects

2015 marked a year of great achievements for Kingsoft in implementing mobilization, globalization and "All-in Cloud" strategies. Our mobile MAU reached a new high of 736.4 million in December 2015, and the mobile and overseas revenue now accounted for 67% and 51% of Cheetah Mobile's total revenue in 2015, respectively. The significant progresses Kingsoft Cloud made in 2015 also far exceeded our expectations. We believe that all these achievements have well positioned us in further exploring the mobile Internet and cloud service business in the year ahead.

2015 was another year of consistent and strong growth. We achieved more than 69% annual revenue growth and our total revenue reached a new record of RMB5,676.1 million. As we focused on heavy investments in mobile application development, global market expansion and cloud services breakthrough, we have experienced short-term pressure on profit in 2015. Excluding the impact of share-based compensation costs, the operating profit for 2015 increased 27% year-over-year to RMB898.1 million, while the operating profit margin before share-based compensation costs decreased by five percentage points year-over-year to 16%. This in effect reflected the transformation of our businesses from overdependence on online game business with high operating margin to Cheetah Mobile and Kingsoft Cloud businesses with rapid growth and great market potential.

Cheetah Mobile continued to achieve its strategic goals in 2015 in terms of overseas user expansion and better monetization of its growing global mobile user base. In December 2015, Cheetah Mobile had over 635 million active mobile users globally with 79% of them located outside of China. Cheetah Mobile remained the third largest global publisher in Google Play's non-game category, with four of its mobile applications, namely Clean Master, CM Security, Photo Grid and CM Lockers, ranked among the top-40 most downloaded non-game applications on Google Play in December 2015. Robust mobile and overseas performances drove Cheetah Mobile's top-line growth in the year. Cheetah Mobile's revenue grew by 113% year-over-year to RMB3,561.7 million. On the mobile monetization side, mobile revenues already accounted for 72% of its total revenue in the fourth quarter of 2015, up from 37% in the fourth quarter of 2014.

Looking forward, Cheetah Mobile remains firmly committed to strengthening its mobile and global businesses and building Cheetah Mobile into one of the leading mobile platforms globally. Cheetah Mobile will continue to leverage its mission critical applications as the main entry point to acquire users, build a content platform to enhance user engagement, and strengthen its strong data analytics capabilities to fortify its strategic advantage. Cheetah Mobile will also stay focused on building a profitable and sustainable growth model over the long-term, as well as implementing a more balanced approach when looking at its key priorities, such as user acquisition, user engagement, revenue growth and profitability.

In year 2015, Kingsoft Cloud exhibited outstanding achievements in its focused businesses — game cloud, video cloud and government and corporate cloud. Kingsoft Cloud established the first national game industry ecological base in Hainan province in 2015. It held the Game Ecosystem Annual Conference 2015 in December, attracting more than 400 game industry participants, and showcased its leading position in the game cloud market. The video cloud service business was officially launched in November 2015. With outstanding technical advantages, it was able to provide highly stable and cost-effective services to its clients, including GIF Deft and Today's Headlines, the leading mobile video providers in China. During the year, Kingsoft Cloud entered into strategic partnerships with Peking University Healthcare and Kingdee, and won a contract from fierce competition to provide cloud services to Beijing municipal government. Kingsoft Cloud sees tremendous opportunities and explosive growth potential in cloud services industry, and will continue to solidify its leading position in its focused market segments and further explore new market opportunities in 2016.

We have delivered 9% annual growth in online game revenue in 2015. Our flagship title JX online III marched into its sixth year of outstanding performance with compound annual growth rate over 55% in the past four years, far outpaced the growth rate of the MMO market in China. Two major mobile games were launched in 2015, i.e., 3D version of "Journey to the West: Conquering the Demons" and "Brave Cross", and both were ranked as one of the top ten popular games on Xiaomi and IOS game platforms. With its achieved sustainability and continuous innovations, JX online III is expected to continue generating significant revenue and profitability in the coming years. We have also prepared a strong pipeline of mobile games, which will be launched in 2016.

Kingsoft WPS Office also contributed an excellent performance in the past year. Total revenue from Kingsoft WPS Office, net of advertising revenue from cooperation with Cheetah Mobile, posted a strong annual growth rate at 35%. The traditional PC business maintained steady growth, with improved monetization capability on the traffic from WPS Office Personal Edition. To solidify its leading position as an office solution provider in China and capture the fast growing enterprise markets, Kingsoft WPS firmly executed its "WPS+cloud" strategy to provide universal integrated cloud office services. In December 2015, the global MAU of WPS family reached 182 million, among which the mobile MAU of WPS Office were nearly 77 million, with an 18% increase year-over-year. In December, WPS IOS was award as "Best of 2015" by Apple App Store, and WPS Android was awarded by Google Play as "Best App of 2015". We will continue our efforts in the traditional government and enterprise markets and expect steady growth by providing "WPS+cloud" office solutions. We will further explore the monetization on the traffic from WPS Personal Edition, and also start to explore the monetization opportunities on the traffic from WPS mobile applications.

The strategic investments and efforts we've made over the past years have clearly paid off and set a cornerstone for us to capture tremendous opportunities in mobile Internet, global markets and cloud services. In 2016, we will continue to make proactive investments in our core businesses and key strategic focuses, to further strengthen our foundation, support sustainable growth and drive long-term shareholder value. At the same time, we will start to harvest a moderate improvement on our operating profit margin as a result of tightly adhering to our investment strategies in the past years. We are confident that we will maintain our strong growth momentum to achieve new highs in 2016.

Jun Lei
Chairman

The PRC, 22 March 2016

OPERATIONAL HIGHLIGHTS

	For the three months ended							
	31 December 2015	30 September 2015	30 June 2015	31 March 2015	31 December 2014	30 September 2014	30 June 2014	31 March 2014
Online Games								
Daily Average Peak Concurrent Users	**542,384**	**562,354**	**607,571**	**672,779**	661,002	617,717	572,374	599,384
Monthly Average Paying Accounts	**2,919,683**	**3,301,297**	**3,438,493**	**3,069,052**	2,717,443	2,374,699	2,255,404	1,972,027
Monthly Average Revenue per Paying User (RMB)	**44**	**32**	**27**	**33**	39	41	43	48

	In December 2015	In September 2015	In June 2015	In March 2015	In December 2014	In September 2014	In June 2014	In March 2014
Cheetah Mobile								
Mobile Monthly Active Users (Million)	**635**	**567**	**494**	**444**	395	341	284	223
% of Mobile MAU from Overseas Markets	**79%**	**74%**	**71%**	**71%**	69%	65%	67%	63%
Mobile Users Installations (Million)	**2,341**	**1,942**	**1,596**	**1,341**	1,089	862	662	502

For the Year Ended 31 December 2015

The following table sets forth the comparative numbers for the years ended 31 December 2015 and 31 December 2014, respectively.

	Year ended 31 December	
	2015	**2014**
	RMB'000	**RMB'000**
Revenue		
Online game	**1,368,811**	1,252,753
Cheetah Mobile	**3,561,739**	1,674,060
Office software and others	**745,556**	423,320
	5,676,106	3,350,133
Cost of revenue	**(1,319,399)**	(589,655)
Gross profit	**4,356,707**	2,760,478
Research and development costs, net of government grants	**(1,347,566)**	(956,097)
Selling and distribution expenses	**(1,755,727)**	(797,416)
Administrative expenses	**(442,577)**	(297,412)
Share-based compensation costs	**(356,012)**	(201,922)
Other income	**147,364**	30,199
Other expenses	**(60,140)**	(29,873)
Operating profit	**542,049**	507,957
Other (losses)/gains, net	**(72,829)**	305,367
Finance income	**194,511**	238,900
Finance costs	**(78,067)**	(75,944)
Share of losses of:		
Joint ventures	**(24,005)**	(7,657)
Associates	**(19,299)**	(6,868)
Profit before tax	**542,360**	961,755
Income tax expense	**(200,656)**	(95,188)
Profit for the year	**341,704**	866,567
Attributable to:		
Owners of the parent	**369,178**	768,783
Non-controlling interests	**(27,474)**	97,784
	341,704	866,567
Earnings per share attributable to ordinary equity holders of the parent	**RMB**	**RMB**
Basic	**0.29**	0.66
Diluted	**0.29**	0.63

Revenue

Revenue for the year of 2015 increased 69% year-over-year to RMB5,676.1 million. Approximately 24% of the revenue was generated from the online game business, 63% of the revenue was generated from Cheetah Mobile business and 13% of the revenue was generated from the office software and others business.

— Online game

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'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 year of 2015 increased 9% year-over-year to RMB1,368.8 million. This was primarily attributable to the healthy growth of JX Online III with growing user base through release of a series of expansion packs, improvement of game experiences, and to a lesser extent, the contribution from mobile games.

— Cheetah Mobile

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 year of 2015 increased 113% year-over-year to RMB3,561.7 million. The remarkable increase was mainly driven by Cheetah Mobile's organic business growth, which was attributable to its growing global mobile user base and substantial improvements in mobile monetization, especially in oversea market.

— Office Software and others

Revenue from the office software and others business consists of revenues from all the other businesses, including office application software, cloud storage and computing services, dictionary services, etc.

Revenue from the office software and others for the year of 2015 increased 76% year-over-year to RMB745.6 million. The year-over-year increase was primarily attributable to: i) the rapid expansion of cloud service to new market sectors and solid growth of cloud storage demand from Xiaomi; and ii) the significant improvement in the monetization capabilities of WPS free user traffic.

Cost of Revenue and Gross Profit

Cost of revenue for the year of 2015 increased 124% year-over-year to RMB1,319.4 million. The increase was largely attributable to higher traffic acquisition costs associated with Cheetah Mobile advertising platform and higher bandwidth and IDC costs associated with Cheetah Mobile's increased user traffic worldwide and big data analytics, as well as an increase in bandwidth and equipment depreciation expenses of Kingsoft Cloud as a result of rapid usage growth and investments in cloud computation and data platform.

Gross profit for the year of 2015 increased 58% year-over-year to RMB4,356.7 million. The Group's gross profit margin decreased by five percentage points year-over-year to 77%.

Research and Development Costs, net of Government Grants

R&D costs, net of government grants, for the year of 2015 increased 41% year-over-year to RMB1,347.6 million. This increase mainly reflected the expansion of the Group's research team with higher salaries and benefits.

Selling and Distribution Expenses

Selling and distribution expenses for the year of 2015 increased 120% year-over-year to RMB1,755.7 million. The increase was primarily driven by increased marketing expenses as Cheetah Mobile accelerated the process of global market expansion.

Administrative Expenses

Administrative expenses for the year of 2015 increased 49% year-over-year to RMB442.6 million. The year-over-year increase was mainly due to the increase in professional service fees, and staff-related expenses of Cheetah Mobile.

Share-based Compensation Costs

Share-based compensation costs for the year of 2015 increased 76% year-over-year to RMB356.0 million. The increase was primarily due to the new grants of Cheetah Mobile's awarded shares to selected employees.

Operating Profit before Share-based Compensation Costs

Operating profit before share-based compensation costs for the year of 2015 increased 27% year-over-year to RMB898.1 million as a result of the combination of above reasons. The margin of operating profit before share-based compensation costs decreased by five percentage points year-over-year to 16%.

Other (Losses)/Gains, net

Other (losses)/gains, net for the year of 2015 recorded a loss of RMB72.8 million, compared to a gain of RMB305.4 million for the year of 2014, which mainly reflected gains from the disposal of a business and an investment in a joint venture in 2014.

Finance Income

Finance income for the year of 2015 decreased 19% year-over-year to RMB194.5 million.

Income Tax Expense

Income tax expenses for the year of 2015 increased 111% year-over-year to RMB200.7 million. The Group's effective tax rate increased by twenty-seven percentage points year-over-year to 37%. The increase was mainly due to: (i) the rise-up of the applicable corporate tax rate for some subsidiaries: the expiration of tax exemption period for a certain subsidiary, which is subject to 12.5% corporate tax rate in 2015, and the increase in corporate income tax rate from 10% to 15% for one of our subsidiaries; (ii) one time impact due to intragroup rearrangement of certain operating businesses, and (iii) the heavy investments in Kingsoft Cloud were not recognized in deferred tax asset in 2015.

Profit attributable to Owners of the Parent

For the reasons described above, profit attributable to owners of the parent for the year of 2015 decreased 52% year-over-year to RMB369.2 million.

Profit attributable to Owners of the Parent before Share-based Compensation Cost

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, is 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 year of 2015 decreased 37% year-over-year to RMB552.3 million.

The profit margin excluding the effect of share-based compensation costs for the year of 2015 decreased by sixteen percentage points year-over-year to 10%.

Liquidity and Financial Resource

The Group had a strong cash position towards the end of the reporting period. As at 31 December 2015, the Group had major financial resources in the forms of cash and cash equivalent and time deposits with initial term of over three months amounting to RMB6,629.3 million and RMB1,977.2 million, respectively, which totally represented 56% of the Group's total assets.

As at 31 December 2015, the Group's gearing ratio, which represents total liabilities divided by total assets, was 36%, compared to 41% as at 31 December 2014. As at 31 December 2015, the Group had HK$3,222.6 million (equivalent to RMB2,699.7 million) debt of convertible bonds and HK$20.0 million (equivalent to RMB16.8 million), US$20.0 million (equivalent to RMB129.9 million) and EUR1.5 million (equivalent to RMB10.9 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 31 December 2015, RMB4,501.8 million of the Group's financials 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.

Net Cash Generated from Operating Activities

Net cash generated from the operating activities reflects the Group's profit for the year, 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 RMB1,435.3 million and RMB952.3 million for the years ended 31 December 2015 and 31 December 2014, respectively.

Capital Expenditures

Capital expenditures represent cash payments for acquisition of business, property, land use right, fixed assets and intangible assets. Cash used for capital expenditures was RMB806.1 million and RMB834.1 million for the years ended 31 December 2015 and 31 December 2014, respectively.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

HongJiang ZHANG, aged 55, is an executive Director and the chief executive officer ("CEO") of the Company. He is also a director and the CEO of Kingsoft Cloud, and a director of Cheetah Mobile (NYSE: CMCM). Dr. ZHANG is also a director of Xunlei Limited (NASDAQ: XNET) and a director of 21Vianet Group, Inc. (NASDAQ: VNET). Before joining the Company, he was the chief technology officer for Microsoft Asia-Pacific Research and Development Group (ARD) and the managing director of the Microsoft Advanced Technology Center (ATC) and Microsoft Distinguished Scientist (DS). In his dual role, Dr. ZHANG led Microsoft's research and development agenda in China, including strategy, planning, R&D and incubation for products, services and solutions. Dr. ZHANG was also a member of Executive Management Committee of Microsoft (China) Limited, a committee that defines and leads Microsoft's strategy and business development in the Greater China region.

Dr. ZHANG was the deputy managing director and a founding member of Microsoft Research Asia. His outstanding leadership and achievement, illustrated by the high impact he made in academia and Microsoft's products, was critical in establishing Microsoft Research Asia into a world class basic research center in computer science, and a technology powerhouse in Microsoft, and has made him one of the 10 Microsoft Distinguished Scientists.

As a Fellow of the Institute of Electric and Electronic Engineers (IEEE) and Association of Computing Machines (ACM), Dr. ZHANG is well known in the research community for his leadership in media computing and his pioneering work in video and image content analysis and search. He was the recipient of the 2010 IEEE Computer Society Technical Achievement Award, 2012 ACM SIGMM Outstanding Technical Achievement Award, and the winner of 2008 "Asian-American Engineer of the Year" award. He holds close to 200 US and international patents, and has authored four books and over 400 scientific papers, many of which have become classic references in their respective research areas.

Dr. ZHANG received a Ph.D. in Electrical Engineering from the Technical University of Denmark, and a Bachelor of Science degree from Zhengzhou University, China. Prior to joining Microsoft, Dr. ZHANG was a research manager at Hewlett-Packard Labs at Palo Alto, CA. He also worked at the Institute of Systems Science, National University of Singapore.

Dr. ZHANG became the CEO of the Company in October 2011 and has been an executive Director of our Company since 14 December 2011. Dr. ZHANG is also a director of certain subsidiaries of the Company.

Yuk Keung NG, aged 51, is currently an executive Director and the chief financial officer ("CFO") of the Company. Mr. NG is also a director of Cheetah Mobile (NYSE: CMCM). Mr. NG graduated from the University of Hong Kong with a bachelor's degree in Social Sciences in 1988 and obtained a Master of Science degree in Global Business Management and E-commerce in 2002. Mr. NG is a professional accountant, a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and a member of the Institute of Chartered Accountants in England and Wales.

Mr. NG has more than twenty years of experience in financial management, corporate finance and merger and acquisition. Before joining the Company, Mr. NG was the executive director, CFO and company secretary of China NT Pharma Group Company Limited, a major pharmaceutical company listed on the Stock Exchange (Stock Code: 1011). Mr. NG worked with PricewaterhouseCoopers for over 12 years from 1988 to 2001. From 2001 to 2003, Mr. NG was the CFO of International School of Beijing, an academic institution in Beijing, China. In 2003, Mr. NG joined Australian Business Lawyers, a law firm in Australia and was later appointed as a special consultant in 2004, being responsible for advising on accounting matters. From 2004 to 2006, Mr. NG was the deputy CFO, a joint company secretary and the qualified accountant of IRICO Group Electronics Company Limited (Stock Code: 438), a company listed on the Stock Exchange. From 2006 to 2010, Mr. NG was the vice president and the CFO of China Huiyuan Juice Group Ltd. (Stock Code: 1886), a company listed on the Stock Exchange. Mr. NG is also currently an independent non-executive director of Sany Heavy Equipment International Holdings Company Limited (Stock Code: 631), and also an independent non-executive director and the chairman of the audit committee of Beijing Capital Land Limited (Stock Code: 2868), Winsway Coking Coal Holdings Limited (Stock Code: 1733) and Zhongsheng Group Holdings Limited (Stock Code: 881). All of these companies are listed on the Stock Exchange. From 2007 to 2011, Mr. NG was also an independent non-executive director of Xinjiang Xinxin Mining Industry Company Limited (Stock Code: 3833), a company listed on the Stock Exchange.

Mr. NG was appointed as the CFO of the Company in 2012 and became an executive Director of the Company from 1 March 2013. Mr. NG is also a director of certain subsidiaries of the Company.

Tao ZOU, aged 40, is currently a senior vice president of the Company and the CEO of Seasun Holdings who is responsible for the overall management of Seasun Holdings Group, including the research and development of online games and also participates in major decision making of our Group's game business sector. Mr. ZOU graduated from Tianjin Nankai University in 1997. Mr. ZOU joined us in 1998 and was responsible for the development of our Kingsoft PowerWord. Mr. ZOU has been responsible for our entertainment software business since 2004.

Mr. ZOU became a senior vice president of the Company in December 2007 and has been an executive Director of our Company since August 2009.

Mr. ZOU is also a director of certain subsidiaries of the Company.

Non-executive Directors

Jun LEI, aged 46, is a non-executive Director, the Chairman of the Board, a member of the Remuneration Committee of the Company, and co-founder of our Company. Mr. LEI has been employed by us since 1992 and has played a key role in developing the operation of our Group and expanding our business operations. He had been our CEO since 1998, and under his leadership, we further expanded application software businesses into utilities software, Internet security software and online games. He also played a major role in transforming our Group from a traditional software company into an on demand software company which extensively utilizes the Internet. In December 2007, Mr. LEI relinquished his position as CEO, chief technology officer and president of the Company. In August 2008, Mr. LEI was re-designated from an executive Director to a non-executive Director. Mr. LEI was appointed as the Chairman of the Board of our Company on 5 July 2011. Mr. LEI is also a director of certain subsidiaries of the Company.

Mr. LEI co-founded Xiaomi Corporation with other partners in 2010, and has taken the position of chairman and CEO. Mr. LEI is the chairman of YY Inc. (NASDAQ: YY). Mr. LEI is also the chairman of Cheetah Mobile (NYSE: CMCM).

Mr. LEI graduated from Wuhan University in 1991 with a bachelor's degree in Computer Science. He has been a member of the board of Wuhan University since 2003.

Mr. LEI is also a famous angel investor in China.

Pak Kwan KAU, aged 51, was re-designated from an executive Director to a non-executive Director of our Company with effect from 24 October 2011. Mr. KAU has been employed by us since 1988. He graduated from National Defense University of Science and Technology in China in 1984 with a bachelor's degree in Information Management Systems. Between 1984 and 1987, Mr. KAU worked at various Chinese companies as a software developer.

Mr. KAU started Kingsoft Software in 1988, and he was primarily responsible for the development of WPS 1.0 in 1988. Mr. KAU was named as one of the Top Ten Business Persons of the Year in 2000, one of the China Top Financial Figures of the Year in 2001 by CCTV, one of the Ten Most Influential Leaders in China's Games Industry at the inaugural China Game Industry Annual Conference in January 2005, and one of the Most Outstanding Entrepreneurs at 2009 China Game Industry Annual Conference held in December 2009. Mr. KAU has never held directorship in any other listed public companies. Mr. KAU was appointed as an acting CEO of the Company in December 2007. He was the CEO of the Company from May 2008 to 24 October 2011 when he resigned from the post. Mr. KAU was the Chairman of the board of our Company until 5 July 2011.

Mr KAU is also a director of certain subsidiaries of the Company.

Chi Ping LAU, aged 43, is a non-executive Director and a member of the Nomination Committee of the Company. He is also an executive director and president of Tencent Holdings Limited ("Tencent") (a company listed on the Stock Exchange, Stock Code: 700). He joined Tencent in 2005 as a chief strategy and investment officer and was responsible for corporate strategies, investments, merger and acquisitions and investor relations. In 2006, he was promoted as president of Tencent to manage the day-to-day operation of Tencent. In 2007, he was appointed as an executive director of Tencent. Prior to joining Tencent, he was an executive director at Goldman Sachs (Asia) L.L.C's investment banking division and a chief operating officer of its Telecom, Media and Technology Group. Prior to that, he worked at Mckinsey & Company, Inc. as a management consultant. On 10 March 2014, Mr. LAU was appointed as a director of JD.com, an online direct sales company listed on NASDAQ. On 31 March 2014, Mr. LAU was appointed as a director of Leju Holdings Limited, an online-to-offline real estate provider listed on the New York Stock Exchange.

Mr. LAU received his Bachelor of Science degree in Electrical Engineering from the University of Michigan, a Master of Science degree in Electrical Engineering from Stanford University and a MBA from Kellogg Graduate School of Management, Northwestern University. Mr. LAU was appointed as a non-executive Director of the Company on 28 July 2011.

Independent Non-executive Directors

Shun Tak WONG, aged 55, is an independent non-executive Director of our Company. He is also a member of the Audit Committee, the chairman of the Nomination Committee and the chairman of the Remuneration Committee of the Company. Currently Mr. WONG is a co-founder and acting as CFO of Rokid Corporation Ltd., an artificial intelligence devices design and development company. He served as an executive Director and CFO of the Company from October 2011 to July 2012, and also acted as an independent non-executive Director, chairman of the Audit Committee and member of the Remuneration Committee of the Company from April 2007 to September 2011.

Mr. WONG was vice president for finance and corporate controller of Alibaba Group from August 2007 to September 2011, an enterprise which engages in internet-based businesses that includes business-to-business international trade, retail and payment platforms and data-centric cloud computing services. During his service with Alibaba Group, he also acted as chairman of Group Financial Control Committee of Alibaba Group.

Mr. WONG served as the CFO of Goodbaby Children Products Group ("Goodbaby") from August 2003 to August 2007, a leading juvenile product manufacturer in China. Before joining Goodbaby, Mr. WONG worked as the vice president for finance in IDT International Limited, a company listed on the Stock Exchange, between September 2001 and July 2003.

In the past, Mr. WONG held key financial executive positions in various multi-nationals companies, including as the financial controller of AMF Bowling, Inc. from November 1996 to March 1998 and International Distillers China Ltd. from December 1993 to October 1996. Mr. WONG has extensive experience in financial control, operations, strategic planning and implementation, private equity investments and exit strategies.

Mr. WONG has a master's degree in Finance from the University of Lancaster in the United Kingdom and a master's degree in Accounting from Charles Stuart University in Australia. Mr. WONG is also a fellow CPA member of the Hong Kong Institute of Certified Public Accountants and a fellow CPA member of Australian Society of CPAs.

Wenjie WU, aged 41, is an independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. Ms. WU has been serving as the chief strategy officer ("CSO") of Ctrip.com International, Ltd. ("Ctrip.com", NASDAQ: CTRP), a China's leading online travel services provider, since November 2013. Ms. WU is also a director of Xunlei Limited (NASDAQ: XNET). Ms. WU joined Ctrip.com as deputy CFO in December 2011, then was promoted to CFO in May 2012 and CSO in November 2013. Prior to joining Ctrip.com, Ms. WU was an equity research analyst covering China Internet and Media industries in Morgan Stanley Asia Limited and in Citigroup Global Markets Asia Limited from 2005 to 2011. Prior to that, Ms. WU worked for China Merchants Holdings (International) Company Limited (Stock Code: 0144), a company listed on the Stock Exchange for three years.

Ms. WU has a Ph.D. degree in Finance from the University of Hong Kong, a master's degree in Finance from the Hong Kong University of Science and Technology, and both a master's degree and a bachelor's degree in Economics from Nan Kai University, China. Ms. WU has been a Chartered Financial Analyst (CFA) since 2004.

David Yuen Kwan TANG, aged 61, is an independent non-executive Director of our Company. He is also a member of the Audit Committee and Remuneration Committee of the Company. Mr. TANG holds a master's degree in Business Administration at the California State University, Fullerton and a bachelor's degree in Computer Science and Engineering at the California State University, Long Beach.

Mr. TANG has over 25 years of IT industry experience in the global market and in the China market in the areas of sales, marketing, business development, research and development and manufacturing. Mr. TANG is a wellknown business leader in China and has held various positions such as the vice president of the European Union Chamber of Commerce in China, the vice chairman of the China Association of Enterprises with Foreign Investment and the vice president of the Beijing Chamber of International Commerce. Over the years, Mr. TANG has been widely recognized in the industry and was awarded the title of "Best Professional Manager of the Decade ("十年最佳職業經理人")" by China's CEO & CIO magazine. Mr. TANG has been responsible for the management of businesses up to an annual sales turnover of RMB70 billion. Mr. TANG also worked as adviser at UCWeb and Ganji.

Mr. TANG is currently the independent director of YY. He is also the partner and the managing director of Nokia Growth Partner ("NGP") which is a venture capital firm and he has been responsible for investment in businesses in China. Prior to joining NGP, Mr. TANG was appointed as the corporate senior vice president and the president of Greater China of AMD (Greater China is the largest region of AMD with sales, marketing, research and development and manufacturing operations). During 2004 to 2010, Mr. TANG held a number of positions in Nokia, including the global vice president, the vice chairman and the vice president of sales in Greater China. Mr. TANG was also appointed as the chairman of Nokia Telecommunications Limited (諾基亞通信有限公司) which is a joint venture established by Nokia in China. In addition, Mr. TANG held senior positions at Apple.Inc, 3Com, DEC and AST.

Senior Management

For the biography details of Dr. HongJiang ZHANG, Mr. Yuk Keung NG and Mr. Tao ZOU, please refer the paragraph headed "Executive Directors" above in this report.

Sheng FU, aged 38, is currently a senior vice president of the Company and the CEO of Cheetah Mobile who is responsible for the overall internet security business of the Group. Mr. FU joined the Company in November 2010. Mr. FU was the product manager of 3721 Internet Real Name and 3721 Internet Assistant, as well as the general manager of 360 Security Guard. He was the vice president of Matrix Partners China from November 2008, and CEO and chairman of Conew Network Technology (Beijing) Co., Ltd. from September 2009. Mr. FU co-founded Purple Bull Startups with other partners in September 2015, which has been dedicating to angel investment and incubation for early stage startups. Mr. FU has become a senior vice president of the Company since 7 March 2011. Mr. FU graduated from the faculty of Information Management and Information System in Shandong Institute of Business and Technology in 1999.

Mr. FU is also a director of certain subsidiaries of the Company.

Ke GE, aged 43, is currently a senior vice president of the Company, and the CEO of KOS. Mr. GE joined us in 1999 and was appointed as the assistant to our general manager in 1999. He was the chief officer in our distribution department from 2000 to 2001. He was appointed assistant president in 2001 and had overall responsibilities for our internal operations and management. He was appointed vice president in 2002 and became a senior vice president of the Company in December 2007, in charge of overall office software business of the Group. Mr. GE graduated from the Electronic Science and Engineering Department of Nanjing University and worked at Founder Information System Engineering Company from 1995 to 1999, focusing on software development and software sales management.

Mr. GE is also a director of certain subsidiaries of the Company.

OVERVIEW OF CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Directors, having reviewed the corporate governance practices of the Company, confirm that the Company has complied with all the applicable code provisions as set out in Corporate Governance Code and Corporate Governance Report (the "Code") contained in Appendix 14 to the Listing Rules, except for the code provision A.6.7 and C.1.2 of the Code.

The code provision A.6.7 of the Code is regarding the non-executive directors' attendance to general meetings. Non-executive Directors, Mr. Jun LEI and Mr. Chi Ping LAU, did not attend the annual general meeting of the Company held on 20 May 2015 due to pre-arranged engagements. The code provision C.1.2 of the Code requires management to provide all members of the board with monthly updates on the issuer's business. The management of the Company currently reports to the Board quarterly on the Group's performance, position and prospects. The Board believes that with the executive Directors overseeing the daily operation of the Group and the effective communication between the executive Directors, the management and the non-executive Directors (including the independent non-executive Directors) on the Group's affairs, the current practice is sufficient enough for the members of the Board to discharge their duties. The Board will continue to review this practice and shall make necessary changes when appropriate and report to the shareholders accordingly.

The following is a summary of work performed by the Board in determining the policy for the corporate governance of the Company during the year ended 31 December 2015:

(1) Developed and reviewed the Company's policies and practices on corporate governance;

(2) Reviewed and monitored the training and continuous professional development of Directors and senior management;

(3) Reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;

(4) Developed, reviewed and monitored the code of conduct and compliance manual applicable to employees and Directors; and

(5) Reviewed the Company's compliance with the Code and disclosure in the corporate governance report.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the Code.

BUSINESS MODEL AND STRATEGY

The Group always endeavors to enhance its enterprise value, ensure the Company's long-term and stable development and benefit its shareholders and other stakeholders. The Group emphasizes on long term business growth instead of short term reward by focusing on innovation and R&D to continue improving products and services. The discussion and analysis of the Group's performance for the year ended 31 December 2015 are set out under the section of Management Discussion and Analysis of this annual report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Director of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code").

Specific enquiries have been made with Directors and each of the Directors has confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2015 and up to the date of this annual report. The designated senior management of the Company also has adopted the Model Code.

Details of security interests in the Company held by the Directors are set out in the paragraph headed "Directors' and Chief Executive's Interests in Securities" under the section of Directors' Report of this annual report.

The Company has also established written guidelines on no less exacting terms than the Model Code for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company (the "Guidelines").

No incident of non-compliance of the Guidelines by the employees of the Group was noted by the Company during the year ended 31 December 2015.

THE BOARD

Responsibilities of the Board

The Board is the core function of the Company's corporate governance structure. The principal responsibilities of the Board are to set an overall framework of corporate governance within which the management conducts business and to monitor the Group's operations. The Company's overall framework of corporate governance contains many internal guidelines, internal control policies and procedures that have been formed over the years. The Board has delegated the authority and responsibility for the Group's daily management and operation to senior management of the Group which is under the supervision of the CEO who reports to the Board.

The Board has formulated a clear written policy that stipulates the circumstances under which the management should report and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. The Board regularly reviews our corporate governance practices and updates them as and when appropriate.

The Board oversees specific areas affecting the interests of all shareholders including the execution of resolutions, annual budget, formulation of major decisions for operations, financial proposals and policies, the Company's management system, recommendation/declaration of dividend or other distributions, notifiable transactions and connected transactions under the Listing Rules, recommendation on appointment or reappointment of auditors and other significant operational and financial matters.

The Board is responsible for the preparation of financial statements, so that such financial statements meet the requirements of laws and regulations and applicable accounting standards, and truly and fairly reflect the financial position, the operating results and cash flows of the Group for each reporting period. The Directors shall also ensure the timely publication of the Group's financial statements. In preparing the financial statements for the year ended 31 December 2015, the Directors adopted appropriate accounting policies and made fair and reasonable judgments and estimates, and the Board was not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability of continuing operation. The external auditors' responsibilities to shareholders are set out in the section of Independent Auditors' Report of this annual report.

Composition of the Board

As at the date of this annual report, the Board of Directors comprises nine Directors with three executive Directors, three non-executive Directors and three independent non-executive Directors. The independent non-executive Directors constitute one-third of the Board members which complies with rule 3.10A of the Listing Rules and are possessing appropriate professional qualifications or accounting or related financial management expertise. All of the independent non-executive Directors of the Company act in diligent manner to uphold the interests of the Company and its shareholders by maintaining the independence of their opinions and providing professional advice on the long-term development of the Company.

The Company has received, from each of the independent non-executive Directors, a written annual confirmation of his/her independence to the Company pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

A list of Directors, their respective biographies and their relationship with others, if any, are set out in the section of Directors and Senior Management of this annual report. Save for the disclosure in this annual report, there is no other relationship among the Board members to the best knowledge of the Board as at the date of this annual report.

During the year ended 31 December 2015, the Board comprises the following Directors:

Executive Directors:

Mr. HongJiang ZHANG

Mr. Yuk Keung NG

Mr. Tao ZOU

Non-executive Directors:

Mr. Jun LEI

Mr. Pak Kwan KAU

Mr. Chi Ping LAU

Independent Non-executive Directors:

Mr. Shun Tak WONG

Mr. David Yuen Kwan TANG

Ms. Wenjie WU

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

Supply of and Access to Information and Resource

All the Directors have direct access to the legal counsels. Written procedures are also in place for Directors to seek, at the Company's expenses, independent professional advice in performing their duties. The Company has arranged appropriate insurance to cover the liabilities of the Directors arising from corporate activities. The insurance coverage is reviewed on an annual basis. The management provides the Board and its committees with adequate, complete and reliable information in a timely manner to enable them to make informed decisions.

Continuing Development

Every newly appointed Director of the Company has received a comprehensive, formal and tailored induction on the first occasion of his/her appointment, and subsequently such briefing and professional development as is necessary, to ensure that he/she has a proper understanding of the operations and business of the Company and that he/she is fully aware of his responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company.

Pursuant to the applicable code provisions as set out in the Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

During the year ended 31 December 2015, all Directors namely, the executive Directors Mr. HongJiang ZHANG, Mr. Yuk Keung NG and Mr. Tao ZOU; the non-executive Directors Mr. Jun LEI, Mr. Pak Kwan KAU and Mr. Chi Ping LAU; and the independent non-executive Directors Mr. Shun Tak WONG, Mr. David Yuen Kwan TANG and Ms. Wenjie WU have participated in continuous professional development by attending training course or external seminars to develop and refresh their knowledge and skills in relation to their contribution to the Board.

During the year ended 31 December 2015, the company secretary of the Company ("Company Secretary") has taken no less than 15 hours of relevant professional training in compliance with rule 3.29 of the Listing Rules.

Board Meetings

The Board meets at least 4 times a year at approximately quarterly intervals to review the financial performance of the Group, internal re-organisation plans, the overall group strategy and operations with active participation of the majority of Directors. Certain regular Board meetings held during the year ended 31 December 2015 were convened with at least 14 days' notice, in compliance with code provision A.1.3 of the Code. The Company adopted a flexible approach in convening Board meetings and ensuring that sufficient time and adequate information were given to Directors in advance.

A regular meeting does not include the practice of obtaining the consent of the Board through the circulation of written resolutions. For all other Board meetings, our Directors are given reasonable notice. Senior managements are invited to attend Board meetings from time to time to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible for drafting meeting agenda and obtaining comments from all Directors and approval of meeting agenda by the Chairman, preparing and circulating meeting materials that contain analysis and background information to all meeting attendees at least 3 days in advance, drafting minutes of meetings of the Board and Board committees and obtaining comments from all Directors and approval of the meetings minutes by the Chairman. The approved meetings minutes are open for inspection by the Directors within reasonable advance notice.

The Articles of Association contains provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

If a substantial shareholder or a Director has a conflict of interest in a matter which the Board has determined to be material, the matter should be dealt with a physical board meeting rather than a written resolution. Independent non-executive Directors who, and whose close associates, have no material interest in the transaction should be present and vote at such Board meeting.

Directors' Attendance Records

There were 4 Board meetings and 1 general meetings held during the year ended 31 December 2015. The attendance records of each Director at the Board meetings and general meetings during the year of 2015 are set out below:

Name of Director	Attendance/ Number of Board meetings	Attendance/ Number of general meetings
Executive Directors		
Mr. HongJiang ZHANG	4/4	1/1
Mr. Yuk Keung NG	4/4	1/1
Mr. Tao ZOU	4/4	1/1
Non-Executive Directors		
Mr. Jun LEI	4/4	0/1
Mr. Pak Kwan KAU	4/4	1/1
Mr. Chi Ping LAU	4/4	0/1
Independent Non-executive Directors:		
Mr. Shun Tak WONG	4/4	1/1
Mr. David Yuen Kwan TANG	4/4	1/1
Ms. Wenjie WU	4/4	1/1

Chairman and CEO

The Company fully supports the division of responsibility between the Chairman of the Board and the CEO to ensure a balance of power and authority. Their respective responsibilities are clearly defined and set out in writing. The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. The CEO focuses on implementing objectives, policies and strategies approved and delegated by the Board. As at the date of this annual report, the posts of Chairman and CEO of the Company were held by Mr. Jun LEI and Mr. HongJiang ZHANG, respectively, and there is a clear division of power and responsibility between them.

Appointment and Re-election

All the Directors including the non-executive Directors have either service contracts or formal letters of appointments setting out the major terms and conditions of their appointment. Their terms are fixed for three years.

The Company may from time to time elect any person to be a Director either to fill a casual vacancy or as an additional Director. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at the meeting but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting. According to the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every 3 years. A retiring Director shall be eligible for re-election at the general meeting of the Company, at which a Director who retires may fill the vacated office.

BOARD COMMITTEES

The Board has established Audit Committee (established on 3 September 2007), Remuneration Committee (established on 3 September 2007), Nomination Committee (established on 3 September 2007) to oversee key aspects of its affairs.

Written terms of reference of our Audit Committee, Remuneration Committee and Nomination Committee cover their respectively specific role, authority and functions, which are available on our website. The Audit Committee, Remuneration Committee and Nomination Committee mainly consist of the independent non-executive Directors and non-executive Directors.

In order to discharge their dedicated functions, each of our Board committees is provided with sufficient resources, including the provision of external advisors such as financial advisors and valuation firms, to provide professional advice as required at our cost.

The following lists out the membership, responsibilities and the summary of work that the Audit Committee, Remuneration Committee and Nomination Committee performed on behalf of the Board during the financial year ended 31 December 2015:

Audit Committee

Membership and Responsibilities

During the year ended 31 December 2015, our Audit Committee comprised of three independent non-executive Directors, namely Ms. Wenjie WU (chairman of the Audit Committee), Mr. David Yuen Kwan TANG and Mr. Shun Tak WONG. In compliance with rule 3.21 of the Listing Rules, both Mr. Shun Tak WONG and Ms. Wenjie WU of the Audit Committee possess the appropriate professional qualifications on accounting or related financial management expertise. None of the Audit Committee members is a member of the previous or existing auditors of the Company.

The terms of reference of our Audit Committee set out its authority, responsibilities, membership and frequency of meetings. The primary duties of the Audit Committee include:

- making recommendations to the Board on the appointment, reappointment and removal of the external auditor;
- approving the remuneration and terms of engagement of the external auditors, and resignation or dismissal of the auditors;
- reviewing and monitoring the external auditor's independence, the objectivity and the effectiveness of the audit process in accordance with applicable standard, and reviewing financial information of the Company;
- reviewing the effectiveness and adequacy of the Company's financial reporting system, risk management and internal control systems;
- assessing work performed by the Company's internal audit team, and the adequacy of resources, qualifications and experience of the accounting staff of the Company;
- assisting our Board in supervising the truthfulness and completeness of the Company's financial statements;
- reviewing the external auditor's management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of control and management's response; and
- maintaining a whistle blower system to identify and prevent frauds against the Company.

Summary of principal work performed

Principal work performed by the Audit Committee during the year ended 31 December 2015 includes reviewing and/or approving:

- our Company's unaudited quarterly results, interim consolidated financial statements and audited annual consolidated financial statements, with its recommendations to the Board;
- the accounting principles, policies and practices adopted by the Group;
- annual internal audit plan of the Group and quarterly review of internal audit and business control;
- annual audit plan of the Group and review of quarterly external audit progress report;
- the effectiveness of the internal control systems adopted by the Company;
- the independence, authorities and resource of the internal and external auditors; and
- the terms of engagement and fees of the Company's external auditors.

Meetings attendance

The Audit Committee held 4 meetings during the year ended 31 December 2015. The attendance records of each member of the Audit Committee are set out below:

Members	Attendance/ Number of meetings held
Ms. Wenjie WU (chairman)	4/4
Mr. Shun Tak WONG	4/4
Mr. David Yuen Kwan TANG	4/4

Remuneration Committee

Membership and Responsibilities

The Remuneration Committee currently consists of four Directors with three of them being independent non-executive Directors, namely, Mr. Shun Tak WONG, Mr. David Yuen Kwan TANG, Ms. Wenjie WU and one non-executive Director, Mr. Jun LEI.

The primary duties of the Remuneration Committee mainly include assisting the Board to formulate overall remuneration policy and structure for the Company's Directors and senior management personnel and establish formal and transparent procedures for developing such remuneration policy; review and determination of the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management. The remuneration policy is set to attract, motivate and retain highly performing individuals who are essential to the success of the Company. The emolument package for the executive Directors, the senior managers and key personnels includes basic salary, benefits in kind, pension rights, performance bonus and incentive stock options. The non-executive Directors and independent non-executive Directors receive director's fees.

The basic salary and director's fees depend on individual's experience, responsibilities and relevant market rate. The bonus depends on actual performance of the Company's targets and individual performance. Details for the stock option scheme and the share award scheme can be found under the subtitle of "Share Option Schemes" and "Share Award Schemes" in the section of Directors' Report. The awarded shares are offered to qualified employees to reward them for their high level of performance and foster loyalty with the Group. The information regarding the remuneration of the Directors during the year ended 31 December 2015 is set out in note 10 to the financial statements. When a meeting is convened to discuss certain Directors' remuneration, the Directors in discussion cannot determine his own remuneration.

Summary of principal work performed

The following is a summary of work performed by the Remuneration Committee during the year ended 31 December 2015:

- Reviewed and approved the service contracts and remuneration packages (including year-end bonuses, awarded shares and share options) of our executive Directors and senior management;
- Reviewed and recommended director's fee for non-executive Directors and independent non-executive Directors; and
- Reviewed and recommended performance bonus scheme of the Company to the Board.

Meetings attendance

The Remuneration Committee held 2 meetings during the year ended 31 December 2015. The attendance records of each member of the Remuneration Committee are set out below:

Members	Attendance/ Number of meetings held
Mr. Shun Tak WONG (chairman)	2/2
Mr. Jun LEI	2/2
Mr. David Yuen Kwan TANG	2/2
Ms. Wenjie WU	2/2

Nomination Committee

Membership and Responsibilities

The Nomination Committee comprises two independent non-executive Directors, namely Mr. Shun Tak WONG and Ms. Wenjie WU, and one non-executive Director, Mr. Chi Ping LAU.

The Nomination Committee is accountable to the Board and regularly reports its work. The primary duties of the Nomination Committee are mainly to lead the process for board appointments, review the structure and composition of the Board regularly, identify and nominate suitable candidates for appointment to our Board, assess the independence of our independent non-executive Directors, and make recommendations to the Board on matters relating to succession planning for Directors, particularly the Chairman and the CEO.

The Nomination Committee has also established the basic principles of the board diversity policy of the Company, including: open gender; for the cultural and academic background or professional experience, a director shall, in general, possess an advanced level of education, and his/her expertise and experience shall be considered according to their relevance with the business of the Company or the management of listed companies.

Summary of principal work performed

The following is a summary of work performed by the Nomination Committee during the year ended 31 December 2015:

- Recommended candidates for the position of independent non-executive Directors;
- Reviewed the structure, size and composition of the Board, reviewed the Company's policies on nomination of Directors and its committees and make recommendations regarding any proposed changes; and
- Reviewed and assessed each independent non-executive Director's annual confirmation of independence pursuant to rule 3.13 of the Listing Rules.

Meetings attendance

The Nomination Committee held 1 meeting during the year ended 31 December 2015. The attendance records of each member of the Nomination Committee are set out below:

Members	Attendance/ Number of meetings held
Mr. Shun Tak WONG (chairman)	1/1
Mr. Chi Ping LAU	1/1
Ms. Wenjie WU	1/1

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

Ernst & Young, Certified Public Accountants, Hong Kong, were engaged as the Company's external auditors for the year ended 31 December 2015. External auditors may provide certain non-audit services to the Group as long as these services do not involve any management or decision making functions for and on behalf of the Group; or performing any self-assessments; or acting in an advocacy role for the Group. Before any engagement with external auditors for non-audit services, external auditors must comply with the independence requirements under Code of Ethics for Professional Accountants issued by Hong Kong Institute of Certified Public Accountants. The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the section of Independent Auditors' Report of this annual report.

During the year ended 31 December 2015, the remunerations paid or payable to Ernst & Young regarding the audit and non-audit services (together with the comparative figures for 2014) are set out as follows:

	2015 RMB' Mil	2014 RMB' Mil
Audit services	**15.76**	11.92
Non-audit services	**3.77**	3.59
Total	**19.53**	15.51

INTERNAL CONTROL

Our internal control system is designed to provide reasonable assurance in safeguarding our shareholders' investment and assets, improving corporate governance and risk management, preventing and detecting frauds and irregularities, providing reliable financial information, and ensuring compliance with applicable law and regulations. The Board acknowledges its responsibility to ensure the Company to maintain a solid, complete and effective internal control system and to monitor the effective implementation of such system. The Company has established an integrated framework of internal controls which is consistent with the COSO (the Committee of Sponsoring Organizations of the Treadway Commission) framework.

The Company's internal control framework covers the setting of objectives, budgets and targets; the establishment of regular reporting of financial information, in particular, the tracking of deviations between actual performances and budgets/targets; the delegation of authority; and the establishment of clear lines of accountability. Well defined policies and procedures that are properly documented and communicated to employees are essential to the internal control system. Over the past few years, within its internal control framework, the Company has formulated manuals, implemented systems and adopted rules in relation to internal control, which are available on the Company's intranet. The Company's employees receive training of its code of conduct on a regular basis. The Company's internal control system is designed to manage, rather than eliminate, the risk of failure to achieve our business objectives, and aims at providing a reasonable, as opposed to an absolute, assurance in this respect.

While the management is responsible for the design, implementation and maintenance of internal control system, the Board and the Audit Committee oversee the actions of the management and monitor the effectiveness of the established controls. To assist the Audit Committee in its oversight and monitoring activities, the Company has set up an independent internal audit team (the "IA") that reports to the Audit Committee directly. The IA provides independent assessment as to the existence and effectiveness of the Company's internal control system, conducts independent investigations regarding allegations of fraud and violations of our business code of conduct, and advices on managing and controlling of risks. To enable the fulfillment of its mission, the IA has unrestricted access to all corporate operations, records, data files, computer programs, property and personnel. Under the COSO framework, the IA undertakes a periodical risk assessment of the Company's overall activities and prepares its audit plan focusing on areas of the Company's operations with the greatest perceived risks. In selecting auditing projects to perform each year, the IA uses information collected throughout the year from process owners, the risk assessment team, senior executives, external auditors and the Board. The Audit Committee reviews audit plan and receives at least quarterly updates on the progress. The IA also conducts subjective auditing projects in the operational areas which are material to the business or identified by the Audit Committee and/or senior management, results of which will be reported to the Audit Committee and senior management's concerned. The IA will follow up with the implementation of audit recommendations. Any major internal control weaknesses and findings will be firstly reported to the Audit Committee whenever necessary. In addition, the IA maintains regular communications with our external auditors so that both parties are aware of the significant factors that may affect their respective scopes of work.

The Board believes that all the internal control policies and procedures have been properly designed and would enable the Company to strengthen the compliance of the overall monitoring system and thereby reduce its operational risk. Continuous monitoring and improvement of management procedures will be carried out to ensure effective internal control system to be in line with the growth of the Company's business. The Company has not suffered any material liability during the year under review resulting from the deficiencies in our internal control system.

The Board has reviewed the effectiveness of the system of internal control of the Group and considers the internal control systems effective and adequate. Such review also took into consideration the adequacy of resources, qualification and experience of staff of the Company's accounting and financial reporting function, as well as their training programs and budget.

COMMUNICATION WITH SHAREHOLDERS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Company's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable shareholders and investors to make informed investment decisions.

To promote effective communication, the Company maintains the website at www.kingsoft.com where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Latest information on the Group including annual and interim reports, announcements and press releases are updated on the Company's website in a timely fashion.

The Board endeavours to maintain an on-going dialogue with our shareholders and in particular, to use annual general meetings or other general meetings to communicate with our shareholders and encourage them to participate in these meetings. All annual general meeting materials including but not limited to circular, notice and proxy form will be sent to shareholders in time including all adequate information according to the Listing Rules.

INVESTOR RELATIONS

Kingsoft establishes an investor relations team to promote open, ongoing and effective communications with shareholders, investors and equity analysts. We are committed to proactively providing the investment community with all necessary information in a timely manner so that participants in the investment community can make a fair investment decision.

During the year ended 31 December 2015, the Company's senior management presented its results in Hong Kong, Tokyo, Singapore City, Beijing, Shanghai, and various other cities. Through various activities such as analyst briefings, press conferences, conference calls and investor non-deal road shows, our senior management presented and answered the key issues of which investors were mainly concerned. In addition to regular one-on-one investor meetings, our senior management participated in a number of investor conferences held by major international investment banks in order to maintain active communications with global institutional investors. The investor relations section of the Company's website, www.kingsoft.com, provides information of the Company such as financial results, announcements, press releases and other latest information in a timely manner and is updated regularly.

SHAREHOLDERS' RIGHT

Procedures for shareholders to convene an Extraordinary General Meeting

Pursuant to article 64 of the Articles of Association, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

Such written requisition must be signed by the shareholders.

Procedures for putting forward proposals at shareholders' meeting

Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Group to be discussed at shareholders' meeting. Proposal shall be sent to the Board or the Company Secretary by written requisition at the Company's principal place of business in Hong Kong at Unit 1309A, 13/F, Cable TV Tower, No.9 Hoi Shing Road, Tsuen Wan, N.T. Hong Kong or at the Company's headquarter in the PRC at Kingsoft Tower, No. 33 Xiaoying West Road, Haidian District, Beijing 100085, the PRC.

Shareholders' enquiries

Shareholders should direct their questions about their shareholdings to the Company's share registrar. Shareholders and the investment community may at any time make a request for the Company's information to the extent that such information is publically available. Shareholders may also make enquiries to the Board by writing to the Company Secretary at the Company's principal place of business office in Hong Kong at Unit 1309A, 13/F, Cable TV Tower, No.9 Hoi Shing Road, Tsuen Wan, N.T. Hong Kong or at the Company's headquarter in the PRC at Kingsoft Tower, No. 33 Xiaoying West Road, Haidian District, Beijing 100085, the PRC.

CONSTITUTIONAL DOCUMENTS

There are no changes in the Company's constitutional documents during the year ended 31 December 2015.

On behalf of the Board
Jun LEI
Chairman

The PRC, 22 March 2016

The Board of the Company submits its report together with the audited financial statements of the Group for the year ended 31 December 2015.

Principal Business

The principal activity of the Company is investment holding. The principal activities of its subsidiaries comprise 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 analysis of the Group's revenues by operating segments and certain geographical information are set out in note 4 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of comprehensive income of this annual report.

The state of affairs of the Group as at 31 December 2015 is set out in the consolidated statement of financial position of this annual report.

The consolidated statement of cash flows of the Group for the year ended 31 December 2015 is set out in this annual report.

A review of business using financial key performance indicators is set out in the section of Management Discussion and Analysis in this annual report.

During the year ended 31 December 2015, a final dividend for year 2014 of HK$0.13 per ordinary share, which excluded the dividend related to the shares held under the Share Award Scheme, was paid to shareholders on 19 June 2015.

