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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)

(Convertible Bonds Code: 40210)

ANNOUNCEMENT OF THE RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2020

The board (“**Board**”) of directors (the “**Directors**”) of Kingsoft Corporation Limited (the “**Company**”) announces the unaudited results of the Company and its subsidiaries (the “**Group**” or “**Kingsoft**”) for the three months ended 31 March 2020.

FINANCIAL HIGHLIGHTS

	For the three months ended			Year-on-year Change %	Quarter-on-quarter Change %
	31 March 2020 RMB'000 (Unaudited)	31 March 2019 RMB'000 (Unaudited) (Restated)*	31 December 2019 RMB'000 (Unaudited) (Restated)*		
Revenue	1,171,325	887,242	1,481,414	32	(21)
Operating profit	385,159	171,835	511,912	124	(25)
Profit/(loss) attributable to owners of the parent**	6,257	(67,764)	(99,477)	Not applicable	Not applicable
	RMB (Unaudited)	RMB (Unaudited) (Restated)*	RMB (Unaudited) (Restated)*		
Basic earnings/(loss) per share					
— For profit/(loss) for the period	0.00	(0.05)	(0.07)	Not applicable	Not applicable
— For profit from continuing operations	0.19	0.05	0.02	280	850
Diluted earnings/(loss) per share					
— For profit/(loss) for the period	0.00	(0.05)	(0.08)	Not applicable	Not applicable
— For profit from continuing operations	0.18	0.05	0.01	260	1,700

* The comparative figures are restated to reflect the reclassification between continuing operations and a discontinued operation of the Group. The operating results of Kingsoft Cloud Holdings Limited and its subsidiaries (collectively, “**Kingsoft Cloud**”) have been presented as a discontinued operation of the Group.

** Profit/(loss) attributable to owners of the parent before the effect of share-based compensation costs (including that from continuing operations and a discontinued operation) is RMB55.2 million, RMB(33.3) million and RMB(55.9) million for the three months ended at 31 March 2020, 31 March 2019 and 31 December 2019, respectively.

OPERATIONAL HIGHLIGHTS

	For the three months ended			Year- on-year Change %	Quarter- on-quarter Change %
	31 March 2020	31 March 2019	31 December 2019		
Online Games					
Daily Average Peak Concurrent Users ("ADPCU")	649,497	570,694	611,620	14	6
Monthly Average Paying Accounts ("APA")	2,615,561	2,369,662	2,532,584	10	3
	In March 2020	In March 2019	In December 2019	Year- on-year Change %	Quarter- on-quarter Change %
Office Software*					
Monthly Average Users ("MAU")(Million)	447	328	411	36	9

* Office Software products include WPS Office and Kingsoft PowerWord.

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	For the three months ended		
	31 March 2020 RMB'000 (Unaudited)	31 March 2019 RMB'000 (Unaudited) (Restated)	31 December 2019 RMB'000 (Unaudited) (Restated)
CONTINUING OPERATIONS			
Revenue			
Online games	780,739	599,653	915,756
Office software and services and others	390,586	287,589	565,658
	1,171,325	887,242	1,481,414
Cost of revenue	(201,177)	(175,107)	(233,242)
Gross profit	970,148	712,135	1,248,172
Research and development costs, net	(355,024)	(369,334)	(407,859)
Selling and distribution expenses	(146,745)	(107,186)	(228,219)
Administrative expenses	(93,253)	(79,385)	(130,110)
Share-based compensation costs	(30,920)	(39,275)	(38,997)
Other income	46,881	55,593	83,424
Other expenses	(5,928)	(713)	(14,499)
Operating profit	385,159	171,835	511,912
Other gains/(losses), net	3,318	(1,331)	47,866
Finance income	97,689	49,166	65,293
Finance costs	(5,742)	(6,188)	(4,148)
Share of profits and losses of:			
Joint ventures	7,357	2,455	(2,924)
Associates	(64,009)	(77,531)	(401,708)
Profit before tax from continuing operations	423,772	138,406	216,291
Income tax expense	(64,055)	(43,175)	(78,126)
Profit for the period from continuing operations	359,717	95,231	138,165
DISCONTINUED OPERATION			
Loss for the period from a discontinued operation	(480,932)	(295,545)	(333,215)
Loss for the period	(121,215)	(200,314)	(195,050)
Attributable to:			
Owners of the parent	6,257	(67,764)	(99,477)
Non-controlling interests	(127,472)	(132,550)	(95,573)
	(121,215)	(200,314)	(195,050)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

