



KINGSOFT ANNOUNCES 2017 FIRST QUARTER RESULTS

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Online Games Continue to Expand while Cloud Services Achieve Rapid Growth

FINANCIAL HIGHLIGHTS

<i>RMB'000 (Unaudited)</i>	For the Three Months Ended		
	31 March 2017	31 March 2016 <i>(Restated)</i> ¹	31 December 2016 <i>(Restated)</i> ¹
Revenue	1,213,366	666,411	1,292,939
- Online Games	817,151	456,870	820,087
- Cloud Services	268,446	128,810	255,279
- Office Software and Services and Others	127,769	80,731	217,573
Gross Profit	703,919	474,998	865,597
Operating profit	265,202	110,014	406,764
Basic EPS (RMB Cent)	18	10	20

OPERATIONAL HIGHLIGHTS

	For the Three Months Ended		
	31 March 2017	31 March 2016	31 December 2016
Online Games			
Daily Average Peak Concurrent Users ("ADPCU")	937,438	543,836	1,018,826
Monthly Average Paying Accounts ("APA")	4,200,840	2,960,358	4,523,832

(23 May 2017 – Hong Kong) **Kingsoft Corporation Limited** ("Kingsoft" or the "Company"; HKEx stock code: 03888), a leading Chinese software and Internet service company, has announced its unaudited quarterly results for the three months ended 31 March 2017.

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¹ The comparative figures are restated to reflect the reclassification between continuing operations and a discontinued operation of the Company. The operating results of Cheetah Mobile Inc. and its subsidiaries have been presented as a discontinued operation of the Company.

During the period under review, the revenue of Kingsoft increased 82% year-over-year to RMB1,213.4 million. Revenue from the online games, cloud services, and office software and services and others represented 67%, 22% and 11%, respectively, of total revenue. Gross profit increased by 48% year-over-year to RMB703.9 million. Operating profit increased 141% year-over-year to RMB265.2 million. Profit attributable to owners of the parent increased 78% year-over-year to RMB238.5 million.

Mr. Jun LEI, Chairman of Kingsoft, commented, “We achieved a good start to 2017 with solid progress in all areas of our business. Our flagship PC game JX Online III continued its growth despite being confronted with headwinds from the PC games market, while JX Online I mobile game delivered a steady performance in the first quarter, further revealing the great IP value of the JX Online series. We are glad to see that Kingsoft Cloud has so far achieved the goals set in the beginning of the year in all of its vertical businesses. Meanwhile, development of online marketing services for WPS has grown beyond market expectations. In the future, Kingsoft will continue focusing on the development of its game, cloud services and office software businesses.”

Mr. Tao ZOU, Chief Executive Officer of Kingsoft, said, “We achieved total revenue of RMB1,213.4 million in the first quarter at an annual growth rate of 82%. Though we made further impairment provision for the carrying value of our investment in 21 Vianet, excluding this non-operating adjustment, the operating profit of the first quarter delivered strong growth and increased 141% year-over-year to RMB265.2 million.”

BUSINESS REVIEW

Online Games

For the first quarter of 2017, the revenue of the online games business increased 79% year-over-year and kept flat quarter-over-quarter to RMB817.2 million. The impressive year-over-year increase was mainly attributable to the successful release of the JX Online I mobile game in May 2016, and the superior performance of flagship PC game JX Online III. With two updated versions released in the first quarter, JX Online III posted revenue of RMB458.2 million, achieving year-over-year increase of 38% — far exceeding market expectations. With respect to the JX Online I mobile game, it remained on the top 10 grossing games on iOS in the first quarter. The Company remains optimistic about the revenue to be generated from JX Online I mobile game following the launch of an anniversary version and new expansion pack, as well as the introduction of the game to the Korean market in the coming months.

The Company's online games business has also reached a milestone in terms of its business expansion. Tencent made a strategic investment in one of Kingsoft's subsidiaries, Season Holdings Limited ("Season"), to hold approximately 9.90% of the issued shares of Season. This move will certainly facilitate in Season and Tencent's interest alignment and create synergy effects with joined forces. The Company will duly seek to promote business development, improve market competitiveness and generate benefits for both parties in the long term.

Cloud Services

For the first quarter of 2017, revenue from the cloud services increased 108% year-over-year to RMB268.4 million. All areas of business were developing in line with the Company's strategic planning. In terms of different business segments, the game cloud business achieved the established objectives of balancing the proportion of different products, and bringing together users with diverse product mix, the benefit of which began to appear at the beginning of this year. Revenue from the game cloud business increased steadily and it also established long-term cooperation agreements with key customers including Shoumeng Internet, Leniu Games, Aoyouweb, and JOYANY. On the other hand, the agreement Kingsoft Cloud signed with News CCTV is a breakthrough for the conventional mainstream media industry, presenting new ideas on the future expansion of the cloud model to conventional media. The overall structure of video cloud has undergone large-scale upgrading and optimization, which has notably enhanced its service stability, efficiency and overall quality. With regards to the internet sector, the Company will continue to develop through the big data platform, complemented by the application of technologies including artificial intelligence ("AI") and anti-fraud, and corporate cloud with other partners, and will implement these technologies for the Company's corporate clients.

According to the latest report "China Public Cloud Market Tracker" published by IDC, Kingsoft Cloud occupied more than 6% of the public cloud IaaS market in China in 2016, a solid increase of 1.7ppt from 2015. According to the "2016-2017 China IaaS Market Study Annual Report" published by CCID, Kingsoft Cloud ranked third in the public cloud IaaS market in China in 2016, following Alibaba Cloud and Tencent Cloud, accounting for 6.8% of the market. It has become one of the leading domestic IaaS companies in 2016.

Office Software and Services and Others

Revenue from the office software and services and others for the first quarter of 2017 increased 58% year-over-year to RMB127.8 million. The year-over-year growth of online marketing services far exceeded expectations, driven mainly by enhanced user experience and better product quality.

On 31 March, WPS office appeared on the Apple App Store featured page as a recommended application, highlighting the value and popularity of the product. On 8 May, Beijing Kingsoft Office Software, Inc. submitted an application to the China Securities Regulatory Commission for the proposed A-Share listing of Chinext on the Shenzhen Stock Exchange. This proposed spin-off will help to further unlock the value of WPS business, enhance its corporate profile and brand awareness, and raise the business to the next level.

Mr. Jun Lei concluded, “The strong performance of all business segments in the first quarter has given us confidence in business development and revenue growth in the coming quarters. We will continue to optimize current products while exploring new opportunities in the AI field. We will fully integrate our resource advantage to expand our user base and enlarge our market share. At the same time, we will bolster business ties with our powerful partners in order to enhance our competency and deliver notable growth in 2017 and onwards.”

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About Kingsoft Corporation Limited (Stock Code: 03888)

Kingsoft is a leading Chinese software and Internet services company listed on the stock exchange of Hong Kong. It has three subsidiaries including Season, Kingsoft Cloud and Kingsoft Office. Following the implementation of its “mobile internet transformation” strategy, Kingsoft has completed the comprehensive transformation of its overall business and management models and formed a strategic platform with interactive entertainment and office software as the pillars and cloud computing as the new growth driver and source. The Company has over 4,000 staff around the world. It has set up R&D centers and offices in Beijing, Zhuhai, Chengdu, Dalian, Guangzhou and Hong Kong and enjoys a large market share in various countries and regions both home and abroad.

For more information, please visit www.kingsoft.com

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