The Directors recommend the payment of a final dividend of HK$0.10 per ordinary share (2014: HK$0.13 per ordinary share) totalling approximately HK$129 million (2014: HK$151 million), which excluded the dividend related to the shares held under the Share Award Scheme, based on the number of total issued shares of 1,302,479,287 as at 31 December 2015 in respect of the year to shareholders whose names appear on the register of members of the Company on 1 June 2016. Such proposed dividends will be subject to approval of the shareholders at the forthcoming annual general meeting ("AGM") to be held on 20 May 2016. Such proposed dividends will be payable on 16 June 2016. This recommendation has been incorporated in note 13 to the financial statements.

For the year ended 31 December 2015, the Company is not aware of any arrangement under which a shareholder has waived or agreed to waive any dividends.

The register of members of the Company will be closed from Saturday, 14 May 2016 to Friday, 20 May 2016, and from Friday, 27 May 2016 to Wednesday, 1 June 2016, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the right to attend and vote at the forthcoming AGM and the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 13 May 2016 and Thursday, 26 May 2016 respectively.

Reserves

For the year ended 31 December 2015, the profit attributable to owners of the parent company amounted to RMB369.2 million. The Company's reserves available for distribution comprise share premium and retained earnings. Under the Companies Law of the Cayman Islands, the Company's share premium account may be applied by the Company in paying distributions or dividend to shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

As at 31 December 2015, the Company had distributable reserves amounting to RMB2,920.0 million, calculated in accordance with any statutory provisions applicable in the Cayman Islands. Details of movements in the reserves of the Group and the Company during the year ended 31 December 2015 are set out in the consolidated statement of changes in equity of this annual report, and in note 51 to the financial statements, respectively.

Donations

During the year, the Group made charitable and other donations totalling RMB1.0 million (2014: RMB0.6 million).

Pension Schemes

We participate in government and other mandatory pension schemes for our employees in Mainland China and overseas. Particulars of these schemes are set out in note 2 to the financial statements.

Employee and Remuneration Policy

As at 31 December 2015, the Group employed approximately 6,616 full-time employees (2014: 5,296) inclusive of all its staff in Mainland China and overseas offices, most of whom are based at the Company's offices in Beijing and Zhuhai.

Employees are regarded as the most important and valuable assets of the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within the Group for career advancement.

The remuneration policy and package of the Group's employees are periodically reviewed. The principle of the Group's remuneration policy is fairness, motivating, performance-oriented and market-competitive. Apart from salaries, medical insurance, discretionary bonuses and state managed retirement benefit scheme, the Group has also adopted share option schemes and share award schemes for its employees, providing incentives and rewards to eligible participants with reference to their contribution.

The staff costs of the Group including Directors' and senior management's emoluments in 2015 and 2014 were approximately RMB1,927.9 million and RMB1,288.0 million, respectively.

Please refer to note 37 to the financial statements for the share options and awarded shares granted to certain Directors and employees of the Group, note 10 to the financial statements for Directors' and senior executives' remuneration, and note 7 to the financial statements for the employee benefit expense.

Subsidiaries

Details of the Company's principal subsidiaries as at 31 December 2015 are set out in note 1 to the financial statements.

Material Investment and Acquisition

Details of the material investment and acquisition incurred during 2015 are set out in notes 19, 20, 21 and 40 to the financial statement.

Financial Summary

A summary of the published results, assets, and liabilities of the Group for the last five financial years as extracted from the consolidated financial statements for the year ended 31 December 2011, 2012, 2013, 2014 and 2015, is set out as below. The summary does not form part of the audited financial statements.

	YEAR ENDED 31 DECEMBER				RMB'000
	2011	2012	2013	2014	2015
Profit for the year	335,034	466,434	753,874	866,567	**341,704**

	AS AT 31 DECEMBER				
	2011	2012	2013	2014	2015
Total assets	3,014,519	3,641,269	5,804,333	10,381,604	**15,484,877**
Total liabilities	801,399	966,337	1,973,642	4,265,060	**5,573,522**

Contract of Significance

Save as disclosed in the annual report, none of Directors was materially interested, directly or indirectly, in any contracts of significance to the Group subsisting during or at the end of the year.

Bank Borrowings

Particulars of bank loans as at 31 December 2015 are set out in note 31 to the financial statements.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group for the year ended 31 December 2015 are set out in note 15 to the financial statements. No assets of the Group are charged during the year ended 31 December 2015.

Future Plans for Material Investments or Capital Assets

Save as those disclosed in note 43 to the financial statements, there was no specific plan for material investments and acquisition of material capital assets as at 31 December 2015.

Principal properties

During the year, the Group has not held any properties for development and/or sale or for investment purposes which any of the percentage ratios exceeds 5%.

Key Relationships with Employees, Customers and Suppliers

Details of the key relationships between the Company and its Employees, Customers and Suppliers are set out in the paragraph headed "Employee and Remuneration Policy" and "Major Customers and Suppliers" in this annual report.

Share Capital

Details of the movements in share capital of the Company for the year ended 31 December 2015 are set out in note 36 to the financial statements.

Share Option Schemes

Pre-IPO Share Option Schemes: The Company adopted the 2004 Pre-IPO Share Option Scheme and the 2007 Pre-IPO Share Option Scheme, which were approved by resolutions in writing of all the shareholders on 30 June 2004 and 22 January 2007, respectively, before its initial public offering.

2006–2007 Kingsoft Japan Share Option Scheme: On 2 November 2006 and 31 July 2007, the shareholders of Kingsoft Japan, approved and adopted the 2006–2007 Kingsoft Japan Share Option Scheme.

2011 Share Option Scheme: On 9 December 2011, the Company adopted the 2011 Share Option Scheme for the purpose of providing incentives and rewards to eligible participants.

Kingsoft Cloud Share Option Scheme: On 27 February 2013, the shareholders of the Company and Kingsoft Cloud, approved and adopted the Kingsoft Cloud Share Option Scheme. On 27 June 2013 and 20 May 2015, the Kingsoft Cloud Share Option Scheme was amended and refreshed.

Seasun Holdings Share Option Scheme: On 27 June 2013, the shareholders of the Company and Seasun Holdings, approved and adopted the Seasun Holdings Share Option Scheme.

Cheetah Mobile Equity Incentive Scheme: On 2 January 2014, the shareholders of the Company and Cheetah Mobile approved and adopted the Cheetah Mobile Equity Incentive Scheme, under which Cheetah Mobile is entitled to provide incentives through the granting of awards, including but not limited to, the options of Cheetah Mobile.

2014 Kingsoft Japan Share Option Scheme: On 2 January 2014, the shareholders of the Company approved the 2014 Kingsoft Japan Share Option Scheme. The 2014 Kingsoft Japan Share Option Scheme was approved and adopted by shareholders of Kingsoft Japan on 28 March 2014.

Details of the movements in share options of the Group for the year ended 31 December 2015 are set out in note 37 to the financial statements.

Summary of the Share Option Schemes

	Detail	2004 Pre-IPO Share Option Scheme	2007 Pre-IPO Share Option Scheme	2006–2007 Kingsoft Japan Share Option Scheme	2011 Share Option Scheme	Kingsoft Cloud Share Option Scheme	Seasun Holdings Share Option Scheme	Cheetah Mobile Equity Incentive Scheme	2014 Kingsoft Japan Share Option Scheme
1	Purposes	To retain the best available personnel, to provide additional incentive to employees, senior management and directors of the Group and to promote the success of the business of the Group.	Same as the 2004 Pre-IPO Share Option Scheme.	To enhance the operational efficiency of Kingsoft Japan and to provide additional incentive for its employees and other related persons.	To provide incentives or rewards to participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest.	To provide incentives or rewards to participants thereunder for their contribution to the Kingsoft Cloud Group and/or to enable the Kingsoft Cloud Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Kingsoft Cloud Group and any invested entity.	To provide incentives or rewards to participants thereunder for their contribution to Seasun Group and/or to enable the Seasun Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Seasun Group and any invested entity.	To aid Cheetah Mobile and its affiliates in recruiting and retaining key employees, directors or consultants of outstanding ability and to motivate such employees, directors or consultants to exert their best efforts on behalf of Cheetah Mobile and its affiliates by providing incentives through the granting of awards, including but not limited to, the options of Cheetah Mobile.	To provide incentives or rewards to Kingsoft Japan participants thereunder for their contribution to Kingsoft Japan and its subsidiaries and/or to enable Kingsoft Japan to recruit and retain high-calibre employees and attract human resources that are valuable to Kingsoft Japan, its subsidiaries and invested entities.
2	Qualified participants	Any employee (whether full time or part time), chief executive or director (including executive or non-executive or independent non-executive) of any member of the Group or any associated company, in which the Company directly or indirectly holds more than 20% of its issued share capital or the voting power at general meetings or in which any equity interest is held by the Company for long term purpose and a significant influence is exercised over its management, or such other person as may be determined by the Board from time to time.	Same as the 2004 Pre-IPO Share Option Scheme.	Not specified in the scheme.	Any employee (whether full time or part time), directors (including executive or non-executive or independent non-executive) of the Company, its subsidiaries or any entities in which the Group holds any equity interest.	Any employee(s) (whether full time or part time employee(s)) of Kingsoft Cloud, its subsidiaries or any invested entities.	Employee(s) (whether full time or part time employee(s)) of Seasun Holdings, its subsidiaries or any invested entities.	Employee(s) (whether full time or part time employee(s)) of Cheetah Mobile and its affiliates.	Employee(s) (whether full time or part time employee(s)) of Kingsoft Japan, its subsidiaries and invested entities.

	Detail	2004 Pre-IPO Share Option Scheme	2007 Pre-IPO Share Option Scheme	2006–2007 Kingsoft Japan Share Option Scheme	2011 Share Option Scheme	Kingsoft Cloud Share Option Scheme	Seasun Holdings Share Option Scheme	Cheetah Mobile Equity Incentive Scheme	2014 Kingsoft Japan Share Option Scheme
3	Maximum number of shares	The maximum number of ordinary shares in respect of which options may be granted under the 2004 Pre-IPO Share Option Scheme shall not in aggregate exceed 10% of the total number of ordinary shares in issue. On 12 August 2005, the shareholders approved that the maximum number of ordinary shares in respect of which options may be granted shall not in aggregate exceed 18% of the total number of ordinary shares in issue of 35,410,000. Pursuant to a share subscription and purchase agreement dated 21 July 2006 ("Agreement Date"), the aggregation of all options issued from the Agreement Date to an initial public offering shall not constitute more than 15% of the issued capital of the Company.	The maximum number of ordinary shares in respect of which options may be granted under the 2007 Pre-IPO Share Option Scheme shall not in aggregate exceed 13% of the total number of issued shares on the fully diluted basis of inclusion of all of the issued and outstanding shares of the Company, as well as 6,373,800 options under the 2004 Pre-IPO Share Option Scheme.	The maximum number of the shares which may be issued upon exercise of all issued and outstanding options shall be 1,000 ordinary shares of Kingsoft Japan in aggregate.	The maximum number of shares which may be issued upon exercise of all share options to be granted under the 2011 Share Option Scheme and other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue on 9 December 2011.	The maximum number of options available for exercise is 209,750,000 of which 123,250,000 options were granted prior to 20 May 2015 and 86,500,000 options may be granted after 20 May 2015.	The total number of shares which may be issued upon exercise of all options to be granted shall not in aggregate exceed 10% of the total number of shares in issue on the adoption date unless otherwise approved by the shareholders of the Company and Seasun Holdings in general meeting.	The maximum number of the ordinary shares of Cheetah Mobile which may be issued under the scheme is 64,497,718, unless otherwise (i) approved by the shareholders of the Company and Cheetah Mobile, or (ii) in case Cheetah Mobile ceases being a subsidiary of the Company, approved by the shareholders of Cheetah Mobile.	The total number of shares which may be issued upon the exercise of all options to be granted under the scheme shall not in aggregate exceed 2,837 shares, unless otherwise approved by the shareholders of Kingsoft Japan and the Company in general meetings.
4	Maximum entitlement of each participant	Not specified in the scheme.	Not specified in the scheme.	Not specified in the scheme.	The maximum number of shares issuable under share options to each eligible participant in the 2011 Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. Any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.	Where any further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of shares in issue, such further grant must be separately approved by the shareholders of the Company and Kingsoft Cloud in general meetings. Where any grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the relevant class of shares in issue; and (b) (where the shares are listed on the Stock Exchange), having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5 million, such further grant of options must be approved by the shareholders of the Company and Kingsoft Cloud.	The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total number of shares in issue, unless separately approved by the shareholders of the Company and Seasun Holdings in general meeting with such participant and his associates abstaining from voting. Where any grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the relevant class of shares in issue; and (b) (where the shares are listed on the Stock Exchange), having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5 million, such further grant of options must be approved by the shareholders of the Company and Seasun Holdings.	The total number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period must not exceed 1% of the total number of shares in issue, unless separately approved by the shareholders of the Company and Cheetah Mobile in general meeting. Where any grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the relevant class of shares in issue; and (b) (where the shares are listed on the Stock Exchange), having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5 million, such further grant of options must be approved by the shareholders of the Company and Cheetah Mobile.	The total number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period must not exceed 1% of the total number of shares in issue, unless separately approved by the shareholders of the Company and Kingsoft Japan in general meeting. Where any grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the relevant class of shares in issue; and (b) (where the shares are listed on the Stock Exchange), having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5 million, such further grant of options must be approved by the shareholders of the Company and Kingsoft Japan.

	Detail	2004 Pre-IPO Share Option Scheme	2007 Pre-IPO Share Option Scheme	2006–2007 Kingsoft Japan Share Option Scheme	2011 Share Option Scheme	Kingsoft Cloud Share Option Scheme	Seasun Holdings Share Option Scheme	Cheetah Mobile Equity Incentive Scheme	2014 Kingsoft Japan Share Option Scheme
5	Option period	The period set out in the relevant offer letter within which the option may be exercisable provided that such period must expire on the date falling on the tenth anniversary of the offer date.	Same as 2004 Pre-IPO Share Option Scheme	(1) the option period of options granted on 4 January 2007 is from 5 January 2009 to 1 November 2016 (2) the option period of options granted on 30 March 2007 is from 30 March 2007 to 30 March 2017 (3) the option period of options granted on 31 July 2007 is from 1 August 2009 to 1 November 2016.	The period set out in the relevant offer letter to each grantee, save that such period shall not be more than ten years from the offer date subject to the provisions for early termination set out in the scheme and that the Board may at its discretion determine the minimum period for which the option has to be held before the exercise of the subscription right attaching thereto.	Such period as the board of Kingsoft Cloud may in its absolute discretion determine and notify to each grantee, save that such period shall not be more than ten years from the offer date subject to the provisions for early termination set out in the scheme.	Such period as the board of Seasun Holdings may in its absolute discretion determine and notify to each grantee, save that such period shall not be more than ten years from the offer date subject to the provisions for early termination set out in the scheme.	As may be determined by the compensation committee of the board of Cheetah Mobile, but in no event shall an option be exercisable more than ten years after the date it is granted.	Such period as the board of Kingsoft Japan may in its absolute discretion determine and notify to each grantee, save that such period shall not be more than ten years from the offer date subject to the provisions for early termination set out in the scheme.
6	Acceptance of offer	The offer of a grant of share options must be accepted within 28 business days from the date of offer, upon payment of a consideration of HK$1 in total by the grantee.	The offer of a grant of share options must be accepted within 28 business days from the date of offer.	Options shall be issued free.	Same as the 2004 Pre-IPO Share Option Scheme.	As the board of Kingsoft Cloud may determine.	An offer of grant of an option may be accepted by a participant within a period of 28 days from the offer date provided that no offer shall be open for acceptance after the expiry of the scheme or after the scheme has been terminated.	As the compensation committee of the board of Cheetah Mobile may determine.	An offer of grant of an option may be accepted by a participant within a period of 28 days from the offer date provided that no offer shall be open for acceptance after the expiry of the scheme or after the scheme has been terminated.
7	Subscription price	The exercise price shall be determined and notified by the Board and shall be at least a price being the fair market value for each share as at the offer date as shall be determined by the Board from time to time.	The exercise price shall be determined and notified by the Board and shall be a price US$4.80 per share or a price being the fair market value for each share as at the offer date as shall be determined by the Board from time to time.	Note.	The exercise price shall be determined by the board, and shall not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share.	The subscription price shall be such price as determined by the board of Kingsoft Cloud but in any case the subscription price of options granted after Kingsoft Cloud or the Company has resolved to seek a separate initial public offering and up to date of Kingsoft Cloud's initial public offering must not be lower than the new issue price (if any) in the Kingsoft Cloud's initial public offering. In particular, any options granted during the period commencing six months before the lodgment of Form A1 (or its equivalent) up to the date of Kingsoft Cloud's initial public offering are subject to this requirement. The subscription price of options granted during such period shall be subject to adjustment to a price not lower than the new issue price in Kingsoft Cloud's initial public offering.	The subscription price shall be such price as determined by the board of Seasun Holdings but in any case the subscription price of options granted after Seasun Holdings or the Company has resolved to seek a separate initial public offering and up to date of Seasun Holdings' initial public offering must not be lower than the new issue price (if any) in the Seasun Holdings' initial public offering. In particular, any options granted during the period commencing six months before the lodgment of Form A1 (or its equivalent) up to the date of Seasun Holdings' initial public offering are subject to this requirement. The subscription price of options granted during such period shall be subject to adjustment to a price not lower than the new issue price in Seasun Holdings' initial public offering.	The subscription price shall be such price as determined by the compensation committee of the board of Cheetah Mobile in its absolute discretion but in any case shall be in compliance with the Listing Rules from time to time unless Cheetah Mobile ceases to be a subsidiary of the Company. In the event that the Company resolves to seek a separate listing of Cheetah Mobile on the Stock Exchange or an overseas stock exchange, the subscription price of options granted after the Company resolves to seek such listing and up to the listing date of Cheetah Mobile must be adjusted to not lower than the new issue price of Cheetah Mobile upon such listing. In particular, any options of Cheetah Mobile granted during the period commencing six months before the lodgement of Form A1 (or its equivalent for listing on GEM or the overseas stock exchange) and up to the listing date of Cheetah Mobile are subject to the requirement. The grant of options during such period shall also comply with the then applicable Listing Rules (or GEM Listing Rules).	The subscription price in respect of any particular option shall be such price as determined by the board of Kingsoft Japan but in any case the subscription price of options granted after Kingsoft Japan or the Company has resolved to seek a separate initial public offering and up to date of the Kingsoft Japan's initial public offering must not be lower than the new issue price (if any) in the Kingsoft Japan's initial public offering. In particular, any options granted during the period commencing six months before the lodgment of Form A1 (or its equivalent) up to the date of the Kingsoft Japan's initial public offering are subject to this requirement. The subscription price of options granted during such period shall be subject to adjustment to a price not lower than the new issue price in the Kingsoft Japan's initial public offering. Such grant of Kingsoft Japan options during such period shall also comply with the then applicable Listing Rules (or GEM Listing Rules)
8	Remaining life of the Scheme	It will expire on the tenth anniversary of the date on which the scheme is deemed to take effect.	It will expire on the tenth anniversary of the date on which the scheme is deemed to take effect.	It will expire on the tenth anniversary of the date on which the scheme is deemed to take effect.	It will expire on the tenth anniversary of the date on which the scheme is deemed to take effect.	It will expire on the tenth anniversary of the date on which the scheme is deemed to take effect.	It will expire on the tenth anniversary of the date on which the scheme is deemed to take effect.	It shall be effective as of 2 January 2014 and shall terminate ten years later, subject to earlier termination by Cheetah Mobile in general meeting pursuant to the scheme.	It shall be valid and effective for a period of ten years.

Note:

The subscription price for option offered on 4 January 2007 and 30 March 2007 shall be ¥10,000 per share.

The subscription price for option offered on 31 July 2007 shall be ¥70,000 per share.

The subscription price shall be adjusted in accordance with the following formula, if after issuance of options, Kingsoft Japan issues new shares at a price less than the last subscription price of its shares and it has not yet undergone initial public offering of its shares:

$$\text{Subscription price after adjustment} = \text{Subscription price before adjustment} \times \frac{\text{Number of issued shares} + \dfrac{\text{Number of shares to be newly issued or transferred} \times \text{Subscription amount or transfer price per share}}{\text{Last subscription price per share}}}{\text{Number of issued shares} + \text{Number of shares to be newly issued or transferred}}$$

Furthermore, in the case of any share split or consolidation of shares and reduction in paid in capital and in certain other cases, the exercise price may be adjusted appropriately.

Pre-IPO Share Option Schemes

The following share options were outstanding under 2004 Pre-IPO Share Option Scheme and 2007 Pre-IPO Share Option Scheme as of 31 December 2015:

	NUMBER OF SHARE OPTIONS					
NAME OR CATEGORY OF PARTICIPANT	**AT 1 JAN 2015**	**EXERCISED DURING THE PERIOD**	**FORFEITED DURING THE PERIOD**	**AT 31 DEC 2015**	**DATE OF GRANT OF SHARE OPTIONS**	**EXERCISE PRICE OF SHARE OPTIONS USD PER SHARE**
Other employees						
In aggregate	53,240	53,240	—	—	1 August 2005	0.2118
	5,274,500	678,400	—	4,596,100	1 February 2007*	0.2400
	10,000	10,000	—	—	8 May 2007*	0.2400
	28,000	2,000	—	26,000	1 August 2007*	0.4616
	5,365,740	743,640	—	4,622,100		

* These options were granted under the 2007 Pre-IPO Share Option Scheme, while the others were granted under the 2004 Scheme.

2011 Share Option Scheme

The following share options were outstanding under the 2011 Share Option Schemes as of 31 December 2015:

	NUMBER OF SHARE OPTIONS						
NAME OR CATEGORY OF PARTICIPANT	**AT 1 JAN 2015**	**GRANTED DURING THE PERIOD**	**EXERCISED DURING THE PERIOD**	**CANCELLED DURING THE PERIOD**	**AT 31 DEC 2015**	**DATE OF GRANT OF SHARE OPTIONS**	**EXERCISE PRICE OF SHARE OPTIONS HKD PER SHARE**
Executive Directors							
HongJiang ZHANG	6,500,000	—	—	3,000,000	3,500,000	20 December 2011	2.89
Yuk Keung NG	2,400,000	—	—	—	2,400,000	20 July 2012	3.28
	8,900,000	—	—	3,000,000	5,900,000		

Share Award Schemes

Share Award Scheme

The Share Award Scheme was adopted by the Board on 31 March 2008. Unless terminated earlier by the Board, the Share Award Scheme shall be valid and effective for a term of five years commencing on 31 March 2008. On 25 November 2010, the Board approved to extend the term of the Share Award Scheme until 30 March 2017, for which the Company published an announcement on 1 December 2010.

The purpose of the Share Award Scheme is to recognise the contributions by certain employees (including without limitation employees who are also directors) of the Group and to give incentives thereto in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

Pursuant to the terms of the Share Award Scheme, the Board may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each employee determined by the Board from time to time) select an employee for participation in the Share Award Scheme and determine the number of shares to be awarded. The Board shall not grant any award of shares which would result in the total number of shares which are the subject of awards granted by the Board under the Share Award Scheme (but not counting any which have lapsed or have been forfeited) representing in aggregate over 10% of the issued shares of the Company as at the date of such grant.

More details regarding the Share Award Scheme are set out in note 37 to the financial statements.

2011 Cheetah Mobile Share Award Scheme

On 26 May 2011, the directors of Cheetah Mobile, approved and adopted the 2011 Cheetah Mobile Share Award Scheme.

Unless early terminated by the directors of Cheetah Mobile, the 2011 Cheetah Mobile Share Award Scheme shall be valid and effective for a term of ten years commencing on 26 May 2011.

The purpose of the 2011 Cheetah Mobile Share Award Scheme is to recognize the contributions by certain employees and to give incentives thereto in order to retain them for the continual operation and development of the Cheetah Group and to attract suitable personnel for further development of Cheetah Group.

Pursuant to the terms of the 2011 Cheetah Mobile Share Award Scheme, the board of Cheetah Mobile may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each employee determined by the board of Cheetah Mobile from time to time) select an employee for participation in the 2011 Cheetah Mobile Share Award Scheme and determine the number of the awarded shares of Cheetah Mobile. The directors of Cheetah Mobile will not grant any award of shares which would result in the total number of shares granted under the 2011 Cheetah Mobile Share Award Scheme (but not counting any of which have lapsed or have been forfeited) being greater than 100,000,000 shares as at the date of such grant.

More details regarding the 2011 Cheetah Mobile Share Award Scheme are set out in note 37 to the financial statements.

KOS Share Award Scheme

On 3 December 2012, the directors of KOS approved and adopted the KOS Share Award Scheme, for the purpose of providing incentives and rewards to eligible participants, in which selected employees of the KOS Group are entitled to participate. On 12 November 2015, the board of directors of KOS resolved to unconditionally terminate the KOS Share Award Scheme. Upon termination of the KOS Share Award Scheme, the issued shares under the KOS Share Award Scheme were repurchased and cancelled, of which any dividends were cancelled unconditionally and irrevocably. In the meanwhile, KOS transferred part of its shares held in Beijing Office Software, which formed a part of the KOS Group, to several limited partnerships in which the relevant employees have interests.

More details regarding the KOS Share Award Scheme are set out in note 37 to the financial statements.

Kingsoft Cloud Share Award Scheme

On 22 February 2013, the directors of Kingsoft Cloud approved and adopted the Kingsoft Cloud Share Award Scheme, for the purpose of providing incentives and rewards to eligible participants, in which selected employees of Kingsoft Cloud Group are entitled to participate. Unless early terminated by the directors of Kingsoft Cloud, the Kingsoft Cloud Share Award Scheme shall be valid and effective for a term of ten years commencing on 22 February 2013. The Kingsoft Cloud Share Award Scheme was amended by the board and shareholders of Kingsoft Cloud on 9 January 2015 to refresh the limit of the scheme. Pursuant to the amended Kingsoft Cloud Share Award Scheme, the directors of Kingsoft Cloud will not grant any award of shares which would result in the total number of awarded shares granted under the Kingsoft Cloud Share Award Scheme (but not counting any which have lapsed or have been forfeited) being greater than 50,000,000 shares, as at the date of such grant. The Kingsoft Cloud Share Award Scheme was amended by the board and shareholders of Kingsoft Cloud on 3 March 2016 to refresh the limit of the scheme. Pursuant to the amended Kingsoft Cloud Share Award Scheme, the directors of Kingsoft Cloud will not grant any award of shares which would result in the total number of awarded shares granted under the Kingsoft Cloud Share Award Scheme (but not counting any which have lapsed or have been forfeited) being greater than 68,364,500 shares, as at the date of such grant.

More details regarding the Kingsoft Cloud Share Award Scheme are set out in note 37 to the financial statements.

2014 Cheetah Mobile Share Award Scheme

On 24 April 2014, the shareholders of Cheetah Mobile approved and adopted the 2014 Cheetah Mobile Share Award Scheme to promote the success and enhance the value of Cheetah Mobile by providing the members of the board, employees, and consultants with an incentive for outstanding performance to generate superior returns to the shareholders and to further provide flexibility to Cheetah Mobile in its ability to motivate, attract, and retain the services of such individuals. Under the 2014 Cheetah Mobile Share Award Scheme, the maximum aggregate number of shares, which may be issued pursuant to all awards granted, shall be equal to 122,545,665 Class A Cheetah Shares. Unless early terminated by the board or the compensation committee of the board of Cheetah Mobile, the 2014 Cheetah Mobile Share Award Scheme shall be valid and effective for a term of ten years commencing on 24 April 2014.

More details regarding the 2014 Cheetah Mobile Share Award Scheme are set out in note 37 to the financial statements.

Directors

The Directors of the Company during the year and up to the date of this report comprised 9 Directors, of which 3 were executive Directors, 3 were non-executive Directors and 3 were independent non-executive Directors, whose names are as follows:

	APPOINTMENT DATE	RESIGNATION DATE	RE-DESIGNATION DATE
EXECUTIVE DIRECTORS			
Mr. HongJiang ZHANG (張宏江)	14 December 2011	N/A	N/A
Mr. Yuk Keung NG (吳育强)	1 March 2013	N/A	N/A
Mr. Tao ZOU (鄒濤)	25 August 2009	N/A	N/A
NON-EXECUTIVE DIRECTORS			
Mr. Jun LEI (雷軍)	27 July 1998	N/A	28 August 2008
Mr. Pak Kwan KAU (求伯君)	27 July 1998	N/A	24 October 2011
Mr. Chi Ping LAU (劉熾平)	28 July 2011	N/A	N/A
INDEPENDENT NON-EXECUTIVE DIRECTORS			
Mr. Shun Tak WONG (王舜德)	15 July 2014	N/A	N/A
Mr. David Yuen Kwan TANG (鄧元鋆)	6 May 2013	N/A	N/A
Ms. Wenjie WU (武文潔)	1 March 2013	N/A	N/A

In accordance with Article 108 of the Articles of Association, Mr. Yuk Keung NG, Mr. Tao ZOU and Mr. Chi Ping LAU will retire at the forthcoming AGM of the Company and will being eligible to offer themselves for re-election.

The Company has received from each independent non-executive Director an annual confirmation of his/her independence pursuant to rule 3.13 of the Listing Rules and we consider them to be independent.

Directors' and Senior Management's Biographies

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 13 to 16 of the annual report.

Directors' Service Contracts

Each of the executive Directors has entered into a service agreement with the Company. Each agreement is for a period of three years and shall continue thereafter until being terminated by either party giving not less than three months' prior written notice.

The emoluments of the Directors of the Company are determined by the Remuneration Committee after considering the Company's operating results, market rate and individual performance. No Director can take part in deciding his/her own remuneration. Details of the remuneration policy for the Directors and senior management of the Group are set out in the section of Corporate Governance Report under the heading of "Remuneration Committee".

None of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which can not be terminated within one year without payment of compensation, other than statutory compensation.

Interests of the Directors in Contracts

Save as disclosed in the paragraph of "Related Party Transactions and Connected Transactions" in the section of Directors' Report, no Directors had any direct or indirect material interests in any contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party at the end of or at any time during the year ended 31 December 2015.

Directors' and Chief Executive's Interests in Securities

As at 31 December 2015, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

Interests in the ordinary shares of the Company

Name of Director	Capacity	No. of shares interested	% of the total number of issued shares (Note 1)	Nature of Shares held
Jun LEI	Interest of controlled corporation	210,116,248	16.13	Long position
	Other	142,714,003	10.96	Long position
		(total: 352,830,251 (Note 2))	(total: 27.09)	
Pak Kwan KAU	Interest of controlled corporation	108,032,566 (Note 3)	8.29	Long position
HongJiang ZHANG	Beneficial owner	5,666,044	0.44	Long position
Yuk Keung NG	Beneficial owner	2,600,000	0.20	Long position
Tao ZOU	Beneficial owner	409,307	0.03	Long position

Notes:

1. % of the total number of issued shares was calculated on basis of the total number of issued shares of the Company as at 31 December 2015, which was 1,302,479,287.

2. Among these 352,830,251 shares, (i) 174,818,191 shares are held by Color Link Management Limited, a British Virgin Islands company owned as to 100% by Mr. Jun LEI; (ii) 35,298,057 Shares are held by a wholly-owned subsidiary of Xiaomi, a company controlled by Mr. Jun LEI under the SFO; and (iii) 142,714,003 shares are deemed to be interested by Mr. Jun LEI under the SFO because under a voting consent agreement entered into by Mr. Jun LEI, Mr. Pak Kwan KAU and Mr. Shuen Lung CHEUNG, Mr. Pak Kwan KAU and Mr. Shuen Lung CHEUNG will vote in the same way as Mr. Jun LEI with these shares.

3. These shares are held by Topclick Holdings Limited, a British Virgin Islands company wholly owned by Kau Management Limited. Kau Management Limited is a company indirectly owned by a discretionary trust, the beneficiaries of which include Mr. Pak Kwan KAU and his family members. As such, Mr. Pak Kwan KAU is deemed to be interested in these shares under the SFO. In addition, Mr. Jun LEI is also deemed to be interested in these shares under the SFO because under a voting consent agreement entered into by Mr. Jun LEI, Mr. Pak Kwa KAU and Mr. Shuen Lung CHEUNG, Mr. Pak Kwan KAU will vote in the same way as Mr. Jun LEI with these shares.

Interests in shares and underlying shares of an associated corporation of the Company

Cheetah Mobile (Note 1)

Name of Director	Capacity	No. of shares interested	% of the total number of issued shares (Note 2)	Nature of shares held
Jun LEI (Note 3)	Interest of controlled corporation	17,660,294	4.83	Long position
David Yuen Kwan TANG	Beneficial owner	140,000	0.04	Long position
Yuk Keung NG	Beneficial owner	1,200	0.00	Long position

Notes:

1. Cheetah Mobile is a non-wholly owned subsidiary of the Company listed on the NYSE.

2. % of the total number of issued shares in class was calculated on basis of the issued Class A Cheetah Shares as at 31 December 2015, which was 365,961,759.

3. As at 31 December 2015, Mr Jun LEI held above 30% of the voting power of Xiaomi and 100% of the voting power of Go Corporate Limit, which in turn was deemed to have interest in appropriately 4.83% of the Class A Cheetah Shares under the SFO.

Kingsoft Cloud (Note 1)

Name of Director	Capacity	No. of shares interested	% of the total number of issued shares (Note 2)	Nature of shares held
HongJiang ZHANG (Note 3)	Interest of controlled corporation	39,437,500	4.56	Long position

Notes:

1 Kingsoft Cloud is a non-wholly owned subsidiary of the Company.

2 % of the total number of issued shares in class was calculated on basis of the Kingsoft Cloud Shares as at 31 December 2015, which was 865,037,500.

3. As at 31 December 2015, Mr. HongJiang ZHANG held 100% of the voting power of Cloud Expert Limited, which in turn is deemed to have an interest in approximately 4.56% of the Kingsoft Cloud Shares under the SFO.

Save as disclosed above, none of the Directors or chief executive and their associates, had interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations as at 31 December 2015.

Substantial Shareholders

As at 31 December 2015, as far as the Directors are aware of, the following, other than the Directors and chief executive of the Company, had an interest in the shares or underlying shares in the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued capital of the Company:

Interest in the shares and underlying shares of the Company

Name of substantial shareholder	Capacity	Number of shares interested	% of the total number of issued shares (Note 1)	Nature of Shares held
Color Link Management Limited (Note 2)	Beneficial owner	174,818,191	13.42	Long position
Topclick Holdings Limited (Note 3)	Beneficial owner	108,032,566	8.29	Long position
Tencent Holdings Limited (Note 4)	Interest of controlled corporation	106,784,515	8.20	Long position
Morgan Stanley	Interest of controlled corporation	89,237,446 75,780,128	6.85 5.82	Long position Short position

Notes:

1. % of the total number of issued shares was calculated on basis of the total number of issued shares of the Company as at 31 December 2015, which was 1,302,479,287.

2. Mr. Jun LEI is deemed to be interested in Color Link Management Limited's interest in the Company pursuant to Part XV of the SFO because Color Link Management Limited is wholly owned by Mr. Jun LEI.

3 These shares are held by Topclick Holdings Limited, a British Virgin Islands company wholly owned by Kau Management Limited. Kau Management Limited is a company owned by a discretionary trust, the trustee of which is Credit Suisse Trust Limited and the beneficiaries of which include Mr. Pak Kwan KAU and his family members. As such, Mr. Pak Kwan KAU is deemed to be interested in these shares under the SFO. In addition, Mr. Jun LEI is also deemed to be interested in these shares under the SFO because under a voting consent agreement entered into by Mr. Jun LEI, Mr. Pak Kwan KAU and Mr. Shuen Lung CHEUNG, Mr. Pak Kwan KAU would vote in the same way as Mr. Jun LEI with these shares.

4. These shares are held by TCH Saffron Limited, a wholly-owned subsidiary of Tencent Holdings Limited. As such, Tencent Holdings Limited, MIH TC Holdings Limited and Naspers Limited, its beneficial owners, are deemed to be interested in TCH Saffron Limited's interests in the Company pursuant to Part XV of the SFO.

Save as disclosed above, the Directors are not aware of any other person who has beneficial interests or short positions in any of the shares or underlying shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or, directly or indirectly, be interested in 5% or more of the nominal value of the Shares carrying the right to vote in all circumstances at general meetings of the Company.

Public Float

As at the date of this annual report, the Company has maintained the prescribed public float of at least 25% under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2015, the Company repurchased a total of 349,000 of its own ordinary shares on the Stock Exchange at a total cost of approximately HK$6.8 million. The company considered that it is in the best interest of the shareholders to return some surplus funds to them which will in turn enhance shareholders' value.

Details of the repurchases by the Company on the Stock Exchange during the year ended 31 December 2015 were as follows:

		Repurchase Consideration		
Month of Repurchase in 2015	**No. of Shares Repurchased**	**Highest Price Paid Per Share HK$**	**Lowest Price Paid Per Share HK$**	**Aggregate Consideration Paid HK$**
July	349,000	19.80	19.20	6,776,280

Completion of Placing of Existing Shares and Subscription for New Shares

On 4 June 2015, Color Link Management Limited (a company wholly owned by Mr. Jun LEI, the Chairman and substantial shareholder of the Company, the "Vendor"), the Company, Morgan Stanley & Co. International plc and J.P. Morgan Securities (Asia Pacific) Limited entered into a placing and subscription agreement pursuant to which (i) Morgan Stanley & Co. International plc and J.P. Morgan Securities (Asia Pacific) Limited have severally agreed to procure purchasers for, or failing which, to purchase, an aggregate of 100,000,000 existing shares beneficially owned by the Vendor, on a fully underwritten basis, at a price of HK$27.40 per share on the terms of the placing and subscription agreement; and (ii) the Vendor has agreed to subscribe for, and the Company has agreed to issue, 100,000,000 new ordinary shares with nominal value of US$50,000, at subscription price, which is equal to the placing price less the commissions, fees and the expenses properly incurred by the Vendor in relation to the placing and/or the subscription. The gross proceeds from the subscription (before deducting the commissions, fees and the expenses properly incurred by the Vendor in relation to the placing and/or the subscription) was HK$2,740 million. The net price to the Company for each subscribed share was approximately HK$27.21 and the closing price of the Company was HK$28.30 per share on 4 June 2015. The completion of the placing and the subscription took place on 8 June 2015 and 11 June 2015, respectively, in accordance with the terms and conditions of the placing and subscription agreement. As of 31 December 2015, the net proceeds raised from placing of existing shares and subscription for new shares (being approximately HK$2,720.6 million) had been used as follows: approximately HK$338.5 million had been used for general corporate purposes.

For details of the above placing and subscription, please refer to the announcements of the Company dated 4 June 2015 and 11 June 2015.

Conversion of Convertible Bonds and Adjustment to the Conversion Price

The Company completed the issue of the 2013 Convertible Bonds in the principal amount of HK$1,356,000,000 on 23 July 2013. Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each 2013 Convertible Bond at its principal amount together with accrued and unpaid interest thereon on 23 July 2018. The net proceeds from the subscription of the 2013 Convertible Bonds, after deduction of commissions and other related expenses, were approximately HK$1,327 million. Assuming full conversion of the 2013 Convertible Bonds at the initial conversion price of HK$16.9363 per share and no further issue of shares, the 2013 Convertible Bonds will be convertible into approximately 80,064,713 shares of the Company (with an aggregate nominal value of approximately US$40,032). The net price for each conversion share was approximately HK$16.5741, and the initial conversion price was HK$16.9363, which represented a premium of approximately 25.27% over the closing price of HK$13.52 per share as quoted on the Stock Exchange on 2 July 2013, being the last trading day prior to the announcement of the issue of the 2013 Convertible Bonds. The 2013 Convertible Bonds were offered and sold to no less than six independent placees (who were independent individual, corporate and/or institutional investors). The 2013 Convertible Bonds has been listed on the Singapore Exchange Securities Trading Limited since 24 July 2013. The interest is 3.00% per annum of the principal amount of the 2013 Convertible Bonds, payable semi-annually in arrear in equal instalments of HK$15,000 per calculation amount (i.e. interest in respect of any 2013 Convertible Bond shall be calculated per HK$1,000,000 in principal amount of the 2013 Convertible Bonds) on 23 January and 23 July in each year, subject to adjustment for non-business days. The net proceeds raised from the issue of 2013 Convertible Bonds have been used up as of 31 December 2014. References are made to the announcements of the Company dated 3 July 2013 and 23 July 2013 for principal terms of the 2013 Convertible Bonds.

The Company also completed the issue of the 2014 Convertible Bonds in the principal amount of HK$2,327,000,000 on 11 April 2014. Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each 2014 Convertible Bonds at its principal amount together with accrued and unpaid interest thereon on 11 April 2019. The proceeds from the subscription of the 2014 Convertible Bonds, after deduction of commissions and other related expenses, were approximately HK$2,277 million. Assuming full conversion of the 2014 Convertible Bonds at the initial conversion price of HKD43.89 per share and no further issue of shares, the 2014 Convertible Bonds will be convertible into approximately 53,018,910 shares of the Company. The net price for each conversion share is approximately HK$42.95, and the initial conversion price was HK$43.89, which represented a premium of approximately 40.00% over the closing price of HK$31.35 per share as quoted on the Stock Exchange on 3 April 2014, being the last trading day prior to the announcement of the issue of the 2014 Convertible Bonds. The 2014 Convertible Bonds were offered and sold to no less than six independent places (who were independent individual, corporate and/or institutional investors). The 2014 Convertible Bonds has been listed on the Singapore Exchange Securities Trading Limited since 14 April 2014. The interest is 1.25% per annum of the principal amount of the 2014 Convertible Bonds, payable semi-annually in arrear in equal instalments of HK$6,250 per calculation amount (i.e. interest in respect of any 2014 Convertible Bond shall be calculated per HK$1,000,000 in principal amount of the 2014 Convertible Bonds) on 11 April and 11 October in each year, subject to adjustment for non-business days. The Company intended to use the net proceeds from the subscription primarily for general corporate purposes, for strategic investments and acquisitions, if appropriate, and to supplement working capital. As of 31 December 2015, the net proceeds raised from the issue of the 2014 Convertible Bonds (being approximately HK$2,277 million) had been used as follows: (1) approximately HK$471.0 million had been used for general corporate purposes; (2) approximately HK$1,658.4 million had been used for strategic investments and acquisitions; and (3) approximately HK$147.6 million had been used to supplement the working capital. All the net proceeds raised from the issue of 2014 Convertible Bonds have been used up as of 31 December 2015. References are made to the announcements of the Company dated 4 April 2014 and 11 April 2014 for principal terms of the 2014 Convertible Bonds.

In accordance with the respective terms and conditions of the 2013 Convertible Bonds and 2014 Convertible Bonds, the payment of the 2014 final dividend and the 2013 final dividend, together with the distribution in specie of ADS of Cheetah Mobile in May 2014, resulted in an adjustment (the "Adjustment") to the respective conversion prices of each of the 2013 Convertible Bonds and 2014 Convertible Bonds. The Adjustment has become effective on 2 June 2015, being the day after the record date in respect of the 2014 final dividend. Following the Adjustment, the conversion prices of the 2013 Convertible Bonds and the 2014 Convertible Bonds were adjusted to HK$16.70 per share and HK$43.29 per share, respectively. During the year ended 31 December 2015, an aggregate of 21,044,154 ordinary shares were allotted and issued by the Company for the conversion of 2013 Convertible Bonds by holders of the 2013 Convertible Bonds. As at 31 December 2015, the aggregate principal amount under the 2013 Convertible Bonds that remains outstanding was HK$1,000 million. There was no conversion or redemption of the 2014 Convertible Bonds during the year ended 31 December 2015 and as at 31 December 2015, the aggregate principal amount under the 2014 Convertible Bonds that remains outstanding was HK$2,327 million. Pursuant to the general mandate granted to the Directors by the shareholders at the annual general meeting of the Company held on 23 May 2013, up to 235,084,986 shares (representing 20% of the issued shares of the Company on the date that such general mandate was granted) can be issued for the conversion of the 2013 Convertible Bonds and 2014 Convertible Bonds. Such general mandate was sufficient after the Adjustment to the respective conversion prices of the 2013 Convertible Bonds and 2014 Convertible Bonds.

Issue of Convertible Preferred Shares by a Subsidiary of the Company

On 27 March 2015, the Company, Celestial Power Limited ("IDG Investor"), Kingsoft Cloud Group, certain shareholders and key employees of Kingsoft Cloud entered into a share purchase agreement, pursuant to which, among others, Kingsoft Cloud agreed to issue and the Company and IDG Investor agreed to subscribe for 79,873,872 and 67,199,728 Kingsoft Cloud Series B Preferred Shares, respectively, for a consideration of US$28.60 million and US$24.06 million, respectively. On the assumption that (i) all preferred shares of Kingsoft Cloud are fully converted into the ordinary shares of Kingsoft Cloud based on the conversion ratio of 1:1; (ii) all shares under the share option scheme and all shares already reserved for issue under the ESOP (including the share award scheme, the share option scheme and other employee stock incentive plans as adopted by Kingsoft Cloud from time to time) are issued; (iii) the Company and Xiaomi exercise the warrants in full under the shareholders agreement of Kingsoft Cloud dated 21 August 2014; and (iv) all shares issuable pursuant to certain share purchase agreements entered into by and among the Company, Kingsoft Cloud, and Cloud Expert Limited (an investment company held by Dr. HongJiang ZHANG) and River Jade Holdings Limited (an investment company held by the management of Kingsoft Cloud), respectively, are issued, upon completion of the issue and subscription of the Kingsoft Cloud Series B Preferred Shares under the share purchase agreement, Kingsoft Cloud will be owned as to approximately 52.29% by the Company and 3.98% by IDG Investor, and the shareholding of the Company in Kingsoft Cloud will increase from 52.10% to 52.29%.

The holder of each Kingsoft Cloud Series B Preferred Share shall be entitled to such number of votes as equals the whole number of Kingsoft Cloud Shares into which such holder's total Kingsoft Cloud Series B Preferred Shares are convertible immediately after the close of business on the record date of the determination of the shareholders of Kingsoft Cloud entitled to vote or, the date on which such vote is taken or any written consent of the shareholders of Kingsoft Cloud is first solicited (if no such record date). the holders of Kingsoft Cloud Series B Preferred Shares shall vote together with the holders of Kingsoft Cloud Shares as a single class, on an as-converted basis, on all matters submitted to the shareholders. Each Kingsoft Cloud Series B Preferred Share may be converted at any time at the option of the holder thereof into such number of the Kingsoft Cloud Share as may be obtained by dividing the issue price by the then applicable conversion price. The new Kingsoft Cloud Share to be issued upon conversion of the Kingsoft Cloud Series B Preferred Shares shall rank *pari passu* in all respects with the existing Kingsoft Cloud Share. The initial conversion price shall be equal to the issue price, resulting in an initial conversion ratio of 1:1 (i.e., one Kingsoft Cloud Series B Preferred Share convertible into one Kingsoft Cloud Share).

Kingsoft Cloud is a subsidiary of the Company. Xiaomi, an associate of Mr. Jun LEI, holds more than 10% voting power in Kingsoft Cloud and Mr. Jun LEI is a substantial shareholder of the Company. As such, Kingsoft Cloud is a connected subsidiary of the Company by virtue of Rule 14A.16 of the Listing Rules. Therefore, the issue of 79,873,872 Kingsoft Cloud Series B Preferred Shares by Kingsoft Cloud to the Company constitutes a connected transaction of the Company under the Listing Rules. As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the issue of 79,873,872 Kingsoft Cloud Series B Preferred Shares by Kingsoft Cloud to the Company exceeds 0.1% but is less than 5%, such transaction is subject to the announcement and annual review requirements, but exempted from the independent shareholders' approval under Chapter 14A of the Listing Rules.

For details of the connected transaction, please refer to the announcement of the Company dated 27 March 2015.

Exercise of a Subsidiary's Warrants by the Company and Xiaomi

On 21 August 2014, the Company, Xiaomi, Kingsoft Cloud Group and other shareholders of Kingsoft Cloud entered into a shareholders' agreement. Pursuant to the shareholders' agreement, Kingsoft Cloud agreed to grant warrants to the Company ("Kingsoft Warrant") and to Xiaomi ("Xiaomi Warrant"), respectively, to subscribe for not more than 26,948,000 Kingsoft Cloud Series A Preferred Shares and not more than 161,688,000 Kingsoft Cloud Series A Preferred Shares at the exercise price of US$0.0742 per Kingsoft Cloud Series A Preferred Share.

On 30 March 2015, the Company exercised the Kingsoft Warrant and Xiaomi exercised the Xiaomi Warrant in full at the exercise price of US$0.0742 per Kingsoft Cloud Series A Preferred Share, respectively, under the shareholders agreement. Under the full exercise of the

Kingsoft Warrant, the Company subscribed for 26,948,000 Kingsoft Cloud Series A Preferred Share in an aggregate consideration of US$2 million. Under the full exercise of the Xiaomi Warrant, Xiaomi subscribed for 161,688,000 Kingsoft Cloud Series A Preferred Share in an aggregate consideration of US$12 million. On the assumption that (i) all preferred shares of Kingsoft Cloud are fully converted into the ordinary shares of Kingsoft Cloud based on the conversion ratio of 1:1; (ii) all shares under the share option scheme and all shares already reserved for issue under the ESOP (including the share award scheme, the share option scheme and other employee stock incentive plans as adopted by Kingsoft Cloud from time to time) are issued; (iii) all shares issuable pursuant to certain share purchase agreements entered into by and among the Company, Kingsoft Cloud, and Cloud Expert Limited (an investment company held by Dr. HongJiang ZHANG) and River Jade Holdings Limited (an investment company held by the management of Kingsoft Cloud), respectively, are issued; and (iv) all the Kingsoft Cloud Series B Preferred Shares are issued under the share purchase agreement dated 27 March 2015, the 26,948,000 Kingsoft Cloud Series A Preferred Shares and 161,688,000 Kingsoft Cloud Series A Preferred Shares represents approximately 1.6% and 9.6% of the total shares of Kingsoft Cloud, respectively. Upon completion of the full exercise of both the Kingsoft Warrant by the Company and the Xiaomi Warrant by Xiaomi and on the assumptions above, Kingsoft Cloud will be owned as to approximately 52.3% by the Company and 24.5% by Xiaomi.

Xiaomi is an associate of Mr. Jun LEI, Chairman and substantial shareholder of the Company. As such, Xiaomi is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Kingsoft Cloud granted the Xiaomi Warrant to Xiaomi on 21 August 2014. Such grant was classified as if the Xiaomi Warrant has been exercised at the time of such grant and constituted a connected transaction.

As described above, pursuant to Chapter 14A of the Listing Rules, Kingsoft Cloud is a connected subsidiary of the Company. Therefore, the exercise of the Kingsoft Warrant under the shareholders agreement constitutes a connected transaction of the Company. As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the exercise of the Kingsoft Warrant under the Shareholders Agreement exceeds 0.1% but is less than 5%, such transaction is subject to the announcement and annual review requirements, but is exempted from the independent shareholders approval under Chapter 14A of the Listing Rules.

For details of the connected transaction, please refer to the announcement of the Company dated 30 March 2015.

Major Customers and Suppliers

For the year ended 31 December 2015, the 5 largest customers of the Group accounted for 34% of the total revenue, while the largest customer accounted for 18% of the total revenue. For the year ended 31 December 2015, the 5 largest suppliers of the Group accounted for 18% of the total purchases, while the largest supplier accounted for 8% of the total purchases.

The major customers of the Group are mainly distributors and operators of internet services. The Group paid attention to strengthening and sustaining the relationship with its major customers as they are important to the business of the Group. However the Group does not materially rely on such major customers to generate revenue. The Group's final customers vary for different categories of business of the Group, which includes game users, purchasers of our application softwares or other internet services, advertisers who advertising through our products and etc. The Group will continue to strengthen its customer service to provide superior quality service to the users, and strive to achieve the fastest response times and highest customer satisfaction levels in the industry. The major suppliers of the Group mainly provide package materials for the Group's applications software products and bandwidth services to the Group. The Group has established long-term relationships with the major suppliers of the Group to ensure the stable and sustainable supplies for the businesses of the Group.

None of the Directors of the Company or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any beneficial interest in the Group's five largest customers and suppliers.

Environmental Policies and Performance

As a group providing internet services, the day-to-day business of the Group generally does not involve many environment issues. However the Group acknowledges the great importance of environment protection. To minimise the impact on the environment and natural resources generated from the operation of the Group, the Group has broadly implemented resource-recycling and energy-saving practices in its offices and branch premises, including its offices and premises in Zhuhai, Beijing, Chengdu and etc. Specifically, the Group (i) encouraged double-sided printing and multi-pages-per-sheet printing for office documents; (ii) encouraged its employees to collect waste paper and used batteries for recycling purpose; and (iii) encouraged its employees to turn off lights and computers before leaving the office.