	For the three months ended		
	31 March 2020 RMB (Unaudited)	31 March 2019 RMB (Unaudited) (Restated)	31 December 2019 RMB (Unaudited) (Restated)
Earnings/(loss) per share attributable to ordinary equity holders of the parent			
Basic			
— For profit/(loss) for the period	<u><u>0.00</u></u>	<u><u>(0.05)</u></u>	<u><u>(0.07)</u></u>
— For profit from continuing operations	<u><u>0.19</u></u>	<u><u>0.05</u></u>	<u><u>0.02</u></u>
Diluted			
— For profit/(loss) for the period	<u><u>0.00</u></u>	<u><u>(0.05)</u></u>	<u><u>(0.08)</u></u>
— For profit from continuing operations	<u><u>0.18</u></u>	<u><u>0.05</u></u>	<u><u>0.01</u></u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended		
	31 March 2020 RMB'000 (Unaudited)	31 March 2019 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Unaudited)
LOSS FOR THE PERIOD	(121,215)	(200,314)	(195,050)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations	10,922	(48,435)	(63,225)
Share of other comprehensive income/(loss) of associates	24,903	(17,559)	(13,563)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	35,825	(65,994)	(76,788)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value, net of tax	359,167	(30,345)	108,810
Share of other comprehensive income/(loss) of associates	(6,007)	1,727	5,321
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	353,160	(28,618)	114,131
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	388,985	(94,612)	37,343
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	267,770	(294,926)	(157,707)
Attributable to:			
Owners of the parent	416,850	(168,269)	(65,318)
Non-controlling interests	(149,080)	(126,657)	(92,389)
	267,770	(294,926)	(157,707)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March 2020 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2019 <i>RMB'000</i> <i>(Audited)</i>
Non-current assets		
Property, plant and equipment	1,179,407	2,913,460
Investment properties	65,063	62,504
Other intangible assets	21,681	30,938
Investments in joint ventures	226,305	270,303
Investments in associates	2,355,423	2,437,522
Equity investments designated at fair value through other comprehensive income	1,121,060	746,992
Financial assets at fair value through profit or loss	43,268	49,314
Right-of-use assets	546,925	403,737
Deferred tax assets	115,803	107,038
Other non-current assets	9,460	47,276
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Total non-current assets	5,684,395	7,069,084
	<hr/>	<hr/>
Current assets		
Inventories	18,409	16,378
Trade receivables	615,817	2,059,031
Prepayments, other receivables and other assets	811,323	1,365,093
Equity investments designated at fair value through other comprehensive income	10,000	10,000
Financial assets at fair value through profit or loss	84,926	89,920
Cash and bank deposits	11,950,436	13,792,117
	<hr/>	<hr/>
	13,490,911	17,332,539
Assets of a disposal group classified as held for sale	6,683,570	—
	<hr/>	<hr/>
Total current assets	20,174,481	17,332,539
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	As at 31 March 2020 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2019 <i>RMB'000</i> <i>(Audited)</i>
Current liabilities		
Trade payables	286,580	1,501,604
Interest-bearing bank loans	531,383	623,215
Other payables and accruals	533,406	1,690,263
Deferred revenue	981,328	879,440
Income tax payable	83,130	93,430
Lease liabilities	56,810	18,260
Derivative financial instruments	—	128,236
	<u>2,472,637</u>	<u>4,934,448</u>
Liabilities of a disposal group classified as held for sale	<u>7,135,628</u>	<u>—</u>
Total current liabilities	<u>9,608,265</u>	<u>4,934,448</u>
Net current assets	<u>10,566,216</u>	<u>12,398,091</u>
Total assets less current liabilities	<u>16,250,611</u>	<u>19,467,175</u>
Non-current liabilities		
Deferred revenue	97,667	51,944
Deferred tax liabilities	40,066	50,691
Interest-bearing bank loans	—	74,351
Lease liabilities	194,037	97,789
Liability component of redeemable convertible preferred shares	—	3,583,019
Total non-current liabilities	<u>331,770</u>	<u>3,857,794</u>
Net assets	<u>15,918,841</u>	<u>15,609,381</u>
Equity		
Equity attributable to owners of the parent		
Issued capital	5,316	5,316
Share premium account	2,999,161	2,995,605
Treasury shares	(13,964)	(14,631)
Other reserves	11,256,440	10,810,858
	<u>14,246,953</u>	<u>13,797,148</u>
Non-controlling interests	<u>1,671,888</u>	<u>1,812,233</u>
Total equity	<u>15,918,841</u>	<u>15,609,381</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the three months ended		
	31 March 2020 <i>RMB'000</i> <i>(Unaudited)</i>	31 March 2019 <i>RMB'0000</i> <i>(Unaudited)</i>	31 December 2019 <i>RMB'000</i> <i>(Unaudited)</i>
Net cash flows from/(used in) operating activities	544,957	(49,780)	493,298
Net cash flows used in investing activities	(894,179)	(112,063)	(2,796,877)
Net cash flows from/(used in) financing activities	96,561	(496,580)	4,764,449
Net (decrease)/increase in cash and cash equivalents	(252,661)	(658,423)	2,460,870
Cash and cash equivalents at beginning of the period	7,329,845	4,544,784	4,811,395
Effect of foreign exchange rate changes, net	24,483	(26,750)	57,580
Cash and cash equivalents at end of the period	7,101,667	3,859,611	7,329,845
Non-pledged time deposits with original maturity of over three months when acquired	241,000	1,700,565	264,788
Principal protected structure deposits with original maturity of over three months when acquired	6,577,674	3,435,587	6,197,484
Less: Cash and cash equivalents attributable to a discontinued operation	(1,969,905)	—	—
Cash and bank deposits as stated in the condensed consolidated statement of financial position	11,950,436	8,995,763	13,792,117

