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Kingsoft Corporation Limited

金山軟件有限公司

(Continued into the Cayman Islands with limited liability)

(Stock Code: 03888)

UPDATES ON THE RESULTS FOR THE SECOND HALF OF 2018

This announcement is made by Kingsoft Corporation Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Reference is made to the announcement of the Company dated 22 May 2018 in relation to the results for the three months ended 31 March 2018 (the “**Announcement**”). As set out in the Announcement, the operating profit of the Group would be under pressure in the first half of 2018 as the Company expected its online games business to pick up its growth momentum in the second half of the year. The Company further expected its performance would improve in the second half of 2018 after the debut of its new mobile games, YSY Y (雲裳羽衣) and JX Online mobile games.

After rapid growth in the past few years, China's online game market (including the mobile game market) appeared to have experienced a relatively sluggish growth in 2018. In the past few months, existing traffic appeared to have become more and more concentrated to a number of phenomenal blockbuster games. It also appears that other entertainment formats such as short video apps have attracted some non-core and new online game users, which further aggravated the pressure on the growth of online game market. While the Company remains optimistic about China's online game market, it is currently facing increasingly intensive competition in the mobile game market. Against this backdrop, YSY Y, which was officially launched on 27 June 2018 and received the highest "Six-star" accreditation from Tencent, has not

achieved the expected performance so far. To cope with the challenges in the mobile game industry, the Company needs to be strategic and methodical in the formulation of the deployment plan of its key gaming products, such as JX Online III, the flagship game of the Company. It is currently expected that the commercial launch time of JX Online III would be in early 2019.

The Company expects that the revenue of its cloud business will continue to maintain a steady growth in the remainder of 2018, where the profit margin of its cloud business is expected to slightly improve over the previous year, due to the continuing competition in the promotion of Content Delivery Network (“CDN”). With respect to the office software and others business of the Company, stable growths are expected to continue in 2018.

Considering the estimated commercial launch time of JX Online III, the additional time that YSY Y needs to pick up its performance, the increasing competition in the promotion of CDN and the investment in the research and development for office software business, it is expected that the operating results for the second half of the year will continue to be under pressure and that the Company may record a loss for the three months ending 30 September 2018 and even for the financial year of 2018. Looking ahead into 2019, with the debut of JX Online III and the continued steady development in the cloud business and the office software and services and others business, the Company looks forward to seeing that the overall performance will improve in the year of 2019.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

Hong Kong, 13 August 2018

As at the date of this announcement, the executive Directors are Messrs. Tao ZOU and Yuk Keung NG; the non-executive Directors are Messrs. Jun LEI, Pak Kwan KAU and Chi Ping LAU; the independent non-executive Directors are Messrs. Shun Tak WONG, David Yuen Kwan TANG, and Ms. Wenjie WU.