Compliance with Relevant Laws and Regulations

The Group recognizes the importance of compliance with regulatory requirements. During the year ended 31 December 2015, the Group has complied, to the best of our knowledge, with Telecommunications Regulations, The Administrative Measures for Telecommunications Business Operating Licenses and other laws and regulations in relation to foreign investment, copy rights and etc., as well as Listing Rules and other applicable laws and regulations. The Group has been allocating system and staff resources to ensure ongoing compliance with laws, regulations and rules. The Legal Department and Compliance Department of the Group are mainly responsible for monitoring the operation of the Group to be in compliance with relevant laws and regulations.

Permitted Indemnity Provision

As of 31 December 2015, all Directors of the Company were covered under the liability insurance purchased by the Company for its Directors.

Related Party Transactions and Connected Transactions

1. Connected Transactions

Issue of Series B Preferred Shares by Kingsoft Cloud to the Company

For details of this connected transaction, please refer to the paragraph headed "Issue of Convertible Preferred Shares by a Subsidiary of the Company"on page 42 of this annual report.

Exercise of Kingsoft Warrant and Xiaomi Warrant

For details of this connected transaction, please refer to the paragraph headed "Exercise of a Subsidiary's Warrants by the Company and Xiaomi" on page 42–43 of this annual report.

Provision of Guarantee to Kingsoft Cloud Group

On 20 July 2015, the Company and Kingsoft Cloud Group entered into a guarantee framework agreement, pursuant to which the Group (excluding Kingsoft Cloud Group) plans to provide guarantee(s) and/or indemnity with an aggregate amount of up to RMB500 million in favour of Kingsoft Cloud Group for its loan facilities to be obtained from third parties, including financing leases or loans in relation to purchase of assets from third parties.

As described above, pursuant to Chapter 14A of the Listing Rules, Kingsoft Cloud is a connected subsidiary of the Company. Therefore, the entering into the guarantee framework agreement between the Company and Kingsoft Cloud Group constitutes a connected transaction of the Company under the Listing Rules. Each of the applicable percentage ratios (as defined in the Listing Rules) in respect of the transaction contemplated under the guarantee framework agreement exceeds 0.1% but is less than 5%. The transaction is subject to the announcement and annual review requirements, but exempted from the independent shareholders' approval under Chapter 14A of the Listing Rules.

For details of the connected transaction, please refer to the announcement of the Company dated 20 July 2015.

2. Structure Contracts

According to the Administrative Rules for Foreign Investments in Telecommunications Enterprises, which were issued on 11 December 2001 by the State Council and became effective on 1 January 2002, a foreign investor is currently prohibited from owning more than 50% of the equity interest in a Chinese entity that provides value-added telecommunications services. Internet content provision ("ICP") services are classified as value-added telecommunications businesses, and a commercial operator of such services must obtain an ICP license from the appropriate telecommunications authorities in order to carry on any commercial Internet content provision operations in China. In July 2006, the Ministry of Information and Industry of China issued a notice which prohibits ICP license holders from leasing, transferring or selling a telecommunications business operating license to any foreign investors in any form, or providing any resource, sites or facilities to any foreign investors for their illegal operation of telecommunications businesses in China. The notice also requires that ICP license holders and their shareholders directly own the domain names and trademarks used by such ICP license holders in their daily operations. Therefore, in order for us to be able to carry on our business in China, the Group entered into a series of structure contracts with Kingsoft Qijian, its shareholders Weiqin Qiu and Peili Lei, and Chendu Digital Entertainment, which enable the Group to exercise control over Kingsoft Qijian, Beijing Digital Entertainment and Chengdu Digital Entertainment and to consolidate these companies' financial results in our results. Beijing Digital Entertainment (which is wholly owned by Kingsoft Qijian) and Chengdu Digital Entertainment (which is owned as to 99% by Beijing Digital Entertainment and 1% by Weiqin Qiu) hold the requisite ICP licenses.

Pre-existing Structure Contracts during the 2015 financial year

To streamline the corporate structure of the Group, the Group has commenced an internal reorganization exercise. In 2010, the Group has (i) entered into structure contracts relating to Zhuhai Qiwen; and (ii) entered into structure contracts relating to Conew Technology. In 2011, the Group has (i) entered into structure contracts relating to Beijing Cheetah; (ii) entered into structure contracts relating to the Zhuhai Online Game; and (iii) as part of the Group's internal restructuring, also recloned the structure contracts in relation to Zhuhai Qiwen. In 2012, the Group has (i) entered into structure contracts relating to Beijing Network Technology; (ii) entered into structure contracts relating to Zhuhai Cloud Technology; (iii) entered into structure contracts relating to Chengdu Seasun Shiyou and Zhuhai Seasun Shiyou; (iv) as part of the Group's internal restructuring, also recloned the structure contracts in relation to Zhuhai Online Game and Beijing Cheetah. In 2013, the Group (i) entered into structure contracts relating to Antutu Technology; (ii) entered into structure contracts relating to Guangzhou Network; (iii) entered into structure contracts relating to Zhuhai Seasun Shiyou and Guangzhou Seasun Shiyou; (iv) as part of the Group's internal restructuring, also recloned the structure contracts in relation to Zhuhai Qiwen and Zhuhai Cloud Technology; and (v) as part of the Group's internal restructuring, the structure contracts in relation to Zhuhai Online Game has been cancelled in 2013. In 2014, as part of the Group's internal restructuring, the Group recloned the structure contracts in relation to Zhuhai Qiwen and Zhuhai Cloud Technology.

The risks for operating business with the contractual arrangements exist in the following aspects: (i) the PRC government may determine that the agreements under the contractual arrangements which established the structure for operating the Group's business in the PRC do not comply with the current and future PRC laws and regulations which impose restrictions on foreign investment in certain industries, such as value-added telecommunication service, online game operation and online publication service; (ii) the Group's structure contracts with relevant contractually-controlled entities and their shareholders may be less effective in providing operational control as compared to having direct ownership of those entities; (iii) the shareholders of the relevant contractually-controlled entities may have conflicts of interest with us, which could substantially affect the enforcement of the contractual arrangements; (iv) in the event of the imposition of statutory liens, bankruptcy or criminal proceedings against the shareholders of the relevant contractually-controlled entities, the Company may lose the ability to use a major portion of its assets; and (v) the contractual arrangements may be subject to scrutiny by the PRC tax authorities and if we or any contractually-controlled entities are required to pay any additional taxes could substantially reduce our consolidated net income. For details of such risks, please refer to the Company's prospectus. The Company has made and will continue to make efforts to keep abreast of the recent development of PRC laws and regulations on the contractual arrangement. In order to migrate the risks, the Company will consult the PRC legal advisors of the Company from time to time and un-wind the contractual arrangements in due course where applicable.

The structure contracts which were pre-existing during the 2015 financial year were as follows:

Structure Contracts relating to Kingsoft Qijian

(i) A loan agreement dated 30 March 2007 between Weiqin Qiu, Peili Lei and Chengdu Interactive Entertainment which provided for an interest free loan by Chengdu Interactive Entertainment of RMB1,200,000 to Weiqin Qiu and of RMB300,000 to Peili Lei, entirely for the purpose of repaying the loan provided by Zhuhai Software. The loans have no definite maturity date and Chengdu Interactive Entertainment may request repayment at any time. Weiqin Qiu and Peili Lei shall repay the loans by transferring the equity interest they hold in Kingsoft Qijian to Chengdu Interactive Entertainment or any person or entity as it may direct.

(ii) A shareholder voting agreement dated 30 March 2007 among Chengdu Interactive Entertainment, Weiqin Qiu, Peili Lei and Kingsoft Qijian, under which Weiqin Qiu and Peili Lei irrevocably entrust all of their shareholder rights in Kingsoft Qijian to Chengdu Interactive Entertainment, including but not limited to the voting rights and the right to nominate directors of Kingsoft Qijian.

(iii) A call option agreement dated 30 March 2007 among Weiqin Qiu, Peili Lei, Kingsoft Qijian and Chengdu Interactive Entertainment, under which Chengdu Interactive Entertainment was granted an exclusive irrevocable option to purchase, or designate a third party to purchase, part or all of Weiqin Qiu's and Peili Lei's equity interest in Kingsoft Qijian at anytime, at a nominal amount subject to applicable PRC laws.

(iv) An equity pledge agreement dated 30 March 2007 among Weiqin Qiu, Peili Lei, Chengdu Interactive Entertainment and Kingsoft Qijian, pursuant to which Weiqin Qiu and Peili Lei pledged all of their equity interests in Kingsoft Qijian (and any increase in their capital contributions) in favor of Chengdu Interactive Entertainment as security for the performance of their respective obligations under the above loan agreement, the shareholder voting agreement and the call option agreement, the performance by Kingsoft Qijian of its obligations under the above shareholder voting agreement and the call option agreement, the performance by Chengdu Digital Entertainment of its obligations under the intellectual property license agreements (as described below in "Structure Contracts relating to Chengdu Digital Entertainment") and the performance by Beijing Digital Entertainment (a domestic company wholly-owned by Kingsoft Qijian) of its obligations under the intellectual property license agreements (as described below).

(v) Zhuhai Software (as the licensor) and Beijing Digital Entertainment (as the licensee) entered into a framework intellectual property license agreement on 15 June 2007 for a term of 10 years from 1 January 2007 which will be automatically renewed for one year at the end of the term or any renewed term, unless the licensor notifies otherwise. Zhuhai Software agreed to enter into agreements to license certain intellectual property rights to Beijing Digital Entertainment on a case by case basis.

Structure Contracts relating to Chengdu Digital Entertainment

(i) A loan agreement dated 30 March 2007 between Weiqin Qiu and Chengdu Interactive Entertainment which provided for an interest free loan of RMB100,000 by Chengdu Interactive Entertainment to Weiqin Qiu entirely for the purpose of capital funding of Chengdu Digital Entertainment. The loan has no definite maturity date and Chengdu Interactive Entertainment may request repayment at any time. Weiqin Qiu shall repay the loan by transferring the equity interest she holds in Chengdu Digital Entertainment to Chengdu Interactive Entertainment or any person or entity nominated by Chengdu Interactive Entertainment.

(ii) A shareholder voting agreement dated 30 March 2007 among Chengdu Interactive Entertainment, Weiqin Qiu and Chengdu Digital Entertainment, under which Weiqin Qiu irrevocably entrusts all of her shareholder rights in Chengdu Digital Entertainment to Chengdu Interactive Entertainment, including but not limited to the voting rights and the right to nominate directors of Chengdu Digital Entertainment.

(iii) A call option agreement dated 30 March 2007 among Weiqin Qiu, Chengdu Digital Entertainment and Chengdu Interactive Entertainment, under which Chengdu Interactive Entertainment was granted an exclusive irrevocable option to purchase, or designate a third party to purchase, part or all of Weiqin Qiu's equity interest in Chengdu Digital Entertainment at any time, at a nominal amount subject to applicable PRC laws.

(iv) An equity pledge agreement dated 30 March 2007 among Weiqin Qiu, Chengdu Interactive Entertainment, Chengdu Digital Entertainment and Beijing Digital Entertainment, pursuant to which Weiqin Qiu pledged her 1% equity interest in Chengdu Digital Entertainment (and any increase in her capital contribution) in favor of Chengdu Interactive Entertainment as security for the performance of her obligations under the above loan agreement, shareholder voting agreement and call option agreement as well as the performance by Chengdu Digital Entertainment of its obligations under the above shareholder voting agreement, the call option agreement, and the intellectual property license agreements (as described below).

(v) Chengdu Interactive Entertainment (as the licensor) and Chengdu Digital Entertainment (as the licensee) entered into a framework intellectual property license agreement on 15 June 2007 for a term of 10 years from 1 January 2007 which will be automatically renewed for one year at the end of the term or any renewed term, unless the licensor notifies otherwise. Chengdu Interactive Entertainment agreed to enter into agreements to license certain intellectual property rights to Chengdu Digital Entertainment.

As Weiqin Qiu is the sister of Pak Kwan Kau, and Peili Lei is the aunt of Jun Lei, with Pak Kwan Kau and Jun Lei being our executive Directors when the above said structure contracts were signed and now our non-executive Directors, Weiqin Qiu and Peili Lei are associates of Pak Kwan Kau and Jun Lei, and therefore, are our connected persons. Accordingly, certain transactions under the structure contracts technically constituted connected transactions. The Company applied to the Stock Exchange for and was granted a specific waiver from strict compliance with the applicable disclosure and shareholders' approval requirements of Chapter 14A of the Listing Rules in relation to the transactions contemplated under the structure contracts for so long as the shares of the Company are listed on the Stock Exchange.

The independent non-executive Directors have reviewed the structure contracts relating to Kingsoft Qijian, Beijing Digital Entertainment and Chengdu Digital Entertainment and have confirmed that:

- these structure contracts remain unchanged and are consistent with their disclosure in the prospectus of the Company dated 24 September 2007;
- no dividends or other distributions were made by Kingsoft Qijian, Beijing Digital Entertainment, or Chengdu Digital Entertainment to the holders of their equity interests for the year ended 31 December 2015; and
- the terms of such structure contracts are fair and reasonable so far as the Group is concerned and in the interests of the shareholders and the Company as a whole.

Original Structure Contracts I relating to Zhuhai Qiwen

(i) A loan agreement dated 8 February 2010 was entered into between Weiqin Qiu, Jin Wang and Zhuhai Software which provided for interest free loans by Zhuhai Software of RMB8,000,000 to Weiqin Qiu and Jin Wang, entirely for the purpose of repaying the liabilities incurred by Weiqin Qiu and Jin Wang in acquiring the entire equity interest in Zhuhai Qiwen. The loans have no definite maturity date and Zhuhai Software may request repayment at any time. Weiqin Qiu and Jin Wang shall, subject to the applicable laws, repay the loans by transferring the equity interest they hold in Zhuhai Qiwen to Zhuhai Software or as it may direct.

(ii) A loan agreement dated 3 August 2010 among Weiqin Qiu, Jin Wang and Zhuhai Software which provided for interest free loans by Zhuhai Software of RMB60,000,000 to Weiqin Qiu and Jin Wang, entirely for the purpose of repaying the liabilities incurred by Weiqin Qiu and Jin Wang in acquiring the 88.235% equity interest in Zhuhai Qiwen. The loans have no definite maturity date and Zhuhai Software may request repayment at any time. Weiqin Qiu and Jin Wang shall, subject to the applicable laws, repay the loans by transferring the equity interest they hold in Zhuhai Qiwen to Zhuhai Software or as it may direct.

(iii) A shareholder voting entrustment agreement dated 8 February 2010 was entered into among Weiqin Qiu, Jin Wang, Zhuhai Software and Zhuhai Qiwen, under which Weiqin Qiu and Jin Wang irrevocably entrust all of their shareholder rights in Zhuhai Qiwen to Zhuhai Software, including but not limited to the voting rights and the right to nominate directors of Zhuhai Qiwen.

(iv) A call option agreement dated 8 February 2010 was entered into among Weiqin Qiu, Jin Wang, Zhuhai Software and Zhuhai Qiwen, under which Zhuhai Software was granted an exclusive irrevocable option to purchase, or designate a third party to purchase, part or all of Weiqin Qiu's and Jin Wang's equity interests in Zhuhai Qiwen at anytime, at a nominal amount subject to applicable PRC laws.

(v) An equity pledge agreement dated 8 February 2010 was entered into among Weiqin Qiu, Jin Wang, Zhuhai Software and Zhuhai Qiwen, pursuant to which Weiqin Qiu and Jin Wang pledged all of their equity interests in Zhuhai Qiwen (and any increase in their capital contribution) in favor of Zhuhai Software as security for the performance of their obligations under the above loan agreement dated 8 February 2010, shareholder voting agreement and call option agreement, and the performance of the obligation by Zhuhai Kingsoft Office, a domestic corporation wholly-owned by Zhuhai Qiwen, under the intellectual property license agreement (as described below).

(vi) An equity pledge agreement dated 3 August 2010 among Weiqin Qiu, Jin Wang, Zhuhai Software and Zhuhai Qiwen entered into following an increase of the authorized and paid-up capital of Zhuhai Qiwen, pursuant to which Weiqin Qiu and Jin Wang pledged all of their equity interests in Zhuhai Qiwen (and any increase in their capital contribution) in favor of Zhuhai Software as security for the performance of their obligations under the above loan agreements, shareholder voting agreement and call option agreement, and the performance by Zhuhai Kingsoft Office of its obligation under the intellectual property license agreement (as described below).

(vii) Zhuhai Software (as the licensor) and Zhuhai Kingsoft Office (as the licensee) entered into a framework intellectual property license agreement on 8 February 2010, for a term of 10 years from 22 October 2009 which will be automatically renewed for one year at the end of the term or any renewed term, unless the licensor notifies otherwise. Pursuant to the agreement, Zhuhai Software agreed to license certain intellectual property rights to and permitted Zhuhai Kingsoft Office to develop the value-added telecommunications services and other business as permitted by its scope of business.

As Jin Wang is the husband of Weiqin Qiu, and Weiqin Qiu is the sister of our Director, Pak Kwan Kau, Jin Wang and Weiqin Qiu are associates of Pak Kwan Kau, and therefore are our connected persons. Accordingly, transactions under the structure contracts relating to Zhuhai Qiwen technically constituted connected transactions.

The arrangement relating to Zhuhai Qiwen was substantially similar to the arrangement under the existing structure contracts relating to Kingsoft Qijian and Chengdu Digital Entertainment. Subject to the relevant disclosures in the annual report of the Company, cloning of structure contracts similar to those relating to Kingsoft Qijian and Chengdu Digital Entertainment will not be subject to the strict requirements of announcement and shareholders' approval under Chapter 14A of the Listing Rules.

The said structure contracts in relation to Zhuhai Qiwen were recloned in 2011, the details of which are disclosed herein below.

Original Structure Contracts II in relation to Zhuhai Qiwen

(i) Weiqin Qiu and each of the other 26 employees of our Group including Ke Ge, Qingyuan Zhang and Bin Xiao ("the 26 New Shareholders") entered into 26 equity transfer agreements on 30 November 2011, pursuant to which Weiqin Qiu transferred part of her equity interests in Zhuhai Qiwen to the 26 New Shareholders at the price calculated based on Weiqin Qiu's contribution amount in registered capital of Zhuhai Qiwen and percentage of the transferred equity interest to each of the 26 New Shareholders. In connection with the above equity transfer agreements, Weiqin Qiu, the 26 New Shareholders and Zhuhai Software entered into a debt assumption agreement on 30 November 2011, pursuant to which the 26 New Shareholders agreed to assume the liability of RMB13,957,896 which was the proportion liable to be paid by Weiqin Qiu to Zhuhai Software under the loan agreements dated 8 February 2010 and 3 August 2010 as a settlement for the transfer of 20.5263% registered capital in Zhuhai Qiwen from Weiqin Qiu.

(ii) Weiqin Qiu, Jin Wang and the 26 New Shareholders (collectively referred to as "New Shareholders") entered into a revised loan agreement ("New Loan Agreement") on 30 November 2011 to replace the loan agreements dated 8 February 2010 and 3 August 2010. Pursuant to the New Loan Agreement, Zhuhai Software provided interest free replacement loans of RMB68,000,000 to New Shareholders for the purpose of repaying the liability incurred by New Shareholders for the acquisition of the entire equity interests in Zhuhai Qiwen. The loans have no fixed maturity date, and Zhuhai Software may demand repayment at any time. Subject to the applicable laws, New Shareholders shall repay the loans by transferring their equity interests in Zhuhai Qiwen to Zhuhai Software or its designated third party.

(iii) New Shareholders, Zhuhai Software and Zhuhai Qiwen entered into a revised shareholder voting entrustment agreement on 30 November 2011 to replace the shareholder voting entrustment agreement ("New Shareholder Voting Agreement") dated 8 February 2010. Pursuant to the New Shareholder Voting Agreement, New Shareholders irrevocably entrusted their shareholder rights (including but not limited to the voting rights and the right to nominate executive directors of Zhuhai Qiwen) in Zhuhai Qiwen to any party designated by Zhuhai Software.

(iv) New Shareholders, Zhuhai Software and Zhuhai Qiwen entered into a call option agreement ("New Call Option Agreement") on 30 November 2011 to replace the call option agreement dated 8 February 2010. Pursuant to the New Call Option Agreement, Zhuhai Software was granted an irrevocable exclusive option to acquire, or designate a third party to acquire, all or part of the equity interests owned by New Shareholders in Zhuhai Qiwen at any time at an amount equal to the corresponding portion of liability borne by the respective New Shareholders under the New Loan Agreement.

(v) New Shareholders, Zhuhai Software and Zhuhai Qiwen entered into a revised equity pledge agreement (the "New Equity Pledge Agreement") on 30 November 2011 to replace the equity pledge agreement dated 8 February 2010 and 3 August 2010 respectively. Pursuant to the New Equity Pledge Agreement, New Shareholders agreed to pledge all equity interests they respectively held in Zhuhai Qiwen and any increase in capital contributions in favor of Zhuhai Software, as security for the performance of their obligations under the above New Loan Agreement, New Shareholder Voting Agreement and New Call Option Agreement dated 30 November 2011, and the performance of the obligations by Zhuhai Kingsoft Office under the intellectual property license agreement dated 8 February 2010.

(vi) Zhuhai Software, Beijing Office Software and New Shareholders entered into a debt transfer agreement ("Debt Transfer Agreement") on 29 December 2011, pursuant to which Zhuhai Software transferred the loan in the amount of RMB68,000,000 receivable from New Shareholders under the New Loan Agreement to Beijing Office Software for a cash consideration of RMB68,000,000 and hence New Shareholders were liable to Beijing Office Software for a loan totaling RMB68,000,000.

(vii) In connection with the Debt Transfer Agreement, Zhuhai Software, Zhuhai Qiwen, New Shareholders and Zhuhai Kingsoft Office entered into a termination agreement on 29 December 2011, pursuant to which Zhuhai Software, Zhuhai Qiwen, New Shareholders and Zhuhai Kingsoft Office agreed to terminate the following agreements, including (1) New Loan Agreement; (2) New Shareholder Voting Agreement; (3) New Call Option Agreement; (4) New Equity Pledge Agreement, and (5) the framework intellectual property license agreement entered into between Zhuhai Software and Zhuhai Kingsoft Office on 8 February 2010.

(viii) New Shareholders and Beijing Office Software entered into a loan agreement on 29 December 2011 to specify the debt arrangements under the Debt Transfer Agreement, pursuant to which Beijing Office Software provided interest free loans of RMB68,000,000 to New Shareholders. The loans have no fixed maturity date, and Beijing Office Software may demand repayment at any time. Subject to the PRC laws, New Shareholders shall repay the loans by transferring their equity interests in Zhuhai Qiwen to Beijing Office Software or its designated third party.

(ix) New Shareholders, Beijing Office Software and Zhuhai Qiwen entered into a shareholder voting entrustment agreement on 29 December 2011, pursuant to which New Shareholders irrevocably entrusted their shareholder rights (including but not limited to the voting rights and the right to nominate executive directors of Zhuhai Qiwen) in Zhuhai Qiwen to such person designated by Beijing Office Software.

(x) Beijing Office Software, New Shareholders and Zhuhai Qiwen entered into an exclusive option agreement on 29 December 2011, pursuant to which Beijing Office Software was granted an irrevocable exclusive option to acquire, or designate a third party to acquire, all or part of the equity interest owned by New Shareholders in Zhuhai Qiwen at any time at an amount equal to the corresponding portion of liability borne by the respective New Shareholders under a loan agreement entered into on 29 December 2011 as stated in (viii) above.

(xi) Beijing Office Software (as the licensor) and Zhuhai Kingsoft Office (as the licensee) entered into an intellectual property license agreement on 29 December 2011 for a term of 10 years from the date of the agreement which will be automatically renewed for one year at the end of the term or any renewed term, unless Beijing Office Software notifies otherwise, pursuant to which Beijing Office Software agreed to license to Zhuhai Kingsoft Office certain intellectual property rights.

(xii) New Shareholders, Beijing Office Software and Zhuhai Qiwen entered into an equity pledge agreement on 29 December 2011, pursuant to which New Shareholders agreed to pledge all equity interests they respectively held in Zhuhai Qiwen and any increase in their capital contribution in favor of Beijing Office Software as security for the performance of their obligations under the loan agreement, the shareholder voting entrustment agreement, the exclusive option agreement, the equity pledge agreement, and the performance of obligation by Zhuhai Kingsoft Office under the intellectual property license agreement dated 29 December 2011.

The arrangement relating to Zhuhai Qiwen was substantially similar to the arrangement under the existing structure contracts relating to Kingsoft Qijian and Chengdu Digital Entertainment. Subject to the relevant disclosures in the annual report of the Company, cloning of structure contracts similar to those relating to Kingsoft Qijian and Chengdu Digital Entertainment will not be subject to the strict requirements of announcement and shareholders' approval under Chapter 14A of the Listing Rules.

The said structure contracts in relation to Zhuhai Qiwen were recloned in 2013, the details of which are disclosed herein below.

Original Structure Contracts III in relation to Zhuhai Qiwen

(i) Ke Ge entered into equity transfer agreements with each of the other original shareholders except Weiqin Qiu, Jin Wang and Ke Ge (the "Transferors") of Zhuhai Qiwen on 30 July 2013, pursuant to which the Transferors transferred their entire equity interests in Zhuhai Qiwen to Ke Ge at the price calculated based on the Transferors' contribution amount in registered capital of Zhuhai Qiwen.

(ii) In connection with the above equity transfer agreements, Ke Ge, the Transferors and Beijing Office Software entered into a debt assumption agreement on 30 July 2013, pursuant to which Ke Ge agreed to assume the liability of RMB9,185,966 which was the proportion liable to be paid by the Transferors to Beijing Office Software under the loan agreements dated 29 December 2011 as a settlement for the transfer of 13.5088% of the registered capital in Zhuhai Qiwen from the Transferors.

(iii) In connection with the equity transfer agreements, 1) Weiqin Qiu, Jin Wang, and Ke Ge (collectively referred to as "New Shareholders"); 2) the Transferors; 3) Beijing Office Software; and 4) Zhuhai Qiwen entered into a termination agreement on 30 July 2013, pursuant to which New Shareholders, the Transferors, Beijing Office Software and Zhuhai Qiwen agreed to terminate the 1) loan agreement; 2) equity pledge agreement; 3) shareholder voting agreement; and 4) exclusive option agreement dated 29 December 2011.

(iv) New Shareholders and Beijing Office Software entered into a loan agreement on 30 July 2013, pursuant to which Beijing Office Software provided interest free replacement loans of RMB68,000,000 to New Shareholders for the purpose of repaying the liability incurred by New Shareholders for the acquisition of the entire equity interests in Zhuhai Qiwen. The loans have no fixed maturity date, and Beijing Office Software may demand repayment at any time. Subject to the applicable laws, New Shareholders shall repay the loans by transferring their equity interests in Zhuhai Qiwen to Beijing Office Software or its designated third party.

(v) New Shareholders, Beijing Office Software and Zhuhai Qiwen entered into an equity pledge agreement on 30 July 2013, pursuant to which New Shareholders agreed to pledge all equity interests they respectively held in Zhuhai Qiwen and any increase in their capital contribution in favor of Beijing Office Software as security for the performance of their obligations under the loan agreement, the shareholder voting entrustment agreement and the exclusive option agreement dated 30 July 2013, and the performance of obligation by Zhuhai Kingsoft Office under the intellectual property license agreement dated 29 December 2011.

(vi) New Shareholders, Beijing Office Software and Zhuhai Qiwen entered into a shareholder voting entrustment agreement on 30 July 2013, pursuant to which New Shareholders irrevocably entrusted their shareholder rights (including but not limited to the voting rights and the right to nominate executive directors of Zhuhai Qiwen) in Zhuhai Qiwen to person designated by Beijing Office Software.

(vii) Beijing Office Software, New Shareholders and Zhuhai Qiwen entered into an exclusive option agreement on 30 July 2013, pursuant to which Beijing Office Software was granted an irrevocable exclusive option to acquire, or designate a third party to acquire, all or part of the equity interest owned by New Shareholders in Zhuhai Qiwen at any time at an amount equal to the corresponding portion of liability borne by the respective New Shareholders under a loan agreement entered into on 30 July 2013 as stated in (iv) above.

The arrangement relating to Zhuhai Qiwen was substantially similar to the arrangement under the existing structure contracts relating to Kingsoft Qijian and Chengdu Digital Entertainment. Subject to the relevant disclosures in the annual report of the Company, cloning of structure contracts similar to those relating to Kingsoft Qijian and Chengdu Digital Entertainment will not be subject to the strict requirements of announcement and shareholders' approval under Chapter 14A of the Listing Rules.

The said structure contracts in relation to Zhuhai Qiwen were recloned in 2014, the details of which are disclosed herein below.

Original Structure Contracts IV in relation to Zhuhai Qiwen

(i) Weiqin Qiu and Jin Wang entered into equity transfer agreement on 26 June 2014, pursuant to which Jin Wang transferred 1% equity interests in Zhuhai Qiwen to Weiqin Qiu at a consideration of RMB680,000, calculated based on the Jin Wang's contribution amount in registered capital of Zhuhai Qiwen.

(ii) In connection with the above equity transfer agreement, Weiqin Qiu, Jin Wang and Beijing Office Software entered into a debt assumption agreement on 26 June 2014, pursuant to which Weiqin Qiu agreed to assume the liability of RMB680,000 which was the proportion liable to be paid by Jin Wang to Beijing Office Software under the loan agreements dated 30 July 2013 as a settlement for the transfer of 1% of the registered capital in Zhuhai Qiwen from Jin Wang.

(iii) In connection with the equity transfer agreements, 1) Weiqin Qiu, Jin Wang, and Ke Ge (collectively referred to as "Original Shareholders"); 2) Beijing Office Software; and 3) Zhuhai Qiwen entered into a termination agreement on 26 June 2014, pursuant to which Original Shareholders, Beijing Office Software and Zhuhai Qiwen agreed to terminate the 1) loan agreement; 2) equity pledge agreement; 3) shareholder voting agreement; and 4) exclusive option agreement dated 30 July 2013.

(iv) Weiqin Qiu and Ke Ge (collectively referred to as "New Shareholders") and Beijing Office Software entered into a loan agreement on 26 June 2014, pursuant to which Beijing Office Software provided interest free replacement loans of RMB68,000,000 to New Shareholders for the purpose of repaying the liability incurred by New Shareholders for the acquisition of the entire equity interests in Zhuhai Qiwen. The loans have no fixed maturity date, and Beijing Office Software may demand repayment at any time. Subject to the applicable laws, New Shareholders shall repay the loans by transferring their equity interests in Zhuhai Qiwen to Beijing Office Software or its designated third party.

(v) New Shareholders, Beijing Office Software and Zhuhai Qiwen entered into an equity pledge agreement on 26 June 2014, pursuant to which New Shareholders agreed to pledge all equity interests they respectively held in Zhuhai Qiwen and any increase in their capital contribution in favor of Beijing Office Software as security for the performance of their obligations under the loan agreement, the shareholder voting entrustment agreement and the exclusive option agreement dated 26 June 2014, and the performance of obligation by Zhuhai Kingsoft Office under the intellectual property license agreement dated 29 December 2011.

(vi) New Shareholders, Beijing Office Software and Zhuhai Qiwen entered into a shareholder voting entrustment agreement on 26 June 2014, pursuant to which New Shareholders irrevocably entrusted their shareholder rights (including but not limited to the voting rights and the right to nominate executive directors of Zhuhai Qiwen) in Zhuhai Qiwen to person designated by Beijing Office Software.

(vii) Beijing Office Software, New Shareholders and Zhuhai Qiwen entered into an exclusive option agreement on 26 June 2014, pursuant to which Beijing Office Software was granted an irrevocable exclusive option to acquire, or designate a third party to acquire, all or part of the equity interest owned by New Shareholders in Zhuhai Qiwen at any time at an amount equal to the corresponding portion of liability borne by the respective New Shareholders under a loan agreement entered into on 26 June 2014 as stated in (iv) above.

The arrangement relating to Zhuhai Qiwen was substantially similar to the arrangement under the existing structure contracts relating to Kingsoft Qijian and Chengdu Digital Entertainment. Subject to the relevant disclosures in the annual report of the Company, cloning of structure contracts similar to those relating to Kingsoft Qijian and Chengdu Digital Entertainment will not be subject to the strict requirements of announcement and shareholders' approval under Chapter 14A of the Listing Rules.

The said structure contracts in relation to Zhuhai Qiwen were cancelled in 2015, the details of which are disclosed herein below.

The independent non-executive Directors have reviewed the structure contracts in relation to Zhuhai Qiwen, and have confirmed that:

- these structure contracts are similar and consistent with those as disclosed in the prospectus of the Company dated 24 September 2007;
- no dividends or any other distributions to the holders of their equity interests were made by Zhuhai Qiwen for the year ended 31 December 2015; and
- the terms of such structure contracts are fair and reasonable so far as the Group is concerned and in the interests of the shareholders and the Company as a whole.

Structure Contracts relating to Conew Technology

(i) Each of Sheng Fu and Ming Xu executed a power of attorney dated 25 August 2010 in favour of Conew Network, under which each of Sheng Fu and Ming Xu irrevocably entrusted all his shareholder rights in Conew Technology to Conew Network, including but not limited to the voting rights and the right to nominate directors of Conew Technology.

(ii) A call option agreement dated 25 August 2010 between Sheng Fu and Conew Network, under which Conew Network was granted an exclusive irrevocable option to purchase, or designate a third party to purchase, part or all of Sheng Fu's equity interest in Conew Technology at anytime, at a nominal amount subject to applicable PRC laws.

(iii) A call option agreement dated 25 August 2010 between Ming Xu and Conew Network, under which Conew Network was granted an exclusive irrevocable option to purchase, or designate a third party to purchase, part or all of Ming Xu's equity interest in Conew Technology at anytime, at a nominal amount subject to applicable PRC laws.

(iv) An equity pledge agreement dated 25 August 2010 among Sheng Fu, Ming Xu and Conew Network, pursuant to which each of Sheng Fu and Ming Xu pledged all of their equity interests in Conew Technology (and any increase in their capital contributions) in favor of Conew Network as security for their obligations and Conew Technology's performance of its obligations under the above call option agreements, and the performance by Conew Technology of its obligations under the exclusive technology support and consultancy agreement (as described below) and the business operation agreement (as described below).

(v) Conew Network (as service provider) and Conew Technology entered into an exclusive technology support and consultancy agreement on 25 August 2010, which term commences from 24 April 2009 for an indefinite term, unless otherwise terminated by either party in accordance with the terms of the agreement.

(vi) Conew Network, Conew Technology, Sheng Fu and Ming Xu entered into a business operation agreement on 25 August 2010 for a term of 10 years, unless otherwise terminated by Conew Network. Conew Technology, Sheng Fu and Ming Xu shall extend the term of the agreement or enter into another business operation agreement with Conew Network upon request of Conew Network.

(vii) Conew Network has executed a financial support undertaking letter addressed to Conew Technology, pursuant to which Conew Network irrevocably undertakes to provide unlimited financial support to Conew Technology to the extent permissible under the applicable PRC laws and regulations, regardless of whether Conew Technology has incurred an operational loss. The form of financial support includes but is not limited to cash, entrusted loans and borrowings. Conew Network will not request repayment of any outstanding loans or borrowings from Conew Technology if Conew Technology or its shareholders do not have sufficient funds or are unable to repay such loans or borrowings. The letter is effective from the date of full execution of the other agreements in connection with the VIE structure until the earlier of (i) the date on which all of the equity interests of Conew Technology have been acquired by Conew Network or its designated representative(s), and (ii) the date on which Conew Network in its sole and absolute discretion unilaterally terminates this letter.

After the entering into of the structure contracts relating to Conew Technology and as part of the consideration for the transfer of Conew Technology, Sheng Fu has become a substantial shareholder of a subsidiary of the Company and thus a connected person of the Company.

The arrangement relating to Conew Technology was substantially similar to the arrangement under the existing structure contracts relating to Kingsoft Qijian and Chengdu Digital Entertainment. Subject to the relevant disclosures in the annual report of the Company, cloning of structure contracts similar to those relating to Kingsoft Qijian and Chengdu Digital Entertainment will not be subject to the strict requirements of announcement and shareholders' approval under Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the structure contracts relating to Conew Technology and have confirmed that:

- these structure contracts are similar and consistent with those as disclosed in the prospectus of the Company dated 24 September 2007;
- no dividends or other distributions were made by Conew Technology to the holders of their equity interest for the year ended 31 December 2014; and
- these structure contracts are fair and reasonable so far as the Group is concerned and in the interests of the Company and its shareholders as a whole.

Structure Contracts relating to Beijing Cheetah

(i) Sheng Fu, Weiqin Qiu and Beijing Security Software entered into a loan agreement on 1 January 2011, pursuant to which Beijing Security Software provided interest free loans of RMB700,000 to Sheng Fu and Weiqin Qiu for repaying the liability incurred by Sheng Fu and Weiqin Qiu for the acquisition of the entire registered capital in Beijing Cheetah. The loans have no fixed maturity date, and Beijing Security Software may demand repayment at any time. Subject to the PRC Laws, Sheng Fu and Weiqin Qiu shall repay the loans by transferring their equity interests in Beijing Cheetah to Beijing Security Software or its designated third party. Sheng Fu, Weiqin Qiu and Beijing Security Software entered into a loan agreement on 21 September 2012, pursuant to which Beijing Security Software provided interest free loans of RMB6,500,000 to Sheng Fu and Weiqin Qiu for repaying the liability incurred by Sheng Fu and Weiqin Qiu for the increase of the entire registered capital in Beijing Cheetah. The loans have no fixed maturity date, and Beijing Security Software may demand repayment at any time. Subject to the PRC Laws, Sheng Fu and Weiqin Qiu shall repay the loans by transferring their equity interests in Beijing Cheetah to Beijing Security Software or its designated third party.

(ii) Sheng Fu, Weiqin Qiu, Beijing Security Software and Beijing Cheetah entered into a shareholder voting entrustment agreement on 1 January 2011, pursuant to which Sheng Fu and Weiqin Qiu irrevocably entrusted their shareholder rights (including but not limited to the voting rights and the right to nominate executive directors of Beijing Cheetah) in Beijing Cheetah to persons designated by Beijing Security Software.

(iii) Sheng Fu, Weiqin Qiu, Beijing Security Software and Beijing Cheetah entered into an exclusive option agreement on 1 January 2011, pursuant to which Beijing Security Software was granted an irrevocable exclusive option to acquire, or designate a third party to acquire, all or part of the equity interests owned by Sheng Fu and Weiqin Qiu in Beijing Cheetah at any time at a nominal amount subject to applicable PRC laws.

(iv) Beijing Security Software and Beijing Cheetah entered into an exclusive technology development, support and consultation agreement on 1 January 2011, pursuant to which Beijing Security Software agreed to provide to Beijing Cheetah exclusively and Beijing Cheetah agreed to accept the technology development, support and consultation services exclusively provided by Beijing Security Software for an indefinite term unless otherwise terminated by both party in accordance with the terms of the agreement.

(v) Sheng Fu, Weiqin Qiu, Beijing Security Software and Beijing Cheetah entered into a business operation agreement on 1 January 2011, pursuant to which, Sheng Fu, Weiqin Qiu and Beijing Cheetah will make relevant undertakings and guarantee to Beijing Security Software for the daily operation of Beijing Cheetah for a term of 10 years, unless otherwise terminated by Beijing Security Software, to ensure that Beijing Cheetah would perform the obligations under the above exclusive technology development, support and consultation agreement entered into on the same date.

(vi) Sheng Fu, Weiqin Qiu, Beijing Security Software and Beijing Cheetah entered into an equity pledge agreement on 1 January 2011, pursuant to which, Sheng Fu and Weiqin Qiu agreed to pledge all equity interests they respectively held in Beijing Cheetah and any increase in capital contributions in favor of Beijing Security Software, as security for the performance of their obligations under the above loan agreement, shareholder voting entrustment agreement, exclusive option agreement, exclusive technology development, support and consultation agreement and business operation agreement dated 1 January 2011. In order to comply with the State Administration of Industry and Commerce's requirements relating to equity pledge registration, upon the completion of share registration of Beijing Cheetah, Sheng Fu, Weiqin Qiu, Beijing Security Software and Beijing Cheetah entered into further equity pledge agreement on 17 February 2011 with content substantially the same as the equity pledge agreement dated 1 January 2011. Sheng Fu, Weiqin Qiu, Beijing Security Software and Beijing Cheetah entered into a supplementary equity pledge agreement on 11 October 2012, pursuant to which, Sheng Fu and Weiqin Qiu agreed to pledge all equity interests they respectively held in Beijing Cheetah and any increase in capital contributions in favor of Beijing Security Software, as security for the performance of their obligations under the above loan agreement dated 21 September 2012, and loan agreement, shareholder voting entrustment agreement, exclusive option agreement, exclusive technology development, support and consultation agreement and business operation agreement dated 1 January 2011.

(vii) Beijing Security Software has executed a financial support undertaking letter addressed to Beijing Cheetah, pursuant to which Beijing Security Software irrevocably undertakes to provide unlimited financial support to Beijing Cheetah to the extent permissible under the applicable PRC laws and regulations, regardless of whether Beijing Cheetah has incurred an operational loss. The form of financial support includes but is not limited to cash, entrusted loans and borrowings. Beijing Security will not request repayment of any outstanding loans or borrowings from Beijing Cheetah if Beijing Cheetah or its shareholders do not have sufficient funds or are unable to repay such loans or borrowings. The letter is effective from the date of full execution of the other agreements in connection with the VIE structure until the earlier of (i) the date on which all of the equity interests of Beijing Cheetah have been acquired by Beijing Security Software or its designated representative(s), and (ii) the date on which Beijing Security Software in its sole and absolute discretion unilaterally terminates this letter.

The arrangement relating to Beijing Cheetah was substantially similar to the arrangement under the existing structure contracts relating to Kingsoft Qijian and Chengdu Digital Entertainment. Subject to the relevant disclosures in the annual report of the Company, cloning of structure contracts similar to those relating to Kingsoft Qijian and Chengdu Digital Entertainment will not be subject to the strict requirements of announcement and shareholders' approval under Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the structure contracts relating to Beijing Cheetah and have confirmed that:

- these structure contracts are similar and consistent with those as disclosed in the prospectus of the Company dated 24 September 2007;
- no dividends or other distributions were made by Beijing Cheetah to the holders of their equity interest for the year ended 31 December 2015; and
- these structure contracts are fair and reasonable so far as the Group is concerned and in the interests of the Company and its shareholders as a whole.

Structure Contracts Relating to Beijing Network Technology

(i) A loan agreement dated 20 June 2012 was entered into between Ming Xu, Wei Liu and Conew Network which provided for interest free loans by Conew Network of RMB10,000,000 to Ming Xu and Wei Liu, entirely for the purpose of repaying the liabilities incurred by Ming Xu and Wei Liu in establishing the entire registered capital in Beijing Network Technology. The loans have no definite maturity date and Conew Network may request repayment at any time. Ming Xu and Wei Liu shall, subject to the PRC Laws, repay the loans by transferring the equity interest they hold in Beijing Network Technology to Conew Network or as it may direct.

(ii) Ming Xu, Wei Liu, Conew Network and Beijing Network Technology entered into a shareholder voting entrustment agreement on 18 July 2012, pursuant to which Ming Xu and Wei Liu irrevocably entrusted their shareholder rights (including but not limited to the voting rights and the right to nominate executive directors of Beijing Network Technology) in Beijing Network Technology to such persons designated by Conew Network.

(iii) Ming Xu, Wei Liu, Conew Network and Beijing Network Technology entered into an exclusive option agreement on 18 July 2012, pursuant to which Conew Network was granted an irrevocable exclusive option to acquire, or designate a third party to acquire, all or part of the equity interest owned by Ming Xu and Wei Liu in Beijing Network Technology at any time at exercise price equal to the corresponding portion of liability of Conew Network borne by the respective existing shareholders under the loan agreement. However, if the lowest conversion price permitted by the PRC Laws is higher than the amounts of those liabilities, the conversion price shall be the lowest price permitted by the PRC Laws. Despite the above, the existing shareholders shall jointly waive the obligations of Conew Network for paying the shortfall in the case that the lowest price permitted by the PRC Laws is higher than the portion of liability, subject to the laws and regulations of the PRC.

(iv) Conew Network and Beijing Network Technology entered into an exclusive technology development, support and consultation agreement on 18 July 2012, pursuant to which Conew Network agreed, on the terms, conditions and pricing as required by the agreement, to provide to Beijing Network Technology exclusively and Beijing Network Technology agreed to accept the technology development, support and consultation services exclusively provided by Conew Network for an indefinite term unless otherwise terminated by both parties in accordance with the terms of the agreement.

(v) Ming Xu, Wei Liu, Conew Network and Beijing Network Technology entered into a business operation agreement on 18 July 2012, pursuant to which, Ming Xu, Wei Liu and Beijing Network Technology will make relevant undertakings and guarantee to Conew Network for the daily operation of Beijing Network Technology for a term of 10 years, unless otherwise terminated by Conew Network, to ensure that Beijing Network Technology would perform the obligations under the above exclusive technology development, support and consultation agreement entered into on the same date.

(vi) Ming Xu, Wei Liu, Conew Network and Beijing Network Technology entered into an equity pledge agreement on 18 July 2012, pursuant to which, Ming Xu and Wei Liu agreed to pledge all equity interests they respectively held in Beijing Network Technology and any increase in capital contributions in favor of Conew Network, as security for the performance of their obligations specified in above (i) to (v) in respect of the loan agreement, shareholder voting entrustment agreement, exclusive option agreement, exclusive technology development, support and consultation agreement and business operation agreement.

(vii) Conew Network has executed a financial support undertaking letter addressed to Beijing Network Technology, pursuant to which Conew Network irrevocably undertakes to provide unlimited financial support to Beijing Network Technology to the extent permissible under the applicable PRC laws and regulations, regardless of whether Beijing Network Technology has incurred an operational loss. The form of financial support includes but is not limited to cash, entrusted loans and borrowings. Conew Network will not request repayment of any outstanding loans or borrowings from Beijing Network Technology if Beijing Network Technology or its shareholders do not have sufficient funds or are unable to repay such loans or borrowings. The letter is effective from the date of full execution of the other agreements in connection with the VIE structure until the earlier of (i) the date on which all of the equity interests of Beijing Network Technology have been acquired by Conew Network or its designated representative(s), and (ii) the date on which Conew Network in its sole and absolute discretion unilaterally terminates this letter.

The arrangement relating to Beijing Network Technology was substantially similar to the arrangement under the existing structure contracts relating to Kingsoft Qijian and Chengdu Digital Entertainment. Subject to the relevant disclosures in the annual report of the Company, cloning of structure contracts similar to those relating to Kingsoft Qijian and Chengdu Digital Entertainment will not be subject to the strict requirements of announcement and shareholders' approval under Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the structure contracts relating to Beijing Network Technology and have confirmed that:

- these structure contracts are similar and consistent with those as disclosed in the prospectus of the Company dated 24 September 2007;
- no dividends or other distributions were made by Beijing Network Technology to the holders of their equity interest for the year ended 31 December 2015; and
- these structure contracts are fair and reasonable so far as the Group is concerned and in the interests of the Company and its shareholders as a whole.

Original Structure Contracts I Relating to Zhuhai Cloud Technology

(i) Weiqin Qiu, Jin Wang and Beijing Digital Entertainment entered into a loan agreement on 2 May 2012, pursuant to which Beijing Digital Entertainment provided interest free loans of RMB99,000 and RMB1,000 to Weiqin Qiu and Jin Wang respectively. The loans have no fixed maturity date, and Beijing Digital Entertainment may at any time demand repayment by transferring their equity interests in Zhuhai Qi Dun Security Software Limited (珠海奇盾安全軟件有限公司) subsequently renamed as Zhuhai Cloud Technology to Beijing Digital Entertainment or its designated third party. Moreover, the ratio of the transferred equity interests in Zhuhai Cloud Technology to the equity interests in Zhuhai Cloud Technology held by these borrowers on the date of signing the loan agreement shall be the same as that of the requested repayment to the loans of these borrowers on the date of signing the loan agreement.

(ii) Weiqin Qiu, Jin Wang, Beijing Digital Entertainment and Zhuhai Cloud Technology entered into a shareholder voting entrustment agreement on 2 May 2012, pursuant to which Weiqin Qiu and Jin Wang irrevocably entrusted their shareholder rights (including but not limited to the voting rights and the right to designate and nominate the senior management (such as executive directors and managers) of Zhuhai Cloud Technology) in Zhuhai Cloud Technology to Beijing Digital Entertainment.

(iii) Weiqin Qiu, Jin Wang, Beijing Digital Entertainment and Zhuhai Cloud Technology entered into an exclusive option agreement on 2 May 2012, pursuant to which Beijing Digital Entertainment was granted an irrevocable exclusive option to acquire, or designate a third party to acquire, all or part of the equity interest owned by Weiqin Qiu and Jin Wang in Zhuhai Cloud Technology at any time. The exercise price shall equal to the corresponding portion of liability of Beijing Digital Entertainment borne by Weiqin Qiu and Jin Wang respectively under the above loan agreement. However, if the lowest conversion price permitted by the PRC Laws is higher than the amounts of those liabilities, the exercise price shall be the lowest price permitted by the PRC Laws. Despite the above, Weiqin Qiu and Jin Wang shall jointly waive the obligations of Beijing Digital Entertainment for paying the shortfall in the case that the lowest price permitted by the PRC Laws is higher than the portion of liability, subject to the laws and regulations of the PRC.

(iv) Weiqin Qiu, Jin Wang, Beijing Digital Entertainment and Zhuhai Cloud Technology entered into an equity pledge agreement on 2 May 2012, pursuant to which, Weiqin Qiu and Jin Wang agreed to pledge all equity interests they respectively held in Zhuhai Cloud Technology and any increase in capital contributions in favor of Beijing Digital Entertainment, as security for the performance of their respective obligations under the above loan agreement, shareholder voting entrustment agreement and exclusive option agreement, and for the performance of obligations by Zhuhai Cloud Technology under the above shareholder voting entrustment agreement and exclusive option agreement.

(v) Weiqin Qiu, Jin Wang, Beijing Digital Entertainment and Zhuhai Cloud Technology entered into the restated and revised shareholder voting entrustment agreement on 12 June 2012, pursuant to which Weiqin Qiu and Jin Wang irrevocably entrusted their shareholder rights (including but not limited to the voting rights and the right to designate and nominate the senior management (such as executive directors and managers) of Zhuhai Cloud Technology) in Zhuhai Cloud Technology to Beijing Digital Entertainment.

(vi) Weiqin Qiu, Jin Wang, Beijing Digital Entertainment and Zhuhai Cloud Technology entered into the restated and revised exclusive option agreement on 12 June 2012, pursuant to which Beijing Digital Entertainment was granted an irrevocable exclusive option to acquire, or designate a third party to acquire, all or part of the equity interest owned by Weiqin Qiu and Jin Wang in Zhuhai Cloud Technology at any time. The exercise price shall equal to the corresponding portion of liability of Beijing Digital Entertainment borne by Weiqin Qiu and Jin Wang respectively under the above loan agreement. However, if the lowest conversion price permitted by the PRC Laws is higher than the amounts of those liabilities, the conversion price shall be the lowest price permitted by the PRC Laws. Despite the above, Weiqin Qiu and Jin Wang shall jointly waive the obligations of Beijing Digital Entertainment for paying the shortfall in the case that the lowest conversion price permitted by the PRC Laws is higher than the portion of liability, subject to the laws and regulations of the PRC.

(vii) Weiqin Qiu, Jin Wang, Beijing Digital Entertainment and Zhuhai Cloud Technology entered into an equity pledge agreement on 12 June 2012, pursuant to which, Weiqin Qiu and Jin Wang agreed to pledge all equity interests they respectively held in Zhuhai Cloud Technology and any increase in capital contributions in favor of Beijing Digital Entertainment, as security for the performance of their respective obligations under the above loan agreement, shareholder voting entrustment agreement and exclusive option agreement, and for the performance of obligations by Zhuhai Cloud Technology under the above shareholder voting entrustment agreement and exclusive option agreement.