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

The Company was incorporated under the Companies Act of the British Virgin Islands on 20 March 1998. On 15 November 2005, the Company was redomiciled to the Cayman Islands under the Company Law (2004 revision) of Cayman Islands. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 9 October 2007.

During the three months ended 31 March 2020, there are no material changes in the principal activities of the Group, except that the operation of Kingsoft Cloud is reclassified as a discontinued operation of the Group. The continuing operations of 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; and
- design, research and development and sales and marketing of office software products and services of WPS Office.

The discontinued operation of the Group was involved in provision of cloud services including cloud computing, storage and delivery, and comprehensive cloud-based solutions through Kingsoft Cloud.

The interim condensed consolidated financial statements for the three months ended 31 March 2020 were approved and authorised for issue in accordance with a resolution of the Board on 26 May 2020.

2. Basis of preparation and significant accounting policies

Basis of preparation

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 *Interim Financial Reporting*, issued by International Accounting Standards Board (“**IASB**”).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2019.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Basis of preparation and significant accounting policies (continued)

Discontinued operation

On 20 March 2020, the shareholders of the Company approved the proposed spin-off and separate listing of Kingsoft Cloud Holdings Limited, upon completion of the listing, the Group will lose control over Kingsoft Cloud and Kingsoft Cloud will be accounted for as an associate of the Company.

As at 31 March 2020, the Directors assessed that the completion of the spin-off and separate listing of Kingsoft Cloud Holdings Limited is highly probable. In accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the assets and liabilities of Kingsoft Cloud have been classified as a disposal group held for sale, and the operating results of Kingsoft Cloud have been presented as a discontinued operation in the interim condensed consolidated statement of profit or loss for the three months ended 31 March 2020. The comparative figures for the interim condensed consolidated statement of profit or loss are restated to reflect the reclassification between continuing operations and a discontinued operation of the Group accordingly.

As disclosed in Significant Subsequent Event, on 8 May 2020 (New York time), the trading in the ADSs of Kingsoft Cloud Holdings Limited on National Association of Securities Dealers Automated Quotations (“NASDAQ”) commenced.

Significant Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), except for the discontinued operation mentioned above and the adoption of new standards and interpretations effective as at 1 January 2020.

The Group has adopted the following new and revised IFRSs for the first time for the current year’s financial statements.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

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

MANAGEMENT DISCUSSION AND ANALYSIS

For the Three Months Ended 31 March 2020

Revenue

Revenue for the first quarter of 2020 increased 32% year-on-year and decreased 21% quarter-on-quarter to RMB1,171.3 million. Revenue from the online games and office software and services and others represented 67% and 33% of the Group's total revenue for the first quarter of 2020, respectively. Revenue from the business lines is reported net of intra-group transactions.

Revenue from the online games business for the first quarter of 2020 increased 30% year-on-year and decreased 15% quarter-on-quarter to RMB780.7 million. The year-on-year increase was mainly due to healthy growth of flagship game JX Online III, driven by enhanced user engagement and monetization ability, as well as enriched mobile game portfolio. The quarter-on-quarter decrease was largely due to declined revenue from JX Online III as a large-scale expansion pack being successfully launched in the fourth quarter of 2019.