(viii) Weiqin Qiu, Jin Wang, Beijing Digital Entertainment and Beijing Cloud Technology entered into a debt assignment agreement on 9 November 2012, pursuant to which Beijing Digital Entertainment assigned the debts with an aggregate amount of RMB100,000 borne by Weiqin Qiu and Jin Wang to Beijing Cloud Technology, therefore, Beijing Cloud Technology owned the debts of an aggregate amount of RMB100,000 borne by Weiqin Qiu and Jin Wang.

(ix) Weiqin Qiu, Jin Wang and Beijing Cloud Technology entered into a loan agreement on 9 November 2012, pursuant to which Beijing Cloud Technology provided interest free loans of RMB99,000 and RMB1,000 to Weiqin Qiu and Jin Wang respectively. The loans have no fixed maturity date, and Beijing Cloud Technology may at any time demand repayment by transferring their equity interests in Zhuhai Cloud Technology to Beijing Cloud Technology or its designated third party. Moreover, the ratio of the transferred equity interests in Zhuhai Cloud Technology to the equity interests in Zhuhai Cloud Technology held by these borrowers on the date of signing the loan agreement shall be the same as that of the requested repayment to the loans of these borrowers on the date of signing the loan agreement.

(x) Weiqin Qiu, Jin Wang, 19 existing employees of the Group, Beijing Digital Entertainment (the above 21 natural persons and Beijing Digital Entertainment, collectively referred to as "All Shareholders of Zhuhai Cloud Technology"), Zhuhai Cloud Technology and Beijing Cloud Technology entered into a shareholder voting entrustment agreement on 9 November 2012, pursuant to which All Shareholders of Zhuhai Cloud Technology irrevocably entrusted their shareholder rights (including but not limited to the voting rights and the right to designate and nominate the senior management (such as executive directors and managers) of Zhuhai Cloud Technology) in Zhuhai Cloud Technology to Beijing Cloud Technology.

(xi) All Shareholders of Zhuhai Cloud Technology, Zhuhai Cloud Technology and Beijing Cloud Technology entered into an exclusive option agreement on 9 November 2012, pursuant to which Beijing Cloud Technology was granted an irrevocable exclusive option to acquire, or designate a third party to acquire, all or part of the equity interest owned by All Shareholders of Zhuhai Cloud Technology in Zhuhai Cloud Technology at any time. The exercise price in respect of the equity interests of Weiqin Qiu and Jin Wang shall equal to the corresponding portion of liability of Beijing Digital Entertainment borne by Weiqin Qiu and Jin Wang respectively under the above loan agreement. However, if the lowest conversion price permitted by the PRC Laws is higher than the amounts of those liabilities, the conversion price shall be the lowest price permitted by the PRC Laws. Despite the above, Weiqin Qiu and Jin Wang shall jointly waive the obligations of Beijing Digital Entertainment for paying the shortfall in the case that the lowest conversion price permitted by the PRC Laws is higher than the portion of liability, subject to the laws and regulations of the PRC. The exercise price in respect of equity interests of shareholders other than Weiqin Qiu and Jin Wang shall be RMB1(one). However, if there are any mandatory requirements imposed by the PRC Laws in respect of the conversion price, the conversion price shall be the lowest price permitted by the PRC Laws. Despite the above, the existing shareholders shall jointly waive the obligations of Beijing Cloud Technology for paying the shortfall in the case that the lowest conversion price permitted by the PRC Laws is higher than RMB1(one), subject to the laws and regulations of the PRC.

(xii) All Shareholders of Zhuhai Cloud Technology, Zhuhai Cloud Technology and Beijing Cloud Technology entered into an equity pledge agreement on 9 November 2012, pursuant to which, All Shareholders of Zhuhai Cloud Technology, agreed to pledge all equity interests they respectively held in Zhuhai Cloud Technology and any increase in capital contributions in favor of Beijing Cloud Technology, as security for the performance of their respective obligations under the above loan agreement, shareholder voting entrustment agreement and exclusive option agreement, for the performance of obligations by Zhuhai Cloud Technology under the above shareholder voting entrustment agreement and exclusive option agreement, and for the performance of obligations by Beijing Cloud Network which is wholly owned by Zhuhai Cloud Technology under the exclusive consultation and technological services agreement.

(xiii) Beijing Cloud Network and Beijing Cloud Technology entered into an exclusive consultation and technological services agreement on 9 November 2012, pursuant to which Beijing Cloud Technology provided exclusive services related to the business of Beijing Cloud Network to Beijing Cloud Network and Beijing Cloud Network shall pay the service fee to Beijing Cloud Technology on an annual basis. The relevant service fees shall comprise of the results service fee (the remaining 100% of business income of Beijing Cloud Network for the year, net of the mutually agreed business cost of Beijing Cloud Network) and the mutually-agreed service fee (for the specified consultation services and technology services provided by Beijing Cloud Technology at the request of Beijing Cloud Network from time to time). Beijing Cloud Technology shall be entitled to the rights to adjust the above service fees at its discretion.

The arrangement relating to Zhuhai Cloud Technology was substantially similar to the arrangement under the existing structure contracts relating to Kingsoft Qijian and Chengdu Digital Entertainment. Subject to the relevant disclosures in the annual report of the Company, cloning of structure contracts similar to those relating to Kingsoft Qijian and Chengdu Digital Entertainment will not be subject to the strict requirements of announcement and shareholders' approval under Chapter 14A of the Listing Rules.

The said structure contracts in relation to Zhuhai Cloud Technology were recloned in 2013, the details of which are disclosed herein below.

Original Structure Contracts II Relating to Zhuhai Cloud Technology

(i) Yang Gang and 18 existing employees of the Group separately entered into 18 equity transfer agreements on 28 January 2013, 1 February 2013, 19 February 2013, and 4 March 2013, pursuant to which 18 existing employees respectively transfer their entire equity interest to Yang Gang.

(ii) Weiqin Qiu, Jin Wang, Yang Gang, Beijing Digital Entertainment (the above 3 natural persons and Beijing Digital Entertainment, collectively referred to as "All New Shareholders of Zhuhai Cloud Technology"), Zhuhai Cloud Technology, Beijing Cloud Technology and all the other natural person shareholders of Zhuhai Cloud Technology at the time entered into a termination agreement on 28 January 2013, pursuant to which all parties agreed to terminate the 1) Equity Pledge Agreement; 2) Shareholder Voting Agreement; and 3) Exclusive Option Agreement dated 9 November 2012.

(iii) All New Shareholders of Zhuhai Cloud Technology, Zhuhai Cloud Technology and Beijing Cloud Technology entered into a shareholder voting entrustment agreement on 18 March 2013, pursuant to which All New Shareholders of Zhuhai Cloud Technology irrevocably entrusted their shareholder rights (including but not limited to the voting rights and the right to designate and nominate the senior management (such as executive directors and managers of Zhuhai Cloud Technology) in Zhuhai Cloud Technology to Beijing Cloud Technology.

(iv) All New Shareholders of Zhuhai Cloud Technology, Zhuhai Cloud Technology and Beijing Cloud Technology entered into an exclusive option agreement on 18 March 2013, pursuant to which Beijing Cloud Technology was granted an irrevocable exclusive option to acquire, or designate a third party to acquire, all or part of the equity interest owned by All New Shareholders of Zhuhai Cloud Technology in Zhuhai Cloud Technology at any time. The exercise price in respect of the equity interests of Weiqin Qiu and Jin Wang shall equal to the corresponding portion of liability of Beijing Cloud Technology borne by Weiqin Qiu and Jin Wang respectively under the loan agreement (as described above in "Original Structure Contracts Relating to Zhuhai Cloud Technology" (ix)). However, if the lowest conversion price permitted by the PRC Laws is higher than the amounts of those liabilities, the conversion price shall be the lowest price permitted by the PRC Laws. Despite the above, Weiqin Qiu and Jin Wang shall jointly waive the obligations of Beijing Cloud Technology for paying the shortfall in the case that the lowest conversion price permitted by the PRC Laws is higher than the portion of liability, subject to the laws and regulations of the PRC. The exercise price in respect of equity interests of shareholders other than Weiqin Qiu and Jin Wang shall be RMB1(one). However, if there are any mandatory requirements imposed by the PRC Laws in respect of the conversion price, the conversion price shall be the lowest price permitted by the PRC Laws. Despite the above, the existing shareholders shall jointly waive the obligations of Beijing Cloud Technology for paying the shortfall in the case that the lowest conversion price permitted by the PRC Laws is higher than RMB1(one), subject to the laws and regulations of the PRC.

(v) All New Shareholders of Zhuhai Cloud Technology, Zhuhai Cloud Technology and Beijing Cloud Technology entered into an equity pledge agreement on 18 March 2013, pursuant to which, All New Shareholders of Zhuhai Cloud Technology, agreed to pledge all equity interests they respectively held in Zhuhai Cloud Technology and any increase in capital contributions in favor of Beijing Cloud Technology, as security for the performance of their respective obligations under the above loan agreement, shareholder voting entrustment agreement and exclusive option agreement, for the performance of obligations by Zhuhai Cloud Technology under the above shareholder voting entrustment agreement and exclusive option agreement, and for the performance of obligations by Beijing Cloud Network under the exclusive consultation and technological services agreement.

The arrangement relating to Zhuhai Cloud Technology was substantially similar to the arrangement under the existing structure contracts relating to Kingsoft Qijian and Chengdu Digital Entertainment. Subject to the relevant disclosures in the annual report of the Company, cloning of structure contracts similar to those relating to Kingsoft Qijian and Chengdu Digital Entertainment will not be subject to the strict requirements of announcement and shareholders' approval under Chapter 14A of the Listing Rules.

The said structure contracts in relation to Zhuhai Cloud Technology were recloned in 2014, the details of which are disclosed herein below.

Original Structure Contracts III in relation to Zhuhai Cloud Technology

(i) Gang Yang and Jin Wang entered into equity transfer agreement with Weiqin Qiu on 13 June 2014 respectively, pursuant to which Gang Yang transferred 19.4946% shares in Zhuhai Cloud Technology to Weiqin Qiu at a consideration of RMB179,180; and Jin Wang transferred 0.009% shares in Zhuhai Cloud to Weiqin Qiu at a consideration of RMB1,000.

(ii) In connection with the above equity transfer agreement, Weiqin Qiu, Gang Yang and Beijing Digital Entertainment entered into a debt assumption agreement on 20 June 2014, pursuant to which Weiqin Qiu agreed to assume the liability of RMB179,180 which was the proportion liable to be paid by Gang Yang to Beijing Digital Entertainment under the loan agreement between them as a settlement for the transfer of 19.4946% of the registered capital in Beijing Digital Entertainment from Gang Yang. Weiqin Qiu, Jin Wang and Beijing Cloud Technology entered into a debt assumption agreement on 20 June 2014, pursuant to which Weiqin Qiu agreed to assume the liability of RMB1,000 which was the proportion liable to be paid by Jin Wang to Beijing Cloud Technology under the loan agreements dated 9 November 2012 as a settlement for the transfer of 0.0090% of the registered capital in Beijing Cloud Technology from Jin Wang.

(iii) In connection with the equity transfer agreements, 1) Weiqin Qiu, Jin Wang, and Gang Yang (collectively referred to as "Original Shareholders"); 2) Beijing Digital Entertainment and Zhuhai Cloud Technology; and 3) Beijing Cloud Technology entered into a termination agreement on 13 June 2014, pursuant to which Original Shareholders, Beijing Digital Entertainment, Zhuhai Cloud Technology and Beijing Cloud Technology agreed to terminate the 1) equity pledge agreement; 2) shareholder voting agreement; and 3) exclusive option agreement dated 18 March 2013.

(iv) Weiqin Qiu and Beijing Cloud Technology entered into a loan agreement on 20 June 2014, pursuant to which Beijing Cloud Technology provided interest free replacement loans of RMB179,180 to Weiqin Qiu for the purpose of repaying the liability incurred by her for the acquisition of the entire equity interests in Zhuhai Cloud Technology. The loans have no fixed maturity date, and Beijing Cloud Technology may demand repayment at any time. Subject to the applicable laws, Weiqin Qiu shall repay the loans by transferring their equity interests in Zhuhai Cloud Technology to Beijing Cloud Technology or its designated third party.

(v) Weiqin Qiu, Beijing Digital Entertainment (collectively referred to as "New Shareholders"), Zhuhai Cloud Technology and Beijing Cloud Technology entered into a shareholder voting entrustment agreement on 20 June 2014, pursuant to which all New Shareholders of Zhuhai Cloud Technology irrevocably entrusted their shareholder rights (including but not limited to the voting rights and the right to designate and nominate the senior management (such as executive directors and managers of Zhuhai Cloud Technology) in Zhuhai Cloud Technology to Beijing Cloud Technology.

(vi) All New Shareholders, Zhuhai Cloud Technology and Beijing Cloud Technology entered into an exclusive option agreement on 20 June 2014, pursuant to which Beijing Cloud Technology was granted an irrevocable exclusive option to acquire, or designate a third party to acquire, all or part of the equity interest owned by all New Shareholders of Zhuhai Cloud Technology in Zhuhai Cloud Technology at any time at an amount equal to the corresponding portion of liability borne by the respective New Shareholders under the loan agreement dated 20 June 2014.

(vii) All New Shareholders, Beijing Cloud Technology and Zhuhai Cloud Technology entered into an equity pledge agreement on 20 June 2014, pursuant to which New Shareholders agreed to pledge all equity interests they respectively held in Zhuhai Cloud Technology and any increase in their capital contribution in favor of Beijing Cloud Technology and Zhuhai Cloud Technology as security for the performance of their obligations under the loan agreement, the shareholder voting entrustment agreement and the exclusive option agreement dated 20 June 2014, and for the performance of obligations by Beijing Cloud Network under the exclusive consultation and technological services agreement with dated 9 November 2012.

The arrangement relating to Zhuhai Cloud Technology was substantially similar to the arrangement under the existing structure contracts relating to Kingsoft Qijian and Chengdu Digital Entertainment. Subject to the relevant disclosures in the annual report of the Company, cloning of structure contracts similar to those relating to Kingsoft Qijian and Chengdu Digital Entertainment will not be subject to the strict requirements of announcement and shareholders' approval under Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the structure contracts relating to Zhuhai Cloud Technology and have confirmed that:

- these structure contracts are similar and consistent with those as disclosed in the prospectus of the Company dated 24 September 2007;
- no dividends or other distributions were made by Zhuhai Cloud Technology to the holders of their equity interest for the year ended 31 December 2015; and
- these structure contracts are fair and reasonable so far as the Group is concerned and in the interests of the Company and its shareholders as a whole.

Structure Contracts Relating to Zhuhai Seasun Shiyou and Chengdu Seasun Shiyou

(i) Tao Zou, Weiqin Qiu and Chengdu Interactive Entertainment entered into a loan agreement on 3 September 2012, pursuant to which Chengdu Interactive Entertainment provided interest free loans of RMB10,000,000 to Tao Zou and Weiqin Qiu for repaying the liability incurred by Tao Zou and Weiqin Qiu for the acquisition of the entire registered capital in Zhuhai Seasun Shiyou. The loans have no fixed maturity date, and Chengdu Interactive Entertainment may demand repayment at any time. Subject to the PRC Laws, Tao Zou and Weiqin Qiu shall repay the loans by transferring their equity interests in Zhuhai Seasun Shiyou to Chengdu Interactive Entertainment or its designated third party.

(ii) Tao Zou, Weiqin Qiu, Chengdu Interactive Entertainment and Zhuhai Seasun Shiyou entered into a shareholder voting entrustment agreement on 3 September 2012, pursuant to which Tao Zou and Weiqin Qiu irrevocably entrusted their shareholder rights (including but not limited to the voting rights and the right to nominate executive directors of Zhuhai Seasun Shiyou) in Zhuhai Seasun Shiyou to such persons designated by Chengdu Interactive Entertainment.

(iii) Tao Zou, Weiqin Qiu, Chengdu Interactive Entertainment and Zhuhai Seasun Shiyou entered into an exclusive option agreement on 3 September 2012, pursuant to which Chengdu Interactive Entertainment was granted an irrevocable exclusive option to acquire, or designate a third party to acquire, all or part of the equity interest owned by Tao Zou and Weiqin Qiu in Zhuhai Seasun Shiyou at any time at an exercise price equal to the corresponding portion of liability of Chengdu Interactive Entertainment borne by Tao Zou and Weiqin Qiu under the loan agreement. However, if the lowest conversion price permitted by the PRC Laws is higher than the amounts of those liabilities, the exercise price shall be the lowest price permitted by the PRC Laws. Despite the above, Tao Zou and Weiqin Qiu shall jointly waive the obligations of Chengdu Interactive Entertainment for paying the shortfall in the case that the lowest price permitted by the PRC Laws is higher than the portion of liability, subject to the laws and regulations of the PRC. When the option is exercised by Chengdu Interactive Entertainment, Chengdu Interactive Entertainment is entitled to the rights to pay the exercise price by directly waiving the corresponding portion of liability of Chengdu Interactive Entertainment borne by Tao Zou and Weiqin Qiu. The ratio of the waived liability of Tao Zou and Weiqin Qiu to their total liabilities shall be the same as that of the transferred equity interest held by Tao Zou and Weiqin Qiu to their total equity interest in Zhuhai Seasun Shiyou.

(iv) Chengdu Interactive Entertainment and Chengdu Seasun Shiyou entered into an exclusive technology development, support and consultation agreement on 3 September 2012, pursuant to which Chengdu Interactive Entertainment agreed, on the terms, conditions and pricing as required by the agreement, to provide to Chengdu Seasun Shiyou exclusively and Chengdu Seasun Shiyou agreed to accept the technology development, support and consultation services exclusively provided by Chengdu Interactive Entertainment for an indefinite term unless otherwise terminated by Chengdu Interactive Entertainment in accordance with the terms of the agreement.

(v) Tao Zou, Weiqin Qiu, Zhuhai Seasun Shiyou, Chengdu Seasun Shiyou and Chengdu Interactive Entertainment entered into a business operation agreement on 3 September 2012, pursuant to which, Tao Zou, Weiqin Qiu, Zhuhai Seasun Shiyou and Chengdu Seasun Shiyou will make relevant undertakings and guarantee to Chengdu Interactive Entertainment for the daily operation of Chengdu Seasun Shiyou for a term of 10 years, unless otherwise terminated by Chengdu Interactive Entertainment, to ensure that Chengdu Seasun Shiyou would perform the obligations under the above exclusive technology development, support and consultation agreement entered into on the same date.

(vi) Tao Zou, Weiqin Qiu, Zhuhai Seasun Shiyou and Chengdu Interactive Entertainment entered into an equity pledge agreement on 3 September 2012, pursuant to which, Tao Zou and Weiqin Qiu agreed to pledge all equity interests they respectively held in Zhuhai Seasun Shiyou and any increase in capital contributions in favor of Chengdu Interactive Entertainment, and granted the priority of pledge compensation while Zhuhai Seasun Shiyou agreed to utilize these equity pledge arrangement as a security for the performance of their obligations under the above loan agreement, shareholder voting entrustment agreement, exclusive option agreement, exclusive technology development, support and consultation agreement and business operation agreement dated 3 September 2012 and the settlement in respect of the relevant guaranteed debts. Guaranteed debts represents all direct, indirect, resulting loss and expected interest loss arising from any default by Tao Zou, Weiqin Qiu, Zhuhai Seasun Shiyou and Chengdu Seasun Shiyou, and all expenses generated by Chengdu Interactive Entertainment for enforcing mandatory performance of all agreed obligations by Tao Zou, Weiqin Qiu, Zhuhai Seasun Shiyou under the above loan agreement, shareholder voting entrustment agreement, exclusive option agreement, exclusive technology development, support and consultation agreement and business operation agreement all dated 3 September 2012.

The arrangement relating to Zhuhai Seasun Shiyou and Chengdu Seasun Shiyou was substantially similar to the arrangement under the existing structure contracts relating to Kingsoft Qijian and Chengdu Digital Entertainment. Subject to the relevant disclosures in the annual report of the Company, cloning of structure contracts similar to those relating to Kingsoft Qijian and Chengdu Digital Entertainment will not be subject to the strict requirements of announcement and shareholders' approval under Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the structure contracts relating to Zhuhai Seasun Shiyou and Chengdu Seasun Shiyou, and have confirmed that:

- these structure contracts are similar and consistent with those as disclosed in the prospectus of the Company dated 24 September 2007;
- no dividends or any other distributions to the holders of their equity interests were made by Zhuhai Seasun Shiyou and Chengdu Seasun Shiyou for the year ended 31 December 2015; and
- the terms of such structure contracts are fair and reasonable so far as the Group is concerned and in the interests of the shareholders and the Company as a whole.

Structure Contracts Relating to Zhuhai Seasun Shiyou and Guangzhou Seasun Shiyou

(i) Chengdu Interactive Entertainment and Guangzhou Seasun Shiyou (a wholly owned subsidiary of Zhuhai Seasun Shiyou established on 29 May 2013) entered into an exclusive technology development, support and consultation agreement on 29 May 2013, pursuant to which Chengdu Interactive Entertainment agreed, on the terms, conditions and pricing as required by the agreement, to provide to Guangzhou Seasun Shiyou exclusively and Guangzhou Seasun Shiyou agreed to accept the technology development, support and consultation services exclusively provided by Chengdu Interactive Entertainment for an indefinite term unless otherwise terminated by Chengdu Interactive Entertainment in accordance with the terms of the agreement.

(ii) Tao Zou, Weiqin Qiu, Zhuhai Seasun Shiyou, Guangzhou Seasun Shiyou and Chengdu Interactive Entertainment entered into a business operation agreement on 29 May 2013, pursuant to which, Tao Zou, Weiqin Qiu, Zhuhai Seasun Shiyou and Guangzhou Seasun Shiyou will make relevant undertakings and guarantee to Chengdu Interactive Entertainment for the daily operation of Guangzhou Seasun Shiyou for a term of 10 years, unless otherwise terminated by Chengdu Interactive Entertainment, to ensure that Guangzhou Seasun Shiyou would perform the obligations under the above exclusive technology development, support and consultation agreement entered into on the same date.

The said structure contracts in relation to Zhuhai Seasun Shiyou and Guangzhou Seasun Shiyou were cancelled in 2015, the details of which are disclosed herein below.

The arrangement relating to Zhuhai Seasun Shiyou and Guangzhou Seasun Shiyou was substantially similar to the arrangement under the existing structure contracts relating to Kingsoft Qijian and Chengdu Digital Entertainment. Subject to the relevant disclosures in the annual report of the Company, cloning of structure contracts similar to those relating to Kingsoft Qijian and Chengdu Digital Entertainment will not be subject to the strict requirements of announcement and shareholders' approval under Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the structure contracts relating to Zhuhai Seasun Shiyou and Guangzhou Seasun Shiyou, and have confirmed that:

- these structure contracts are similar and consistent with those as disclosed in the prospectus of the Company dated 24 September 2007;
- no dividends or any other distributions to the holders of their equity interests were made by Zhuhai Seasun Shiyou and Guangzhou Seasun Shiyou for the year ended 31 December 2015; and
- the terms of such structure contracts are fair and reasonable so far as the Group is concerned and in the interests of the shareholders and the Company as a whole.

Structure Contracts Relating to Antutu Technology

(i) A loan agreement dated 7 June 2013 was entered into between Ming Xu, Wei Liu and Beijing Security Software which provided for interest free loans by Beijing Security Software of RMB3,000,000 to Ming Xu and Wei Liu, entirely for the purpose of repaying the liabilities incurred by Ming Xu and Wei Liu in establishing the entire registered capital in Antutu Technology. The loans have no definite maturity date and Beijing Security Software may request repayment at any time. Ming Xu and Wei Liu shall, subject to the PRC Laws, repay the loans by transferring the equity interest they hold in Antutu Technology to Beijing Security Software or as it may direct.

(ii) Ming Xu, Wei Liu, Beijing Security Software and Antutu Technology entered into a shareholder voting entrustment agreement on 14 June 2013, pursuant to which Ming Xu and Wei Liu irrevocably entrusted their shareholder rights (including but not limited to the voting rights and the right to nominate executive directors of Antutu Technology) in Antutu Technology to such persons designated by Beijing Security Software.

(iii) Ming Xu, Wei Liu, Beijing Security Software and Antutu Technology entered into an exclusive option agreement on 14 June 2013, pursuant to which Beijing Security Software was granted an irrevocable exclusive option to acquire, or designate a third party to acquire, all or part of the equity interest owned by Ming Xu and Wei Liu in Antutu Technology at any time at exercise price equal to the corresponding portion of liability of Beijing Security Software borne by the respective existing shareholders under the loan agreement. However, if the lowest conversion price permitted by the PRC Laws is higher than the amounts of those liabilities, the conversion price shall be the lowest price permitted by the PRC Laws. Despite the above, the existing shareholders shall jointly waive the obligations of Beijing Security Software for paying the shortfall in the case that the lowest price permitted by the PRC Laws is higher than the portion of liability, subject to the laws and regulations of the PRC.

(iv) Beijing Security Software and Antutu Technology entered into an exclusive technology development, support and consultation agreement on 14 June 2013, pursuant to which Beijing Security Software agreed, on the terms, conditions and pricing as required by the agreement, to provide to Antutu Technology exclusively and Antutu Technology agreed to accept the technology development, support and consultation services exclusively provided by Beijing Security Software for an indefinite term unless otherwise terminated by both parties in accordance with the terms of the agreement.

(v) Ming Xu, Wei Liu, Beijing Security Software and Antutu Technology entered into a business operation agreement on 14 June 2013, pursuant to which, Ming Xu, Wei Liu and Antutu Technology will make relevant undertakings and guarantee to Beijing Security Software for the daily operation of Antutu Technology for a term of 10 years, unless otherwise terminated by Beijing Security Software, to ensure that Antutu Technology would perform the obligations under the above exclusive technology development, support and consultation agreement entered into on the same date.

(vi) Ming Xu, Wei Liu, Beijing Security Software and Antutu Technology entered into an equity pledge agreement on 14 June 2013, pursuant to which, Ming Xu and Wei Liu agreed to pledge all equity interests they respectively held in Antutu Technology and any increase in capital contributions in favor of Beijing Security Software, as security for the performance of their obligations specified in above (i) to (v) in respect of the loan agreement, shareholder voting entrustment agreement, exclusive option agreement, exclusive technology development, support and consultation agreement and business operation agreement.

(vii) Beijing Cheetah has executed a financial support undertaking letter addressed to Antutu Technology, pursuant to which Beijing Security Software irrevocably undertakes to provide unlimited financial support to Antutu Technology to the extent permissible under the applicable PRC laws and regulations, regardless of whether Antutu Technology has incurred an operational loss. The form of financial support includes but is not limited to cash, entrusted loans and borrowings. Beijing Security Software will not request repayment of any outstanding loans or borrowings from Antutu Technology if Antutu Technology or its shareholders do not have sufficient funds or are unable to repay such loans or borrowings. The letter is effective from the date of full execution of the other agreements in connection with the VIE structure until the earlier of (i) the date on which all of the equity interests of Antutu Technology have been acquired by Beijing Security Software or its designated representative(s), and (ii) the date on which Beijing Security Software in its sole and absolute discretion unilaterally terminates this letter.

The said structure contracts in relation to Antutu Technology were cancelled in 2015, the details of which are disclosed herein below.

The arrangement relating to Antutu Technology was substantially similar to the arrangement under the existing structure contracts relating to Kingsoft Qijian and Chengdu Digital Entertainment. Subject to the relevant disclosures in the annual report of the Company, cloning of structure contracts similar to those relating to Kingsoft Qijian and Chengdu Digital Entertainment will not be subject to the strict requirements of announcement and shareholders' approval under Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the structure contracts relating to Antutu Technology, and have confirmed that:

- these structure contracts are similar and consistent with those as disclosed in the prospectus of the Company dated 24 September 2007;
- no dividends or any other distributions to the holders of their equity interests were made by Antutu Technology for the year ended 31 December 2015; and
- the terms of such structure contracts are fair and reasonable so far as the Group is concerned and in the interests of the shareholders and the Company as a whole.

Structure Contracts Relating to Guangzhou Network

(i) A loan agreement dated 5 August 2013 was entered into between Ming Xu, Weiqin Qiu and Beijing Security Software which provided for interest free loans by Beijing Security Software of RMB10,000,000 to Ming Xu and Weiqin Qiu, entirely for the purpose of repaying the liabilities incurred by Ming Xu and Weiqin Qiu in establishing the entire registered capital in Guangzhou Network. The loans have no definite maturity date and Beijing Security Software may request repayment at any time. Ming Xu and Weiqin Qiu shall, subject to the PRC Laws, repay the loans by transferring the equity interest they hold in Guangzhou Network to Beijing Security Software or as it may direct.

(ii) Ming Xu, Weiqin Qiu, Beijing Security Software and Guangzhou Network entered into a shareholder voting entrustment agreement on 1 September 2013, pursuant to which Ming Xu and Weiqin Qiu irrevocably entrusted their shareholder rights (including but not limited to the voting rights and the right to nominate executive directors of Guangzhou Network) in Guangzhou Network to such persons designated by Beijing Security Software.

(iii) Ming Xu, Weiqin Qiu, Beijing Security Software and Guangzhou Network entered into an exclusive option agreement on 1 September 2013, pursuant to which Beijing Security Software was granted an irrevocable exclusive option to acquire, or designate a third party to acquire, all or part of the equity interest owned by Ming Xu and Weiqin Qiu in Guangzhou Network at any time at exercise price equal to the corresponding portion of liability of Beijing Security Software borne by the respective existing shareholders under the loan agreement. However, if the lowest conversion price permitted by the PRC Laws is higher than the amounts of those liabilities, the conversion price shall be the lowest price permitted by the PRC Laws. Despite the above, the existing shareholders shall jointly waive the obligations of Beijing Security Software for paying the shortfall in the case that the lowest price permitted by the PRC Laws is higher than the portion of liability, subject to the laws and regulations of the PRC.

(iv) Beijing Security Software and Guangzhou Network entered into an exclusive technology development, support and consultation agreement on 1 September 2013, pursuant to which Beijing Security Software agreed, on the terms, conditions and pricing as required by the agreement, to provide to Guangzhou Network exclusively and Guangzhou Network agreed to accept the technology development, support and consultation services exclusively provided by Beijing Security Software for an indefinite term unless otherwise terminated by both parties in accordance with the terms of the agreement.

(v) Ming Xu, Weiqin Qiu, Beijing Security Software and Guangzhou Network entered into a business operation agreement on 1 September 2013, pursuant to which, Ming Xu, Weiqin Qiu and Guangzhou Network will make relevant undertakings and guarantee to Beijing Security Software for the daily operation of Guangzhou Network for a term of 10 years, unless otherwise terminated by Beijing Security Software, to ensure that Guangzhou Network would perform the obligations under the above exclusive technology development, support and consultation agreement entered into on the same date.

(vi) Ming Xu, Weiqin Qiu, Beijing Security Software and Guangzhou Network entered into an equity pledge agreement on 1 September 2013, pursuant to which, Ming Xu and Weiqin Qiu agreed to pledge all equity interests they respectively held in Guangzhou Network and any increase in capital contributions in favor of Beijing Security Software, as security for the performance of their obligations specified in above (i) to (v) in respect of the loan agreement, shareholder voting entrustment agreement, exclusive option agreement, exclusive technology development, support and consultation agreement and business operation agreement.

(vii) Beijing Security has executed a financial support undertaking letter addressed to Guangzhou Network, pursuant to which Beijing Security Software irrevocably undertakes to provide unlimited financial support to Guangzhou Network to the extent permissible under the applicable PRC laws and regulations, regardless of whether Guangzhou Network has incurred an operational loss. The form of financial support includes but is not limited to cash, entrusted loans and borrowings. Beijing Security Software will not request repayment of any outstanding loans or borrowings from Guangzhou Network if Guangzhou Network or its shareholders do not have sufficient funds or are unable to repay such loans or borrowings. The letter is effective from the date of full execution of the other agreements in connection with the VIE structure until the earlier of (i) the date on which all of the equity interests of Guangzhou Network have been acquired by Beijing Security Software or its designated representative(s), and (ii) the date on which Beijing Security Software in its sole and absolute discretion unilaterally terminates this letter.

The said structure contracts in relation to Guangzhou Network were cancelled in 2015, the details of which are disclosed herein below.

The arrangement relating to Guangzhou Network was substantially similar to the arrangement under the existing structure contracts relating to Kingsoft Qijian and Chengdu Digital Entertainment. Subject to the relevant disclosures in the annual report of the Company, cloning of structure contracts similar to those relating to Kingsoft Qijian and Chengdu Digital Entertainment will not be subject to the strict requirements of announcement and shareholders' approval under Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the structure contracts relating to Guangzhou Network, and have confirmed that:

- these structure contracts are similar and consistent with those as disclosed in the prospectus of the Company dated 24 September 2007;
- no dividends or any other distributions to the holders of their equity interests were made by Guangzhou Network for the year ended 31 December 2015; and
- the terms of such structure contracts are fair and reasonable so far as the Group is concerned and in the interests of the shareholders and the Company as a whole.

Changes to the Structure Contracts During the 2015 Financial Year

In 2015, as part of the Group's internal restructuring, the Group terminated the structure contracts and un-winded the contractual arrangement relating to Zhuhai Qiwen, Guangzhou Network and Antutu Technology. Such changes will migrate the risks of the Group for operating business with contractual arrangement.

3. Continuing Transactions and Continuing Connected Transactions

Continuing Connected Transactions with Xiaomi Group

On 1 December 2014, the Company and Xiaomi entered into a framework agreement. Pursuant to the framework agreement, (i) the Group will provide various services to Xiaomi Group, mainly including the cloud services and promotion services; (ii) Xiaomi Group will provide various services to the Group, mainly including the promotion services; (iii) the Group will jointly operate games with Xiaomi Group; and (iv) the Group will purchase Xiaomi Group's products, for a term of two years from 1 January 2015 to 31 December 2016.

Xiaomi is an associate of Mr. Jun LEI, a Director and substantial shareholder of the Company. As such, Xiaomi is a connected person of the Company. Therefore, the entering into the framework agreement between the Company and Xiaomi and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

For details of the continuing connected transactions, please refer to the announcement of the Company dated 1 December 2014.

The annual caps for the continuing connected transactions hereunder as compared with the actual transactions amounts incurred or received by the Group for the year ended 31 December 2015 are set out as follows:

	Annual Cap for 2015 RMB million	Actual Amount for 2015 RMB million
fees payable by Xiaomi Group		
Provision of comprehensive services by the Group, including:	500	126.77
(i) Provision of cloud services	450	126.66
(ii) Provision of promotion services by the Group	50	0.11
Joint operation of games provided by Group	45	25.90
fees payable by the Group		
Provision of services by Xiaomi Group	80	45.12
Joint operation of games provided by Xiaomi Group	8	0.92
Purchase of Xiaomi's products	30	15.98

Continuing Transactions involving Kingsoft Cloud Group

On 21 August 2014, Xiaomi acquired 161,688,000 preferred shares of Kingsoft Cloud from Apoletto Limited. Upon completion of the aforementioned acquisition, Xiaomi held approximately 20.76% equity interest in Kingsoft Cloud on the assumption that all the preferred shares of Kingsoft Cloud are fully converted into the ordinary shares of Kingsoft Cloud based on the conversion ratio of 1:1 and no shares under the employee stock incentive plans of Kingsoft Cloud are issued. Therefore, Kingsoft Cloud Group became connected subsidiaries of the Company by virtue of Rule 14A.16 of the Listing Rules.

Kingsoft Cloud Group and the Group (excluding Kingsoft Cloud Group) had entered into certain agreements in relation to ongoing transactions conducted on a regular and continuing basis before Kingsoft Cloud became a connected subsidiary of the Company. Such agreements and the transactions contemplated thereunder had become continuing connected transactions of the Company under the Listing Rules, in respect of which an announcement was published on 21 August 2014. Details of such agreements are summarized below:

(i) Pursuant to the cloud engine service rental agreement between Beijing Cloud Network and Zhuhai Kingsoft Office dated 10 May 2014, Zhuhai Kingsoft Office shall lease the cloud engine from Beijing Cloud Network for a term from 10 May 2014 to 9 May 2015. As from 1 January 2015 to the expiration of the agreement, the transactions under the agreement were subject to a framework agreement between the Company and Kingsoft Cloud, details of which are set out below in this section.

(ii) Pursuant to cloud engine service rental agreement between Beijing Cloud Network and Beijing Network Technology dated 19 May 2014, Beijing Network Technology shall lease the cloud engine from Beijing Cloud Network for a term from 19 May 2014 to 18 May 2015. As from 1 January 2015 to the expiration of the agreement, the transactions under the agreement were subject to a framework agreement between the Company and Kingsoft Cloud, details of which are set out below in this section.

(iii) Pursuant to the technology service agreement between Beijing Cloud Network and Beijing Office Software dated 1 July 2014, Beijing Office Software shall provide the end users with cloud storage space service in its designated software, and Beijing Cloud Network shall provide Beijing Office Software with bandwidth as well as cloud storage space necessary for the cloud storage space service for a term from 1 July 2014 to 30 June 2015. As from 1 January 2015 to the expiration of the agreement, the transactions under the agreement were subject to a framework agreement between the Company and Kingsoft Cloud, details of which are set out below in this section.

(iv) Pursuant to the cloud engine service rental agreement between Beijing Cloud Network and Chengdu Seasun Shiyou dated 12 July 2014, Chengdu Seasun Shiyou shall lease the cloud engine from Beijing Cloud Network for a term from 12 July 2014 to 11 July 2015. As from 1 January 2015 to the expiration of the agreement, the transactions under the agreement were subject to a framework agreement between the Company and Kingsoft Cloud, details of which are set out below in this section.

(v) Pursuant to the cloud engine service rental agreement between Beijing Cloud Network and Chengdu Seasun Shiyou dated 15 July 2014, Chengdu Seasun Shiyou shall lease the cloud engine from Beijing Cloud Network for a term from 15 July 2014 to 14 July 2015. As from 1 January 2015 to the expiration of the agreement, the transactions under the agreement were subject to a framework agreement between the Company and Kingsoft Cloud, details of which are set out below in this section.

(vi) Pursuant to the borrowing agreement between Kingsoft Cloud and the Company dated 15 March 2013, Kingsoft Cloud, as the lender, shall provide the loan in an amount of US$ 2,100,000 to the Company for supplementing its daily operation funding with an annual interest rate of 3% for a term of three years commencing from the borrowing remittance date. For the year ended 31 December 2015, the actual amount of the interest under this transaction was US$0.06 million.

(vii) Pursuant to the facility rental contract and supplemental agreement thereto between Beijing Cloud Network and Kingsoft Japan dated 1 January 2013, Kingsoft Japan shall lease the server facility from Beijing Cloud Network for its self-operated business in the PRC for a term from 1 January 2013 to 30 June 2016. For the year ended 31 December 2015, the transactions under the agreement were subject to a framework agreement between the Company and Kingsoft Cloud, details of which are set out below in this section.

(viii) Pursuant to the entrusted service agreement between Beijing Cloud Network and Chengdu Digital Entertainment dated 30 November 2012, Beijing Cloud Network shall entrust Chengdu Digital Entertainment to provide such services, including: Taobao order service description, Weibo private message service description and Kingsoft Kuaipan explicit link content review business description with cost plus certain profits for a term from 30 November 2012 to 29 November 2017. For the year ended 31 December 2015, the transactions under the agreement were subject to a framework agreement between the Company and Kingsoft Cloud, details of which are set out below in this section.

(ix) Pursuant to the entrusted loan agreement between Beijing Cloud Network and Chengdu Interactive Entertainment dated 1 January 2014, Chengdu Interactive Entertainment shall entrust Bank of East Asia (China) Limited, Beijing Branch to grant an entrusted loan of RMB13 million to Beijing Cloud Network with an annual interest rate of 4.2% for a term of three years commencing from the first withdrawal date. For the year ended 31 December 2015, the actual amount of the interest under this transaction was RMB0.55 million.

In order to regulate the ongoing transactions between the Group (excluding Kingsoft Cloud Group) and Kingsoft Cloud Group, the Company and Kingsoft Cloud entered into a framework agreement on 30 December 2014, pursuant to which, (i) the Group (excluding Kingsoft Cloud Group) will provide the comprehensive leasing services to Kingsoft Cloud Group, including but not limited to rent the office located and miscellaneous services such as administrative support; and (ii) Kingsoft Cloud Group will provide cloud services to the Group (excluding Kingsoft Cloud Group), including but not limited to the cloud storage and cloud computing services, for a term of three years ending 31 December 2017.

As stated above, Kingsoft Cloud is a connected subsidiary of the Company. Therefore, the entering into the framework agreement between the Company and Kingsoft Cloud and the transactions contemplated thereunder constitute continuing connected transactions of the Company. For details of the continuing connected transactions, please refer to the announcements of the Company dated 30 December 2014.

The annual caps for the continuing connected transactions under the framework agreement as compared with the actual transactions amounts incurred or received by the Group for the year ended 31 December 2015 are set out as follows:

	Annual Cap for 2015 RMB million	Actual Amount for 2015 RMB million
fees payable by Kingsoft Cloud Group		
provision of comprehensive leasing services by the Group (excluding Kingsoft Cloud Group):	15	8.98
fees payable by the Group (excluding Kingsoft Cloud Group)		
provision of cloud services by Kingsoft Cloud Group	21	6.71

Continuing Connected Transactions between Cheetah Group and Tencent Shenzhen

On 27 December 2013, Cheetah Mobile entered into a strategic cooperation agreement with Shenzhen Tencent Computer Systems Company Limited ("Tencent Shenzhen"), pursuant to which, Cheetah Group will provide promotion services to Tencent Holdings Limited ("Tencent") and its subsidiaries and their respective associates ("Tencent Group") for the a term of two years from 1 January 2014 to 31 December 2015. On 31 July 2014, Cheetah Mobile and Tencent Shenzhen entered into a supplemental agreement to revise the annual caps of the fees in respect of the provision of promotion services payable by Tencent Group to Cheetah Group for the two years ended 31 December 2015 were revised to RMB100 million and RMB105 million, respectively. On 30 January 2015, Cheetah Mobile and Tencent Shenzhen entered into a supplemental agreement to expand the scope of cooperation under the strategic cooperation agreement, pursuant to which Tencent Group will, through their products or platforms, provide various forms of promotion services to Cheetah Group. The annual cap with respect to the fees payable by Cheetah Group to Tencent Group for the year ended 31 December 2015 is RMB100 million. On 30 June 2015, Cheetah and Tencent Shenzhen entered into a supplemental agreement to revise the annual caps of the fees in respect of the provision of promotion services payable by Tencent Group to Cheetah Group for the year ended 31 December 2015 from RMB105 million to RMB250 million. On 5 November 2015, Cheetah and Tencent Shenzhen entered into a supplemental agreement to further revise the annual caps of the fees in respect of the provision of promotion services payable by Tencent Group to Cheetah Group for the year ended 31 December 2015 from 250 million to RMB340 million.

On 30 December 2015, Cheetah and Tencent Shenzhen entered into the new strategic cooperation agreement, pursuant to which, Cheetah Group will continue to provide promotion services to Tencent Group and Tencent Group will also continue to provide promotion services to Cheetah Group for a term of two years from 1 January 2016 to 31 December 2017.

TCH Copper Limited, a subsidiary of Tencent, is a substantial shareholder of Cheetah Mobil. Tencent Shenzhen is a subsidiary of Tencent. Therefor, Tencent Shenzhen is a connected person of the Company at the subsidiary level. As such, the transactions under the strategic cooperation agreement and its supplemental agreements constitute continuing connected transactions of the Company.

For details of the continuing connected transactions, please refer to the announcements of the Company dated 27 December 2013, 31 July 2014, 30 January 2015, 9 February 2015, 30 June 2015, 5 November 2015 and 30 December 2015.

The annual caps for the continuing connected transactions hereunder as compared with the actual transactions amounts incurred or received by the Group for the year ended 31 December 2015 are set out as follows:

	Annual Cap for 2015 RMB million	Actual Amount for 2015 RMB million
fees payable by Tencent Group		
provision of promotion services:	340	276.90
fees payable by Cheetah Group		
provision of promotion services:	100	39.24

Continuing Connected Transactions Joint Operation Framework Agreement for Games with Huaduo

On 23 May 2014, Chengdu Digital Entertainment entered into a game joint operation agreement with Guangzhou Huaduo Internet Technology Limited Zhuhai Branch ("Huaduo Zhuhai", 廣州華多網絡科技有限公司珠海分公司) for the joint operation of MaLaJiangHu — YY JiangHu (麻辣江湖 — YY江湖) on the website platform provided by Huaduo Zhuhai in the PRC, pursuant to which Chengdu Digital Entertainment agreed to provide the game contents and the relevant updates and Huaduo Zhuhai agreed to provide the website platform and the ancillary services.

On 30 December 2014 the Company and Guangzhou Huaduo Internet Technology Limited ("Huaduo", 廣州華多網絡科技有限公司) entered into a joint operation framework agreement for games. Pursuant to which, The Group and Huaduo Group will jointly operate the games developed and owned by the Group or the games licensed to be operated by the Group.

Huaduo and Huaduo Zhuhai are associates of Mr. Jun LEI, a Director and substantial shareholder of the Company, and accordingly, Huaduo is a connected person of the Company pursuant to the Listing Rules. Therefore, the transactions contemplated under the joint operation framework agreement and the joint operation framework agreement for games constitute continuing connected transactions of the Company under the Listing Rules.

For details of the continuing connected transactions, please refer to the announcements of the Company dated 23 May 2014 and 30 December 2014.

The annual caps for the continuing connected transactions hereunder as compared with the actual transactions amounts incurred or received by the Group for the year ended 31 December 2015 are set out as follows:

	Annual Cap for 2015 RMB million	Actual Amount for 2015 RMB million
Annual revenues of the Group	50	0.26

Continuing Connected Transactions among Cheetah Mobile, Beijing Security Software and Kingsoft Japan

On 1 December 2009, Beijing Security Software, a subsidiary of Cheetah Mobile, entered into the original licensing agreement with Kingsoft Japan, pursuant to which, Beijing Security Software granted Kingsoft Japan the exclusive right to use certain software technologies in consideration of payment of licensing fees. On 31 March 2012, the parties entered into a supplemental agreement to clarify, among other things, the scope of licensing and termination provisions. The term of the original licensing agreement will expire on 30 November 2015. On 12 November 2013, Cheetah Mobile, Beijing Security Software and Kingsoft Japan entered into a framework licensing agreement, pursuant to which (i) Cheetah Group (including Beijing Security Software) will grant Kingsoft Japan Group the exclusive right to use certain software technologies in consideration of payment of licensing fees; and (ii) Cheetah Group and Kingsoft Japan Group will jointly operate the mobile device products on certain mobile device platforms in the Japanese market. The exclusive right to use the software technologies will be granted in accordance with the terms set out in the original licensing agreement except for those specifically modified in the framework licensing agreement. The joint operation with respect to certain mobile device products will be carried out in accordance with the terms set out in the framework licensing agreement.

As at the date of the framework licensing agreement, TCH Saffron Limited, a subsidiary of Tencent, who was a substantial shareholder of the Company, carried more than 10% voting rights in Cheetah Mobile, therefore Cheetah Mobile was a connected subsidiary of the Company by virtue of Rule 14A.07 (5) of the Listing Rules. As such, the framework licensing agreement and the transactions contemplated thereunder constituted continuing connected transactions of the Company under the Listing Rules. On 16 January 2015, TCH Saffron Limited and Tencent ceased to be the substantial shareholder of the Company. Since then, Cheetah Mobile was no longer a connected subsidiary of the Company under the Listing Rules and the framework licensing agreement and the transactions contemplated thereunder were no longer continuing connected transactions of the Company. Please refer to the announcement of the Company dated 19 January 2015 for details.

For details of the continuing connected transactions, please refer to the announcements of the Company dated 28 June 2013 and 12 November 2013.

The annual caps for the continuing connected transactions hereunder as compared with the actual transactions amounts incurred or received by the Group for the period of January 2015 are set out as follows:

	Annual Cap for 2015 RMB million	**Actual Amount for the period of January 2015 RMB million**
the licensing fees in respect of the mobile device products payable by Kingsoft Japan Group to Cheetah Group	10	0
the licensing fees in respect of the personal computer platform products payable by Kingsoft Japan Group to Cheetah Group	8.5	0.24
the joint operation fees in respect of the mobile device products payable by Cheetah Group to Kingsoft Japan Group	2	0

Continuing Transactions involving Cheetah Mobile and its subsidiaries

On 27 December 2013, the Company and Cheetah Mobile entered into a cooperation framework agreement to regulate, among other things, the provision of services and the leasing transactions between the Group and Cheetah Group for a term of three years from 1 January 2014 to 31 December 2016. According to the cooperation framework agreement, i) the Group and Cheetah Group will mutually provide promotion services via one party's products and websites for the sale of the other party's products, including but not limited to, pre-installation, bundle promotion, joint operation and publishing online advertisement; ii) the Group and Cheetah Group will grant licenses to each other to use, among others, certain technologies, trademarks and software products; iii) the Group will provide property leasing and asset leasing to Cheetah Group and iv) the Group will provide miscellaneous services to Cheetah Group, including but not limited to, administration assistance services and technology support services. On 1 April 2014, the Company and Cheetah entered into a supplemental agreement to revise the original annual caps in relation to the promotion services. All existing major terms and conditions under the cooperation framework agreement remain unchanged.

On 15 October 2014, the Company and Cheetah entered into the joint operation framework agreement for games, pursuant to which, the Group (excluding Cheetah Group) and Cheetah Group will jointly operate the games developed and owned by the Group (excluding Cheetah Group) on the platforms provided by Cheetah Group, including but not limited to the website, software, PC products and mobile platform. The joint operation framework agreement for games has expired on 31 December 2015.

As at the date of the cooperation framework agreement and the joint operation framework agreement, TCH Saffron Limited, a subsidiary of Tencent, who was a substantial shareholder of the Company, carried more than 10% voting rights in Cheetah Mobile, therefore Cheetah Mobile was a connected subsidiary of the Company by virtue of Rule 14A.07 (5) of the Listing Rules. As such, the cooperation framework agreement, the joint operation framework agreement and the transactions contemplated thereunder constituted continuing connected transactions of the Company under the Listing Rules. On 16 January 2015, TCH Saffron Limited and Tencent ceased to be the substantial shareholder of the Company. Since then, Cheetah Mobile was no longer a connected subsidiary of the Company under the Listing Rules and the cooperation framework agreement the joint operation framework agreement, and the transactions contemplated thereunder were no longer continuing connected transactions of the Company. Please refer to the announcement of the Company dated 19 January 2015 for details.

For details of the continuing connected transactions, please refer to the announcements of the Company dated 27 December 2013, 1 April 2014 and 15 October 2014.

The annual caps for the continuing connected transactions hereunder as compared with the actual transactions amounts incurred or received by the Group for the period of January 2015 are set out as follows:

	Annual Cap for 2015 RMB million	**Actual Amount for the period of January 2015 RMB million**
fees payable by Cheetah Group		
provision of promotion services	55	2.42
Provision of licensing services	12.05	0
Leasing transaction	6	0.14
Provision of miscellaneous services	17.5	0.22
Joint operation in games	78	0.61
fees payable by the Group		
Provision of promotion services	62	0
Provision of licensing services	18.5	0

In respect of the above continuing connected transactions of the Group, the independent non-executive Directors have reviewed the related agreements and transactions contemplated thereunder and confirmed that these transactions:

(i) were entered into in the ordinary and usual course of business of the Group;

(ii) were conducted on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties;

(iii) were entered into in accordance with the terms of the respective agreements and were fair and reasonable and in the interests of the Company and its shareholders as a whole;

(iv) of which the aggregate annual amount were within the relevant annual caps (if any);

(v) have been conducted in accordance with the pricing policies or mechanisms under the framework agreement, including the pricing range, the process for determining the prices; and

(vi) for which the Group's internal control procedures are adequate and effective to ensure that transactions are so conducted.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Hong Kong Stock Exchange.

4. Related Party Transactions

Details of the related party transactions for the year are included in note 44 to the financial statements. Certain related party transactions disclosed in note 44 to the financial statements also constitute connected transactions or continuing connected transactions as disclosed above. Such certain transactions between connected persons and the Group as shown above have been entered into and/or are ongoing during the year and the Company had made relevant disclosures to the extent required in accordance with the requirements of the Listing Rules.

Compliance with the Code on Corporate Governance Practice

During the year ended 31 December 2015, the Company complied with all code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules with the exception of the deviation from code provision A.6.7 and C1.2. Please also refer to the Corporate Governance Report in this annual report for full details.

Auditors

The consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2015 has been audited by Ernst & Young, who will retire and, being eligible, offer themselves for reappointment at our forthcoming AGM.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, which would oblige our Company to offer new shares on a pro-rata basis to existing shareholders.

Significant Subsequent Events

Issue of Series C Preferred Shares by Kingsoft Cloud

On 5 February 2016, the Company, ChinaAMC Special Investment Limited ("AMC Investor"), IDG Investor, Kingsoft Cloud Group and other parties entered into a share purchase agreement, pursuant to which, among others, Kingsoft Cloud agreed to issue and the Company, AMC Investor and IDG Investor agreed to subscribe for 53,016,833, 44,851,680 and 4,423,784 Kingsoft Cloud Series C Preferred Shares, respectively, for a consideration of approximately US$31.10 million, US$26.31 million and US$2.59 million, respectively. For details of the issue, please refer to the announcement of the Company dated 5 February 2016.

Game Operation Agreement with Tencent Shenzhen

On 19 February 2016, Seasun Holdings and Tencent Shenzhen entered into the game operation agreement, pursuant to which, the Group will license Tencent Group to operate and Tencent Group will operate the on-line games developed and owned by the Group or the on-line games licensed to be operated by the Group. For details of the transaction, please refer to the announcement of the Company dated 19 February 2016.

Disposal of Shares in Zhigu to Xiaomi

On 26 February 2016, the Company entered into the share purchase agreement with Xiaomi and other shareholders of Zhigu Holdings Limited ("Zhigu"), pursuant to which, among other things, the Company agreed to sell and Xiaomi agreed to purchase 199,600,000 shares held by the Company in Zhigu (representing 23.08% of the equity interest of Zhigu as at 26 February 2016) at an aggregate consideration of US$7,485,000. Following the closing of the disposal, the Company will cease to hold any equity interest in Zhigu. For details of the disposal, please refer to the announcement of the Company dated 26 February 2016.

By order of the Board
Jun LEI
Chairman
The PRC, 22 March 2016

INDEPENDENT AUDITORS' REPORT

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TO THE MEMBERS OF KINGSOFT CORPORATION LIMITED
(Continued in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Kingsoft Corporation Limited (the "Company") and its subsidiaries set out on pages 76 to 216, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong

22 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
REVENUE	5	**5,676,106**	3,350,133
Cost of revenue		**(1,319,399)**	(589,655)
Gross profit		**4,356,707**	2,760,478
Research and development costs, net of government grants		**(1,347,566)**	(956,097)
Selling and distribution expenses		**(1,755,727)**	(797,416)
Administrative expenses		**(442,577)**	(297,412)
Share-based compensation costs	37	**(356,012)**	(201,922)
Other income	5	**147,364**	30,199
Other expenses		**(60,140)**	(29,873)
Other (losses)/gains, net	6	**(72,829)**	305,367
Finance income	8	**194,511**	238,900
Finance costs	9	**(78,067)**	(75,944)
Share of losses of:			
Joint ventures	19	**(24,005)**	(7,657)
Associates	20	**(19,299)**	(6,868)
PROFIT BEFORE TAX	7	**542,360**	961,755
Income tax expense	12	**(200,656)**	(95,188)
PROFIT FOR THE YEAR		**341,704**	866,567
Attributable to:			
Owners of the parent		**369,178**	768,783
Non-controlling interests		**(27,474)**	97,784
		341,704	866,567

		RMB	RMB
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14		
Basic		**0.29**	0.66
Diluted		**0.29**	0.63

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	NOTE	2015 RMB'000	2014 RMB'000
PROFIT FOR THE YEAR		**341,704**	866,567
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		**186,632**	(238,806)
Reclassification adjustments for gains or losses included in the consolidated statement of profit or loss			
— gain on disposal		**(940)**	(3,465)
— impairment losses		**25,891**	6,545
Income tax effects		**—**	4,367
Exchange differences on translation of foreign operations		**278,776**	(7,099)
Share of other comprehensive income/(loss) of an associate		**559**	(688)
NET OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**490,918**	(239,146)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**490,918**	(239,146)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**832,622**	627,421
Attributable to:			
Owners of the parent		**774,513**	538,769
Non-controlling interests		**58,109**	88,652
		832,622	627,421

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	NOTES	2015 RMB'000	2014 (Restated) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**966,079**	583,637
Prepaid land lease payments	16	**272,386**	281,066
Goodwill	17	**619,037**	267,288
Other intangible assets	18	**246,839**	197,425
Investments in joint ventures	19	**74,291**	118,153
Investments in associates	20	**250,009**	30,718
Available-for-sale investments	21	**2,226,302**	566,672
Other financial assets	22	**26,294**	10,063
Loan receivables	23	**12,971**	13,555
Deferred tax assets	35	**55,304**	77,988
Other non-current assets	24	**93,318**	162,770
Total non-current assets		**4,842,830**	2,309,335
CURRENT ASSETS			
Inventories	25	**5,371**	6,945
Trade receivables	26	**966,000**	411,137
Prepayments, deposits and other receivables	27	**837,398**	515,219
Available-for-sale investments	21	**50,000**	56,913
Other financial assets	22	**—**	78,378
Restricted cash	28	**130,187**	—
Pledged deposits	28	**46,657**	19,978
Cash and bank deposits	28	**8,606,434**	6,983,699
Total current assets		**10,642,047**	8,072,269
CURRENT LIABILITIES			
Trade payables	29	**185,417**	80,344
Other payables and accruals	30	**1,808,689**	931,437
Interest-bearing bank loans	31	**147,029**	15,778
Deferred revenue	32	**425,964**	310,983
Income tax payable		**137,416**	56,806
Total current liabilities		**2,704,515**	1,395,348
NET CURRENT ASSETS		**7,937,532**	6,676,921
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,780,362**	8,986,256

	NOTES	2015 RMB'000	2014 (Restated) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,780,362**	8,986,256
NON-CURRENT LIABILITIES			
Other liabilities	30	**72,105**	22,272
Deferred revenue	32	**24,141**	13,535
Deferred tax liabilities	35	**62,540**	41,583
Interest-bearing bank loans	31	**10,523**	—
Liability component of convertible bonds	33	**2,699,698**	2,792,322
Total non-current liabilities		**2,869,007**	2,869,712
Net assets		**9,911,355**	6,116,544
EQUITY			
Equity attributable to owners of the parent			
Issued capital	36	**5,092**	4,730
Share premium account	36	**2,474,663**	219,207
Treasury shares	36	**(34,766)**	(83,964)
Equity component of convertible bonds	33	**72,295**	74,505
Other reserves	38	**5,353,356**	4,346,897
		7,870,640	4,561,375
Non-controlling interests		**2,040,715**	1,555,169
Total equity		**9,911,355**	6,116,544

HongJiang ZHANG
Director

Yuk Keung NG
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	ATTRIBUTABLE TO OWNERS OF THE PARENT													
	ISSUED CAPITAL (NOTE 36) RMB'000	SHARE PREMIUM ACCOUNT (NOTE 36) RMB'000	TREASURY SHARES (NOTE 36) RMB'000	EQUITY COMPONENT OF CONVERTIBLE BONDS (NOTE 33) RMB'000	EQUITY COMPONENT OF REDEEMABLE CONVERTIBLE PREFERRED SHARES RMB'000	STATUTORY RESERVES (NOTE 38) RMB'000	SHARE-BASED COMPENSATION RESERVE RMB'000	OTHER CAPITAL RESERVE (NOTE 38) RMB'000	AVAILABLE-FOR-SALE INVESTMENT REVALUATION RESERVE RMB'000	FOREIGN CURRENCY TRANSLATION RESERVE RMB'000	RETAINED PROFITS RMB'000	TOTAL RMB'000	NON-CONTROLLING INTERESTS RMB'000	TOTAL EQUITY RMB'000
At 1 January 2014	4,718	369,052	(53,890)	8,500	10,015	173,228	166,756	500,055	12,596	(89,277)	2,278,468	3,380,221	450,470	3,830,691
Profit for the year	–	–	–	–	–	–	–	–	–	–	768,783	768,783	97,784	866,567
Other comprehensive income for the year:														
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	–	–	–	–	(224,494)	–	–	(224,494)	(6,865)	(231,359)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	(4,832)	–	(4,832)	(2,267)	(7,099)
Share of comprehensive loss of an associate	–	–	–	–	–	–	–	–	–	(688)	–	(688)	–	(688)
Total comprehensive income for the year	–	–	–	–	–	–	–	–	(224,494)	(5,520)	768,783	538,769	88,652	627,421
Approved and paid final dividend in respect of the previous year	–	(110,723)	–	–	–	–	–	–	–	–	–	(110,723)	–	(110,723)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(45,605)	(45,605)
Share-based compensation costs	–	–	–	–	–	–	107,496	–	–	–	–	107,496	95,287	202,783
Exercise of share options	12	11,844	–	–	–	–	(4,701)	–	–	–	–	7,155	–	7,155
Vested awarded shares transferred to employees	–	–	15,089	–	–	–	(38,191)	23,102	–	–	–	–	–	–
Issue of convertible bonds (note 33)	–	–	–	66,005	–	–	–	–	–	–	–	66,005	–	66,005
Extinguishing of redeemable convertible preferred shares with issuance of subsidiary's convertible preferred shares and warrants	–	–	–	–	(10,015)	–	–	–	–	–	–	(10,015)	71,952	61,937
Repurchase of shares	–	–	(45,163)	–	–	–	–	–	–	–	–	(45,163)	–	(45,163)
Distribution in specie	–	(50,966)	–	–	–	–	–	–	–	–	–	(50,966)	–	(50,966)
Profit appropriation	–	–	–	–	–	12,285	–	–	–	–	(12,285)	–	–	–
Subsidiaries' business combination under common control	–	–	–	–	–	–	–	–	–	–	8,786	8,786	(8,786)	–
Capital contribution from equity holders	–	–	–	–	–	–	–	–	–	–	–	–	47,821	47,821
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	71,576	71,576
Changes in the ownership interests in subsidiaries	–	–	–	–	–	–	–	669,810	–	–	–	669,810	783,802	1,453,612
At 31 December 2014	4,730	219,207#	(83,964)	74,505	–	185,513	231,360	1,192,967	(211,898)	(94,797)	3,043,752	4,561,375	1,555,169	6,116,544

Share premium account has been adjusted for the proposed 2014 dividend in accordance with the current year's presentation, which is described in note 2.4 to the financial statements.

	ATTRIBUTABLE TO OWNERS OF THE PARENT												
	ISSUED CAPITAL (NOTE 36) RMB'000	SHARE PREMIUM ACCOUNT (NOTE 36) RMB'000	TREASURY SHARES (NOTE 36) RMB'000	EQUITY COMPONENT OF CONVERTIBLE BONDS (NOTE 33) RMB'000	STATUTORY RESERVES (NOTE 38) RMB'000	SHARE-BASED COMPENSATION RESERVE RMB'000	OTHER CAPITAL RESERVE (NOTE 38) RMB'000	AVAILABLE-FOR-SALE INVESTMENT REVALUATION RESERVE RMB'000	FOREIGN CURRENCY TRANSLATION RESERVE RMB'000	RETAINED PROFITS RMB'000	TOTAL RMB'000	NON-CONTROLLING INTERESTS RMB'000	TOTAL EQUITY RMB'000
At 1 January 2015	**4,730**	**219,207**	**(83,964)**	**74,505**	**185,513**	**231,360**	**1,192,967**	**(211,898)**	**(94,797)**	**3,043,752**	**4,561,375**	**1,555,169**	**6,116,544**
Profit for the year	–	–	–	–	–	–	–	–	–	**369,178**	**369,178**	**(27,474)**	**341,704**
Other comprehensive income for the year:													
Change in fair value of available-for-sale investments, net of tax	–	–	–	–	–	–	–	**204,387**	–	–	**204,387**	**7,196**	**211,583**
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	**200,389**	–	**200,389**	**78,387**	**278,776**
Share of comprehensive income of an associate	–	–	–	–	–	–	–	–	**559**	–	**559**	–	**559**
Total comprehensive income for the year	–	–	–	–	–	–	–	**204,387**	**200,948**	**369,178**	**774,513**	**58,109**	**832,622**
Approved and paid final dividend in respect of the previous year	–	**(121,521)**	–	–	–	–	–	–	–	–	**(121,521)**	–	**(121,521)**
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	**(18,860)**	**(18,860)**
Issue of new shares	**308**	**2,145,716**	–	–	–	–	–	–	–	–	**2,146,024**	–	**2,146,024**
Acquisition of subsidiaries (note 40)	–	–	–	–	–	–	–	–	–	–	–	**62,223**	**62,223**
Share-based compensation costs	–	–	–	–	–	**183,129**	–	–	–	–	**183,129**	**172,911**	**356,040**
Exercise of share options	**2**	**2,079**	–	–	–	**(989)**	–	–	–	–	**1,092**	–	**1,092**
Vested awarded shares transferred to employees	–	–	**4,035**	–	–	**(38,260)**	**38,178**	–	–	–	**3,953**	–	**3,953**
Shares of reserves of an associate	–	–	–	–	–	–	**281**	–	–	–	**281**	**296**	**577**
Conversion of convertible bonds (note 33)	**65**	**279,679**	–	**(2,210)**	–	–	–	–	–	–	**277,534**	–	**277,534**
Share repurchased for cancellation	**(13)**	**(50,497)**	**45,163**	–	–	–	–	–	–	–	**(5,347)**	–	**(5,347)**
Profit appropriation	–	–	–	–	**12,368**	–	–	–	–	**(12,368)**	–	–	–
Subsidiaries' business combination under common control	–	–	–	–	–	–	–	–	–	**4,546**	**4,546**	**(4,546)**	–
Changes in the ownership interests in subsidiaries	–	–	–	–	–	–	**45,061**	–	–	–	**45,061**	**215,413**	**260,474**
At 31 December 2015	**5,092**	**2,474,663**	**(34,766)**	**72,295**	**197,881#**	**375,240#**	**1,276,487#**	**(7,511)#**	**106,151#**	**3,405,108#**	**7,870,640**	**2,040,715**	**9,911,355**

These reserve accounts comprise the consolidated other reserves of RMB5,353,356,000 (2014: RMB4,346,897,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**542,360**	961,755
Adjustments for:			
Loss on disposal of items of property, plant and equipment	7	**990**	181
Loss on disposal of items of other intangible assets	7	**3,590**	—
Depreciation	7	**187,764**	87,504
Impairment of other intangible assets	7	**25,250**	9,187
Amortisation of prepaid land lease payments	7	**4,340**	3,194
Amortisation of other intangible assets	7	**134,119**	73,488
Finance costs	9	**78,067**	75,944
Finance income	8	**(194,511)**	(238,900)
Fair value loss on financial instruments at fair value through profit or loss	6	**41,260**	6,401
Gain on disposal of an associate	6	**(626)**	—
Gain on deemed disposal of associates	6	**(16,373)**	—
Gain on partial disposal of an associate	6	**(13,000)**	—
Gain on deemed disposal of a joint venture	6	**(527)**	—
Gain on previously held equity investment remeasured at acquisition date fair value	6	**(15,030)**	—
Share-based compensation costs		**356,012**	201,922
Write-down of inventories		**—**	7
Impairment of trade and other receivables	7	**10,347**	19,751
Share of losses of joint ventures	19	**24,005**	7,657
Share of losses of associates	20	**19,299**	6,868
Foreign exchange loss/(gain)	6	**26,721**	(5,619)
Impairment losses of available-for-sale investments	6	**33,565**	8,664
Impairment loss of investment in an associate	6	**1,380**	472
Impairment loss of a joint venture	6	**1,425**	—
Gain on disposal of an investment in a joint venture classified as held for sale	6	**—**	(116,845)
Gain on disposal of available-for-sale investments	6	**(5,092)**	(1,968)
Gain on extinguish redeemable convertible preferred shares	6	**—**	(9,892)
Gain on extinguishing a financial liability	6	**(9,757)**	—
Dividend income from an available-for-sale investment	6	**(700)**	—
Gain on disposal of a business	6	**(676)**	(193,632)
Loss on disposal of other financial assets	6	**6,513**	7,052
Impairment loss of goodwill	6	**23,746**	—
		1,264,461	903,191
Increase in trade receivables		**(526,859)**	(218,758)
Decrease/(increase) in prepayments, deposits and other receivables		**261,687**	(115,497)
Decrease/(increase) in loan receivables		**2,589**	(962)
Decrease/(increase) in inventories		**1,562**	(3,424)
Increase in other non-current assets		**(20,501)**	(9,855)
Increase in trade payables		**64,059**	46,797
Increase in deferred revenue		**125,587**	92,462
Increase in other payables and accruals		**331,499**	270,893
Decrease in contingent considerations		**(9,759)**	—
Cash generated from operations		**1,494,325**	964,847

	NOTES	2015 RMB'000	2014 RMB'000
Interest received		**48,370**	91,358
Income tax paid		**(107,361)**	(103,941)
Net cash flows from operating activities		**1,435,334**	952,264
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**148,781**	144,071
Purchases of items of property, plant and equipment		**(629,337)**	(237,281)
Purchases of other intangible assets		**(50,796)**	(153,398)
Addition of prepaid land lease payments	16	**—**	(242,000)
Decrease/(Increase) in time deposits with original maturity of over three months when acquired	28	**1,812,606**	(1,986,215)
Purchase of other financial assets		**(53,303)**	(61,547)
Disposal of other financial asset, net of interest received		**65,726**	—
Acquisition of businesses, net of cash acquired	40	**(126,014)**	(201,478)
Dividend income from an available-for-sale investment		**700**	—
Investments in joint ventures		**(49,500)**	(104,400)
Investments in associates		**(149,808)**	(2,910)
Settlement of contingent considerations		**(27,127)**	—
Purchase of available-for-sale investments		**(1,390,504)**	(774,304)
Proceeds from a government grant		**—**	9,510
Decrease in other loans		**6,038**	18,192
Payment of a prepaid investment		**—**	(6,000)
Proceeds from disposal of a business	41	**687**	200,958
Proceeds from disposal of available for sale investments		**42,828**	16,669
Proceeds from disposal of an investment in a joint venture classified as available for sale		**36,305**	12,544
Restricted cash for acquisition of a business		**(122,192)**	—
Proceeds from disposal of an associate		**13,000**	—
Net cash flows used in investing activities		**(471,910)**	(3,367,589)

	NOTES	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new shares		**2,146,024**	—
Proceeds from issue of convertible bonds	33	**—**	1,805,872
Payment of extinguishment on financial liabilities with equity instruments		**—**	(12,362)
Investments from non-controlling interests		**241,873**	141,024
Purchase of shares of a subsidiary from non-controlling interests		**(77,259)**	(60,987)
Exercise of share options		**1,092**	7,155
Vested awarded shares transferred to employees		**3,953**	—
Dividends paid to owners of the parent	13	**(121,521)**	(143,605)
Dividends paid to non-controlling interests		**(11,606)**	(45,605)
Proceeds from initial public offering and private placement of Cheetah Mobile Incorporation ("Cheetah Mobile"), net of cost		**—**	1,347,477
Drawdown of a bank loan, net of pledged deposit	31	**102,048**	—
Repurchase of shares for cancellation		**(5,347)**	(45,163)
Interest paid		**(53,032)**	(43,629)
Proceeds from issuance of restricted shares of subsidiaries		**7,734**	—
Net cash flows from financing activities		**2,233,959**	2,950,177
NET INCREASE IN CASH AND CASH EQUIVALENTS		**3,197,383**	534,852
Cash and cash equivalents at beginning of year		**3,193,934**	2,677,248
Effect of foreign exchange rate changes, net		**237,958**	(18,166)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**6,629,275**	3,193,934
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	28	**1,553,088**	1,026,446
Deposits with original maturity of less than three months when acquired	28	**5,076,187**	2,167,488
Cash and cash equivalents as stated in the statement of cash flows		**6,629,275**	3,193,934

1. CORPORATE AND GROUP INFORMATION

Kingsoft Corporation Limited (the "Company") was incorporated under the Companies Act of the British Virgin Islands on 20 March 1998. On 15 November 2005, the Company was redomiciled to the Cayman Islands under the Company Law (2004 revision) of the Cayman Islands. The registered office of the Company is located at Clifton House, 75 Fort Street, George Town, Grand Cayman, Cayman Islands. The Company's shares have been listed on the Stock Exchange of Hong Kong Limited since 9 October 2007.

The principal place of business of the Company is located at Kingsoft Tower, No. 33, Xiaoying West Road, Haidian District, Beijing, the People's Republic of China ("PRC").

During the year, the Company and its subsidiaries (together, the "Group") were 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.

Information about subsidiaries and controlled structured entities

Particulars of the Company's principal subsidiaries and controlled structured entities are as follows:

NAME	PLACE OF INCORPORATION/ REGISTRATION AND OPERATIONS	NOMINAL VALUE OF ISSUED ORDINARY/ REGISTERED SHARE CAPITAL	PERCENTAGE OF EQUITY ATTRIBUTABLE TO THE COMPANY AS AT 31 DECEMBER 2015		PRINCIPAL ACTIVITIES
			DIRECT	INDIRECT	
Kingsoft Entertainment Software Holdings Limited ("KES Holdings") (iv)	Cayman Islands	US$1	100	—	Investment holding
Kingsoft Application Software Holdings Limited ("KAS Holdings") (iv)	Cayman Islands	HK$1	100	—	Investment holding
Cheetah Mobile (v)	Cayman Islands	US$228,721	48.69	—	Investment holding
Kingsoft Office Software Holdings Limited ("KOS Holdings") (iv)	Cayman Islands	US$2,522,000	73.53	—	Investment holding
Kingsoft Cloud Holdings Limited ("Kingsoft Cloud") (iv)	Cayman Islands	US$947,500	63.95	—	Investment holding
Seasun Holdings Limited ("Seasun Holdings") (iv)	Cayman Islands	US$3,200,000	—	76.21	Investment holding
Jingcai Online Games Holdings Limited (iv)	Cayman Islands	US$157,500	—	76.21	Investment holding
Kingsoft Entertainment Software Corporation Limited	Hong Kong	HK$10,000,000	—	100	Investment holding, and operation and distribution of games
Kingsoft Application Software Corporation Limited	Hong Kong	HK$1	—	100	Investment holding
Cheetah Technology Corporation Limited (iii)	Hong Kong	HK$1	—	48.69	Investment holding and operations of online marketing

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries and controlled structured entities (continued)

Particulars of the principal subsidiaries and controlled structured entities are as follows: (continued)

NAME	PLACE OF INCORPORATION/ REGISTRATION AND OPERATIONS	NOMINAL VALUE OF ISSUED ORDINARY/ REGISTERED SHARE CAPITAL	PERCENTAGE OF EQUITY ATTRIBUTABLE TO THE COMPANY AS AT 31 DECEMBER 2015		PRINCIPAL ACTIVITIES
			DIRECT	INDIRECT	
Kingsoft Office Software Corporation Limited	Hong Kong	HK$15,000,000	—	73.53	Investment holding
Seasun Games Corporation Limited	Hong Kong	HK$18,600,000	—	76.21	Investment holding and provision of game services
Kingsoft Jingcai Online Game Corporation Limited	Hong Kong	HK$850,000	—	76.21	Investment holding
Kingsoft Cloud Corporation Limited	Hong Kong	HK$2,000,000	—	63.95	Investment holding
Kingsoft (M) SDN.BHD ("Kingsoft Malaysia") (iv)	Malaysia	MYR1,000,000	100	—	Development and distribution of games
Kingsoft Japan Inc. ("Kingsoft Japan") (v)	Japan	JPY447,875,000	10.82	34.66	Development and sale of the security software and office application software
Beijing Kingsoft Software Co., Ltd. (i)(iv)	Mainland China	RMB10,000,000	—	100	Marketing and distribution of application software
Beijing Cheetah Network Technology Co., Ltd. ("Beijing Network Technology") (i)(iii)(iv)(vi)	Mainland China	RMB10,000,000	—	48.69	Provision of Internet value-added Services
Beijing Kingsoft Cloud Technology Co., Ltd. ("Beijing Cloud Technology") (i)(ii)(iv)	Mainland China	RMB5,000,000	—	63.95	Investment holding, and research, and development of application technology
Zhuhai Kingsoft Cloud Technology Co., Ltd. ("Zhuhai Cloud Technology")(i)(iv)(vi)	Mainland China	RMB11,080,000	—	54.43	Investment holding
Beijing Kingsoft Qijian Digital Technology Co., Ltd. ("Beijing Qijian Technology") (i)(iv)(vi)	Mainland China	RMB1,500,000	—	100	Marketing and operation of SMS and wireless service of online games and application software
Beijing Kingsoft Internet Security Software Co., Ltd. ("Beijing Security Software") (i)(iii)(iv)	Mainland China	RMB8,000,000	—	48.69	Sale and operation of internet security software
Beijing Kingsoft Office Software Co., Ltd. ("Beijing Kingsoft Office") (i)(iv)	Mainland China	RMB10,000,000	—	73.53	Sale and operation of office application software
Cheetah Mobile Technology Limited ("Cheetah Mobile Technology") (i)(iii)(iv)(vi)	Mainland China	RMB10,000,000	—	48.69	Provision of internet security service
Jingcai Online Technology (Dalian) Co., Ltd. (i)(ii)(iv)	Mainland China	RMB1,000,000	—	76.21	Research and development of games
Chengdu Kingsoft Interactive Entertainment Co., Ltd. ("Chengdu Interactive Entertainment") (i)(ii)(iv)	Mainland China	RMB100,000,000	—	100	Research and development of games

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries and controlled structured entities (continued)

Particulars of the principal subsidiaries and controlled structured entities are as follows: (continued)

NAME	PLACE OF INCORPORATION/ REGISTRATION AND OPERATIONS	NOMINAL VALUE OF ISSUED ORDINARY/ REGISTERED SHARE CAPITAL	PERCENTAGE OF EQUITY ATTRIBUTABLE TO THE COMPANY AS AT 31 DECEMBER 2015 DIRECT	INDIRECT	PRINCIPAL ACTIVITIES
Chengdu Kingsoft Digital Entertainment Co., Ltd. ("Chengdu Digital Entertainment") (i)(iv)(vi)	Mainland China	RMB10,000,000	—	100	Marketing and operation of entertainment software products
Beijing Conew Technology Development Co., Ltd. ("Conew Technology") (i)(iii)(iv)(vi)	Mainland China	RMB300,000	—	48.69	Dormant
Chengdu Westhouse Interactive Entertainment Co., Ltd. ("Chengdu Westhouse") (i)(ii)(iv)	Mainland China	RMB15,000,000	—	76.21	Research and development of games
Zhuhai Kingsoft Software Co., Ltd. ("Zhuhai Software") (i)(iv)	Mainland China	RMB215,500,000	—	100	Research, development and distribution of consumer application software
Zhuhai Westhouse Shiyou Technology Co., Ltd. ("Zhuhai Westhouse Shiyou") (i)(iv)(vi)	Mainland China	RMB10,000,000	—	76.21	Marketing and operation of entertainment software products
Zhuhai Kingsoft Online Game Technology Co., Ltd. ("Zhuhai Online Game") (i)(iv)	Mainland China	RMB10,000,000	—	76.21	Research and development of online games

(i) The English names of these companies represent the best efforts by management of the Company in directly translating the Chinese names of these companies, as no English names have been registered.

(ii) Companies registered as wholly-foreign-owned enterprises under PRC law.

(iii) These companies are subsidiaries of non-wholly-owned subsidiaries of the Company and accordingly, are accounted for as subsidiaries by virtue of the Company's control over them.

(iv) Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

(v) Cheetah Mobile is accounted for as a subsidiary of the Group considering the Group owns 60.63% voting rights over it. Kingsoft Japan is accounted for as a subsidiary of the Group considering the Group owns 71.97% voting rights over it. Therefore, these companies are accounted for as subsidiaries by virtue of the Group's control over them.

(vi) The Company does not have legal ownership in the equity of these subsidiaries. However, under certain contractual agreements (including power of attorney agreement, loan agreement, equity option agreement, equity interest pledge agreement and exclusive technical consulting and services agreement) entered into with the registered owners of these subsidiaries, the Company and its other legally owned subsidiaries control these companies by way of controlling the voting rights, governing their financial and operating policies, appointing or removing the majority of the members of their controlling authorities, and casting the majority of votes at meetings of such authorities. In addition, such contractual agreements also transfer the risks and rewards of these companies to the Company and/or its other legally owned subsidiaries. As a result, these companies are treated as subsidiaries of the Company and their financial statements have been consolidated by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements. They have been prepared under the historical cost convention, except for available-for-sale investments, other financial assets and contingent consideration which have been measured at fair value. Investment in a joint venture classified as held for sale is stated at the lower of the carrying amount and fair value less costs to sell as further explained in note 2.4. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

The Company has set up a trust (the "Share Award Scheme Trust") for the purpose of purchasing, administering and holding the Company's shares for the share award scheme adopted on 31 March 2008 (the "Share Award Scheme", note 37). The Group has the power to govern the financial and operating policies of the Share Award Scheme Trust and derive benefits from the services of the employees who have been awarded the awarded shares through their continued employment with the Group. The assets and liabilities of the Share Award Scheme Trust are included in consolidated statement of financial position and the shares held by the Share Award Scheme Trust are presented as a deduction in equity as shares held for the share award scheme.

Certain subsidiaries have set up trusts and/or entities for the purpose of administering and holding their shares for their share award schemes. Since the Group has the power to govern the financial and operating policies of the trusts and the entities and derive benefits from the services of the employees who have been awarded the awarded shares through their continued employment with the Group, the assets and liabilities of the trusts and the entities are included in the consolidated statement of financial position.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*

Annual Improvements to IFRSs 2010–2012 Cycle

Annual Improvements to IFRSs 2011–2013 Cycle

The nature and the impact of each amendment is described below:

(a) Amendments to IAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) The *Annual Improvements to IFRSs 2010–2012 Cycle* issued in January 2014 sets out amendments to a number of IFRSs. Details of the amendments that are effective for the current year are as follows:

- IFRS 8 *Operating Segments: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in* IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- IAS 16 *Property, Plant and Equipment and IAS 38 Intangible Assets:* Clarifies the treatment of the gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- IAS 24 *Related Party Disclosures:* Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendments have had no impact on the Group as the Group does not receive any management services from other entities.

(c) *The Annual Improvements to IFRSs 2011–2013 Cycle* issued in January 2014 sets out amendments to a number of IFRSs. Details of the amendments that are effective for the current year are as follows:

- IFRS 3 *Business Combinations:* Clarifies that joint arrangements but not joint ventures are outside the scope of IFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- IFRS 13 *Fair Value Measurement:* Clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 or IAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which IFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in IFRS 13.

- IAS 40 *Investment Property:* Clarifies that IFRS 3, instead of the description of ancillary services in IAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the Group did not acquire any investment properties during the year and so this amendment is not applicable.

In addition, the Group has adopted the amendments to the Listing Rules issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IFRS 10, IFRS 12 and IAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
IFRS 14	*Regulatory Deferral Accounts*[3]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IAS 1	*Disclosure Initiative*[1]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]
Amendments to IAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012–2014 Cycle	Amendments to a number of IFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

4 No mandatory effective date determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard upon adoption and expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets.

The amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

The amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In July 2015, the IASB issued an amendment to IFRS 15 regarding a one-year deferral of the mandatory effective date of IFRS 15 to 1 January 2018. The Group expects to adopt IFRS 15 on 1 January 2018. During the year ended 31 December 2015, the Group performed a preliminary assessment on the impact of the adoption of IFRS 15.

The Group is mainly in the business of providing software and services. The software and services are sold both on its own in separate identified contracts with customers and together as a bundled package of goods and/or services.

(a) Sale of goods

Contracts with customers in which software sale is the only performance obligation are not expected to have any impact on the Group. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. In applying IFRS 15, the Group considered the following:

Variable consideration

The Group provides a right of return, trade discounts or volume rebates for some of the sales contracts of softwares with customers. Currently, the Group recognises revenue from the sale of goods measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. If revenue cannot be reliably measured, revenue recognition is deferred until the uncertainty is resolved. Under IFRS 15, a transaction price is considered variable if a customer is provided with a right of return, trade discounts or volume rebates. The Group is required to estimate the amount of consideration to which it will be entitled in the sales of its software and the estimated amount of variable consideration will be included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group expects that the constraint on recognition of variable consideration may result in more revenue being deferred.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(b) Rendering of services

The Group provides variable services, which are sold either on their own in contracts with the customers while others may be bundled together with the sale of software to a customer. The Group has preliminarily assessed that the services are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by the Group. Consequently, the Group does not expect any significant impact to arise from these service contracts.

Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in IAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	Over the shorter of the lease term and 50 years
Electronic equipment	33%
Office equipment and fixtures	19%
Motor vehicles	24%
Leasehold improvements	Over the shorter of the expected life of the leasehold improvements and the lease term

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Purchased software, user base and licence rights for games

Purchased software, user base and licence rights for games are stated at cost less any impairment losses and are amortised on the straight-line basis over the shorter of the estimated economic lives and the licence period. The estimation useful lives are as follows:

	ESTIMATED USEFUL LIVES
Purchased software	1–10 years
User base	1–4 years
Licence rights for games	1–5 years

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

The capitalised software development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the estimated economic life of the underlying product, which is determined to range from one to two years, commencing from the period in which the product is commercially released.

Website and internally used software development costs

The Group expenses all development costs of website and internally used software that are incurred in connection with the planning and implementation phases of development and costs that are associated with repair or maintenance of the existing websites and software. Costs incurred in the development phase and satisfied the criteria for development cost capitalisation listed above are capitalised and amortised over the estimated product lives of the underlying products not exceeding one to two years, commencing from the dates when the products are put into commercial production.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as "fair value gain/(loss) on financial instruments at fair value through profit or loss" of other gains in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other gains or losses, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other gains in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or loan and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, financial liabilities included in other liabilities, interest-bearing bank and the liability component of convertible bonds.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing bank loans are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis, and comprises materials and production costs related to the purchase and production of inventories. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank deposits comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event, and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) *Sale of application software*

Revenue from the sale of application software is recognised when significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

The Group also enters into multi-year licensing arrangements with certain customers to allow them to install unlimited copies of the Group's application software over a period of one to three years for a fixed cash consideration. During the licence period, the Group is required to provide when-and-if-available upgrades, technical support and training to the customers. Revenue from multi-year licensing arrangements is recognised upon the delivery of the software master copy and the portion in relation to post-contract customer support is deferred and amortised over the licence period.

(b) *Membership service of information security software*

The Group provides membership services, including a package of services such as restoration of data, remote technical support, computer maintenance and other privilege, to individual users of the Group's information security software. Individual users subscribe for membership services on a monthly basis or for a period of up to several years. Revenue is recognised ratably over the subscription period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(c) Online game services

The Group sells either its prepaid game cards to the distributors which in turn sell them to players, or prepaid online points to players at the Group's website. All prepaid fees received from distributors and players are initially recognised as deferred revenue. Revenue is recognised when the services are provided.

The Group applies a pay-to-play subscription-based model and an item-billing model on its online game services.

For the pay-to-play subscription-based model, players pay for a pre-specified length of game playing time within a specified period of time. Revenue is recognised, based on the actual game playing time by players and amortised over the period.

For the item-billing model, there are in-game items and premium features sold in the game, commonly known as "virtual items", which are regarded as value-added services and are rendered at a point in time, over a pre-specified period or throughout the whole game life. The revenue from these virtual items is recognised over the estimated practical usage period or the estimated player life or the whole game life as appropriate. Future usage patterns may differ from the historical usage patterns on which the revenue recognition of the item-billing model is based.

Upon expiry of prepaid game cards or online points, any remaining amount is recognised as revenue.

The sales of prepaid game cards or prepaid online points include certain discounts from the face value of the cards. The Group recognises revenue net of the discounts.

(d) Online game licences

The Group enters into licensing arrangements with the licencees to operate the Group's online games in defined regions and/or countries. The Group is entitled to the ongoing usage-based royalties which are determined based on the amount of money charged to the players' accounts in a given region or country. The usage-based royalties are recognised when they are earned, provided that the collection is probable.

The Group also enters into multi-year licensing arrangements by charging a certain fee. During the licensing period, the Group is required to provide post contact services. Revenue from such licensing arrangements is recognised as revenue ratably over the licensing period upon the delivery of the services.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(e) Mobile games

The Group operates both self-developed and licenced mobile games under the item-billing model, and generates revenues from the sale of in-game virtual currency that can be redeemed at virtual items.

The Group operates its mobile games through cooperation with third-party game distribution platforms under certain co-operation agreements or its own platform. For the cooperation with third-party game distribution platforms, the Group is responsible for providing ongoing updates of new contents and technical support for the operation of the games. The third-party game distribution platforms are responsible for distribution, marketing, platform maintenance and payment collections. The third-party game distribution platforms collect the payment from players and remit the net proceeds, after deducting the commission charged, to the Group. In general, the portion of the proceeds received by the Group is calculated based on the standard price of in-game virtual currency sold and the agreed sharing ratio in the contracts with third-party game distribution platforms. As some third-party distribution platforms offer various marketing discounts from time to time to players to encourage spending, the actual prices paid by players may be lower than the standard prices of in-game virtual currency. Such marketing discount information is neither available to be tracked reliably nor borne by the Group, as such, the Group is not able to make a reasonable estimate of the gross amount received. In this case, the net amount received from these third-party game distribution platforms is recognised as deferred revenue. For other cases, the gross amount is recognised as deferred revenue, with the commission paid recognised as deferred cost.

When the in-game virtual currency is used to purchase in-game virtual item or premium feature, revenue is recognised either upon consumption or ratably over the practical usage period predetermined in the game or throughout the estimated user life as appropriate.

For those mobile games the Group acts as principal, revenue is recognised on gross basis. For those mobile games the Group only acts as an agent, revenue is recognised on net basis.

(f) Internet value-added services

The Group enters into agreements with third-party game developers to provide online and mobile distribution and payment collection services, in order for players to purchase and recharge virtual currencies used in the games. All games are developed and hosted by third-party game developers, and accessed by players through the Group's online and mobile platforms or a third-party mobile platform. The payment collection services are mainly provided through third-party professional payment and settlement institutions. The Group generally charges commission as a percentage of the gross proceeds paid by players or the collection amount from the settlement institutions, and pays the remaining proceeds to the game developers. When the settlement institutions directly remit the collection amount to the developers, the Group collects its commission from the developers. The Group believes it acts as an agent to the game developers in these arrangements and recognises the net commission it earns as revenue in the same month in which the services are provided.

The Group also earns service income from online lottery purchase services by processing lottery purchase orders from end users through its website. The service income is from the authorised ticket offices and lottery machine operators based on the pre-determined service fee and the total amount of the processed orders. The revenue is recognised on a net basis because the Group acts as an agent in the distribution and administration of the lottery products.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(g) *Online marketing service*

The Group enters into marketing arrangements with advertisers to allow them to put advertisements on particular areas of the Group's websites over a particular period of time, or embedded hyperlinks to advertisements in the Group's software, apps and/or websites. Marketing revenues from marketing arrangements with a particular period of time are recognised ratably over the displayed period of the contract when the collectability is reasonably assured. For the hyperlinks embedded in the Group's software, apps and/or websites, the advertisers pay the Group based on the number of clicks on the hyperlinks or other performance criteria. The Group recognises revenue when the services are provided, revenue can be measured reliably and the collectability is reasonably assured.

The Group acts as an advertising agent to earn performance-based sales commission from the online media platforms, which is charged at a certain percentage of the price of qualifying advertising resource purchased and utilised by the advertiser. As the Group acts as an agent in such transactions, the revenue is recognised on a net basis deducting the purchase rebates to the client, when the amounts of the commissions and purchase rebates are probable and reasonable estimable.

(h) *Cloud service*

The Group provides cloud storage and cloud computing service to customers through the provision of bandwidth and memory space. The fee is fixed in the agreement and revenue is recognised based on the monthly traffic report and space occupation report.

(i) *Rental income*

Rental income is recognised on a time proportion basis over the lease term.

(j) *Interest income*

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(k) *Dividend income*

Dividend income is recognised when the shareholders' right to receive payment has been established.

Deferred revenue

Deferred revenue represents cash received or receivables from the sale of application software, subscription received for membership services of information security software, payment for online and mobile games in advance of services being rendered and government grants received in advance of fulfilling the grant requirements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

The Group operates several share option schemes and share award schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model for share options and based on the market value for awarded shares. Further details of the fair values of share options and awarded shares are given in note 37 to the financial statements.

The cost of equity-settled transactions is recognised in share-based compensation costs, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Defined contribution plan for PRC employees

Full-time employees of the Group's subsidiaries which operate in Mainland China are required to participate in a defined contribution scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the defined contribution scheme which covers pension, medical care, unemployment insurance, employee housing fund and other welfare. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the defined contribution scheme. The Group has no legal obligation for the benefits beyond the contributions made.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of share premium account within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap.622), proposed final dividends are disclosed in the notes to the financial statements.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in RMB. The Company and its subsidiaries have determined their functional currencies to be their respective local currencies of Hong Kong Dollars ("HK$"), Japanese Yen ("JPY"), Malaysia Ringgit ("MYR"), United States Dollars ("US$") and RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The functional currencies of the Company and certain overseas subsidiaries, joint ventures and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing date.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company and certain overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the Company and certain overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(a) Accounting for companies governed under contractual arrangements as subsidiaries

The Company and some of its subsidiaries do not hold any equity interests in certain of their subsidiaries. Nevertheless, under the contractual agreements entered into between the Group and the shareholders who are the registered owners of those subsidiaries, the directors of the Company determine that the Group has the power to govern the financial and operating policies of those subsidiaries so as to obtain benefits from their activities. As such, those subsidiaries are accounted for as subsidiaries of the Group for accounting purposes.

The Group's revenue generated from the entities which are controlled by the Group through the contractual agreements described above amounted to approximately RMB2,013,399,000 (2014: RMB2,440,715,000) for the year ended 31 December 2015. At 31 December 2015, total assets and total liabilities of these entities amounted to approximately RMB3,036,569,000 (2014: RMB2,327,509,000) and RMB1,336,603,000 (2014: RMB835,568,000), respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(a) Fair value of other financial assets

The fair value of the option obtained from an online game operator in Vietnam is determined by the Black-Scholes valuation model (the "BS Model"). Significant judgement about factors, such as the risk-free rate, dividend yield, expected volatility and expected life of option, is required to be made by the directors as the parameters for applying the BS Model. The Company engaged an independent valuer to assess the fair value of the option. The fair value of the option was approximately RMB12,073,000 as at 31 December 2015 (2014: RMB10,063,000). Further details are included in note 22 to the financial statements.

The fair value of the call option acquired in 2015 from a company engaged in the research and development of apps is based on probability expected return method. Significant judgement about factors, such as the risk-free rate, probability and discount period, is required to be made by the directors as the parameters for the fair value analysis. The Company engaged an independent valuer to assess the fair value of the call option. The fair value of the call option was approximately US$2,190,000 (equivalent to RMB14,221,000) as at 31 December 2015. Further details are included in note 22 to the financial statements.

(b) Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2015 was RMB11,270,000 (2014: nil). The amount of unrecognised tax losses at 31 December 2015 was RMB1,049,640,000 (2014: RMB417,758,000). Future details are contained in note 35 to the financial statements.

(c) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. Impairment exists when the carrying value of a cash-generating unit exceeds its recoverable amounts, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on the market price less incremental costs for disposing of the cash generating units. When value in use calculations are undertaken, management must estimate the expected future cash flows from the cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2015 was approximately RMB619,037,000 (2014: RMB267,288,000). Further details are given in note 17 to the financial statements.

(d) Impairment of available-for-sale financial assets

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions after considering factors such as the profitability, the period of trading of the shares and the marco market situation, about whether there is an impairment that should be recognised in the statement of profit or loss. The decrease in share price is not a sole indicator of the impairment of available-for-sale investments. At 31 December 2015, impairment losses of RMB33,565,000 have been recognised for available-for-sale investments (2014: RMB8,664,000). The carrying amount of available-for-sale investments was RMB2,276,302,000 (2014: RMB623,585,000). Future details are contained in note 21 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(e) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amounts, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(f) Impairment of trade receivables and amounts due from related parties

The Group maintains an allowance for the estimated loss arising from the inability of its customers and related parties to make the required payments. The Group makes its estimates based on the ageing of these balances, creditworthiness, business operation and historical write-off experience. If the financial condition of its customers and related parties was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance.

(g) Useful lives of virtual items provided in the Group's online games and mobile games

The players purchase virtual items provided in the Group's online games and mobile games, which include items consumed at a single point in time, over a pre-specified period or throughout the whole game life. The revenue is recognised based on the lifespan of the virtual items or player relationship periods. The Group uses the available information, including the historical usage pattern, player behaviour and the pre-specified period of validity of the relevant items, to estimate the useful lives of these items. The Group has adopted a policy of assessing the estimated useful lives of the virtual items on a timely basis.

Future usage patterns may differ from the historical usage patterns on which the revenue recognition of the virtual item is based. The Group monitors the operating strategy and business patterns of the virtual item.

(h) Recognition of share-based compensation costs

The Company and some of the subsidiaries adopted their own share award schemes and/or share option schemes. The fair values of the award shares and options granted during the year ended 31 December 2015 were valued by external valuers on the grant date based on the expected cash flows discounted at a rate applicable for items with similar terms and risk characteristics. The valuation requires the Group to make estimates about the expected future cash flows, credit risk, volatility and discount rates, and hence it is subject to uncertainty. The fair value of these awarded shares and options granted during the year ended 31 December 2015 was approximately RMB682,931,000 (2014: RMB563,615,000).

The grant of awarded shares and share options is conditional upon the satisfaction of specified vesting conditions, including the service period and performance condition. Judgement is required to take into account the vesting conditions and adjust the number of awarded shares and share options included in the measurement of share-based compensation costs.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the entertainment software segment engages in the research and development of games, and provision of online games, mobile games and casual game services;

(b) the information security and internet services segment engages in the 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

(c) the office software and others segment engages in the 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.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that other expenses, other income, net other gains/losses, finance income, finance costs, administrative expenses, share-based compensation costs, share of losses of joint ventures and associates are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. OPERATING SEGMENT INFORMATION (continued)

YEAR ENDED 31 DECEMBER 2015	ENTERTAINMENT SOFTWARE RMB'000	INFORMATION SECURITY AND INTERNET SERVICES RMB'000	OFFICE SOFTWARE AND OTHERS RMB'000	TOTAL RMB'000
SEGMENT REVENUE:				
Sales to external customers	**1,368,811**	**3,561,739**	**745,556**	**5,676,106**
Intersegments sales	**11,207**	**13,884**	**75,294**	**100,385**
	1,380,018	**3,575,623**	**820,850**	**5,776,491**
Reconciliation:				
Elimination of intersegments sales				**(100,385)**
Revenue				**5,676,106**
SEGMENT RESULTS	**514,911**	**743,436**	**(2,943)**	**1,255,404**
Reconciliation:				
Elimination of intersegments sales				**(1,990)**
Administrative expenses				**(442,577)**
Share-based compensation costs				**(356,012)**
Other income				**147,364**
Other expenses				**(60,140)**
Other losses, net				**(72,829)**
Finance income				**194,511**
Finance costs				**(78,067)**
Share of losses of:				
Joint ventures				**(24,005)**
Associates				**(19,299)**
PROFIT BEFORE TAX				**542,360**
OTHER SEGMENT INFORMATION:				
Impairment loss	**—**	**(95,542)**	**(171)**	**(95,713)**
Depreciation and amortisation	**(27,565)**	**(147,774)**	**(150,884)**	**(326,223)**
Capital expenditure*	**(31,685)**	**(278,464)**	**(451,069)**	**(761,218)**
Share of losses of joint ventures and associates	**(17,892)**	**(21,408)**	**(4,004)**	**(43,304)**

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments and other intangible assets, including assets from the acquisition of subsidiaries.

4. OPERATING SEGMENT INFORMATION (continued)

YEAR ENDED 31 DECEMBER 2014	ENTERTAINMENT SOFTWARE RMB'000	INFORMATION SECURITY AND INTERNET SERVICES RMB'000	OFFICE SOFTWARE AND OTHERS RMB'000	TOTAL RMB'000
SEGMENT REVENUE:				
Sales to external customers	1,252,753	1,674,060	423,320	3,350,133
Intersegments sales	15,211	4,146	58,483	77,840
	1,267,964	1,678,206	481,803	3,427,973
Reconciliation:				
Elimination of intersegments sales				(77,840)
Revenue				3,350,133
SEGMENT RESULTS	587,695	400,067	31,209	1,018,971
Reconciliation:				
Elimination of intersegments results				(12,006)
Administrative expenses				(297,412)
Share-based compensation costs				(201,922)
Other income				30,199
Other expenses				(29,873)
Other gains, net				305,367
Finance income				238,900
Finance costs				(75,944)
Share of losses of:				
Joint ventures				(7,657)
Associates				(6,868)
PROFIT BEFORE TAX				961,755
OTHER SEGMENT INFORMATION:				
Impairment loss	(14,940)	(22,406)	(735)	(38,081)
Depreciation and amortisation	(35,804)	(72,702)	(55,680)	(164,186)
Capital expenditure	(60,089)	(242,199)	(465,246)	(767,534)
Share of profits/(losses) of joint ventures and associates	(4,250)	(23,519)	13,244	(14,525)

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) *Revenue from external customers:*

	2015 RMB'000	2014 RMB'000
Mainland China	**3,671,641**	2,974,878
Hong Kong	**1,683,637**	261,855
Japan	**98,310**	94,665
Other countries	**222,518**	18,735
Total	**5,676,106**	3,350,133

The revenue information above is based on the locations of the customers.

(b) *Non-current assets:*

	2015 RMB'000	2014 RMB'000
Mainland China	**1,858,088**	1,361,944
Japan	**10,920**	7,551
Other countries	**564,452**	149,038
Total	**2,433,460**	1,518,533

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

There was no revenue from transaction with a single customer which would amount to 10% or more of the Group's revenue during the year ended 31 December 2015 (2014: nil).

5. REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; the value of services rendered; rental income received and receivable; and the royalties derived from licensing agreements during the year.

An analysis of the Group's revenue and other income is as follows:

	2015 RMB'000	2014 RMB'000
Revenue		
Game services	**1,473,256**	1,315,851
Online marketing services	**3,281,066**	1,261,092
Internet value-added services	**207,712**	307,704
Software and related services	**604,518**	385,440
Royalties	**58,830**	64,986
Others	**50,724**	15,060
	5,676,106	3,350,133

	2015 RMB'000	2014 RMB'000
Other income		
Government grants	**139,480**	29,332
Others	**7,884**	867
	147,364	30,199

6. OTHER (LOSSES)/GAINS, NET

	NOTES	2015 RMB'000	2014 RMB'000
Gain on previously held equity investment remeasured at acquisition date fair value	40	**15,030**	—
Gain on deemed disposal of associates		**16,373**	—
Gain on partial disposal of an associate		**13,000**	—
Gain on disposal of an associate		**626**	—
Gain on deemed disposal of a joint venture		**527**	—
Gain on disposal of a business	41	**676**	193,632
Gain on disposal of an investment in a joint venture classified as held for sale	24	**—**	116,845
Gain on disposal of available-for-sale investments	21	**5,092**	1,968
Gain on extinguishing redeemable convertible preferred shares		**—**	9,892
Gain on extinguishing a financial liability	40	**9,757**	—
Dividend income from an available-for-sale investment		**700**	—
Loss on disposal of other financial assets		**(6,513)**	(7,052)
Impairment loss of goodwill	17	**(23,746)**	—
Impairment loss of a joint venture	19	**(1,425)**	—
Impairment loss of investment in an associate	20	**(1,380)**	(472)
Impairment loss of available-for-sale investments	21	**(33,565)**	(8,664)
Foreign exchange (loss)/gain		**(26,721)**	5,619
Fair value loss on financial instruments at fair value through profit or loss		**(41,260)**	(6,401)
		(72,829)	305,367

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	NOTES	2015 RMB'000	2014 RMB'000
Employee benefit expenses (including directors' remuneration (note 10)):			
Wages and salaries		**1,208,021**	840,865
Social insurance costs and staff welfare		**246,664**	167,821
Share-based compensation costs		**356,012**	201,922
Pension plan contributions		**117,182**	77,374
		1,927,879	1,287,982
Minimum lease payments under operating leases		**477,209**	246,931
Cost of inventories sold		**33,256**	14,423
Cost of services provided		**465,120**	374,725
Depreciation	(a), 15	**187,764**	87,504
Amortisation of prepaid land lease payments	(a), 16	**4,340**	3,194
Amortisation of other intangible assets	(a), 18	**134,119**	73,488
Loss on disposal of items of property, plant and equipment*		**990**	181
Loss on disposal of items of intangible assets*		**3,590**	—
Impairment of other intangible assets*	18	**25,250**	9,187
Impairment of trade and other receivables*		**10,347**	19,751
Donation*		**1,000**	60
Auditor's remuneration		**15,760**	11,920

* These amounts are included in "other expenses" on the face of the consolidated statement of profit or loss.