Revenue from the office software and services and others for the first quarter of 2020 increased 36% year-on-year and decreased 31% quarter-on-quarter to RMB390.6 million. The year-on-year increase was mainly attributable to revenue growth from WPS Office subscription services, driven by rapid expansion of user base with enhanced features and services. The quarter-on-quarter decrease was largely due to declined revenue from WPS Office licensing and WPS Office online marketing services resulting from weak seasonality, partially offset by solid and sustainable growth from WPS Office subscription services.

Cost of Revenue and Gross Profit

Cost of revenue for the first quarter of 2020 increased 15% year-on-year and decreased 14% quarter-on-quarter to RMB201.2 million. The year-on-year increase and quarter-on-quarter decrease mainly reflected changes in content and channel costs associated with revenues from licensed mobile games in each corresponding quarter.

Gross profit for the first quarter of 2020 increased 36% year-on-year and decreased 22% quarter-on-quarter to RMB970.1 million. The Group's gross profit margin increased by three percentage points year-on-year and decreased by one percentage point quarter-on-quarter to 83%. The increase in the Group's gross profit margin year-on-year was mainly due to increased revenue contribution from self-developed games, which have relatively higher gross profit margin.

Research and Development (“R&D”) Costs, net

R&D costs, net, for the first quarter of 2020 decreased 4% year-on-year and 13% quarter-on-quarter to RMB355.0 million. The year-on-year decrease was largely due to reduced outsourcing activities for R&D projects as a consequence of the pandemic. The quarter-on-quarter decrease was mainly attributable to temporary exemption or reduction of social and medical insurance premiums in this quarter.

Selling and Distribution Expenses

Selling and distribution expenses for the first quarter of 2020 increased 37% year-on-year and decreased 36% quarter-on-quarter to RMB146.7 million. The year-on-year increase was mainly due to higher expenses incurred as office software and service business (“WPS business”) continued to increase its sales and marketing efforts to expand enterprise markets. The quarter-on-quarter decrease was mainly due to fewer promotional activities.

Administrative Expenses

Administrative expenses for the first quarter of 2020 increased 17% year-on-year and decreased 28% quarter-on-quarter to RMB93.3 million. The year-on-year increase was primarily due to increased staff-related costs and professional service fees. The quarter-on-quarter decrease was mainly due to reduced professional service fees.

Share-based Compensation Costs

Share-based compensation costs for the first quarter of 2020 decreased 21% year-on-year and quarter-on-quarter to RMB30.9 million.

Operating Profit before Share-based Compensation Costs

Operating profit before share-based compensation costs for the first quarter of 2020 increased 97% year-on-year and decreased 24% quarter-on-quarter to RMB416.1 million as a result of the combination of the above reasons. The operating profit margin before share-based compensation costs for the first quarter of 2020 increased by twelve percentage points year-on-year and decreased by one percentage point quarter-on-quarter to 36%.

Other Gains/(Losses), net

Net other gains of RMB3.3 million were recorded for the first quarter of 2020, compared to net other losses of RMB1.3 million for the first quarter of 2019 and net other gains of RMB47.9 million for the fourth quarter of 2019. The net other gains in the fourth quarter of 2019 were mainly due to gain on deemed disposal of partial interests in a subsidiary.

Share of Profits and Losses of Associates

Share of losses of associates of RMB64.0 million were recorded for the first quarter of 2020, compared to share of losses of RMB77.5 million for the first quarter of 2019 and share of losses of RMB401.7 million for the fourth quarter of 2019. The losses were mainly due to the losses recognized in Cheetah Mobile Inc. and its subsidiaries in these quarters.

Income Tax Expense

Income tax expense for the first quarter of 2020 increased 48% year-on-year and decreased 18% quarter-on-quarter to RMB64.1 million.

Loss for the period from a discontinued operation

Loss for the period from a discontinued operation reflected loss from Kingsoft Cloud, which was loss of RMB480.9 million for the first quarter of 2020, compared to loss of RMB295.5 million for the first quarter of 2019 and loss of RMB333.2 million for the fourth quarter of 2019. The increased losses in absolute amounts were in line with Kingsoft Cloud's revenue growth and business expansion.