Note:

(a) Depreciation of property, plant and equipment, and amortisation of prepaid land lease payments and other intangible assets

	2015 RMB'000	2014 RMB'000
Included in:		
Cost of revenue	**258,451**	102,405
Research and development costs	**42,705**	42,595
Selling and distribution expenses	**1,904**	2,372
Administrative expenses	**23,163**	16,814
	326,223	164,186

8. FINANCE INCOME

An analysis of finance income is as follows:

	2015 RMB'000	2014 RMB'000
Interest income from loans to related parties	**2,482**	2,565
Bank interest income	**191,991**	236,330
Others	**38**	5
	194,511	238,900

9. FINANCE COSTS

An analysis of finance costs is as follows:

	NOTE	2015 RMB'000	2014 RMB'000
Interest on convertible bonds	33	**76,211**	69,403
Interest on redeemable convertible preferred shares		**—**	6,133
Interest on bank loans		**1,069**	408
Interest on finance leases		**787**	—
		78,067	75,944

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015 RMB'000	2014 RMB'000
Fees	**845**	715
Other emoluments:		
Salaries, allowances and benefits in kind	**5,314**	7,631
Discretionary bonuses	**—**	2,156
Pension scheme contributions	**87**	72
Share-based compensation	**3,785**	5,692
	10,031	16,266

During the year and in the prior year, certain directors were granted share options and awarded shares, in respect of their services to the Group, under the share option scheme and share awarded scheme of the Group, further details of which are set out in note 37 to the financial statements. The fair value of such options and awarded shares, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2015 RMB'000	2014 RMB'000
Guangming George Lu[1]	—	106
Shun Tak Wong[2]	260	112
David Yuen Kwan Tang	260	218
Wenjie WU	325	279
	845	715

There were no other emoluments payable to the independent non-executive directors during the year (2014: nil).

1 Mr. Guangming George Lu resigned as an independent non-executive director on 15 July 2014.

2 Mr. Shun Tak Wong was appointed as an independent non-executive director on 15 July 2014.

(b) Executive directors, non-executive directors and the chief executive

	2015					
	FEES RMB'000	SALARIES, ALLOWANCES AND BENEFITS IN KIND RMB'000	DISCRETIONARY BONUSES RMB'000	PENSION SCHEME CONTRIBUTIONS RMB'000	SHARE-BASED COMPENSATION RMB'000	TOTAL RMB'000
Executive directors:						
Hongjiang Zhang	—	1,901	—	44	2,353	4,298
Yuk Keung Ng	—	2,117	—	—	1,211	3,328
Tao Zou	—	776	—	21	221	1,018
Non-executive directors:						
Pak Kwan Kau	—	260	—	—	—	260
Jun Lei	—	260	—	22	—	282
Chi Ping Lau[1]	—	—	—	—	—	—
	—	5,314	—	87	3,785	9,186

1 Mr. Chi Ping Lau agreed to waive his remuneration for the year ended 31 December 2015.

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, non-executive directors and the chief executive (continued)

	2014					
	FEES RMB'000	SALARIES, ALLOWANCES AND BENEFITS IN KIND RMB'000	DISCRETIONARY BONUSES RMB'000	PENSION SCHEME CONTRIBUTIONS RMB'000	SHARE-BASED COMPENSATION RMB'000	TOTAL RMB'000
Executive directors:						
Hongjiang Zhang	—	4,392	929	40	3,460	8,821
Yuk Keung Ng	—	2,012	614	—	1,995	4,621
Tao Zou	—	770	613	16	237	1,636
Non-executive directors:						
Pak Kwan Kau	—	218	—	—	—	218
Jun Lei	—	239	—	16	—	255
Chi Ping Lau[1]	—	—	—	—	—	—
	—	7,631	2,156	72	5,692	15,551

1 Mr. Chi Ping Lau agreed to waive his remuneration for the year ended 31 December 2014.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included no director (2014: one director), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining five (2014: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2015 RMB'000	2014 RMB'000
Salaries, allowances and benefits in kind	**4,126**	3,484
Discretionary bonuses	**2,575**	2,588
Pension scheme contributions	**455**	301
Share-based compensation[1]	**128,883**	109,475
	136,039	115,848

1 The share-based compensation costs were the aggregate amount of the expenses recognized for the options and awarded shares granted by the Company and its subsidiaries to the employees.

11. FIVE HIGHEST PAID EMPLOYEES (continued)

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	NUMBER OF EMPLOYEES	
	2015	**2014**
RMB6,500,001 to RMB7,000,000	**—**	1
RMB7,500,001 to RMB8,000,000	**—**	1
RMB12,500,001 to RMB13,000,000	**1**	—
RMB13,000,001 to RMB13,500,000	**1**	—
RMB18,000,001 to RMB18,500,000	**1**	—
RMB30,500,001 to RMB31,000,000	**1**	—
RMB34,000,001 to RMB34,500,000	**—**	1
RMB60,500,001 to RMB61,000,000	**1**	—
RMB67,000,001 to RMB67,500,000	**—**	1
	5	4

During the year and in the prior year, share options and awarded shares were granted to certain non-director and non-chief executive highest paid employees in respect of his services to the Group, further details of which are included in the disclosures in note 37 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosure.

12. INCOME TAX

PRC corporate income tax represents the tax charged on the estimated assessable profits arising in Mainland China during the year. In general, the PRC subsidiaries of the Group are subject to the PRC corporate income tax rate of 25% except for certain PRC subsidiaries which are entitled to tax holidays and preferential tax rates.

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2015.

In accordance with Japanese tax laws, the income tax rate applicable to the Group's subsidiary in Japan was 35.64% for the year ended 31 December 2015 (2014: 38%).

The Group's subsidiary in Malaysia was granted the Multimedia Super Corridor Malaysia Status ("MSC Malaysia Status"). Therefore, the online game related activities of the subsidiary were exempted from corporate income tax for the period from April 2015 to December 2019.

The major components of income tax expense for the years ended 31 December 2015 and 2014 are as follows:

	NOTE	2015 RMB'000	2014 RMB'000
Current — Mainland China		**149,720**	94,107
Current — Hong Kong		**20,830**	16,308
Current — Elsewhere		**16,795**	13,177
Deferred	35	**13,311**	(28,404)
Total tax charge for the year		**200,656**	95,188

12. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2015 RMB'000	2015 %	2014 RMB'000	2014 %
Profit before tax	**542,360**		961,755	
Tax at the statutory tax rate of Mainland China	**135,590**	**25.0**	240,439	25.0
Lower tax rates for specific provinces or enacted by local authority	**(36,462)**	**(6.7)**	(199,145)	(20.7)
Effect of different tax rates in different jurisdictions	**(132)**	**—**	(10,982)	(1.1)
Effect on opening deferred tax of change in rates	**(2,582)**	**(0.5)**	(13,150)	(1.4)
Income not subject to tax	**(1,594)**	**(0.3)**	(2,421)	(0.3)
Expenses not deductible for tax	**60,020**	**11.1**	39,448	4.1
Research and development super deduction	**(43,742)**	**(8.1)**	(23,861)	(2.5)
Tax losses and temporary differences not recognised	**89,780**	**16.5**	51,068	5.3
Tax losses and other deductible temporary differences utilised from previous periods	**(9,967)**	**(1.8)**	(1,427)	(0.1)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**10,972**	**2.0**	6,503	0.7
Effect of withholding tax on disposal of an investment in a joint venture classified as held for sale	**—**	**—**	11,694	1.2
Effect of withholding tax on the shares transfer of a subsidiary within the Group	**—**	**—**	6,552	0.7
Adjustments in respect of current tax of previous periods	**(1,227)**	**(0.2)**	(9,530)	(1.0)
Tax charge at the Group's effective rate	**200,656**	**37.0**	95,188	9.9

13. DIVIDENDS

	2015 RMB'000	2014 RMB'000
Proposed final dividend (notes (a) and (b)):		
HK$0.10 (2014: HK$0.13) per share based on issued share capital as at year end	**109,122**	121,509
Less: Dividend for shares held for share award scheme as at year end	**(1,227)**	(2,071)
	107,895	119,438

Notes:

(a) The actual amount of the 2014 dividend finally paid was RMB121,521,000, after eliminating the amount of RMB1,573,000 paid for shares held by the Share Award Scheme Trust.

(b) The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,271,480,719 (2014: 1,165,055,520) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the impact on earnings arising from the convertible bonds and the share option schemes and the share award schemes adopted by the Group's subsidiaries. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2015 RMB'000	2014 RMB'000
EARNINGS		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**369,178**	768,783
(Decrease)/increase in earnings adjusted for the convertible bonds and the share option schemes and the share award schemes adopted by the Company and subsidiaries	**(2,524)**	31,704
	366,654	800,487

	NUMBER OF SHARES 2015	 2014
SHARES		
Weighted average number of ordinary shares in issue less shares held for the share award schemes during the year used in the basic earnings per share calculation	**1,271,480,719**	1,165,055,520
Effect of dilution — weighted average number of ordinary shares:		
Share options	**9,554,323**	13,711,658
Awarded shares	**5,267,400**	10,228,899
Convertible bonds	**—**	80,064,713
	1,286,302,442	1,269,060,790

For the year ended 31 December 2014, because the diluted earnings per share amount is increased when taking into account the convertible bonds issued in 2014, the convertible bonds issued in 2014 had an anti-dilutive effect on the basic earnings per share and were ignored in the calculation of diluted earnings per share. Therefore, only the impact of the convertible bond issued in 2013 was adjusted on the calculation of the diluted earnings per share during the year ended 31 December 2014.

For the year ended 31 December 2015, both the convertible bonds issued in 2014 and in 2013 had anti-dilutive effect on the basic earnings per share and were ignored in the calculation of diluted earnings per share. Therefore, no impact of the convertible bonds issued in 2014 and in 2013 was adjusted on the calculation of the diluted earnings per share during the year ended 31 December 2015.

15. PROPERTY, PLANT AND EQUIPMENT

	BUILDINGS RMB'000	ELECTRONIC EQUIPMENT RMB'000	OFFICE EQUIPMENT AND FIXTURES RMB'000	MOTOR VEHICLES RMB'000	LEASEHOLD IMPROVEMENTS RMB'000	CONSTRUCTION IN PROGRESS RMB'000	TOTAL RMB'000
31 DECEMBER 2015							
At 31 December 2014 and 1 January 2015:							
Cost	**256,539**	**502,680**	**129,109**	**4,901**	**20,433**	**59,341**	**973,003**
Accumulated depreciation	**(23,705)**	**(232,614)**	**(117,565)**	**(2,473)**	**(13,009)**	**—**	**(389,366)**
Net carrying amount	**232,834**	**270,066**	**11,544**	**2,428**	**7,424**	**59,341**	**583,637**
At 1 January 2015, net of accumulated depreciation	**232,834**	**270,066**	**11,544**	**2,428**	**7,424**	**59,341**	**583,637**
Additions	**—**	**406,261**	**22,066**	**1,860**	**54,588**	**83,045**	**567,820**
Acquisition from business combination (note 40)	**—**	**3,477**	**—**	**—**	**—**	**—**	**3,477**
Disposals	**—**	**(691)**	**(1,012)**	**(206)**	**(254)**	**—**	**(2,163)**
Depreciation provided during the year	**(4,682)**	**(172,402)**	**(5,331)**	**(1,380)**	**(3,969)**	**—**	**(187,764)**
Exchange realignment	**—**	**874**	**140**	**42**	**16**	**—**	**1,072**
At 31 December 2015, net of accumulated depreciation	**228,152**	**507,585**	**27,407**	**2,744**	**57,805**	**142,386**	**966,079**
At 31 December 2015:							
Cost	**256,539**	**897,508**	**149,092**	**5,879**	**65,936**	**142,386**	**1,517,340**
Accumulated depreciation	**(28,387)**	**(389,923)**	**(121,685)**	**(3,135)**	**(8,131)**	**—**	**(551,261)**
Net carrying amount	**228,152**	**507,585**	**27,407**	**2,744**	**57,805**	**142,386**	**966,079**
31 DECEMBER 2014							
At 1 January 2014:							
Cost	256,539	252,824	123,512	4,320	15,751	40,229	693,175
Accumulated depreciation	(19,254)	(170,784)	(108,383)	(1,783)	(7,904)	—	(308,108)
Net carrying amount	237,285	82,040	15,129	2,537	7,847	40,229	385,067
At 1 January 2014, net of accumulated depreciation	237,285	82,040	15,129	2,537	7,847	40,229	385,067
Additions	—	265,936	6,364	581	4,885	19,112	296,878
Acquisition from business combination (note 40)	—	949	—	—	—	—	949
Government grants received	—	(11,091)	—	—	—	—	(11,091)
Disposals	—	(1,356)	(250)	—	—	—	(1,606)
Depreciation provided during the year	(4,451)	(67,613)	(9,699)	(690)	(5,051)	—	(87,504)
Exchange realignment	—	1,201	—	—	(257)	—	944
At 31 December 2014, net of accumulated depreciation	232,834	270,066	11,544	2,428	7,424	59,341	583,637
At 31 December 2014:							
Cost	256,539	502,680	129,109	4,901	20,433	59,341	973,003
Accumulated depreciation	(23,705)	(232,614)	(117,565)	(2,473)	(13,009)	—	(389,366)
Net carrying amount	232,834	270,066	11,544	2,428	7,424	59,341	583,637

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The net carrying amounts of the Group's fixed assets held under finance leases included in the total amounts of electronic equipment at 31 December 2015 were RMB26,634,000 (2014: nil).

16. PREPAID LAND LEASE PAYMENTS

	2015 RMB'000	2014 RMB'000
Carrying amount at 1 January	**281,066**	42,260
Addition	**—**	242,000
Amortisation during the year	**(4,340)**	(3,194)
Carrying amount at 31 December	**276,726**	281,066
At 31 December:		
Cost	**288,206**	288,206
Accumulated amortisation	**(11,480)**	(7,140)
Net carrying amount	**276,726**	281,066

As at 31 December 2015, the current portion of prepaid land lease payments amounted to RMB4,340,000, which will be amortised within one year and was recorded in prepayments, deposits and other receivables.

17. GOODWILL

	NOTES	RMB'000
At 1 January 2014:		
Cost		53,994
Accumulated impairment		—
Net carrying amount		53,994
Cost at 1 January 2014, net of accumulated impairment		53,994
Acquisition of subsidiaries	40	215,328
Exchange realignment		(2,034)
At 31 December 2014:		267,288
At 31 December 2014:		
Cost		267,288
Accumulated impairment		—
Net carrying amount		267,288
Cost at 1 January 2015, net of accumulated impairment		**267,288**
Acquisition of subsidiaries	40	**349,108**
Impairment during the year		**(23,746)**
Exchange realignment		**26,387**
Cost and net carrying amount at 31 December 2015		**619,037**
At 31 December 2015:		
Cost		**642,783**
Accumulated impairment		**(23,746)**
Net carrying amount		**619,037**

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the information security and internet services cash generating unit and other cash generating unit for impairment testing.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

2015

	INFORMATION SECURITY AND INTERNET SERVICES CASH GENERATING UNIT RMB'000	OTHER CASH GENERATING UNIT RMB'000	TOTAL RMB'000
Carrying amount of goodwill	**614,394**	**4,643**	**619,037**

17. GOODWILL (continued)

Impairment testing of goodwill (continued)

2014

	INFORMATION SECURITY AND INTERNET SERVICES CASH GENERATING UNIT RMB'000	OTHER CASH GENERATING UNIT RMB'000	TOTAL RMB'000
Carrying amount of goodwill	262,861	4,427	267,288

Information security and internet services cash generating unit

The recoverable amount of the information security and internet services cash-generating unit has been determined based on a fair value less cost of disposal, which is based on the market price of information security and internet services less the estimated cost of disposal, considering that Cheetah Mobile is a NASDAQ listed company. Considering the high market price of Cheetah Mobile, for the year ended 31 December 2015 no impairment (2014: nil) was provided for the goodwill of the information security and internet services cash-generating unit, except below online lottery sales.

On 15 January 2015, the Ministry of Finance, the State General Administration of Sports and the Ministry of Civil Affairs jointly issued the Notice on Issues Related to Self-Inspection and Self-Remedy of Unauthorized Online Lottery Sales to order their provincial and municipal branches to conduct inspection and take remedial measures for unauthorized online lottery sales within their respective jurisdictions. In response to the Notice, the Group suspended its online lottery sales since March 2015. There remains substantial uncertainty as to when the Group will be able to resume its online lottery sales. For the year ended 31 December 2015, as a result of the aforementioned suspense of the online lottery sales, which is included in the information security and internet services cash-generating unit, full provision for impairment of RMB23,746,000 (2014: nil) was made against the carrying value of the goodwill attributable to the lottery business.

Other cash generating unit

The other cash-generating unit mainly represented the business operating in Japan. The recoverable amount of the other cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial forecast approved by senior management covering a period of five year. The discount rate applied to the cash flow projections is 5% (2014: 5%), which is determined by reference to the average rates for similar industry and the business risk of the relevant business unit.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill of the other cash-generating unit:

Budgeted revenue — The basis used to determine the value assigned to the budgeted revenue is the revenue achieved in the year immediately before the budget year, increased for expected market development.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to the key assumptions are consistent with external information sources.

Based on the results of the impairment testing of goodwill of other cash-generating unit, in the opinion of the directors, no impairment provision was considered necessary as at 31 December 2015 (2014: nil).

18. OTHER INTANGIBLE ASSETS

	PURCHASED SOFTWARE RMB'000	LICENCE RIGHTS FOR GAMES RMB'000	CAPITALISED SOFTWARE COSTS RMB'000	USER BASE RMB'000	OTHERS RMB'000	TOTAL RMB'000
31 DECEMBER 2015						
At 1 January 2015:						
Cost	**137,713**	**67,668**	**27,229**	**93,534**	**16,737**	**342,881**
Accumulated amortisation and impairment	**(68,570)**	**(23,467)**	**(23,082)**	**(27,733)**	**(2,604)**	**(145,456)**
Net carrying amount	**69,143**	**44,201**	**4,147**	**65,801**	**14,133**	**197,425**
Cost at 1 January 2015, net of accumulated amortisation and impairment	**69,143**	**44,201**	**4,147**	**65,801**	**14,133**	**197,425**
Additions	**55,550**	**17,556**	**—**	**—**	**1,260**	**74,366**
Acquisition from business combination (note 40)	**94,845**	**—**	**—**	**14,710**	**6,000**	**115,555**
Amortisation provided during the year	**(74,806)**	**(19,452)**	**(4,147)**	**(33,080)**	**(2,634)**	**(134,119)**
Impairment during the year	**(213)**	**(24,248)**	**—**	**—**	**(789)**	**(25,250)**
Disposals	**(1,348)**	**(2,084)**	**—**	**—**	**(158)**	**(3,590)**
Exchange realignment	**17,849**	**1,423**	**—**	**3,176**	**4**	**22,452**
At 31 December 2015	**161,020**	**17,396**	**—**	**50,607**	**17,816**	**246,839**
At 31 December 2015:						
Cost	**300,938**	**80,813**	**27,229**	**114,196**	**24,005**	**547,181**
Accumulated amortisation and impairment	**(139,918)**	**(63,417)**	**(27,229)**	**(63,589)**	**(6,189)**	**(300,342)**
Net carrying amount	**161,020**	**17,396**	**—**	**50,607**	**17,816**	**246,839**
31 DECEMBER 2014						
At 1 January 2014:						
Cost	49,620	—	27,229	13,537	3,921	94,307
Accumulated amortisation and impairment	(17,473)	—	(9,468)	(6,476)	(786)	(34,203)
Net carrying amount	32,147	—	17,761	7,061	3,135	60,104
Cost at 1 January 2014, net of accumulated amortisation and impairment	32,147	—	17,761	7,061	3,135	60,104
Additions	12,190	67,668	—	21,098	12,816	113,772
Acquisition from business combination (note 40)	54,679	—	—	59,256	—	113,935
Amortisation provided during the year	(21,608)	(15,191)	(13,614)	(21,257)	(1,818)	(73,488)
Impairment during the year	(883)	(8,304)	—	—	—	(9,187)
Disposals	(5,901)	—	—	—	—	(5,901)
Exchange realignment	(1,481)	28	—	(357)	—	(1,810)
At 31 December 2014	69,143	44,201	4,147	65,801	14,133	197,425
At 31 December 2014 and at 1 January 2015:						
Cost	137,713	67,668	27,229	93,534	16,737	342,881
Accumulated amortisation and impairment	(68,570)	(23,467)	(23,082)	(27,733)	(2,604)	(145,456)
Net carrying amount	69,143	44,201	4,147	65,801	14,133	197,425

During the year ended 31 December 2015, the Group recognised an impairment loss of RMB25,250,000 (2014: RMB9,187,000) based on valuations using a discounted cash flow model. These intangible assets belong to the information security and internet services segment.

19. INVESTMENTS IN JOINT VENTURES

	2015 RMB'000	2014 RMB'000
Share of net assets	**42,238**	70,963
Goodwill on acquisition	**33,478**	47,190
	75,716	118,153
Provision for impairment	**(1,425)**	—
	74,291	118,153

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2015 RMB'000	2014 RMB'000
Share of the joint ventures' loss for the year	**(24,005)**	(7,657)
Share of the joint ventures' total comprehensive loss	**(24,005)**	(7,657)
Aggregate carrying amount of the Group's investments in the joint ventures	**74,291**	118,153

(i) The Group has discontinued the recognition of its share of losses of two joint ventures because the share of losses of these joint ventures exceeded the Group's interests in the joint ventures and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of these joint ventures for the current year and cumulatively were RMB1,683,000 (2014: RMB4,692,000) and RMB7,021,000 (2014: RMB5,338,000), respectively.

(ii) As at 31 December 2014, the Group held 50.5% registered capital of Moxiu Technology. According to the shareholders' agreement, decisions on operating and financial activities of Moxiu Technology require 2/3 of the shareholders' approval, and therefore, the Group only has joint control over Moxiu Technology. The investment in Moxiu Technology was accounted for as an investment in a joint venture using the equity method. On 25 May 2015, the Group through its non-wholly-owned subsidiary, Cheetah Mobile Technology, entered into a capital contribution agreement with Moxiu Technology and the existing shareholders of Moxiu Technology, pursuant to which, Moxiu Technology increased its registered capital by RMB67,344 and Cheetah Mobile Technology subscribed for all such additional registered capital at a consideration of RMB25,000,000 in cash, representing a premium of RMB24,932,656. Upon completion of the subscription, together with the 50.5% registered capital previous held, Cheetah Mobile Technology obtained a 52.1% equity interest in Moxiu Technology. According to the revised shareholders' agreement, decisions on operating and financial activities of Moxiu Technology require 1/2 of the shareholders' approval, and therefore, the Group obtained control over Moxiu Technology, and Moxiu Technology has become the subsidiary of the Group (note 40).

19. INVESTMENTS IN JOINT VENTURES (continued)

(iii) The Group treated these investments as joint ventures because the Group is able to exercise joint control on these investees through its representatives on the investees' board of directors.

(iv) During the year ended 31 December 2015, the Group recognised an impairment loss of RMB1,425,000 (2014: nil) for investments in joint ventures.

20. INVESTMENTS IN ASSOCIATES

	2015 RMB'000	2014 RMB'000
Share of net assets	**220,327**	29,912
Goodwill on acquisition	**31,534**	1,278
	251,861	31,190
Provision for impairment	**(1,852)**	(472)
	250,009	30,718

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2015 RMB'000	2014 RMB'000
Share of the associates' losses for the year	**(19,299)**	(6,868)
Share of the associates' other comprehensive income/(loss)	**559**	(688)
Share of the associates' total comprehensive loss	**(18,740)**	(7,556)
Share of the associates' reserves	**577**	—
Aggregate carrying amount of the Group's investments in the associates	**250,009**	30,718

(i) The Group has discontinued the recognition of its share of losses of Wuhan Antian Internet Security Technology Co., Ltd. ("Wuhan Antian"), because the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses since 31 December 2014. The amounts of the Group's unrecognised share of losses of this associate for the current year and cumulatively were RMB790,000 (2014: RMB478,000) and RMB1,268,000 (2014: RMB478,000), respectively. On 31 January 2015, the Group disposed of 20% shares of Wuhan Antian for a consideration of RMB13,000,000 and a gain of RMB13,000,000 was recorded in other net gain/(losses) in profit or loss for the year ended 31 December 2015 (note 6).

20. INVESTMENTS IN ASSOCIATES (continued)

(ii) On 26 January 2015, the Group entered into a share purchase agreement with a company engaged in the online sales of creative commodities, its founders and existing shareholders to purchase its 35% equity interest at a total consideration of US$21,000,000.

(iii) On 9 February 2015, the Group entered into a limited partnership agreement with a fund engaged in investment and its existing partners to purchase 45.2% equity interest of the fund as a limited partner at a total consideration of RMB45,000,000.

(iv) On 24 September 2015, the Group entered into series A-2 preferred share and series B preferred share purchase agreements with a company engaged in the instant music video apps, with a consideration of RMB5 million and US$3.2 million, respectively. Upon completion of the transaction, the Group holds 20% equity interest and is able to appoint one out of six directors of the board.

(v) The Group treated these as associates because the Group is able to have significant influence on these investees through its representations in the investees' boards of directors.

(vi) During the year ended 31 December 2015, the Group recognised an impairment loss of RMB1,380,000 (2014: RMB472,000) for investments in associates.

21. AVAILABLE-FOR-SALE INVESTMENTS

	NOTES	2015 RMB'000	2014 RMB'000
Listed equity investments in United States, at fair value	(i)	**1,726,438**	399,540
Unlisted equity investment, at cost	(ii)	**549,864**	224,045
		2,276,302	623,585
Current portion		**(50,000)**	(56,913)
Non-current portion		**2,226,302**	566,672

During the year, the gross gain in respect of the Group's available-for-sale investments at fair value recognised in other comprehensive income amounted to RMB186,632,000 (2014: gross loss of RMB238,806,000), of which loss of RMB24,951,000 (2014: RMB3,080,000) was reclassified from other comprehensive income to the statement of profit or loss during the year.

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

21. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Notes:

(i) On 3 April 2014, the Group through its subsidiary entered into a share purchase agreement with Xunlei Limited ("Xunlei"), a NASDAQ listed company, to subscribe for 31,939,676 series E preferred shares of Xunlei for a total consideration of US$90 million (equivalent to RMB557,655,000). On 27 September 2014, all the series E preferred shares held by the Group were converted into ordinary shares, representing 10.01% of the total issued ordinary shares of Xunlei. As at 31 December 2015, the investment in Xunlei was re-measured at fair value of RMB368,198,000(2014: RMB336,887,000), with a gain in fair value of RMB9,759,000 (2014: RMB220,768,000) recognised in other comprehensive income.

On 29 November 2014, the Group entered into a share purchase agreement with 21Vianet and the founder parties, pursuant to which, 21Vianet agreed to issue 39,087,125 Class A Shares and 18,250,268 Class B Shares to the Group at price of US$172,012,179 (equivalent to RMB1,058,839,000). On 15 January 2015, the shares were transferred to the Group. As at 31 December 2015, the investment in 21Vianet was remeasured at fair value of RMB1,311,867,000, with a gain in fair value of RMB187,795,000 recognised in other comprehensive income for the year ended 31 December 2015.

(ii) As at 31 December 2015, the unlisted equity investments with a carrying amount of RMB549,864,000 (2014: RMB224,045,000) were stated at cost less impairment, because the range of reasonable fair value estimates is so significant that the directors are of the opinion that the fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future. During the year ended 31 December 2015, an impairment loss of RMB6,031,000 (2014: nil) was recognised in the statement of profit or loss for the year.

On 29 January 2015, the Group entered into a share purchase agreement with a company engaged in the research and development of apps and its founder entity, pursuant to which, the Group purchased 28,225,806 series A preferred shares of the company at a consideration of US$28 million (equivalent to RMB171 million) ($0.992 per share) from the company and its founder entity. Upon completion of the transaction, the Group obtained 2.8% equity interest of the company.

On 20 March 2015, the Group entered into a share purchase agreement with a company engaged in research and development of software for social media advertising as well as automatic advertising delivery, to subscribe for 1,831,754 series B preferred shares at a cash consideration of US$20,000,000 (equivalent to RMB122,820,000). Upon completion, the Group obtained 9.57% of equity interest of the company.

22. OTHER FINANCIAL ASSETS

	NOTES	2015 RMB'000	2014 RMB'000
Unlisted debt investments	(i)	**—**	78,378
Ordinary share subscription option	(ii)	**12,073**	10,063
Call option	(iii)	**14,221**	—
		26,294	88,441
Current portion		**—**	(78,378)
Non-current portion		**26,294**	10,063

Notes:

(i) These unlisted debt investments were, upon initial recognition, classified as a financial assets at fair value through profit or loss. The unlisted debt investments included:

a. A convertible note bears interest at 6% per annum with maturity of two years from July 2013. In September 2015, the Group converted the convertible note into series A-2 preferred shares at the price of US$1,000,000 (equivalent to RMB6,361,000), which was accounted as available-for-sale investments as at 31 December 2015.

b. In June 2015, the convertible bond was redeemed by the issuer at the price of US$10,000,000 (equivalent to RMB61,146,000). A disposal loss of US$1,032,000 (equivalent to RMB6,323,000) was recognised in other loss in the consolidated statement of profit or loss.

(ii) The ordinary share subscription option (the "VNG Option") represents rights to subscribe for an aggregate of 1,032,917 ordinary shares of VNG Corporation ("VNG"), an independent third party in Vietnam, which can be exercised from time to time at the Group's full discretion on or before 31 December 2020. The Group has no intention to dispose of or exercise these options in the near future.

(iii) The call option represented rights to acquire additional investments in a company engaged in the research and development of apps.

23. LOAN RECEIVABLES

	NOTE	2015 RMB'000	2014 RMB'000
Housing loans to employees		**8,201**	10,790
Loans to related parties	44(b)	**668**	—
Others		**4,102**	2,765
		12,971	13,555

Housing loans to employees are interest free, unsecured and repayable in three to five years.

24. OTHER NON-CURRENT ASSETS

	2015 RMB'000	2014 RMB'000
Long term receivable	**68,031**	112,669
Long term deposits	**20,468**	9,855
Long term prepayments	**4,819**	40,246
	93,318	162,770

Long term receivable is in respect of the disposal of Sky Profit Limited ("Sky Profit") on 25 February 2014. Upon completion of the disposal of its equity interest in Sky Profit, the Group recognised a gain on disposal of RMB117 million. According to the share purchase agreement, the consideration for the disposal is to be settled within 4 years, and the current and non-current portions of the consideration of RMB51 million (2014:RMB36 million) and RMB68 million (2014: RMB113 million) were recorded in other receivables and other non-current assets as at 31 December 2015, respectively.

25. INVENTORIES

	2015 RMB'000	2014 RMB'000
Packaging materials	**299**	3,647
Trading stocks	**5,072**	3,298
	5,371	6,945

26. TRADE RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	**986,117**	419,499
Impairment	**(20,117)**	(8,362)
	966,000	411,137

The Group's trading terms with its customers are mainly on credit, except for online sales, where payment in advance is normally required. The credit period is generally one month, extending up to twelve months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2015 RMB'000	2014 RMB'000
0 to 30 days	**618,235**	338,453
31 to 60 days	**114,974**	36,366
61 to 90 days	**71,687**	11,890
91 to 365 days	**116,429**	23,668
Over one year	**44,675**	760
	966,000	411,137

The movements in provision for impairment of trade receivables are as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	**8,362**	8,651
Impairment losses recognised	**16,711**	4,827
Impairment losses reversed	**(5,880)**	(875)
Amount written off as uncollectible	**(112)**	(4,241)
Exchange realignment	**1,036**	—
	20,117	8,362

Included in the above provision for impairment of trade receivables is a provision for individual impaired trade receivables of RMB20,117,000 (2014: RMB8,362,000) with a carrying amount before provision of RMB20,117,000 (2014: RMB8,362,000).

26. TRADE RECEIVABLES (continued)

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments and only a portion of the receivables is expected to be recovered.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	**624,733**	320,240
0 to 30 days past due	**114,974**	18,213
31 to 60 days past due	**71,687**	36,366
61 to 90 days past due	**114,131**	11,890
91 to 365 days past due	**21,569**	23,668
Over one year past due	**18,906**	760
	966,000	411,137

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Included in the Group's trade receivables is an amount of RMB33,398,000 (2014: RMB28,575,000) due from a company whose parent has a significant influence on the Company, and an amount of RMB45,711,000 (2014: RMB10,591,000) due from a company controlled by a director of the Company which is repayable on credit terms similar to those offered to the major customers of the Group.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	NOTE	2015 RMB'000	2014 RMB'000
Prepayments		**99,077**	47,563
Deposits		**9,167**	16,670
Due from related parties	44(b)	**129,725**	117,411
Other receivables		**609,511**	344,108
		847,480	525,752
Impairment		**(10,082)**	(10,533)
		837,398	515,219

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

The movements in provision for impairment of other receivables are as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	**10,533**	10,751
Impairment losses recognised	**4,516**	1,282
Impairment losses reversed	**(5,000)**	—
Amount written off as uncollectible	**—**	(1,500)
Exchange realignment	**33**	—
	10,082	10,533

28. CASH AND BANK DEPOSITS, PLEDGED DEPOSITS AND RESTRICTED CASH

	NOTES	2015 RMB'000	2014 RMB'000
Cash and bank balances	(a)	**1,553,088**	1,026,446
Non-pledged time deposits with original maturity of less than three months when acquired	(a)	**4,317,593**	1,167,798
Principle protected structure deposits with original maturity of less than three months when acquired		**758,594**	999,690
		6,629,275	3,193,934
Non-pledged time deposits with original maturity of over three months when acquired	(a)	**356,939**	1,706,473
Principle protected structure deposits with original maturity of over three months when acquired		**1,620,220**	2,083,292
Cash and bank deposits		**8,606,434**	6,983,699
Pledged time deposits for bank loans	(a), 31	**46,657**	19,978
Restricted cash	(c)	**130,187**	—
		8,783,278	7,003,677
Denominated in RMB	(b)	**4,125,340**	3,839,505
Denominated in US$		**4,345,561**	1,444,859
Denominated in HK$		**287,160**	1,697,453
Denominated in JPY		**18,725**	21,611
Denominated in other currencies		**6,492**	249
		8,783,278	7,003,677

28. CASH AND BANK, DEPOSITS, PLEDGED DEPOSITS AND RESTRICTED CASH (continued)

(a) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of one day to and a year depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. The bank balances and pledged time deposits are deposited with creditworthy banks with no recent history of default.

(b) The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(c) As at 31 December 2015, restricted cash of RMB130,187,000 (2014: nil) was not a part of cash and cash equivalents, which are not available for the Group's use. The restricted cash represents the escrow amount and its related interest income held in an escrow account by the Group, which shall be available for the payment of the consideration payable to the seller in accordance with the terms of the share purchase agreement to acquire MobPartner.

29. TRADE PAYABLES

An aged analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2015 RMB'000	2014 RMB'000
0 to 30 days	**138,561**	45,073
31 to 60 days	**10,806**	6,148
61 to 90 days	**4,968**	1,979
91 to 365 days	**22,779**	24,852
Over one year	**8,303**	2,292
	185,417	80,344

Trade payables are non-interest-bearing and are normally settled on terms of two to three months.

Included in the Group's trade payables are amounts of RMB23,461,000 (2014: RMB1,436,000) and RMB16,272,000 (2014: RMB1,020,000), respectively, due to a company controlled by a director of the Company and a company whose parent has a significant influence on the Company, which are repayable on credit terms similar to those offered by the counterparty.

30. OTHER PAYABLES AND ACCRUALS

	NOTES	2015 RMB'000	2014 RMB'000
Deposits received from customers		**70,997**	37,457
Other payables		**738,722**	450,767
Accruals		**769,715**	353,144
Other taxes payable		**115,461**	57,568
Considerations payable for acquiring businesses		**154,526**	54,773
Finance lease payables	34	**27,639**	—
Due to a related party	44(b)	**3,734**	—
		1,880,794	953,709
Non-current portion			
Considerations payable for acquiring businesses		**(55,665)**	(22,272)
Finance lease payables	34	**(16,440)**	—
		(72,105)	(22,272)
Current portion		**1,808,689**	931,437

Other payables are non-interest-bearing.

31. INTEREST-BEARING BANK LOANS

	NOTES	EFFECTIVE INTEREST RATE	MATURITY	PRINCIPAL AMOUNT RMB'000
At 31 December 2015				
Current				
Bank loan — secured	(a)	**HIBOR PLUS 0.75% PER ANNUM**	**2016**	**16,756**
Bank loan — secured	(b)	**LIBOR PLUS 1.65% PER ANNUM**	**2016**	**129,872**
Current portion of long term bank loans		**1.98% PER ANNUM**	**2016**	**401**
				147,029
Non-current				
Bank loans — secured		**1.98%–2.92% PER ANNUM**	**2017–2021**	**10,523**
				157,552
At 31 December 2014				
Current				
Bank loan — secured	(a)	HIBOR plus 0.75% per annum	2015	15,778

31. INTEREST-BEARING BANK LOANS (continued)

	2015 RMB'000	2014 RMB'000
Analysed into:		
Within one year or on demand	**147,029**	15,778
In the second year	**2,273**	—
In the third to fifth years, inclusive	**6,558**	—
Beyond five year	**1,692**	—
	157,552	15,778

Notes:

(a) The interest-bearing bank loan represented a drawdown of HK$20,000,000 (equivalent to RMB16,756,000) (2014: HK$20,000,000, equivalent to RMB15,778,000) from the Group's banking facilities of HK$100,000,000. The bank loan was secured by the Group's time deposit of RMB20,683,000 (2014: RMB19,978,000).

(b) The interest-bearing bank loan represented a drawdown of US$20,000,000 (equivalent to RMB129,872,000) (2014: nil) from the Group's banking facilities of US$50,000,000. The bank loan was secured by the Group's time deposit of US$4,000,000 (equivalent to RMB25,974,000) (2014: nil).

(c) As at 31 December 2015, interest-bearing bank loans of the Group amounting to RMB16,756,000, RMB129,872,000 and RMB10,924,000 were denominated in HK$, US$ and Euro, respectively (2014: RMB15,778,000, nil and nil, respectively).

32. DEFERRED REVENUE

	2015 RMB'000	2014 RMB'000
Entertainment software	**342,773**	258,072
Information security software	**63,619**	39,598
Other application software	**11,505**	9,696
Government grants	**32,208**	17,152
	450,105	324,518
Less: Current portion	**(425,964)**	(310,983)
Non-current portion	**24,141**	13,535

33. CONVERTIBLE BONDS

		2015 RMB'000	2014 RMB'000
Liability component			
2013 Convertible bonds	(a)	**824,881**	1,047,132
2014 Convertible bonds	(b)	**1,874,817**	1,745,190
		2,699,698	2,792,322
Equity component			
2013 Convertible bonds	(a)	**6,290**	8,500
2014 Convertible bonds	(b)	**66,005**	66,005
		72,295	74,505

(a) On 23 July 2013, the Company issued five-year convertible bonds in the principal amount of HK$1,356,000,000 which bear interest at a rate of 3% per annum payable semi-annually (the "2013 Convertible Bonds"). The 2013 Convertible Bonds are convertible at the option of the bondholders into ordinary shares of the Company from 2 September 2013 to the close of business on the date falling 10 days prior to the maturity date, at a price of HK$16.9363 per share, subject to adjustments. The Company may redeem under certain circumstances, in whole, the outstanding 2013 Convertible Bonds at principal amount together with interest accrued by giving the bondholders not less than 30 days' prior notice. On the maturity date, any 2013 Convertible Bonds not converted will be redeemed by the Company at its principal amount together with accrued and unpaid interest thereon.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

In accordance with the respective terms and conditions of the 2013 Convertible Bonds, the payment of the 2014 final dividend, together with the distribution in specie of ADS of Cheetah Mobile in May 2014 and the payment of a final dividend of HK$0.12 per share for the financial year of 2013, resulted in an adjustment (the "Adjustment") to the respective conversion prices of each of the 2013 Convertible Bonds. Considering the 2014 final dividend has been approved by the shareholders at the annual general meeting, and the Adjustment became effective on 2 June 2015, the respective conversion price of the 2013 Convertible Bonds was adjusted to HK$16.70 per share.

Certain holders of the bonds have exercised their rights to convert the 2013 Conversion Bonds into shares at the conversion price of HK$16.9363 (adjusted price of HK$16.70 after 2 June 2015) per share during the year ended 31 December 2015. Upon such conversions of the 2013 Convertible Bonds, 21,044,154 shares were allotted and issued by the Company to the relevant holders of the bonds. The aggregate principal amount of the 2013 Convertible Bonds remaining outstanding following the conversion of the 2013 Convertible Bonds is HK$1,000 million.

33. CONVERTIBLE BONDS (continued)

(a) (continued)

The movements of the liability component and the equity component of the 2013 Convertible Bonds for the year ended 31 December 2015 and 2014 are set out below:

	LIABILITY COMPONENT RMB'000	EQUITY COMPONENT RMB'000
At 1 January 2014	1,037,587	8,500
Exchange realignment	3,563	—
Interest expenses	5,982	—
At 31 December 2014	1,047,132	8,500
Conversion to ordinary shares	**(275,370)**	**(2,210)**
Exchange realignment	**47,972**	**—**
Interest expenses	**5,147**	**—**
At 31 December 2015	**824,881**	**6,290**

(b) On 11 April 2014, the Company issued five-year convertible bonds in the principal amount of HK$2,327,000,000 which bear interest at a rate of 1.25% per annum payable semi-annually (the "2014 Convertible Bonds"). The 2014 Convertible Bonds are convertible at the option of the bondholders into ordinary shares of the Company from 22 May 2014 to the close of business on the date falling 10 days prior to the maturity date, at a price of HK$43.89 per share, subject to adjustments. The Company may redeem under certain circumstances, in whole, the outstanding 2014 Convertible Bonds at the principal amount together with the interest accrued by giving the bondholders not less than 30 days' prior notice. On the maturity date, any 2014 Convertible Bonds not converted will be redeemed by the Company at its principal amount together with accrued and unpaid interest thereon.

33. CONVERTIBLE BONDS (continued)

(b) (continued)

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

Similar to the 2013 Convertible Bonds, the conversion price of the 2014 Convertible Bonds was adjusted to HK$43.29 per share on 2 June 2015.

There was no conversion or redemption of the 2014 Convertible Bonds during the year ended 31 December 2015.

The movements of the 2014 Convertible Bonds for the year are set out below:

	RMB'000
Nominal value of the 2014 Convertible Bonds issued	1,845,544
Equity component at the issuance date	(66,005)
Direct transaction costs attributable to the liability component	(39,672)
Liability component at the issuance date	1,739,867
Exchange realignment	(9,214)
Interest expenses	14,537
At 31 December 2014	1,745,190
Liability component at 31 December 2014 and 1 January 2015	**1,745,190**
Exchange realignment	**108,529**
Interest expenses	**21,098**
At 31 December 2015	**1,874,817**

34. FINANCE LEASE PAYABLES

In 2015, the Group leases certain of its electronic equipment for its cloud businesses. These leases are classified as finance leases and have remaining lease terms ranging from two to three years.

At 31 December 2015, the total future minimum lease payments under finance leases and their present values were as follows:

	MINIMUM LEASE PAYMENTS 2015 RMB'000	PRESENT VALUE OF MINIMUM LEASE PAYMENTS 2015 RMB'000
Amounts payable:		
Within one year	12,644	11,199
After one year but not more than three years	17,656	16,440
Total minimum finance lease payments	30,300	27,639
Future finance charges	(2,661)	
Total net finance lease payables	27,639	
Current portion	(11,199)	
Non-current portion	16,440	

Current and non-current portions of these finance lease payables are included in other payables and accruals and other liabilities, respectively.

35. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	2015				
	DEFERRED COST RMB'000	FAIR VALUE ADJUSTMENT ARISING FROM ACQUISITION OF SUBSIDIARIES RMB'000	WITHHOLDING TAXES ON THE DISTRIBUTABLE PROFITS OF THE GROUP'S PRC SUBSIDIARIES RMB'000	OTHERS RMB'000	TOTAL RMB'000
At 1 January 2015	3,468	16,978	20,162	975	41,583
Acquisition of subsidiaries (note 40)	—	31,210	—	—	31,210
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 12)	(1,224)	(8,408)	—	259	(9,373)
Exchange realignment	—	(880)	—	—	(880)
Gross deferred tax liabilities at 31 December 2015	2,244	38,900	20,162	1,234	62,540

Deferred tax assets

	2015								
	PROPERTY, PLANT AND EQUIPMENT RMB'000	DEFERRED REVENUE RMB'000	ACCRUALS RMB'000	GOVERNMENT GRANTS RMB'000	PROVISIONS RMB'000	INTANGIBLE ASSETS RMB'000	TAX LOSSES RMB'000	OTHERS RMB'000	TOTAL RMB'000
At 1 January 2015	66	35,881	17,930	510	2,064	18,563	—	2,974	77,988
Deferred tax (charged)/credited to the statement of profit or loss during the year (note 12)	(45)	(32,327)	(8,325)	760	2,224	1,503	11,270	2,256	(22,684)
Gross deferred tax assets at 31 December 2015	21	3,554	9,605	1,270	4,288	20,066	11,270	5,230	55,304

35. DEFERRED TAX (continued)

The movements in deferred tax liabilities and assets during the year are as follows (continued):

Deferred tax liabilities

			2014		
	DEFERRED COST RMB'000	FAIR VALUE ADJUSTMENT ARISING FROM ACQUISITION OF SUBSIDIARIES RMB'000	WITHHOLDING TAXES ON THE DISTRIBUTABLE PROFITS OF THE GROUP'S PRC SUBSIDIARIES RMB'000	OTHERS RMB'000	TOTAL RMB'000
At 1 January 2014	15	1,205	23,700	5,625	30,545
Acquisition of subsidiaries (note 40)	—	18,196	—	—	18,196
Disposal of an available-for-sale Investment	—	—	—	(4,336)	(4,336)
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 12)	3,453	(2,423)	(3,538)	(314)	(2,822)
Gross deferred tax liabilities at 31 December 2014	3,468	16,978	20,162	975	41,583

Deferred tax assets

				2014				
	PROPERTY, PLANT AND EQUIPMENT RMB'000	DEFERRED REVENUE RMB'000	ACCRUALS RMB'000	GOVERNMENT GRANTS RMB'000	PROVISIONS RMB'000	INTANGIBLE ASSETS RMB'000	OTHERS RMB'000	TOTAL RMB'000
At 1 January 2014	266	24,641	7,022	3,418	3,195	13,078	786	52,406
Deferred tax (charged)/credited to the statement of profit or loss during the year (note 12)	(200)	11,240	10,908	(2,908)	(1,131)	5,485	2,188	25,582
Gross deferred tax assets at 31 December 2014	66	35,881	17,930	510	2,064	18,563	2,974	77,988

* The share of deferred tax liability arising from acquisition of subsidiaries amounting to RMB31,210,000 (2014: 18,196,000) was not charged to the statement of profit or loss.

35. DEFERRED TAX (continued)

The Group has tax losses arising in Mainland China of RMB894,641,000 as at 31 December 2015 (2014: RMB317,742,000) that will expire in one to five years for offsetting against future taxable profits.

The amounts and expiration dates of the tax losses carried forward at 31 December 2015 and 2014 are listed below:

	2015 RMB'000	2014 RMB'000
Expiration date		
31 December 2016	**6,398**	5,595
31 December 2017	**37,463**	16,316
31 December 2018	**87,761**	116,643
31 December 2019	**201,641**	179,188
31 December 2020	**561,378**	—

The Group also has tax losses arising in Hong Kong of RMB123,448,000 (2014: RMB97,142,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets have not been recognised in respect of the following items:

	2015 RMB'000	2014 RMB'000
Tax losses	**1,049,640**	417,758
Deductible temporary differences	**325,793**	15,948
	1,375,433	433,706

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

A deferred tax liability is recognised for the estimated withholding taxes to the extent that it is probable that those subsidiaries will distribute earnings in the foreseeable future. This requires an estimation of the likely timing and level of dividends to be distributed, and a judgement as to whether the dividends are associated to earnings generated from 1 January 2008 or not. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China, for which deferred tax liabilities have not been recognised for withholding taxes that would be payable on the unremitted earnings of these subsidiaries, totalled approximately RMB2,992 million at 31 December 2015 (2014: RMB2,566 million). In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

36. SHARE CAPITAL

Shares

	2015 RMB'000	2014 RMB'000
Authorised: 2,400,000,000 (2014: 2,400,000,000) ordinary shares of US$0.0005 each	**9,260**	9,260
Issued and fully paid: 1,302,479,287 (2014: 1,184,842,493) ordinary shares of US$0.0005 each	**5,092**	4,730

A summary of the movements in the Company's share capital was as follows:

	NOTES	NUMBER OF SHARES IN ISSUE	ISSUED SHARE CAPITAL RMB'000	SHARE PREMIUM ACCOUNT RMB'000	TREASURY SHARES RMB'000	TOTAL RMB'000
At 1 January 2014		1,159,444,361*	4,718	369,052	(53,890)	319,880
Approved and paid final dividend in respect of the previous year		—	—	(110,723)	—	(110,723)
Distribution in specie		—	—	(50,966)	—	(50,966)
Exercise of share options	37	4,208,860	12	11,844	—	11,856
Vested awarded shares transferred to employees	37	4,789,967	—	—	15,089	15,089
Shares repurchased for cancellation		(3,802,000)	—	—	(45,163)	(45,163)
At 31 December 2014 and 1 January 2015		**1,164,641,188***	**4,730**	**219,207**	**(83,964)**	**139,973**
Approved and paid final dividend in respect of the previous year		**—**	**—**	**(121,521)**	**—**	**(121,521)**
Issuance of new shares		**100,000,000**	**308**	**2,145,716**	**—**	**2,146,024**
Exercise of share options	37	**743,640**	**2**	**2,079**	**—**	**2,081**
Vested awarded shares transferred to employees	37	**1,720,467**	**—**	**—**	**4,035**	**4,035**
Conversion of convertible bonds		**21,044,154**	**65**	**279,679**	**—**	**279,744**
Shares repurchased for cancellation		**(349,000)**	**(13)**	**(50,497)**	**45,163**	**(5,347)**
At 31 December 2015		**1,287,800,449***	**5,092**	**2,474,663**	**(34,766)**	**2,444,989**

* Excluding 14,678,838 (2014: 20,201,305) shares held by the Share Award Scheme Trust as at 31 December 2015

(i) On 4 June 2015, the Company issued 100,000,000 ordinary shares at the price of HK$27.40 per share, with the net proceeds of RMB2,146,024,000.

(ii) The Company purchased 3,802,000 of its shares from the Hong Kong Stock Exchange in December 2014 for a total consideration of HK$57,218,000 (equivalent to RMB45,163,000), which have been cancelled in February 2015. The Company purchased 349,000 of its shares from the Hong Kong Stock Exchange in July 2015 for a total consideration of HK$6,776,000 (equivalent to RMB5,347,000), which have been cancelled in August 2015.

(iii) The subscription rights attaching to 743,640 share options (2014: 2,608,860) were exercised at the subscription price from US$0.2118 to US$0.4616 per share (2014: US$0.0005 to US$0.4616) (note 37), and subscription rights attaching to none of share options (2014: 1,600,000) at the subscription price from HK$2.89 to HK$3.28 per share (2014: HK$2.89 to HK$3.28) (note 37) were exercised, resulting in the issue of 743,640 shares (2014:4,208,860) for a total cash consideration, before expenses, of RMB1,092,000 (2014:RMB7,155,000). An amount of RMB989,000 (2014:RMB4,701,000) was transferred from the share-based compensation reserve to share premium account upon the exercise of the share options.

The awarded shares amounting to 1,720,467 shares (2014: 4,789,967) were vested and transferred to employees. An amount of RMB4,035,000 (2014: RMB15,089,000) was transferred from the share-based compensation reserve to treasury shares upon the transfer of the shares.

36. SHARE CAPITAL (continued)

Share options

Details of the Company's share option schemes and the share options issued under these schemes are included in note 37 to the financial statements.

37. SHARE-BASED COMPENSATION COSTS

Share option schemes

(a) *The Company's 2004 and 2007 Pre-IPO Share Option Schemes*

The Company adopted the 2004 Pre-IPO Share Option Scheme and the 2007 Pre-IPO Share Option Scheme (collectively, the "Pre-IPO Share Option Schemes") in September 2004 ("2004 Scheme") and January 2007 ("2007 Scheme") respectively. The Pre-IPO Share Option Schemes were terminated on 3 September 2007. No share options have been granted under these two schemes since then. The following table illustrates the numbers and weighted average exercise prices ("WAEP") of, and movements in the Company's share options under these two schemes for the years ended 31 December 2015 and 2014.

The following share options were outstanding under the 2004 Scheme and 2007 Scheme during the years ended 31 December 2015 and 2014:

	2015 NUMBER OF SHARE OPTIONS	2015 WAEP US$ PER SHARE	2014 NUMBER OF SHARE OPTIONS	2014 WAEP US$ PER SHARE
2004 SCHEME				
Outstanding at 1 January	**53,240**	**0.0506**	645,300	0.0314
Exercised during the year	**(53,240)**	**0.0506**	(592,060)	0.0296
Outstanding at 31 December	**—**	**—**	53,240	0.0506
Exercisable at 31 December	**—**	**—**	53,240	0.0506
2007 SCHEME				
Outstanding at 1 January	**5,312,500**	**0.2412**	7,329,300	0.2457
Exercised during the year	**(690,400)**	**0.2406**	(2,016,800)	0.2582
Outstanding at 31 December	**4,622,100**	**0.2412**	5,312,500	0.2412
Exercisable at 31 December	**4,622,100**	**0.2412**	5,312,500	0.2412
Total outstanding at 31 December	**4,622,100**	**0.2412**	5,365,740	0.2392
Total exercisable at 31 December	**4,622,100**	**0.2412**	5,365,740	0.2392

The weighted average share price at the date of exercise for the options exercised during the year was HK$23.60 per share (2014: HK$21.52 per share).

37. SHARE-BASED COMPENSATION COSTS (continued)

Share option schemes (continued)

(a) *The Company's 2004 and 2007 Pre-IPO Share Option Schemes (continued)*

The date of grant and exercise price of the share options under the 2004 Scheme and the 2007 Scheme outstanding as at 31 December 2015 and 2014 are as follows:

	NUMBER OF SHARE OPTIONS				
	AT 1 JANUARY 2015	EXERCISED DURING THE YEAR	AT 31 DECEMBER 2015	DATE OF GRANT OF SHARE OPTIONS	EXERCISE PRICE OF SHARE OPTIONS US$ PER SHARE
Name or category of participant					
OTHER EMPLOYEES					
In aggregate					
	53,240	(53,240)	—	1 AUGUST 2005	0.2118
	5,274,500	(678,400)	4,596,100	1 FEBRUARY 2007*	0.2400
	10,000	(10,000)	—	8 MAY 2007*	0.2400
	28,000	(2,000)	26,000	1 AUGUST 2007*	0.4616
	5,365,740	(743,640)	4,622,100		

* These options were granted under the 2007 Scheme, while the others were granted under the 2004 Scheme.

No option was outstanding under the 2004 Scheme as at 31 December 2015 (2014: 53,240).

The weighted average remaining contractual life for the Company's share options outstanding under the 2007 Scheme as at 31 December 2015 was 1.08 years (2014: 2.09 years).

37. SHARE-BASED COMPENSATION COSTS (continued)

Share option schemes (continued)

(a) The Company's 2004 and 2007 Pre-IPO Share Option Schemes (continued)

	NUMBER OF SHARE OPTIONS				
	AT 1 JANUARY 2014	EXERCISED DURING THE YEAR	AT 31 DECEMBER 2014	DATE OF GRANT OF SHARE OPTIONS	EXERCISE PRICE OF SHARE OPTIONS US$ PER SHARE
Name or category of participant					
OTHER EMPLOYEES					
In aggregate					
	500,500	(500,500)	—	1 January 2000*	0.0005
	60,300	(60,300)	—	1 August 2004	0.0353
	84,500	(31,260)	53,240	1 August 2005	0.2118
	7,125,300	(1,850,800)	5,274,500	1 February 2007**	0.2400
	10,000	—	10,000	8 May 2007**	0.2400
	194,000	(166,000)	28,000	1 August 2007**	0.4616
	7,974,600	(2,608,860)	5,365,740		

* The option agreement was restated on 1 August 2004, and has an expiry period of ten years starting from the restatement date.

** These options were granted under the 2007 Scheme, while the others were granted under the 2004 Scheme.

(b) The Company's 2011 Share Option Scheme

The Company operates the 2011 Share Option Scheme for the purpose of providing incentives and rewards to eligible participants. Eligible participants of the 2011 Share Option Scheme include the Company's directors, including independent non-executive directors, and other employees of the Group. The 2011 Share Option Scheme became effective on 9 December 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of shares which may be issued upon exercise of all share options to be granted under the 2011 Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue on 9 December 2011. The maximum number of shares issuable under share options to each eligible participant in the 2011 Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

37. SHARE-BASED COMPENSATION COSTS (continued)

Share option schemes (continued)

(b) The Company's 2011 Share Option Scheme (continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period determined at the discretion of the board of directors and ends on a date which is no later than 10 years from the date of offer of the share options.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the 2011 Share Option Scheme during the years ended 31 December 2015 and 2014:

	2015 NUMBER OF SHARE OPTIONS	**2015 WAEP HK$ PER SHARE**	**2014 NUMBER OF SHARE OPTIONS**	**2014 WAEP HK$ PER SHARE**
Outstanding at 1 January	**8,900,000**	**2.95**	10,500,000	3.00
Exercised during the year	**—**	**—**	(1,600,000)	3.04
Forfeited during the year	**(3,000,000)**	**2.89**	—	—
Outstanding at 31 December	**5,900,000**	**2.99**	8,900,000	2.95
Exercisable at 31 December	**4,700,000**	**2.99**	4,100,000	2.95

There was no exercise of the options under 2011 Share Option Scheme during the year ended 31 December 2015 (2014: 1,600,000), and the weighted average share price at the date of exercise for the options exercised during the year 2014 was HK$24.78 per share.

37. SHARE-BASED COMPENSATION COSTS (continued)

Share option schemes (continued)

(b) The Company's 2011 Share Option Scheme (continued)

The date of grant and exercise price of the share options under the 2011 Share Option Scheme outstanding as at 31 December 2015 are as follows:

	NUMBER OF SHARE OPTIONS				
	AT 1 JANUARY 2015	FORFEITED DURING THE YEAR	AT 31 DECEMBER 2015	DATE OF GRANT OF SHARE OPTIONS	EXERCISE PRICE OF SHARE OPTIONS HK$ PER SHARE
Name or category of participant					
EXECUTIVE DIRECTORS					
Hongjiang Zhang	**6,500,000**	**(3,000,000)**	**3,500,000**	**20 DECEMBER 2011**	**2.89**
Yuk Keung Ng	**2,400,000**	**—**	**2,400,000**	**20 JULY 2012**	**3.28**
	8,900,000	**(3,000,000)**	**5,900,000**		

The weighted average remaining contractual life for the Company's share options outstanding under the 2011 Share Option Scheme as at 31 December 2015 was 6.20 years (2014: 7.12 years).

The date of grant and exercise price of the share options under the 2011 Share Option Scheme outstanding as at 31 December 2014 are as follows:

	NUMBER OF SHARE OPTIONS				
	AT 1 JANUARY 2014	EXERCISED DURING THE YEAR	AT 31 DECEMBER 2014	DATE OF GRANT OF SHARE OPTIONS	EXERCISE PRICE OF SHARE OPTIONS HK$ PER SHARE
Name or category of participant					
EXECUTIVE DIRECTORS					
Hongjiang Zhang	7,500,000	(1,000,000)	6,500,000	20 December 2011	2.89
Yuk Keung Ng	3,000,000	(600,000)	2,400,000	20 July 2012	3.28
	10,500,000	(1,600,000)	8,900,000		

37. SHARE-BASED COMPENSATION COSTS (continued)

Share option schemes (continued)

(b) The Company's 2011 Share Option Scheme (continued)

No new share option was granted during the years ended 31 December 2015 and 2014.

The total expense in respect of the 2011 Share Option Scheme for the year ended 31 December 2015 was RMB1,014,000 (2014: RMB1,770,000).

At the end of the reporting period, the Company had 10,522,100 share options outstanding under the 2004 Scheme, 2007 Scheme and 2011 Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 10,522,100 additional ordinary shares of the Company and additional share capital of RMB34,000 and share premium of RMB21,401,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 10,522,100 share options outstanding under the above three schemes, which represented approximately 0.81% of the Company's shares in issue as at that date.

(c) 2006–2007 Kingsoft Japan Share Option Scheme

On 2 November 2006, the shareholders of Kingsoft Japan approved to grant share options to employees in exchange for Kingsoft Japan's ordinary shares. The maximum number of Kingsoft Japan's ordinary shares in respect of which options may be granted is 1,000 in aggregate. Options are exercisable conditional upon a successful initial public offering of Kingsoft Japan. Options granted will expire in ten years.

The outstanding number of share options granted in Kingsoft Japan at 31 December 2015 was 1,000 (2014: 1,000). There was no movement of outstanding share options during the years ended 31 December 2015 and 2014.

The weighted average remaining contractual life for the share options outstanding under the 2006–2007 Kingsoft Japan Option Scheme as at 31 December 2015 was 0.83 years (2014: 1.83 years). The exercise price is JPY10,000 per share.

37. SHARE-BASED COMPENSATION COSTS (continued)

Share option schemes (continued)

(d) 2014 Kingsoft Japan Share Option Scheme

On 2 January 2014, the shareholders of the Company approved the 2014 Kingsoft Japan Share Option Scheme for the purpose of providing incentives and rewards to eligible participants, which was approved and adopted by the shareholders of Kingsoft Japan on 28 March 2014. The maximum number of ordinary shares under the 2014 Kingsoft Japan Share Option Scheme which may be issued upon exercise of all share options to be granted may not in aggregate exceed 2,837 shares (representing 7.85% of the shares in issue at the adoption date). The 2014 Kingsoft Japan Share Option Scheme shall be valid and effective for a term of ten years from 28 March 2014.

During the years ended 31 December 2015 and 31 December 2014, no option was granted.

(e) Kingsoft Cloud Share Option Scheme

On 27 February 2013 (the "Kingsoft Cloud Share Option Adoption Date"), the shareholders of the Company and Kingsoft Cloud approved and adopted the Kingsoft Cloud Share Option Scheme for the purpose of providing incentives and rewards to eligible participants, in which selected employees of Kingsoft Cloud and its subsidiaries are entitled to participate. On 27 June 2013, the shareholders of the Company and Kingsoft Cloud approved to amend certain existing provisions of the Kingsoft Cloud Share Option Scheme. Pursuant to the amendment, the total number of additional options to be granted under the Kingsoft Cloud Share Option Scheme on or after 27 June 2013 shall not in aggregate exceed 209,750,000 shares. The Kingsoft Cloud Share Option Scheme shall be valid and effective for a term of ten years commencing on the Kingsoft Cloud Share Option Adoption Date. The exercise price and exercise period of share options are determinable by the board of Kingsoft Cloud.

37. SHARE-BASED COMPENSATION COSTS (continued)

Share option schemes (continued)

(e) Kingsoft Cloud Share Option Scheme (continued)

The following share options were outstanding under the Kingsoft Cloud Share Option Scheme during the years ended 31 December 2015 and 2014:

	2015 NUMBER OF SHARE OPTIONS	2015 WAEP US$ PER SHARE	2014 NUMBER OF SHARE OPTIONS	2014 WAEP US$ PER SHARE
Outstanding at 1 January	**75,250,000**	**0.04**	46,300,000	0.04
Granted during the year	**49,950,000**	**0.07**	53,400,000	0.04
Forfeited during the year	**(29,350,000)**	**0.06**	(24,450,000)	0.04
Outstanding at 31 December	**95,850,000**	**0.05**	75,250,000	0.04
Exercisable at 31 December	**—**	**—**	—	—

The fair value of the share options of Kingsoft Cloud granted during the year ended 31 December 2015 was estimated by an external valuer on the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2015	2014
Dividend yield (%)	**—**	—
Expected volatility (%)	**50.37%**	56.00%
Risk-free interest rate (%)	**2.530%**	2.145%
Expected forfeiture rate (%)	**—**	—
Weighted average share price (HK$ per share)	**1.3260**	0.3839

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other feature of the options granted was incorporated into the measurement of fair value.

The total expense in respect of the share options granted under the Kingsoft Cloud Share Option Scheme for the year ended 31 December 2015 was RMB4,324,000 (2014: RMB1,986,000).

95,850,000 share options of Kingsoft Cloud were outstanding as at 31 December 2015 with the weighted average remaining contractual life of 8.40 years (2014: 9.14), among which, none is exercisable.

37. SHARE-BASED COMPENSATION COSTS (continued)

Share option schemes (continued)

(f) *Seasun Holdings Share Option Scheme*

On 28 June 2013 (the "Seasun Holdings Share Option Adoption Date"), the shareholders of the Company and Seasun Holdings, a subsidiary of the Company, approved and adopted the Seasun Holdings Share Option Scheme for the purpose of providing incentives and rewards to eligible participants, in which selected employees of Seasun Holdings and its subsidiaries are entitled to participate. The maximum number of ordinary shares under the Seasun Holdings Share Option Scheme which may be issued upon exercise of all share options to be granted may not in aggregate exceed 80,000,000 shares (representing 10% of the shares in issue). The Seasun Holdings Share Option Scheme shall be valid and effective for a term of ten years commencing on the Westhouse Share Option Adoption Date. The exercise price and exercise period of share options are determinable by the board of Seasun Holdings.

The following share options were outstanding under the Seasun Holdings Share Option Scheme during the years ended 31 December 2015 and 2014:

	2015 NUMBER OF SHARE OPTIONS	2015 WAEP RMB PER SHARE	2014 NUMBER OF SHARE OPTIONS	2014 WAEP RMB PER SHARE
Outstanding at 1 January	**7,255,000**	**1.00**	6,625,000	1.00
Granted during the year	**9,765,000**	**2.29**	710,000	1.00
Forfeited during the year	**(1,355,000)**	**2.09**	(80,000)	1.00
Outstanding at 31 December	**15,665,000**	**1.43**	7,255,000	1.00
Exercisable at 31 December	**—**	**—**	—	—

The fair value of the share options of Seasun Holdings granted during the year ended 31 December 2015 was estimated by an external valuer on the grant date, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2015	2014
Dividend yield (%)	**—**	—
Expected volatility (%)	**57.00%**	50.90%
Risk-free interest rate (%)	**1.79%**	0.30%
Expected forfeiture rate (%)	**9.70%**	8.50%
Weighted average share price (US$ per share)	**0.23**	0.29

37. SHARE-BASED COMPENSATION COSTS (continued)

Share option schemes (continued)

(f) *Seasun Holdings Share Option Scheme (continued)*

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other feature of the options granted was incorporated into the measurement of fair value.

The total expense in respect of the share options granted under the Seasun Holdings Share Option Scheme for the year ended 31 December 2015 was RMB1,883,000 (2014: RMB965,000)

15,665,000 share options of Seasun Holdings were outstanding as at 31 December 2015 with the weighted average remaining contractual life of 8.14 years (2014: 8.63 years), among which, none is exercisable.

Cheetah Mobile Equity Incentive Scheme

On January 2, 2014, Cheetah Mobile adopted an equity incentive scheme (the "Cheetah Mobile Equity Incentive Scheme"). The Cheetah Mobile equity incentive scheme provides for the grant of ordinary shares, restricted shares, share options and share appreciation rights to the employees, directors or non-employee consultants of Cheetah Mobile. The maximum number of the Cheetah Mobile's ordinary shares which may be issued under the Cheetah Mobile equity incentive scheme is 64,497,718. The Cheetah Mobile equity incentive scheme is valid and effective for a term of ten years commencing from its adoption. Except for service conditions, there were no other vesting conditions for all the awards under Cheetah Mobile equity incentive scheme.

The following restricted shares with an option feature outstanding under the Cheetah Mobile Equity Incentive Scheme during the year ended 31 December 2015:

	2015 NUMBER OF RESTRICTED SHARES	2015 WAEP US$ PER SHARE	2014 NUMBER OF RESTRICTED SHARES	2014 WAEP US$ PER SHARE
Outstanding at 1 January	**55,292,131**	**0.34**	—	—
Granted during the year	**11,005,000**	**0.31**	56,176,131	0.34
Forfeited during the year	**(3,087,000)**	**0.34**	(883,000)	0.34
Exercised during the year	**(1,889,800)**	**0.34**	(1,000)	0.34
Outstanding at 31 December	**61,320,331**	**0.33**	55,292,131	0.34
Exercisable at 31 December	**10,023,493**	**0.33**	839,000	0.34

The weighted average share price at the date of exercise for the restricted shares with an option feature exercised during the year was US$25.14 per share (2014: US$18.47 per share).

37. SHARE-BASED COMPENSATION COSTS (continued)

Cheetah Mobile Equity Incentive Scheme (continued)

The fair value of the restricted shares with an option feature of the Cheetah Mobile granted during the year ended 31 December 2015 was estimated by an external valuer on the grant date, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2015	2014
Dividend yield (%)	**—**	—
Expected volatility (%)	**52.6%–63.8%**	64.5%–66.2%
Risk-free interest rate (%)	**2.40%–2.99%**	2.65%–3.22%
Expected forfeiture rate (%)	**5.5%–7%**	0.70%
Weighted average share price (US$ per share)	**1.45–2.87**	0.9–2.13

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other feature of the options granted was incorporated into the measurement of fair value.

The total expense in respect of the restricted shares with an option feature granted under the Cheetah Mobile Equity Incentive Scheme for the year ended 31 December 2015 was RMB139,422,000 (2014: RMB126,400,000).

61,320,331 restricted shares with an option of Cheetah Mobile were outstanding as at 31 December 2015 with the weighted average remaining contractual life of 7.70 years (2014: 9.50 years), among which, 10,023,493 (2014: 839,000) restricted shares with an option feature are exercisable.

Share Award Schemes

(a) *Share Award Scheme adopted by the Company*

On 31 March 2008, the directors of the Company approved and adopted the Share Award Scheme in which selected employees of the Group are entitled to participate. Unless early terminated by the directors of the Company, the Share Award Scheme was valid and effective for a term of five years commencing from 31 March 2008. On 25 November 2010, the directors of the Company resolved to extend the termination date of the Share Award Scheme from 30 March 2013 to 30 March 2017. The directors will not grant any awarded shares which would result in the total number of shares (but not counting those which have lapsed or have been forfeited), in aggregate, over 10% of the issued capital of the Company as at the date of such grant.

37. SHARE-BASED COMPENSATION COSTS (continued)

Share Award Scheme (continued)

(a) *Share Award Scheme adopted by the Company (continued)*

The following awarded shares were outstanding under the Share Award Scheme during the years ended 31 December 2015 and 2014:

	2015 NUMBER OF AWARDED SHARES	2014 NUMBER OF AWARDED SHARES
Outstanding as at 1 January	**11,597,068**	13,102,935
Granted during the year	**285,000**	4,168,000
Forfeited during the year	**(4,052,000)**	(883,900)
Vested and transferred during the year	**(1,720,467)**	(4,789,967)
Outstanding as at 31 December	**6,109,601**	11,597,068
Exercisable as at 31 December	**31,000**	31,000

The fair value of the Awarded Shares was determined based on the market value of the Company's shares at the grant date. The weighted average fair value of the Awarded Shares granted during the year ended 31 December 2015 was RMB16.64 per share (2014: RMB19.45 per share).

The fair value of the Awarded Shares granted under the Share Award Scheme is recognised as an expense and credited to equity over the period in which the vesting conditions (i.e., service conditions and/or performance conditions) are fulfilled.

During the year ended 31 December 2015, the Share Award Scheme Trust did not acquire shares (2014: nil) of the Company through purchases from the open market.

The total expense recognised in respect of the Awarded Shares for the year ended 31 December 2015 was RMB27,231,000 (2014: RMB24,316,000).

As at 31 December 2015, 8,569,237 (2014: 6,338,237) forfeited or unawarded shares were held by the Share Award Scheme Trust and would be granted in future.

At the date of approval of these financial statements, the Company had 6,109,601 awarded shares outstanding under the Share Award Scheme, which represented approximately 0.47% of the Company's shares in issue as at that date.

The weighted average remaining contractual life for the Company's awarded shares outstanding under the Company's Share Award Scheme as at 31 December 2015 was 2.58 years (2014: 3.06 years).

37. SHARE-BASED COMPENSATION COSTS (continued)

Share Award Scheme (continued)

(a) Share Award adopted by the Company (continued)

The awarded shares under the Share Award Scheme outstanding as at 31 December 2015 are as follows:

	NUMBER OF AWARDED SHARES			
	AT 1 JANUARY 2015	FORFEITED DURING THE YEAR	AT 31 DECEMBER 2015	GRANT DATE
Name or category of participant				
EXECUTIVE DIRECTORS				
Hongjiang Zhang	2,600,000	(2,600,000)	—	29 NOVEMBER 2011
Yuk Keung Ng	200,000	—	200,000	29 NOVEMBER 2013
Tao Zou	300,000	—	300,000	1 JUNE 2012
	3,100,000	(2,600,000)	500,000	

37. SHARE-BASED COMPENSATION COSTS (continued)

Share Award Scheme (continued)

(a) *Share Award adopted by the Company (continued)*

The awarded shares under the Share Award Scheme outstanding as at 31 December 2015 are as follows:

	NUMBER OF AWARDED SHARES					
	AT 1 JANUARY 2015	GRANTED DURING THE YEAR	FORFEITED DURING THE YEAR	EXERCISED AND TRANSFERRED DURING THE YEAR	AT 31 DECEMBER 2015	GRANT DATE
Name or category of participant						
OTHER EMPLOYEES						
In aggregate						
	31,000	—	—	—	31,000	26 JUNE 2008
	2	—	—	—	2	26 MAY 2010
	447,500	—	—	(447,500)	—	8 JUNE 2011
	135,066	—	(14,000)	(89,467)	31,599	4 APRIL 2012
	2,874,000	—	(152,000)	(812,000)	1,910,000	1 JUNE 2012
	40,000	—	(24,000)	(16,000)	—	19 JUNE 2012
	150,000	—	—	(50,000)	100,000	3 DECEMBER 2012
	360,000	—	—	(120,000)	240,000	17 DECEMBER 2012
	200,000	—	(6,000)	(50,000)	144,000	20 MARCH 2013
	120,000	—	(60,000)	(30,000)	30,000	1 JUNE 2013
	40,000	—	—	(10,000)	30,000	26 AUGUST 2013
	40,000	—	—	(10,000)	30,000	9 SEPTEMBER 2013
	64,000	—	—	(10,000)	54,000	13 NOVEMBER 2013
	292,500	—	(141,000)	(57,500)	94,000	19 MARCH 2014
	90,000	—	(48,000)	(18,000)	24,000	29 MAY 2014
	3,453,000	—	(950,000)	—	2,503,000	6 JULY 2014
	160,000	—	—	—	160,000	2 DECEMBER 2014
	—	75,000	—	—	75,000	8 JANUARY 2015
	—	210,000	(57,000)	—	153,000	31 MARCH 2015
	8,497,068	285,000	(1,452,000)	(1,720,467)	5,609,601	
	11,597,068	285,000	(4,052,000)	(1,720,467)	6,109,601	

37. SHARE-BASED COMPENSATION COSTS (continued)

Share Award Scheme (continued)

(a) *Share Award adopted by the Company (continued)*

The awarded shares under the Share Award Scheme outstanding as at 31 December 2014 are as follows:

	NUMBER OF AWARDED SHARES			
	AT 1 JANUARY 2014	EXERCISED AND TRANSFERRED DURING THE YEAR	AT 31 DECEMBER 2014	GRANT DATE
Name or category of participant				
EXECUTIVE DIRECTORS				
Hongjiang Zhang	5,200,000	(2,600,000)	2,600,000	29 November 2011
Yuk Keung Ng	200,000	—	200,000	29 November 2013
Tao Zou	400,000	(100,000)	300,000	1 June 2012
	5,800,000	(2,700,000)	3,100,000	

37. SHARE-BASED COMPENSATION COSTS (continued)

Share Award Scheme (continued)

(a) Share Award adopted by the Company (continued)

The awarded shares under the Share Award Scheme outstanding as at 31 December 2014 are as follows:

	NUMBER OF AWARDED SHARES					
	AT 1 JANUARY 2014	GRANTED DURING THE YEAR	FORFEITED DURING THE YEAR	EXERCISED AND TRANSFERRED DURING THE YEAR	AT 31 DECEMBER 2014	GRANT DATE
Name or category of participant						
OTHER EMPLOYEES						
In aggregate						
	31,000	—	—	—	31,000	26 June 2008
	2	—	—	—	2	26 May 2010
	50,000	—	—	(50,000)	—	12 January 2011
	925,000	—	(15,000)	(462,500)	447,500	8 June 2011
	442,933	—	(218,400)	(89,467)	135,066	4 April 2012
	4,310,000	—	(468,000)	(968,000)	2,874,000	1 June 2012
	64,000	—	—	(24,000)	40,000	19 June 2012
	200,000	—	—	(50,000)	150,000	3 December 2012
	480,000	—	—	(120,000)	360,000	17 December 2012
	50,000	—	—	(50,000)	—	15 January 2013
	270,000	—	(10,000)	(60,000)	200,000	20 March 2013
	250,000	—	—	(130,000)	120,000	1 June 2013
	50,000	—	—	(10,000)	40,000	26 August 2013
	50,000	—	—	(10,000)	40,000	9 September 2013
	130,000	—	—	(66,000)	64,000	13 November 2013
	—	325,000	(32,500)	—	292,500	19 March 2014
	—	90,000	—	—	90,000	29 May 2014
	—	3,593,000	(140,000)	—	3,453,000	6 July 2014
	—	160,000	—	—	160,000	2 December 2014
	7,302,935	4,168,000	(883,900)	(2,089,967)	8,497,068	
	13,102,935	4,168,000	(883,900)	(4,789,967)	11,597,068	

37. SHARE-BASED COMPENSATION COSTS (continued)

Share Award Scheme (continued)

(b) 2011 Cheetah Mobile Share Award Scheme adopted by Cheetah Mobile

On 26 May 2011, the directors of the Company and Cheetah Mobile approved and adopted a share award scheme, in which selected employees of Cheetah Mobile and its subsidiaries are entitled to participate. Unless early terminated by the directors of Cheetah Mobile, the 2011 Cheetah Mobile Share Award Scheme shall be valid and effective for a term of ten years from 26 May 2011. The directors of Cheetah Mobile will not grant any awarded shares which would result in the total number of shares (but not counting those which have lapsed or have been forfeited) being greater than 100,000,000 shares, as at the date of such grant.

The following awarded shares were outstanding under the 2011 Cheetah Mobile Share Award Scheme during the years ended 31 December 2015 and 2014:

	2015 NUMBER OF AWARDED SHARES	2014 NUMBER OF AWARDED SHARES
Outstanding as at 1 January	**38,398,753**	87,772,500
Granted during the year	**6,380,530**	13,244,380
Vested and transferred during the year	**(20,192,560)**	(56,330,627)
Forfeited during the year	**(2,383,750)**	(6,287,500)
Outstanding as at 31 December	**22,202,973**	38,398,753
Exercisable as at 31 December	**—**	—

Before the listing of Cheetah Mobile, the fair value of the Cheetah Mobile Awarded Shares was determined by reference to the fair value of Cheetah Mobile's ordinary shares at the grant date, which was valued by an external valuer using a discounted cash flow method.

After the listing of Cheetah Mobile, the fair value of the Cheetah Mobile Awarded Shares was determined based on the market value of the shares of Cheetah Mobile at the grant date. The weighted average fair value of the Cheetah Mobile Awarded Shares granted during the year ended 31 December 2015 was US$1.91 (2014: US$1.27) each.

The fair value of the Cheetah Mobile Awarded Shares granted under the Cheetah Mobile Share Award Scheme is recognised as an expense and credited to equity over the period in which the vesting conditions (i.e., service conditions and/or performance conditions) are fulfilled.

The total expense recognised in respect of the Cheetah Mobile Awarded Shares for the year ended 31 December 2015 was RMB72,535,000 (2014: RMB42,467,000).

37. SHARE-BASED COMPENSATION COSTS (continued)

Share Award Scheme (continued)

(b) *2011 Cheetah Mobile Share Award Scheme adopted by Cheetah Mobile (continued)*

At 31 December 2015, 1,273,840 (2014: 5,270,620) forfeited or unawarded shares were held by the Cheetah Mobile Share Award Scheme Trust, which represented approximately 0.09% of Cheetah Mobiles's shares in issue as at that date.

The weighted average remaining contractual life for the awarded shares outstanding under the 2011 Cheetah Mobile Share Award Scheme as at 31 December 2015 was 5.43 years (2014: 6.43 years).

(c) *2014 Cheetah Mobile Share Award Scheme adopted by Cheetah Mobile*

On 24 April 2014, the shareholders of Cheetah Mobile approved and adopt a share award scheme (the "2014 Cheetah Mobile Share Award Scheme"), in which selected employees of Cheetah Mobile and its subsidiaries are entitled to participate. Unless early terminated by the board or the compensation committee of the board of Cheetah Mobile, the 2014 Cheetah Mobile Share Award Scheme shall be valid and effective for a term of ten years commencing from 24 April 2014. The maximum aggregate number of shares, which may be issued pursuant to all awards granted, shall be equal to 122,545,665 Class A ordinary shares.

The following awarded shares were outstanding under the 2014 Cheetah Mobile Share Award Scheme during the years ended 31 December 2015 and 2014.

	2015 NUMBER OF RESTRICTED SHARES	2015 WAEP US$ PER SHARE
Outstanding at 1 January	—	—
Granted during the year	20,808,900	0.30
Forfeited during the year	(811,000)	0.34
Exercised during the year	(200,000)	—
Outstanding at 31 December	19,797,900	0.30
Exercisable at 31 December	584,000	—

The weighted average share price at the date of exercise for the restricted shares with an option feature exercised during the year was US$15.62 per share (2014: nil).

The fair value of the restricted shares with an option feature of the Cheetah Mobile granted during the year ended 31 December 2015 was estimated by an external valuer on the grant date, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2015	2014
Dividend yield (%)	—	—
Expected volatility (%)	53.1%–63.3%	64.5%–66.2%
Risk-free interest rate (%)	2.68%–2.97%	2.65%–3.22%
Expected forfeiture rate (%)	5.5%–7%	0.70%
Weighted average share price (US$ per share)	1.60–2.58	0.9–2.13

37. SHARE-BASED COMPENSATION COSTS (continued)

Share Award Scheme (continued)

(c) 2014 Cheetah Mobile Share Award Scheme adopted by Cheetah Mobile (continued)

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other feature of the options granted was incorporated into the measurement of fair value.

The total expense recognised in respect of the Cheetah Mobile Awarded Shares for the year ended 31 December 2015 was RMB71,772,000 (2014: nil).

The weighted average remaining contractual life for the awarded shares outstanding under the 2014 Cheetah Mobile Share Award Scheme as at 31 December 2015 was 8.31 years (2014: nil).

(d) KOS Share Award Scheme adopted by KOS Holdings

On 3 December 2012, the directors of the Company and KOS Holdings approved and adopted the share award scheme, in which selected employees of KOS Holdings and its subsidiaries are entitled to participate. Unless early terminated by the directors of KOS Holdings, the KOS Share Award Scheme shall be valid and effective for a term of ten years from 3 December 2012. On 27 November 2014, the shareholders of the Company and KOS Holdings approved to amend certain existing provisions of the KOS Share Award Scheme. Pursuant to the amendment, the board of KOS Holdings shall not grant any award share which would result in the total number of shares which are the subject of awards granted by the board under the KOS Share Award Scheme (but not counting any shares which have lapsed or have been revoked or forfeited) being greater than 54,000,000 shares, as at the date of such grant.

In November 2015, pursuant to shareholders resolution, board resolution and a series of agreements, all the outstanding awarded shares under KOS Share Award Scheme were replaced by the restricted shares of Beijing Kingsoft Office, held through certain limited partnerships. The limited partnerships were set up for the purpose of holding the shares of Beijing Kingsoft Office, which is a similar arrangement for the benefit of employees as the KOS Share Award Scheme Trust.

The following awarded shares were outstanding under the KOS Share Award Scheme during the years ended 31 December 2015 and 2014:

	2015 NUMBER OF AWARDED SHARES	2014 NUMBER OF AWARDED SHARES
Outstanding as at 1 January	**43,200,000**	29,050,000
Granted during the year	**4,340,000**	14,750,000
Forfeited during the year	**(47,540,000)**	(600,000)
Outstanding as at 31 December	**—**	43,200,000
Exercisable as at 31 December	**—**	—

The fair value of awarded shares was determined by reference to the fair value of KOS Holdings' ordinary shares at their respective grant date, which was valued based on retrospective valuation with the assistance of an independent third party valuer using a discounted cash flow method.

The weighted average fair value of the KOS Awarded Shares granted during the year ended 31 December 2015 was RMB0.75 (2014: RMB0.60).

37. SHARE-BASED COMPENSATION COSTS (continued)

Share Award Scheme (continued)

(d) *KOS Share Award Scheme adopted by KOS Holdings (continued)*

The fair value of the KOS Awarded Shares granted under the KOS Share Award Scheme is recognised as an expense and credited to equity over the period in which the vesting conditions (i.e., service conditions and/or performance conditions) are fulfilled.

(e) *Kingsoft Cloud Share Award Scheme adopted by Kingsoft Cloud*

On 22 February 2013, the directors of the Company and Kingsoft Cloud approved and adopted the Kingsoft Cloud Share Award Scheme, in which selected employees of Kingsoft Cloud and its subsidiaries are entitled to participate. Unless early terminated by the directors of Kingsoft Cloud, the Kingsoft Cloud Share Award Scheme is valid and effective for a term of ten years commencing from 22 February 2013. The directors of Kingsoft Cloud will not grant those awarded shares which would result in the total number of shares (but not counting any shares which have lapsed or have been forfeited) being greater than 48,000,000 shares, as at the date of such grant. According to the resolutions of the broad and shareholders of Kingsoft Cloud, the limit of the total number of shares under the Kingsoft Cloud Share Award Scheme increased to 68,364,500.

The following awarded shares were outstanding under the Kingsoft Cloud Share Award Scheme during the years ended 31 December 2015 and 2014:

	2015 NUMBER OF AWARDED SHARES	**2014 NUMBER OF AWARDED SHARES**
Outstanding as at 1 January	**25,000,000**	25,000,000
Granted during the year	**31,582,000**	—
Forfeited during the year	**(15,000,000)**	—
Outstanding as at 31 December	**41,582,000**	25,000,000
Exercisable as at 31 December	**—**	—

The fair value of awarded shares was determined by reference to the fair value of Kingsoft Cloud's ordinary shares at their respective grant date, which was valued based on retrospective valuation with the assistance of an independent third party valuer using a discounted cash flow method.

The total expense in respect of the Kingsoft Cloud awarded shares for the year ended 31 December 2015 was RMB3,691,000.(2014: RMB1,838,000)

At 31 December 2015, 8,418,000 (2014: 23,000,000) forfeited or unawarded shares were held by the Kingsoft Cloud Share Award Scheme Trust, which represented approximately 0.57% of Kingsoft Cloud's shares in issue as at that date.

The weighted average remaining contractual life for the awarded shares outstanding under the Kingsoft Cloud Share Award Scheme as at 31 December 2015 was 2.91 years (2014: 1.98 years).

37. SHARE-BASED COMPENSATION COSTS (continued)

Other Restricted Share Schemes

In 2015, in addition to the awarded shares granted under the above disclosed share awarded schemes, the restricted shares of below subsidiaries were granted to eligible persons or their controlled companies for their employment or consultant service with the Group.

(a) restricted shares granted by Cheetah Mobile

The following restricted shares granted by Cheetah Mobile were outstanding during the years ended 31 December 2015:

	2015 NUMBER OF RESTRICTED SHARES
Outstanding as at 1 January	—
Granted during the year	4,627,940
Vested and transferred during the year	(926,023)
Forfeited during the year	(11,250)
Outstanding as at 31 December	3,690,667
Exercisable as at 31 December	—

The total expense in respect of the these restricted shares granted by Cheetah Mobile for the year ended 31 December 2015 was RMB24,926,000.

(b) restricted shares granted by Beijing Kingsoft Office

Pursuant to Shareholders resolution, board resolution and a series of agreements in 2015, all the outstanding awarded shares under KOS Share Award Scheme were replaced by the restricted shares of Beijing Kingsoft Office, held through certain limited partnerships. The limited partnerships were set up for the purpose of holding the shares of Beijing Kingsoft Office, which is a similar arrangement for the benefit of employees as the KOS Share Award Scheme Trust.

The total expense in respect of the these restricted shares granted by Beijing Kingsoft Office for the year ended 31 December 2015 was RMB3,781,000.

37. SHARE-BASED COMPENSATION COSTS (continued)

Other Restricted Share Schemes (continued)

(c) restricted shares granted by Kingsoft Cloud

The following restricted shares granted by Kingsoft Cloud were outstanding as at 31 December 2015:

	2015 NUMBER OF RESTRICTED SHARES
Outstanding as at 1 January	—
Granted during the year	55,037,500
Vested and transferred during the year	(10,000,000)
Forfeited during the year	(3,600,000)
Outstanding as at 31 December	41,437,500
Exercisable as at 31 December	—

The total expense in respect of the these restricted shares granted by Kingsoft Cloud for the year ended 31 December 2015 was RMB2,480,000.

(d) restricted shares granted by Moxiu Technology

Moxiu Technology, which is acquired in 2015, also has its equity incentive awards granted to its employees. The total expense in respect of the these restricted shares granted by Moxiu Technology for the year ended 31 December 2015 was RMB1,227,000.

38. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements on page 80.

In accordance with the regulations in the PRC and the respective articles of association, the PRC subsidiaries of the Group are required to make an appropriation of retained profits equal to at least 10% of their respective after-tax profits, calculated in accordance with the PRC accounting standards and regulations. Such appropriations are classified in the consolidated statement of financial position as statutory reserves and start from the first period in which after-tax profits exceed all prior year accumulated losses. Appropriations to these reserves are not required after these reserves have reached 50% of the registered capital of the respective companies. In addition, the PRC subsidiaries may, subject to a shareholders' resolution, draw a discretionary reserve from their after-tax profits. The reserves shall be used to offset accumulated losses, or to increase registered capital of the companies. Where the statutory reserves are converted into capital, the remaining statutory reserve balance shall be no less than 25% of the registered capital prior to the conversion.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiary, and the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributed to the owners of the parent, which is recorded in the "other capital reserve" in the consolidated statement of changes in equity of the financial statements on page 80.

39. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

Percentage of equity interests held by non-controlling interests:

	2015	2014
Cheetah Mobile	**51.31%**	50.74%
KOS Holdings	**26.47%**	27.68%
Seasun Holdings	**23.79%**	23.79%

Profit for the year allocated to non-controlling interests:

	2015 RMB'000	2014 RMB'000
Cheetah Mobile	**60,025**	28,389
KOS Holdings	**11,429**	5,366
Seasun Holdings	**379**	17,143
Dividends paid to non-controlling interests of Seasun Holdings	**18,860**	—

Accumulated balances of non-controlling interests at the reporting dates:

	2015 RMB'000	2014 RMB'000
Cheetah Mobile	**1,507,855**	1,228,359
KOS Holdings	**166,284**	153,318
Seasun Holdings	**57,957**	75,375

39. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2015

	CHEETAH MOBILE RMB'000	KOS HOLDINGS RMB'000	SEASUN HOLDINGS RMB'000
Revenue	**3,575,623**	**407,731**	**1,273,735**
Total expenses	**(3,446,198)**	**(366,601)**	**(1,272,142)**
Profit for the year	**129,425**	**41,130**	**1,593**
Total comprehensive income for the year	**258,924**	**77,972**	**6,275**
Current assets	**3,037,633**	**826,349**	**1,563,504**
Non-current assets	**1,855,797**	**73,365**	**145,503**
Current liabilities	**(1,712,342)**	**(236,823)**	**(1,452,353)**
Non-current liabilities	**(107,211)**	**(15,847)**	**(12,401)**
Net cash flows from operating activities	**974,905**	**104,332**	**429,074**
Net cash flows used in investing activities	**(340,595)**	**(34,180)**	**(93,800)**
Net cash flows from/(used in) financing activities	**81,693**	**4,872**	**(74,456)**
Net increase in cash and cash equivalents	**716,003**	**75,024**	**260,818**

2014

	CHEETAH MOBILE RMB'000	KOS HOLDINGS RMB'000	SEASUN HOLDINGS RMB'000
Revenue	1,678,206	294,804	564,314
Total expenses	(1,589,709)	(275,617)	(456,502)
Profit for the year	88,497	19,187	107,812
Total comprehensive income for the year	89,373	20,396	107,034
Current assets	2,090,882	675,042	669,892
Non-current assets	908,947	59,697	114,752
Current liabilities	(613,531)	(165,951)	(458,862)
Non-current liabilities	(39,485)	(15,114)	(7,431)
Net cash flows from operating activities	400,914	31,840	208,797
Net cash flows used in investing activities	(1,212,252)	(31,784)	(127,919)
Net cash flows from/(used in) financing activities	1,374,087	—	(116,618)
Net increase/(decrease) in cash and cash equivalents	562,749	56	(35,740)

40. BUSINESS COMBINATIONS

MobPartner

On 25 March 2015, the Group, through Hong Kong Cheetah Mobile Technology Co., Ltd., a wholly-owned subsidiary of Cheetah Mobile, entered into a share purchase agreement with the original shareholders of MobPartner to acquire 100% equity interest of MobPartner, a global mobile advertising company, at a total consideration of US$51,150,000 (equivalent to RMB314,237,000). The total consideration consists of (i) cash of US$44,556,000 (equivalent to RMB273,726,000); (ii)Cheetah Mobile's ordinary shares of US$3,794,000 (equivalent to RMB23,309,000) representing 2,173,039 class A ordinary shares; and (iii) cash contingent consideration to be paid over a two-year period upon the fulfillment of certain performance-based requirements by MobPartner, which was estimated and recognised as a financial liability at fair value of US$2,800,000 (equivalent to RMB17,202,000) at the acquisition date.

The acquisition was accounted for as a business combination and the acquisition date was 1 April 2015.

The fair values of the identifiable assets and liabilities of MobPartner as at the acquisition date were as follows:

	FAIR VALUE RECOGNISED ON ACQUISITION RMB'000
Intangible assets:	
Trademark	13,515
Software	67,579
User base	6,266
Property, plant and equipment	1,207
Other non-current assets	465
Cash and cash equivalents	60,150
Accounts receivable	37,308
Prepayments and other current assets	1,091
Deferred tax liabilities	(29,117)
Accounts payable	(41,774)
Accrued expenses and other current liabilities	(7,007)
Income tax payable	(626)
Interest-bearing bank loans	(10,028)
Total identified net assets at fair value	99,029
Goodwill arising on acquisition	215,208
	314,237
Satisfied by:	
Cash	150,128
Other current and non-current payables	123,598
Contingent consideration	17,202
Cheetah Mobile's ordinary shares	23,309
Total consideration	314,237

40. BUSINESS COMBINATIONS (continued)

MobPartner (continued)

The fair value of the account receivables as at the date of acquisition amounted to RMB37,308,000. The gross contractual amount of account receivables was RMB37,308,000.

The Group incurred transaction costs of RMB7,022,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

An analysis of cash flows in respect of the acquisition of MobPartner is as follows:

	RMB'000
Cash consideration	(150,128)
Cash and cash equivalents	60,150
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(89,978)

Pursuant to the share purchase agreement, contingent consideration is payable according to the performance of MobPartner. There will be two cash payments to the original owner of MobPartner as follows:

a) First contingent consideration, up to 10.5% of the enterprise value shall be paid within 30 days following the finalisation of the 2015 audited financial statements of MobPartner based on the following formula, while the result is negative, there will be no payment.

Payment = ((35% of the enterprise value) x ((actual 2015 EBITDA/$4.4 million)/2) + (35% of the enterprise value) x ((actual 2015 sales/$50 million)/2)) – 24.5% of the enterprise value.

b) Second contingent consideration, up to 7.5% of the enterprise value shall be paid within 30 days following the finalisation of the 2016 audited financial statements of MobPartner based on the following formula, while the result is negative, there will be no payment.

Payment = ((25% of the enterprise value) x (actual 2016 sales/$75 million)) – 17.5% of the enterprise value).

The initial amount recognised was US$2,800,000 (equivalent to RMB17,202,000) which was determined using the discounted cash flow model and is under Level 3 fair value measurement at the acquisition date.

Significant unobservable valuation inputs for the fair value measurement of contingent consideration as at the acquisition date are as follows:

	ASSUMED COMPLETION OF AGREED PERFORMANCE	ASSUMED PROBABILITY	DISCOUNT RATE
First contingent consideration	—	90%	18%
Second contingent consideration	100%	90%	18%

40. BUSINESS COMBINATIONS (continued)

MobPartner (continued)

A significant increase (decrease) in the profit before tax of MobPartner would result in a significant increase (decrease) in the fair value of the contingent consideration liability. A significant increase (decrease) in the discount rate would result in a significant decrease (increase) in the fair value of the contingent consideration liability.

A loss of RMB1,330,000 resulting from the change in fair value of the contingent consideration liability was recognised in the consolidated statement of profit or loss for the period before the contingent liability was extinguished in November 2015. In November 2015, the Group entered into an agreement with the original shareholders of MobPartner, pursuant to which, the contingent consideration liability was extinguished by a fixed payable amounting to US$1,500,000 (equivalent to RMB9,740,000), and a gain of RMB9,757,000 in respect of the extinguishment was recognised in the consolidated statement of profit or loss for the year ended 31 December 2015. As at 31 December 2015, the Group paid US$640,000 (equivalent to RMB4,159,000) with the remaining outstanding consideration of US$860,000 (equivalent to RMB5,581,000) was recorded in other payables.

Since the acquisition, MobPartner contributed RMB155,053,000 to the Group's turnover and RMB40,305,000 loss to the consolidated profit for the year ended 31 December 2015.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year ended 31 December 2015 would have been RMB5,737,919,000 and RMB341,278,000, respectively.

Moxiu Technology

As disclosed in note 19, as at 31 December 2014, the Group, through Cheetah Mobile Technology, held a total of 50.5% equity interest in Moxiu Technology, which was accounted for as an investment in a joint venture.

On 25 May 2015, Cheetah Mobile Technology entered into a capital contribution agreement with Moxiu Technology and its other existing shareholders, pursuant to which, Moxiu Technology increased its registered capital by RMB67,344 and Cheetah Mobile Technology subscribed for all such additional registered capital at a consideration of RMB25,000,000 in cash, representing a premium of RMB24,932,656. Upon completion of the capital injection, the Group holds 52.1% of the equity interest in Moxiu Technology. The total consideration for all the investments in Moxiu Technology consists of (i) cash of RMB25,000,000; and (ii) the fair value of the equity interest in Moxiu Technology previously held by the Group immediately before the acquisition of RMB63,488,000. As a result of the remeasurement of the equity interest in Moxiu Technology from its carrying amount immediately before the acquisition of RMB48,458,000 to its fair value of RMB63,488,000, a gain of RMB15,030,000 was recognised in the consolidated statement of profit or loss during the year ended 31 December 2015.

The acquisition was accounted for as a business combination achieved in stages and the acquisition date was 28 May 2015.

The Group has elected to measure the non-controlling interest in Moxiu Technology at the fair value at the acquisition date.

40. BUSINESS COMBINATIONS (continued)

Moxiu Technology (continued)

The fair values of the identifiable assets and liabilities of Moxiu Technology as at the acquisition date were as follows:

	FAIR VALUE RECOGNISED ON ACQUISITION RMB'000
Intangible assets:	
Trademark	6,000
Software	10,620
User base	430
Property, plant and equipment	2,270
Other non-current assets	645
Cash and cash equivalents	26,732
Accounts receivable	1,043
Prepayment and other current assets	766
Deferred tax liabilities	(1,895)
Accounts payable	(259)
Accrued expenses and other current liabilities	(7,361)
Total identified net assets at fair value	38,991
Goodwill arising on acquisition	111,720
Non-controlling interest	(62,223)
	88,488
Satisfied by:	
Cash	25,000
Previously held equity interest remeasured at acquisition-date fair value	63,488
Total consideration	88,488

No transaction costs were incurred in this acquisition.

The fair value of the account receivables as at the date of acquisition amounted to RMB1,043,000. The gross contractual amount of account receivables was RMB1,043,000.

An analysis of cash flows in respect of the acquisition of Moxiu is as follows:

	RMB'000
Cash consideration	(25,000)
Cash and cash equivalents	26,732
Net inflow of cash and cash equivalents included in cash flows used in investing activities	1,732

Since the acquisition, Moxiu Technology contributed RMB15,378,000 to the Group's turnover and RMB4,582,000 loss to the consolidated profit for the year ended 31 December 2015.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year ended 31 December 2015 would have been RMB5,680,891,000 and RMB335,823,000, respectively.

40. BUSINESS COMBINATIONS (continued)

TSF Launcher Business

On 29 July 2015, the Group through a subsidiary, Conew Network, signed a purchase agreement with a third party, Shenzhen Haibao Technology Co., Ltd., to acquire a mobile game application ("TSF Business") at a total consideration of RMB18,000,000, of which RMB5,400,000 was the cash consideration and RMB12,600,000 was the employee's compensation for their future services over a four-year period.

The acquisition was accounted for as a business combination and the acquisition date was 17 September 2015.

The fair values of the identifiable assets and liabilities of TSF Business as at the acquisition date were as follows:

	FAIR VALUE RECOGNISED ON ACQUISITION RMB'000
Intangible assets:	
Software	1,000
User base	360
Deferred tax liabilities	(198)
Total identified net assets at fair value	1,162
Goodwill arising on acquisition	4,238
	5,400
Satisfied by:	
Cash	5,400
Total consideration	5,400

No transaction costs were incurred in this acquisition.

An analysis of cash flows in respect of the acquisition of TSF Business is as follows:

	RMB'000
Cash consideration	(5,400)
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(5,400)

As the business acquired is not a separate entity or segment and was integrated with the existing business of the Group after the acquisition date, it is impossible to distinguish the operating result of TSF business from the Group. Therefore, it is impractical to disclose the revenue and profit or loss of the TSF business contributed to the Group since the acquisition, or the revenue and profit or loss of the Group assuming the combination had taken place at the beginning of the year.

40. BUSINESS COMBINATIONS (continued)

QuickPic Business

On 22 September 2015, the Group through Cheetah Mobile, signed a purchase agreement with Q-Supreme Information Technologies Limited to acquire a mobile phone application ("QuickPic Business") at a total consideration of US$7,600,000 (equivalent to RMB48,346,000). The total consideration consists of (i) cash consideration of US$4,080,000 (equivalent to RMB25,954,000); (ii) cash compensation of US$2,720,000 (equivalent to RMB17,303,000), which is payable over a three-year period for employee's future services; and (iii) Cheetah Mobile's ordinary shares of US$800,000 (equivalent to RMB5,089,000), which is subject to a four-year vesting schedule. As of 31 December 2015, 375,780 Cheetah Mobile's ordinary shares have been granted to the employees.

The acquisition was accounted for as a business combination and the acquisition date was 22 September 2015.

The fair values of the identifiable assets and liabilities of the QuickPic Business as at the acquisition date were as follows:

	FAIR VALUE RECOGNISED ON ACQUISITION RMB'000
Intangible assets:	
Software	1,272
User base	7,634
Total identified net assets at fair value	8,906
Goodwill arising on acquisition	17,048
	25,954
Satisfied by:	
Cash	25,954
Total consideration	25,954

No transaction costs were incurred in this acquisition.

An analysis of cash flows in respect of the acquisition of QuickPic Business is as follows:

	RMB'000
Cash consideration	(25,954)
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(25,954)

As the business acquired is not a separate entity or segment and was integrated with the existing business of the Group after the acquisition date, it is impossible to distinguish the operating result of Quickpic business from the Group. Therefore, it is impractical to disclose the revenue and profit or loss of the Quickpic business contributed to the Group since the acquisition, or the revenue and profit or loss of the Group assuming the combination had taken place at the beginning of the year.

40. BUSINESS COMBINATIONS (continued)

SmartShowTM Business

On 4 December 2015, Beijing Kingsoft Cheetah Technology Co., Ltd. ("Beijing Kingsoft Cheetah"), a wholly owned subsidiary of Cheetah Mobile, entered into an intellectual property licence agreement with a third party, Shanghai PowerMo Information Tech. Co., Ltd. ("PowerMo") to acquire a series of intangible assets (including patents, technology) (collectively known as "SmartShowTM Business"). Pursuant to the agreement, Beijing Kingsoft Cheetah was entitled to: (i) an unexclusive right to use SmartShowTM Business at a consideration of US$1,000,000 in cash (equivalent to RMB6,414,000); (ii) an option to accept six employees from PowerMo; and (iii) a call option to obtain future proceeds generated from existing contracts signed by PowerMo at a consideration of US$2,000,000 (equivalent to RMB12,828,000) in cash. The call option remained effective before 4 February 2016 and was not exercised as at 31 December 2015. Management exercised the call option in February 2016.

The acquisition was accounted for as a business combination and the acquisition date was 8 December 2015.

The fair values of the identifiable assets and liabilities of SmartShowTM Business as at the acquisition date were as follows:

	FAIR VALUE RECOGNISED ON ACQUISITION RMB'000
Intangible assets:	
Technology	5,300
Other current assets	220
Total identified net assets at fair value	5,520
Goodwill arising on acquisition	894
	6,414
Satisfied by:	
Cash	6,414
Total consideration	6,414

No transaction costs were incurred in this acquisition.

An analysis of cash flows in respect of the acquisition of SmartShowTM Business is as follows:

	RMB'000
Cash consideration	(6,414)
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(6,414)

As the business acquired is not a separate entity or segment and was integrated with the existing business of the Group after the acquisition date, it is impossible to distinguish the operating result of SmartshowTM business from the Group. Therefore, it is impractical to disclose the revenue and profit or loss of the SmartshowTM business contributed to the Group since the acquisition, or the revenue and profit or loss of the Group assuming the combination had taken place at the beginning of the year.

40. BUSINESS COMBINATIONS (continued)

Jiangduoduo Business

On 13 March 2014, the Group, through a subsidiary, Suzhou Jiangduoduo Technology Co., Ltd., signed a purchase agreement with a third party, Suzhou Leying Technology Co., Ltd., to acquire its lottery business ("Jiangduoduo Business") for a contract amount of RMB54,000,000, of which RMB49,700,000 was the initial purchase consideration and RMB4,000,000 was the employee's compensation for future services and RMB300,000 was the employee compensation-non-compete agreement. Among the initial purchase consideration, RMB27,000,000 was contingent based on the performance of Jiangduoduo Business.

The acquisition was accounted for as a business combination and the acquisition date was 1 April 2014.

The fair values of the identifiable assets and liabilities of the Jiangduoduo Business as at the acquisition date were as follows:

	FAIR VALUE RECOGNISED ON ACQUISITION RMB'000
Intangible assets:	
Software	1,700
User base	400
Property, plant and equipment	817
Total identified net assets at fair value	2,917
Goodwill arising on acquisition	23,746
	26,663
Satisfied by:	
Cash	22,700
Contingent consideration payable	3,963
Total consideration	26,663

The Group incurred transaction costs of RMB173,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

An analysis of cash flows in respect of the acquisition of the Jiangduoduo Business is as follows:

	RMB'000
Cash consideration	(22,700)
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(22,700)
Transaction costs of the acquisition included in cash flows from operating activities	(173)
	(22,873)

40. BUSINESS COMBINATIONS (continued)

Jiangduoduo Business (continued)

As at 31 December 2015, the directors of the Company are of view that, based on its assessment on Jiangduoduo Business, impairment of goodwill of RMB23,746,000 was provided (2014: nil).

Pursuant to the purchase agreement, contingent consideration is payable dependent on the performance of Jiangduoduo Business. There will be two cash payments to the original owner of Jiangduoduo Business as follows:

a) The first contingent consideration of RMB13.5 million will be payable, if the revenue and net profit for the period from 1 April 2014 to 1 April 2015 under US generally accepted accounting principles of Jiangduoduo Business reaches RMB100 million and RMB30 million, respectively;

b) The second contingent consideration of RMB13.5 million will be payable, if the net profit for the period from 1 April 2015 to 1 April 2016 under US generally accepted accounting principles of Jiangduoduo Business reaches RMB62 million.

If Jiangduoduo Business does not meet the above performance requirement, the contingent consideration will be adjusted as follows:

Cash consideration = RMB13,500,000 * (actual performance/agreed performance)

The initial amount recognised was RMB3,963,000 which was determined using the discounted cash flow model and is under Level 3 fair value measurement.

Significant unobservable valuation inputs for the fair value measurement of contingent consideration as at the acquisition date are as follows:

	ASSUMED COMPLETION OF AGREED PERFORMANCE	ASSUMED PROBABILITY	DISCOUNT RATE
First contingent consideration	26%	85%	11%
Second contingent consideration	7%	85%	11%

A significant increase (decrease) in the profit before tax of Jiangduoduo Business would result in a significant increase (decrease) in the fair value of the contingent consideration liability. A significant increase (decrease) in the discount rate would result in a significant decrease (increase) in the fair value of the contingent consideration liability.

As at 31 December 2015, the Group paid RMB9,698,000 to settle the first contingent consideration and the fair value of the remaining contingent consideration liability was recognised as nil. A gain of RMB2,606,000 resulting from the change in fair value of the contingent consideration liability was recognised in the consolidated statement of profit or loss for the year ended 31 December 2015.

40. BUSINESS COMBINATIONS (continued)

Hong Kong Zoom Interactive Network Marketing Technology Limited ("HK Zoom")

On 11 June 2014, the Group, through two subsidiaries, entered into a share and asset purchase agreement to acquire a 100% equity interest of HK Zoom, certain assets and some key employees. The total consideration consists of (i) cash of US$20 million (equivalent to RMB123 million); and (ii) up to US$6 million (equivalent to RMB37 million) to be paid over a two-year period in cash contingent upon the fulfillment of certain performance-based milestones by HK Zoom. HK Zoom is a leading mobile advertising agency, providing unique digital advertising experience for mobile campaign planning, management and performance evaluation for global clients. In addition, US$4 million (equivalent to RMB24,656,000) representing 2,431,775 shares at US$1.64 per share of Cheetah Mobile's restricted class A ordinary shares will be granted to the selling shareholders for their future services; 807,950 shares have been granted as of 31 December 2015, which is subject to a four-year vesting schedule.

The acquisition of HK Zoom was accounted for as a business combination and the acquisition date was 4 July 2014.

The fair values of the identifiable assets and liabilities of HK Zoom as at the acquisition date were as follows:

	FAIR VALUE RECOGNISED ON ACQUISITION RMB'000
Cash and cash equivalents	13,768
Account receivables	11,170
Other working capital*	(16,749)
Property, plant and equipment	132
Intangible assets:	
Software	36,000
User base	31,100
Deferred tax liabilities	(11,072)
Total identified net assets at fair value	64,349
Goodwill arising on acquisition	87,925
	152,274
Satisfied by:	
Cash	123,284
Contingent consideration payable	28,990
Total consideration	152,274

* Other working capital represented other assets and liabilities.

40. BUSINESS COMBINATIONS (continued)

Hong Kong Zoom Interactive Network Marketing Technology Limited ("HK Zoom") (continued)

The fair value of the account receivables as at the date of acquisition amounted to RMB11,170,000. The gross contractual amount of account receivables was RMB11,170,000.

The Group incurred transaction costs of RMB846,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisition of HK Zoom is as follows:

	RMB'000
Cash consideration	(123,284)
Cash and bank balances acquired	13,768
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(109,516)
Transaction costs of the acquisition included in cash flows from operating activities	(846)
	(110,362)

As part of the total consideration, contingent consideration of US$6 million is payable according to the performance of HK Zoom. There will be two cash payments to the original shareholders of HK Zoom as follows:

a) The first contingent consideration of US$3 million will be payable, if the revenue for the period from July 2014 to June 2015 of HK Zoom reaches US$10 million;

b) The second contingent consideration of US$3 million will be payable, if the revenue from July 2015 to June 2016 of HK Zoom reaches US$20 million.

If HK Zoom does not meet the above performance requirement, the contingent consideration will be adjusted as follows:

Current consideration = original consideration * (actual performance/performance target)

The initial amount of contingent consideration recognised was RMB28,990,000 which was determined using the discounted cash flow model and is under Level 3 fair value measurement.

Significant unobservable valuation inputs for the fair value measurement of contingent consideration as at the acquisition date are as follows:

	ASSUMED COMPLETION OF AGREED PERFORMANCE	ASSUMED PROBABILITY	DISCOUNT RATE
First contingent consideration	100%	90%	12.7%
Second contingent consideration	90%	90%	12.7%

40. BUSINESS COMBINATIONS (continued)

Hong Kong Zoom Interactive Network Marketing Technology Limited ("HK Zoom") (continued)

A significant increase (decrease) in the profit before tax of HK Zoom would result in a significant increase (decrease) in the fair value of the contingent consideration liability. A significant increase (decrease) in the discount rate would result in a significant decrease (increase) in the fair value of the contingent consideration liability.

As at 31 December 2015, the Group paid US$2,966,000 (equivalent to RMB18,137,000) of the contingent consideration and the fair value of the remaining contingent consideration liability was recognised as US$2,831,000 (equivalent to RMB18,394,000). A loss of RMB3,217,000 resulting from the change in fair value of the contingent consideration liability was recognised in the consolidated statement of profit or loss for the year ended 31 December 2015.

Hong Kong Youloft Technology Limited ("Youloft")

On 13 June 2014, the Group, through a subsidiary, acquired 51.875% equity interests of Youloft from Fast Run International Limited ("Fast Run") and Lin Xianwen (the "Founder") at the total consideration of US$16,600,000 (equivalent to RMB102,390,000) in cash, among which US$12,600,000 (equivalent to RMB77,718,000) was payable to the selling shareholder and US$4,000,000 (equivalent to RMB24,672,000) was payable to Youloft. Youloft has legally owned and operated the business of "萬年歷".

The key employee and the Founder should provide service for 4 years and 2 years, respectively. In case of violation of the employment agreement, the shares held by the key employee will be repurchased by the Group at a total consideration of US$1 and the shares held by the Founder will be repurchased at a total consideration calculated proportionate to US$21 million valuation of Youloft. The post-acquisition employment compensation to the key employees and the Founder of RMB6,662,000 and RMB8,073,000, respectively, shall be recognised over the respective contractual periods of 4 years and 2 years.

The acquisition was accounted for as a business combination and the acquisition date was 1 August 2014.

The Group has elected to measure the non-controlling interest in Youloft at the fair value at the acquisition date.

40. BUSINESS COMBINATIONS (continued)

Hong Kong Youloft Technology Limited ("Youloft") (continued)

The fair values of the identifiable assets and liabilities of Youloft as at the acquisition date were as follows:

	FAIR VALUE RECOGNISED ON ACQUISITION RMB'000
Other receivables	24,672
Intangible assets:	
Software	15,420
User base	27,756
Deferred tax liabilities	(7,124)
Total identified net assets at fair value	60,724
Goodwill arising on acquisition	98,481
Non-controlling interest	(71,550)
	87,655
Satisfied by:	
Cash	62,983
Other payables	24,672
Total consideration	87,655

The fair value of the other receivables as at the date of acquisition amounted to RMB24,672,000. The gross contractual amount of account receivables was RMB24,672,000.

The transaction costs are nil for this acquisition.

An analysis of the cash flows in respect of the acquisition of Youloft is as follows:

	RMB'000
Cash consideration	(62,983)
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(62,983)

40. BUSINESS COMBINATIONS (continued)

WowTech Inc. ("WowTech")

On 18 July 2014, the Group, through a subsidiary, Kingsoft Japan Inc. ("Kingsoft Japan") signed a purchase agreement with the original shareholders of WowTech Inc. ("WowTech"), a company engaged in social networking service on mobile internet and VoIP service, to acquire a 95.5% equity interest of WowTech, at a total consideration of JPY96 million (equivalent to RMB5.7 million), among which JPY46 million (equivalent to RMB2.7 million) was in cash and JPY50 million (equivalent to RMB3 million) was in the form of Kingsoft Japan's ordinary shares. The Group completed the purchase of the 95.5% equity interest of WowTech on 18 July 2014.

The acquisition was accounted for as a business combination and the acquisition date was 18 July 2014.

The fair values of the identifiable assets and liabilities of WowTech as at the acquisition date were as follows:

	FAIR VALUE RECOGNISED ON ACQUISITION RMB'000
Intangible assets	1,559
Cash and cash equivalents	11
Total liabilities	(983)
Total identified net assets at fair value	587
Non-controlling interest	(26)
Goodwill arising on acquisition	5,176
	5,737
Satisfied by:	
cash	1,367
other payables	1,367
Kingsoft Japan's ordinary shares	3,003
Total consideration	5,737

The Group incurred transaction costs of RMB19,000 for this acquisition.

40. BUSINESS COMBINATIONS (continued)

WowTech Inc. ("WowTech") (continued)

An analysis of the cash flows in respect of the acquisition of Wow Tech is as follows:

	RMB'000
Cash consideration	(1,367)
Cash and bank equivalents acquired	11
Net outflow of cash and cash equivalent included in cash flows used in investing activities	(1,356)
Transaction costs of the acquisition included in cash flows from operating activities	(19)
	(1,375)

These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

Photo Grid Business

On May 2013, Cheetah Mobile acquired certain intellectual properties, customer relationship and key employees of Photo Grid Business ("Photo Grid Business") from a third party. As part of the total consideration to purchase Photo Grid Business by the Group, US$2.4 million is paid/payable dependent on the performance of Photo Grid from June 2013 to May 2016.

As of 31 December 2015, the fair value of the contingent consideration liability was recognised as US$763,000 (equivalent to RMB4,955,000). The first payment of US$793,000 (equivalent to RMB4,923,000) was settled in 2014 and second payment of US$800,000 (equivalent to RMB4,892,000) was settled in 2015. A loss of RMB806,000 resulting from the change in fair value of the contingent consideration liability was recognised in the consolidated statement of profit or loss for the year ended 31 December 2015.

41. DISPOSAL OF A BUSINESS

MVNO Business

On 1 April, 2015, the Group through one of its subsidiaries entered into a business and assets transfer agreement with a third-party company, pursuant to which, the Group agreed to dispose of the business and assets in relation to mobile virtual network operator business for tablets (the "MVNO Business"), for an aggregate cash consideration of JPY13, 209,366 (equivalent to RMB687,000).

The results of the disposal of the MVNO business are presented below:

	2015 RMB'000
Net assets disposed of:	
Inventories	**11**
Gain on disposal of the MVNO Business	**676**
	687
Satisfied by:	
Cash	**687**

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of the MVNO Business is as follows:

	2015 RMB'000
Cash consideration	**687**
Net inflow of cash and cash equivalents in respect of the disposal of a business	**687**

41. DISPOSAL OF A BUSINESS (continued)

Kuaipan Business

On 2 September 2014, the Company, through its three subsidiaries, entered into a business and assets transfer agreement (the "Business and Assets Transfer Agreement") with Shenzhen Xunlei Network Technology Co., Ltd., a subsidiary of Xunlei (together with its subsidiaries, "Xunlei Group"), which is a third-party company.

Pursuant to the Business and Assets Transfer Agreement, the Company agreed to dispose of the business and assets in relation to Kuaipan Personal (快盤個人版) and Kansunzi (看孫子軟件) (collectively, the "Kuaipan Business"), for an aggregate cash consideration of US$33,000,000 (equivalent to RMB203,498,000).

The results of the disposal of the Kuaipan Business are presented below:

	2014 **RMB'000**
Net assets disposed of:	
Property, plant and equipment	1,461
Other intangible assets	5,865
	7,326
Related disposal expenses	2,540
Gain on disposal of the Kuaipan Business	193,632
	203,498
Satisfied by:	
Cash	203,498

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of Kuaipan Business is as follows:

	2014 **RMB'000**
Cash consideration	203,498
Cash outflow of disposal expenses	(2,540)
Net inflow of cash and cash equivalents in respect of the disposal of a business	200,958

42. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office premises, dormitories and electronic equipment under operating lease arrangements. These non-cancellable leases have remaining terms ranging one to five years.

At 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 RMB'000	2014 RMB'000
Within one year	**181,048**	57,462
After one year but not more than five years	**250,103**	176,558
After five years	**1,830**	—
	432,981	234,020

As at 31 December 2015, the calculation of the lease payment of some electronic equipment was based on the actual number of users of the relevant servers. The operating lease commitment under these operating leases was RMB422,479,133 for the year ended 31 December 2015 (2014: RMB178,707,866). As future lease payments for these arrangements are based on the actual number of users and thus cannot be reasonably estimated, they are not included in the minimum lease payments shown above.

43. COMMITMENTS

Capital commitments

	NOTE	2015 RMB'000	2014 RMB'000
Contracted, but not provided for:			
Development of land and buildings	(a)	**820,199**	901,921
Acquisition of a subsidiary		**27,000**	12,409
Acquisition of an available-for-sale investment		**—**	1,052,543
Acquisition of intangible assets		**2,222**	19,642
		849,421	1,986,515

(a) The capital commitment for the development of land and buildings at 31 December 2015 represented the commitment to invest in an aggregate amount of RMB820,199,000 (2014: RMB901,921,000) in the development of a piece of land in Zhuhai.

44. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	NOTES	2015 RMB'000	2014 RMB'000
Equity contribution from a company controlled by a director of the Company	(i)	**73,706**	246,166
Provision of services to a company whose parent has a significant influence on the Company	(ii)	**277,080**	73,992
Online marketing services from a company whose parent has a significant influence on the Company	(ii)	**39,240**	—
Licence fee from a company whose parent has a significant influence on the Company	(ii)	**4,570**	427
Sales of product to a company whose parent has a significant influence on the Company	(ii)	**—**	1,709
Provision of services to a company controlled by a director of the Company	(iii)	**127,320**	60,706
Purchases of products from a company controlled by a director of the Company	(iii)	**15,980**	11,695
Purchase of service from a company controlled by a director of the Company	(iii)	**46,040**	6,018
Licence fee from companies controlled by a director of the Company	(iii)	**26,160**	5,293
Interest income from non-controlling shareholders of subsidiaries	(iv)	**2,482**	2,565

(i) On 30 March 2015, a company controlled by a director of the Company, exercised the warrants in full at the exercise price of US$0.0742 per share and subscribed for 161,688,000 Kingsoft Cloud Series A Preferred Shares in an aggregate consideration of US$12 million (equivalent to RMB73,706,000). Upon completion of the transaction, the company controlled by a director of the Company holds approximately 32.77% of equity interests of Kingsoft Cloud.

On 14 February 2014, Seasun Holdings issued 40,000,000 ordinary shares (representing 4.71% of the enlarged capital of Seasun Holdings) to a company controlled by a director of the Company, at a subscription price of US$0.5 per share for an aggregate consideration of US$20 million (equivalent to RMB123,052,000).

On 8 May 2014, Cheetah Mobile issued 14,285,714 Class A ordinary shares to a company controlled by a director of the Company with a total purchase price of US$20 million (equivalent to RMB123,114,000).

44. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

(ii) On 27 September 2012, the Group entered into a framework agreement with a company whose parent has a significant influence on the Company. Pursuant to the framework agreement, the Group provides various forms of promotion services to this related company and its controlled affiliates through the Group's internet platforms. The price is determined based on (i) the prevailing fair market price, (ii) the actual cost incurred plus a reasonable profit margin, or (iii) a price with reference to the price or reasonable profit margin of an independent third party conducting the similar transactions. The Group received a total of approximately RMB277,080,000 for the year ended 31 December 2015 (2014: RMB73,992,000).

In 2014 and 2015, the Group entered into framework agreements with a company whose parent has a significant influence on the Company. Pursuant to the framework agreements, the company whose parent has a significant influence on the Company provides various forms of promotion services to the Group through the internet platforms. The price is based on (i) the prevailing fair market price, (ii) the actual cost incurred plus a reasonable profit margin, or (iii) a price with reference to the price or reasonable profit margin of an independent third party conducting the similar transactions. For the year ended 31 December 2015, the Group received online marketing services from the related company and its controlled affiliates of RMB39,240,000 (2014: nil).

In 2014 and 2015, the Group entered into various licensing agreements with a company whose parent has a significant influence on the Company to operate the Group's online games with this related company at the prevailing fair market price. For the year ended 31 December 2015, the Group received licence fee from this related company and its controlled affiliates of RMB4,570,000 (2014: RMB427,000).

On 27 December 2013, the Group entered into a licensing agreement with a company whose parent has a significant influence on the Company to grant the right to perpetually use WPS Office 2013 Professional Office Software V9.6 on the computers of this related company and its controlled affiliates. The Group received nil under this licensing agreement for the year ended 31 December 2015 (2014: RMB1,709,000).

44. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

(iii) In 2014 and 2015, the Group entered into various agreements with a company controlled by a director of the Company. Pursuant to the agreements, the Group provides cloud storage services, online advertising services and joint operations of online games to this related company and its affiliates at the prevailing fair market price in the same industry for similar transactions. During the year ended 31 December 2015, the Group provided services of approximately RMB127,320,000 (2014: RMB60,706,000) to an affiliate of the related company.

During the year ended 31 December 2015, the Group purchased smart phones and phone accessories from this related company of approximately RMB15,980,000 (2014: RMB11,695,000) from the affiliate of the related company at the marked price.

In January 2014, the Group entered into framework agreements with a company controlled by a director of the Company. Pursuant to the framework agreements, this related company provides various forms of promotion services to the Group through the internet platforms. The price is based on (i) the prevailing fair market price, (ii) the actual cost incurred plus a reasonable profit margin, or (iii) a price with reference to the price or reasonable profit margin of an independent third party conducting the similar transactions. For the year ended 31 December 2015, the aforementioned revenue was approximately RMB46,040,000 (2014: RMB6,018,000).

In 2014 and 2015, the Group entered into various licensing agreements with companies controlled by a director of the Company to operate the Group's online games with these related companies at the prevailing fair market price. For the year ended 31 December 2015, the Group received licence fee from these related companies and their controlled affiliates of RMB26,160,000 (2014: RMB5,293,000).

(iv) The interest income from non-controlling shareholders of subsidiaries was approximately HK$3,075,000 (equivalent to RMB2,482,000) and HK$3,252,000 (equivalent to RMB2,565,000) in 2015 and 2014, respectively. Details of the loans are disclosed in note 44(b).

44. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties:

The Group had the following outstanding balances with related parties as at the end of the reporting period:

	NOTES	2015 RMB'000	2014 RMB'000
Due from related parties:			
Loans to non-controlling shareholders of Seasun Holdings	(i)	**88,742**	89,062
Loans to non-controlling shareholders of KOS Holdings and one of its subsidiaries	(ii)	**30,745**	28,349
Loan to a director of the Company		**1,189**	—
Receivables from non-controlling shareholders of Beijing Kingsoft Office		**9,717**	—
		130,393	117,411
Less: Current portion	27	**(129,725)**	(117,411)
Non-current portion	23	**668**	—
Receivables from a company controlled by a director of the Company	26	**45,711**	10,591
Receivables from a company whose parent has a significant influence on the Company	26	**33,398**	28,575
Due to related parties:			
Advance from a company controlled by a director of the Company	30	**3,734**	—
Payables to a company controlled by a director of the Company	29	**23,461**	1,436
Payables to a company whose parent has a significant influence on the Company	29	**16,272**	1,020

44. RELATED PARTY TRANSACTIONS (continued)

(b) (continued)

(i) On 8 April 2011, Seasun Holdings issued 160,000,000 ordinary shares (representing 20% of enlarged capital of Seasun Holdings) to a company owned by some founding employees including a director of the Company, at a subscription price of HK$1.1834 per share for an aggregate consideration of approximately HK$189,344,000 (equivalent to RMB150,301,000). Part of the consideration amounting to HK$151,475,000 (equivalent to RMB120,241,000) was funded by a loan advanced from KES Holdings, the parent of Seasun Holdings, which bears interest at the Hong Kong Interbank Offered Rate plus 1.3% for an initial term and the Hong Kong Bank Offered Loan Rate for the succeeding terms, and is secured by 128,000,000 shares of Seasun Holdings held by the company owned by some founding employees. The term of the above loan is one year and can be automatically extended for the succeeding one year upon expiration if certain conditions have been satisfied. The outstanding balance of this loan included unpaid principal and interest receivable of RMB86,855,000 and RMB1,887,000, respectively as at 31 December 2015.

(ii) On 21 May 2012, KOS Holdings issued 200,000,000 ordinary shares (representing 21.05% of the enlarged capital of KOS Holdings) to a company owned by some founding employees of KOS Holdings, including a director of some subsidiaries of KOS Holdings, at a subscription price of US$0.03 per share for an aggregate consideration of US$6,000,000 (equivalent to RMB36,917,000). Part of the consideration amounting to US$4,500,000 (equivalent to RMB27,688,000) was funded by a loan advanced from the Company, the parent of KOS Holdings, which bears interest at the Hong Kong Interbank Offered Rate plus 1.3%, and is secured by 200,000,000 shares of KOS Holdings held by a company owned by some founding employees. The term of the above loan is one year and can be automatically extended for the succeeding one year upon expiration if certain conditions have been satisfied. The outstanding balance of this loan included unpaid principal and interest receivable of RMB29,151,000 and RMB1,594,000, respectively as at 31 December 2015.

44. RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel of the Group

Other than the directors' remuneration disclosed in note 10 to the financial statements, the compensation of other key management personnel of the Group is as follows:

	2015 RMB'000	2014 RMB'000
Salaries, allowances and benefits in kind	**4,952**	4,510
Pension plan contributions	**317**	242
Share-based compensation costs	**62,380**	69,785
Total compensation paid to key management personnel	**67,649**	74,537

45. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2015

FINANCIAL ASSETS	LOANS AND RECEIVABLES RMB'000	AVAILABLE-FOR-SALE INVESTMENTS RMB'000	DESIGNATED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS UPON INITIAL RECOGNITION RMB'000	TOTAL RMB'000
Other financial assets	**—**	**—**	**26,294**	**26,294**
Available-for-sale investments	**—**	**2,276,302**	**—**	**2,276,302**
Loan receivables	**12,971**	**—**	**—**	**12,971**
Trade receivables	**966,000**	**—**	**—**	**966,000**
Other long term receivables	**88,499**	**—**	**—**	**88,499**
Financial assets included in prepayments, deposits and other receivables	**738,321**	**—**	**—**	**738,321**
Restricted cash	**130,187**	**—**	**—**	**130,187**
Pledged deposits	**46,657**	**—**	**—**	**46,657**
Cash and bank deposits	**8,606,434**	**—**	**—**	**8,606,434**
Total	**10,589,069**	**2,276,302**	**26,294**	**12,891,665**

45. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

FINANCIAL LIABILITIES	DESIGNATED AS FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS UPON INITIAL RECOGNITION RMB'000	FINANCIAL LIABILITIES AT AMORTISED COST RMB'000	TOTAL RMB'000
Trade payables	**—**	**185,417**	**185,417**
Financial liabilities included in other payables	**23,339**	**1,375,696**	**1,399,035**
Interest-bearing bank loans	**—**	**157,552**	**157,552**
Liability component of convertible bonds	**—**	**2,699,698**	**2,699,698**
Total	**23,339**	**4,418,363**	**4,441,702**

2014

FINANCIAL ASSETS	LOANS AND RECEIVABLES RMB'000	AVAILABLE-FOR-SALE INVESTMENTS RMB'000	DESIGNATED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS UPON INITIAL RECOGNITION RMB'000	TOTAL RMB'000
Other financial assets	—	—	88,441	88,441
Available-for-sale investments	—	623,585	—	623,585
Loan receivables	13,555	—	—	13,555
Trade receivables	411,137	—	—	411,137
Other long term receivables	122,524	—	—	122,524
Financial assets included in prepayments, deposits and other receivables	467,656	—	—	467,656
Pledged deposit	19,978	—	—	19,978
Cash and cash equivalents	6,983,699	—	—	6,983,699
Total	8,018,549	623,585	88,441	8,730,575

45. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

FINANCIAL LIABILITIES	DESIGNATED AS FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS UPON INITIAL RECOGNITION RMB'000	FINANCIAL LIABILITIES AT AMORTISED COST RMB'000	TOTAL RMB'000
Trade payables	—	80,344	80,344
Financial liabilities included in other payables	53,591	808,340	861,931
Interest-bearing bank loans	—	15,778	15,778
Liability component of convertible bonds	—	2,792,322	2,792,322
Total	53,591	3,696,784	3,750,375

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	CARRYING AMOUNTS		FAIR VALUES	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
FINANCIAL ASSETS				
Loan receivables	**12,971**	13,555	**13,099**	13,500
Available-for-sale investments	**1,726,438**	399,540	**1,726,438**	399,540
Other long term receivables	**88,499**	122,524	**88,499**	122,524
Other financial assets	**26,294**	88,441	**26,294**	88,441
	1,854,202	624,060	**1,854,330**	624,005
FINANCIAL LIABILITIES				
Liability component of convertible bonds	**2,699,698**	2,792,322	**2,699,698**	2,792,322
Other liabilities	**23,339**	53,591	**23,339**	53,591
Interest-bearing bank loans	**157,552**	15,778	**157,552**	15,778
	2,880,589	2,861,691	**2,880,589**	2,861,691

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Management has assessed that the fair values of cash and bank deposits, pledged deposit, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables and financial liabilities included in other payables approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the CFO and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the CFO and the valuation process and results are discussed with the audit committee.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of loan receivables and interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank loans as at 31 December 2015 was assessed to be insignificant. The fair value of the liability portion of the convertible bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted available-for-sale equity investments have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows including expected future dividends and proceeds on subsequent disposal of the shares. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The fair value of other financial asset has been estimated using the Black Scholes Model. The valuation technique is based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about life of option, expected volatility, underlying equity value and discount rates. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in the consolidated statement of profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The fair values of other liabilities have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows including expected future dividends and proceeds on subsequent disposal of the shares. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2015

	FAIR VALUE MEASUREMENT USING			
	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1) RMB'000	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) RMB'000	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) RMB'000	TOTAL RMB'000
Available-for-sale investments	**1,726,438**	**—**	**—**	**1,726,438**
Other financial assets	**—**	**—**	**26,294**	**26,294**
	1,726,438	**—**	**26,294**	**1,752,732**

As at 31 December 2014

	FAIR VALUE MEASUREMENT USING			
	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1) RMB'000	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) RMB'000	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) RMB'000	TOTAL RMB'000
Available-for-sale investments	399,540	—	—	399,540
Other financial assets	—	—	88,441	88,441
	399,540	—	88,441	487,981

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	2015 RMB'000	2014 RMB'000
Financial assets:		
At 1 January	**88,441**	27,699
Additions	**53,303**	61,548
Disposal	**(67,640)**	(7,052)
Total (loss)/gain recognised in the statement of profit or loss	**(49,650)**	6,551
Total gain/(loss) recognised in other comprehensive income	**1,840**	(305)
At 31 December	**26,294**	88,441

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2015:

	VALUATION TECHNIQUES	SIGNIFICANT UNOBSERVABLE INPUTS	SENSITIVITY OF THE INPUT TO FAIR VALUE
Other financial assets — VNG Option	Black Scholes Model	Fair value per share	5% increase(decrease) in fair value per share would result in increase(decrease) in fair value by RMB1,080,000 (RMB1,012,000)
		Risk-free rate	5% increase(decrease) in risk-free rate would result in increase(decrease) in fair value by RMB135,000
		Volatility	5% increase(decrease) in volatility would result in increase(decrease) in fair value by RMB742,000
Other financial assets — call option	Probability expected return method	Probability	5% increase(decrease) in probability would result in increase(decrease) in fair value by RMB694,000 (RMB694,000)

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities measured at fair value:

As at 31 December 2015

	FAIR VALUE MEASUREMENT USING			
	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1) RMB'000	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) RMB'000	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) RMB'000	TOTAL RMB'000
Other liabilities	**—**	**—**	**23,339**	**23,339**

As at 31 December 2014

	FAIR VALUE MEASUREMENT USING			
	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1) RMB'000	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) RMB'000	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) RMB'000	TOTAL RMB'000
Other liabilities	—	—	53,591	53,591

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities measured at fair value: (continued)

The movements in fair value measurements in Level 3 during the year are as follows:

	2015 RMB'000	2014 RMB'000
Other financial liabilities at fair value through profit or loss:		
At 1 January	**53,591**	11,974
Additions	**17,202**	32,953
Paid	**(32,727)**	(4,923)
Extinguish	**(18,532)**	—
Total loss recognised in the statement of profit or loss	**2,747**	13,749
Total loss/(income) recognised in other comprehensive income	**1,058**	(162)
At 31 December	**23,339**	53,591

	VALUATION TECHNIQUES	SIGNIFICANT UNOBSERVABLE INPUTS	SENSITIVITY OF THE INPUT TO FAIR VALUE
Other liabilities	Discounted cash flow method	Discount rate for cash flows	5% increase(decrease) in discount rate would result in decrease (increase) in fair value by RMB485,000 (RMB519,000)

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2014: nil).

Assets for which fair values are disclosed:

As at 31 December 2015

	FAIR VALUE MEASUREMENT USING			
	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1) RMB'000	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) RMB'000	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) RMB'000	TOTAL RMB'000
Loan receivables	—	13,099	—	13,099

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets for which fair values are disclosed: (continued)

As at 31 December 2014

	FAIR VALUE MEASUREMENT USING			
	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1) RMB'000	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) RMB'000	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) RMB'000	TOTAL RMB'000
Loan receivables	—	13,500	—	13,500

Liabilities for which fair values are disclosed:

As at 31 December 2015

	FAIR VALUE MEASUREMENT USING			
	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1) RMB'000	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) RMB'000	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) RMB'000	TOTAL RMB'000
Liability component of convertible bonds	**—**	**—**	**2,699,698**	**2,699,698**
Interest-bearing bank loans	**—**	**157,552**	**—**	**157,552**
	—	**157,552**	**2,699,698**	**2,857,250**

As at 31 December 2014

	FAIR VALUE MEASUREMENT USING			
	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1) RMB'000	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) RMB'000	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) RMB'000	TOTAL RMB'000
Liability component of convertible bonds	—	—	2,792,322	2,792,322
Interest-bearing bank loans	—	15,778	—	15,778
	—	15,778	2,792,322	2,808,100

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank loans, convertible bonds, cash and bank deposits and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations and payment of dividends. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank loans with floating interest rates.

The Group's policy is to reduce the interest expenses through a combination of bank loans denominated in different currencies. As at 31 December 2015, approximately RMB16,756,000, RMB129,872,000 and RMB10,924,000 of the Group's bank loans were denominated in HK$, US$ and Euro (2014: RMB15,778,000, nil and nil), and bore interest at floating rates. The Group believes that the exposure to the risk of changes in market interest rates is minimal because simultaneously the Group has an equivalent RMB deposit earning at a higher interest.

For the year ended 31 December 2015, if the average interest rate on the bank loans had been 5% (2014: 5%) higher/lower with all other variables held constant, the profit of the Group for the year would have been approximately RMB158,000 (2014: RMB151,000) lower/higher as a result of higher/lower finance costs.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from revenue derived from overseas markets by operating units in currencies other than the units' functional currencies. Approximately 35% (2014: 12%) of the Group's revenue were denominated in currencies other than the functional currencies.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$ and HK$ exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) for the year:

	INCREASE/ (DECREASE) IN PROFIT BEFORE TAX RMB'000
2015	
If RMB strengthens 5% against HK$	**(192,275)**
If RMB weakens 5% against HK$	**192,275**
If RMB strengthens 5% against US$	**(40,823)**
If RMB weakens 5% against US$	**40,823**
2014	
If RMB strengthens 5% against HK$	(114,599)
If RMB weakens 5% against HK$	114,599
If RMB strengthens 5% against US$	(54,994)
If RMB weakens 5% against US$	54,994

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and bank deposits, pledged deposits, loan receivables, loans to related parties and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 26 to the financial statements.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The principal approach used by the Group to manage liquidity risk arising from financial liabilities is to maintain an adequate level of cash and bank deposits with different banks.

The contractual maturities of trade payables, interest-bearing bank loans and convertible bonds are disclosed in notes 29, 31 and 33 respectively. For trade payables, they are generally on credit terms of two to three months after the invoice date. For other payables and accruals, there are generally no specified contractual maturities for these liabilities, and they are paid on a regular basis or upon counterparty's formal notification.

The Group has been continuously generating cash inflows from its operating activities and recording an increase of cash and bank deposits. As at 31 December 2015, the Group's cash and bank deposits were approximately RMB8,606,434,000 (2014: RMB6,983,699,000), accounting for 80.9% (2014: 86.5%) of the Group's current assets and 55.6% (2014: 67.3%) of the Group's total assets. The Group believes that the exposure to liquidity risk is minimal.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	31 DECEMBER 2015					
	ON DEMAND RMB'000	LESS THAN THREE MONTHS RMB'000	3 TO LESS THAN 12 MONTHS RMB'000	1 TO 5 YEARS RMB'000	5 YEARS ABOVE RMB'000	TOTAL RMB'000
Convertible bonds	**—**	**12,567**	**36,937**	**2,910,738**	**—**	**2,960,242**
Interest-bearing bank and other borrowings	**—**	**130,651**	**17,452**	**9,714**	**1,873**	**159,690**
Trade payables	**—**	**154,335**	**22,779**	**8,303**	**—**	**185,417**
Other payables	**1,608,215**	**109,351**	**38,678**	**124,550**	**—**	**1,880,794**

	31 DECEMBER 2014					
	ON DEMAND RMB'000	LESS THAN THREE MONTHS RMB'000	3 TO LESS THAN 12 MONTHS RMB'000	1 TO 5 YEARS RMB'000	5 YEARS ABOVE RMB'000	TOTAL RMB'000
Convertible bonds	—	16,046	38,993	3,082,111	—	3,137,150
Interest-bearing bank and other borrowings	—	—	15,918	—	—	15,918
Trade payables	—	53,200	24,852	2,292	—	80,344
Other payables	530,509	347,066	53,862	22,272	—	953,709

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale investments (note 21) as at 31 December 2015. The Group's listed investments are listed on NASDAQ and are valued at quoted market prices at the end of the reporting period.

The market equity indices for NASDAQ, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 DECEMBER 2015	HIGH/LOW 2015	31 DECEMBER 2014	HIGH/LOW 2014
United States — NASDAQ Index	**5,007.41**	**5,218.86/ 4,506.49**	4,736.05	4,806.91/ 3,999.73

The following table demonstrates the sensitivity to every 1% change in the fair values of the Group's principal equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the statement of profit or loss.

	CARRYING AMOUNT OF EQUITY INVESTMENTS RMB'000	INCREASE/ (DECREASE) IN EQUITY RMB'000
2015		
Investments listed in:		
United States — Available-for-sale	**1,726,438**	17,264

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 31 December 2014.

The Group monitors capital using the asset-liability ratio, which represents total liabilities divided by total assets.

	2015 RMB'000	2014 RMB'000
Total liabilities	**(5,573,522)**	(4,265,060)
Total assets	**15,484,877**	10,381,604
Asset-liability ratio	**36%**	41%

48. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had no significant contingent liabilities.

49. EVENTS AFTER THE REPORTING PERIOD

On 5 February 2016, the Company entered into the share purchase agreement with certain investors, pursuant to which, the Group's subsidiary, Kingsoft Cloud agreed to issue, and the Company and these investors agree to subscribe for 102,292,297 series C preferred shares at a total consideration of approximately US$60 million. Upon completion of the transaction, the Company will remain the same shareholding in Kingsoft Cloud.

On 26 February 2016, the Company entered into the share purchase agreement with Xiaomi Corporation and other shareholders of Zhigu Holdings Limited ("Zhigu"), an associate of the Company, pursuant to which, the Company agreed to sell and Xiaomi Corporation agreed to purchase all the shares held by the Company in Zhigu at a consideration of US$7.5 million (equivalent to RMB48.6 million).

50. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap.622) during the current year, the presentation and disclosures of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform with the current year's presentation and disclosures.

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**801,825**	482,347
Property, plant and equipment	**36**	94
Investments in associates	**32,609**	30,600
Long term receivables	**69,436**	112,669
Total non-current assets	**903,906**	625,710
CURRENT ASSETS		
Prepayments, deposits and other receivables	**86,499**	81,150
Due from subsidiaries	**2,249,205**	1,174,391
Pledged deposit	**20,683**	19,978
Cash and bank deposits	**2,950,980**	1,892,264
Total current assets	**5,307,367**	3,167,783
CURRENT LIABILITIES		
Other payables and accruals	**18,909**	24,478
Interest-bearing bank loan	**16,756**	15,778
Income tax payable	**11,694**	18,246
Due to subsidiaries	**311,948**	286,958
Total current liabilities	**359,307**	345,460
NET CURRENT ASSETS	**4,948,060**	2,822,323
TOTAL ASSETS LESS CURRENT LIABILITIES	**5,851,966**	3,448,033
NON-CURRENT LIABILITIES		
Liability component of convertible bonds	**2,699,698**	2,792,322
Total non-current liabilities	**2,699,698**	2,792,322
Net assets	**3,152,268**	655,711
EQUITY		
Issued capital	**5,092**	4,730
Share premium account	**2,474,663**	219,207
Treasury shares	**(34,766)**	(83,964)
Equity component of convertible bonds	**72,295**	74,505
Other reserves	**634,984**	441,233
TOTAL EQUITY	**3,152,268**	655,711

Hongjiang Zhang
Director

Yuk Keung Ng
Director

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

A summary of the Company's reserves is as follows:

	SHARE PREMIUM ACCOUNT RMB'000	TREASURY SHARES RMB'000	EQUITY COMPONENT OF CONVERTIBLE BONDS RMB'000	SHARE-BASED COMPENSATION RESERVE RMB'000	FOREIGN CURRENCY TRANSLATION RESERVE RMB'000	RETAINED PROFITS RMB'000	TOTAL RMB'000
AT 1 JANUARY 2014	369,052	(53,890)	8,500	127,668	(149,381)	328,902	630,851
Total comprehensive income for the year	—	—	—	—	4,230	120,258	124,488
Approved and paid final dividend in respect of the previous year	(110,723)	—	—	—	—	—	(110,723)
Exercise of share options	11,844	—	—	(4,701)	—	—	7,143
Share-based compensation costs	—	—	—	29,346	—	—	29,346
Vested awarded shares transferred to employees	—	15,089	—	(15,089)	—	—	—
Issue of convertible bonds	—	—	66,005	—	—	—	66,005
Repurchase and cancellation of shares	—	(45,163)	—	—	—	—	(45,163)
Dividend in specie	(50,966)	—	—	—	—	—	(50,966)
AT 31 DECEMBER 2014 AND 1 JANUARY 2015	**219,207**	**(83,964)**	**74,505**	**137,224**	**(145,151)**	**449,160**	**650,981**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**185,709**	**(3,853)**	**181,856**
Approved and paid final dividend in respect of the previous year	**(121,521)**	**—**	**—**	**—**	**—**	**—**	**(121,521)**
Issuance of new shares	**2,145,716**	**—**	**—**	**—**	**—**	**—**	**2,145,716**
Exercise of share options	**2,079**	**—**	**—**	**(989)**	**—**	**—**	**1,090**
Share-based compensation costs	**—**	**—**	**—**	**16,919**	**—**	**—**	**16,919**
Vested awarded shares transferred to employees	**—**	**4,035**	**—**	**(4,035)**	**—**	**—**	**—**
Conversion of convertible bonds	**279,679**	**—**	**(2,210)**	**—**	**—**	**—**	**277,469**
Share repurchased for cancellation	**(50,497)**	**45,163**	**—**	**—**	**—**	**—**	**(5,334)**
At 31 December 2015	**2,474,663**	**(34,766)**	**72,295**	**149,119#**	**40,558#**	**445,307#**	**3,147,176**

These reserve accounts comprise the other reserves of RMB634,984,000 (2014: RMB441,233,000) in the statement of financial position of the Company.

The Company operates three share option schemes and a share award scheme as part of the benefits to its employees. The share-based compensation reserve comprises the fair value of share options and awarded shares granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will be either transferred to the share premium account when the related share options are exercised, or be transferred to treasury shares when the related awarded shares are vested and transferred.

52. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 March 2016.

TERMS AND GLOSSARIES

"2004 Pre-IPO Share Option Scheme"	the share option scheme adopted by the Company on 30 June 2004 before its initial public offering
"2006–2007 Kingsoft Japan Share Option Scheme"	the share option scheme adopted by Kingsoft Japan on 2 November 2006 and 31 July 2007
"2007 Pre-IPO Share Option Scheme"	the share option scheme adopted by the Company on 22 January 2007 before its initial public offering
"2011 Cheetah Mobile Share Award Scheme"	the share award scheme approved and adopted by the directors of Cheetah Mobile on 26 May 2011
"2011 Share Option Scheme"	the share option scheme adopted by the Company on 9 December 2011
"2013 Convertible Bonds"	the five-year convertible bonds issued by the Company in the principal amount of HK$1,356,000,000 which bear interest at a rate of 3% per annum payable semi-annually on 23 July 2013
"2014 Convertible Bonds"	the five-year convertible bonds issued by the Company in the principal amount of HK$2,327,000,000 which bear interest at a rate of 1.25% per annum payable semi-annually on 11 April 2014
"2014 Cheetah Mobile Share Award Scheme"	the share award scheme approved and adopted by the shareholders of Cheetah Mobile on 24 April 2014
"2014 Kingsoft Japan Share Option Scheme"	the share option scheme of Kingsoft Japan approved by the shareholders of the Company on 2 January 2014 and adopted by the shareholders of Kingsoft Japan on 28 March 2014
"ADPCU"	daily average peak concurrent users
"ADS"	American Depositary Share
"Antutu Technology"	Beijing Antutu Technology Co., Ltd.* (北京安兔兔科技有限公司)
"APA"	average paying accounts
"ARPU"	average revenue per paying user
"Articles of Association"	the articles of association of the Company
"Beijing Cheetah"	Beijing Cheetah Mobile Technology Co., Ltd.* (北京獵豹移動科技有限公司), formerly know as Beike Internet (Beijing) Security Technology Co., Ltd.* (貝殼網際 (北京) 安全技術有限公司)
"Beijing Cloud Network"	Beijing Kingsoft Cloud Network Technology Co., Ltd.* (北京金山雲網絡技術有限公司), a subsidiary of Kingsoft Cloud
"Beijing Cloud Technology"	Beijing Kingsoft Cloud Technology Co., Ltd.* (北京金山雲科技有限公司)
"Beijing Digital Entertainment"	Beijing Kingsoft Digital Entertainment Technology Co., Ltd.* (北京金山數字娛樂科技有限公司)

"Beijing Network Technology"	Beijing Cheetah Network Technology Co., Ltd.* (北京獵豹網絡科技有限公司)
"Beijing Office Software"	Beijing Kingsoft Office Software Co., Ltd.* (北京金山辦公軟件有限公司)
"Beijing Security Software"	Beijing Kingsoft Internet Security Software Co., Ltd.* (北京金山安全軟件有限公司)
"Board"	the board of directors of the Company
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Cheetah Mobile Equity Incentive Scheme"	the equity incentive scheme of Cheetah Mobile approved by the shareholders of the Company and Cheetah Mobile on 2 January 2014
"Cheetah Group"	Cheetah Mobile and its subsidiaries
"Cheetah Mobile"	Cheetah Mobile Inc, a non-wholly owned subsidiary of the company and was listed on NYSE in May 2014
"Cheetah Share(s) "	ordinary share(s) of Cheetah Mobile
"Chengdu Digital Entertainment"	Chendu Kingsoft Digital Entertainment Technology Co., Ltd.* (成都金山數字娛樂科技有限公司)
"Chengdu Interactive Entertainment"	Chengdu Westhouse Interactive & Entertainment Co., Ltd.* (成都西山居互動娛樂科技有限公司)
"Chengdu Seasun Shiyou"	Chengdu Seasun Shiyou Technology Co., Ltd.* (成都西山居世遊科技有限公司)
"Class A Cheetah Shares"	the class A ordinary shares of Cheetah Mobile, par value US$0.000025 per share
"Company" or "Kingsoft"	Kingsoft Corporation Limited, an exempted limited liability company incorporated in the British Virgin Islands on 20 March 1998 and discontinued in the British Virgin Islands and continued into the Cayman Islands on 15 November 2005, with its shares listed on the Stock Exchange (stock code: 03888)
"Conew Network"	Conew Network Technology (Beijing) Co., Ltd.* (可牛網絡技術 (北京) 有限公司)
"Conew Technology"	Beijing Conew Technology Development Co., Ltd.* (北京可牛科技發展有限公司)
"Group"	the Company and its subsidiaries
"Guangzhou Network"	Guangzhou Kingsoft Network Co., Ltd.* (廣州金山網絡科技有限公司)
"Guangzhou Seasun Shiyou"	Guangzhou Seasun Shiyou Technology Co., Ltd.* (廣州西山居世遊網絡科技有限公司)

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IAS"	International Accounting Standard issued by the International Accounting Standards Board
"IFRSs"	International Financial Reporting Standards
"Kingsoft Cloud"	Kingsoft Cloud Holdings Limited, a subsidiary of the Company
"Kingsoft Cloud Group"	Kingsoft Cloud and its subsidiaries
"Kingsoft Cloud Series A Preferred Shares"	series A preferred convertible shares of Kingsoft Cloud with par value of US$0.001 per share
"Kingsoft Cloud Series B Preferred Shares"	series B preferred convertible shares of Kingsoft Cloud with par value of US$0.001 per share
"Kingsoft Cloud Series C Preferred Shares"	series C preferred convertible shares of Kingsoft Cloud with par value of US$0.001 per share
"Kingsoft Cloud Share(s)"	the issued ordinary shares of Kingsoft Cloud
"Kingsoft Cloud Share Award Scheme"	the share award scheme approved and adopted by the directors of Kingsoft Cloud on 22 February 2013
"Kingsoft Cloud Share Option Scheme"	the share option scheme approved and adopted by the shareholders of the Company and Kingsoft Clould on 27 February 2013
"Kingsoft Japan"	Kingsoft Japan Inc., a subsidiary of the Company
"Kingsoft Qijian"	Beijing Kingsoft Qijian Digital Technology Co., Ltd.* (北京金山奇劍數碼科技有限公司)
"KOS" or "KOS Holdings"	Kingsoft Office Software Holdings Limited, a subsidiary of the Company
"KOS Group"	KOS and its subsidiaries
"KOS Share Award Scheme"	the share award scheme approved and adopted by the directors of KOS on 3 December 2012
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"MAU"	monthly active users
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules

"NASDAQ"	National Association of Securities Dealers Automated Quotations
"NYSE"	New York Stock Exchange
"PRC", "China" or "Mainland China"	the People's Republic of China excluding, for the purpose of this interim report only, Hong Kong, the Macau Special Administrative Region and Taiwan
"Pre-IPO Share Option Schemes"	the 2004 Pre-IPO Share Option Scheme and the 2007 Pre-IPO Share Option Scheme
"R&D"	research and development
"RMB" or "Renminbi"	the lawful currency of the PRC
"SFO"	the Securities and Future Ordinance, Chapter 571 of the Laws of Hong Kong
"Share Award Scheme"	the share award scheme of the Company adopted by the Board on 31 March 2008
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"U.S. "	United States of America
"US$"	United States dollars, the lawful currency of the U.S.
"Seasun Holdings"	Seasun Holdings Limited, a subsidiary of the Company
"Seasun Group"	Seasun Holdings and its subsidiaries
"Seasun Holdings Share Option Scheme"	the share option scheme approved by the shareholders of the Company and Seasun Holdings on 27 June 2013
"Xiaomi"	Xiaomi Corporation, a limited liability company organized under the laws of Cayman Islands
"Xiaomi Group"	Xiaomi and its subsidiaries
"Zhuhai Cloud Technology"	Zhuhai Kingsoft Cloud Technology Co., Ltd.* (珠海金山雲科技有限公司)
"Zhuhai Kingsoft Office"	Zhuhai Kingsoft Office Software Co., Ltd.* (珠海金山辦公軟件有限公司)
"Zhuhai Online Game"	Zhuhai Kingsoft Online Game Technology Co., Ltd.* (珠海金山網絡遊戲科技有限公司)
"Zhuhai Qiwen"	Zhuhai Qiwen Office Software Co., Ltd.* (珠海奇文辦公軟件有限公司)
"Zhuhai Seasun Shiyou"	Zhuhai Seasun Shiyou Technology Co., Ltd.* (珠海西山居世遊科技有限公司)
"Zhuhai Software"	Zhuhai Kingsoft Software Co., Ltd.* (珠海金山軟件有限公司)
"%"	per cent