Profit/(Loss) Attributable to Owners of the Parent

As a result of the reasons discussed above, profit attributable to owners of the parent (including that from continuing operations and a discontinued operation) for the first quarter of 2020 was RMB6.3 million, compared to loss of RMB67.8 million for the first quarter of 2019 and loss of RMB99.5 million for the fourth quarter of 2019.

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

Profit/(loss) attributable to owners of the parent before share-based compensation costs is profit/(loss) attributable to owners of the parent excluding the effect of share-based compensation costs attributable to owners of the parent.

We believe that the profit/(loss) attributable to owners of the parent before share-based compensation costs will enable the investor to better understand the Group's overall operating performance. When assessing our operating performance, you should not consider this data in isolation or as a substitute for our profit/(loss) or any other operating performance measure that is calculated in accordance with IFRSs. In addition, our profit/(loss) attributable to owners of the parent before share-based compensation costs may not be comparable to similarly titled measures utilized by other companies.

Profit attributable to owners of the parent before share-based compensation costs for the first quarter of 2020 (including that from continuing operations and a discontinued operation) was RMB55.2 million, compared to loss of RMB33.3 million for the first quarter of 2019 and loss of RMB55.9 million for the fourth quarter of 2019. The net profit/(loss) margin excluding the effect of share-based compensation costs was 2%, (2%) and (2%) for the three months ended 31 March 2020, 31 March 2019 and 31 December 2019, respectively.

Liquidity and Financial Resource

The Group had a strong cash position towards the end of the reporting period. As at 31 March 2020, the Group had major financial resources in the forms of cash and bank deposits amounting to RMB11,950.4 million, which totally represented 46% of the Group's total assets.

As at 31 March 2020, the Group's gearing ratio, which represents total liabilities divided by total assets, was 38%, compared to 36% as at 31 December 2019. As at 31 March 2020, the Group had a bank loan of US\$75.0 million (equivalent to RMB531.4 million).

Foreign Currency Risk Management

As at 31 March 2020, RMB977.8 million of the Group's financial assets were held in deposits denominated in non-RMB currencies. As there are no cost-effective hedges against the fluctuation of RMB, there is a risk that we may experience a loss as a result of any foreign currency exchange rate fluctuation in connection with our deposits and investments.

Net Cash Generated from/(used in) Operating Activities

Net cash generated from/(used in) the operating activities reflects the Group's profit/(loss) for the three-month period mentioned above, as the case maybe, as adjusted for non-cash items, such as depreciation 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/(used in) operating activities (including that from continuing operations and a discontinued operation) was RMB545.0 million, RMB(49.8) million and RMB493.3 million for the three months ended 31 March 2020, 31 March 2019 and 31 December 2019, respectively.

Capital Expenditures

Capital expenditures represent cash payments for acquisition of business, fixed assets and intangible assets. Cash used for capital expenditures (including that from continuing operations and a discontinued operation) was RMB328.0 million, RMB278.5 million and RMB340.5 million for the three months ended 31 March 2020, 31 March 2019 and 31 December 2019, respectively.

Significant Subsequent Event

On 8 May 2020 (New York time), the trading in the ADSs of Kingsoft Cloud Holdings Limited on NASDAQ commenced. In its initial public offering, Kingsoft Cloud Holdings Limited issued and sold 30,000,000 ADSs at an offering price of US\$17 per ADS before the exercise of the over-allotment option, among which, the Company subscribed for, and was allocated by the underwriters, 1,175,000 ADSs. On 10 May 2020 (New York time), the underwriters exercised the option to purchase 4,500,000 additional ADSs pursuant to the over-allotment option granted by Kingsoft Cloud Holdings Limited. As a result, the Group lost control over Kingsoft Cloud.

On 29 April 2020, the Company issued five-year convertible bonds in the principal amount of HK\$3,100 million which bear interest at a rate of 0.625% per annum payable semi-annually. The convertible bonds are convertible at the option of the bondholders into ordinary shares of the Company at a price of HK\$35.7637 per share, subject to adjustments.

MANAGEMENT COMMENTS

Mr. Jun LEI, Chairman of the Company, commented, “Our first-quarter results represent a strong start to the year. The team did an excellent job in responding to the challenges of COVID-19 while delivering stable business progress. More importantly, the COVID-19 pandemic has expedited the digital transformation and online collaboration of all industries, and therefore laid a solid foundation for our future development. Especially, we saw significant growth in the operational performance of cloud office products and services as WPS has been more widely adopted for remote working. Our flagship JX Online III PC game also achieved a stable performance with revenue continuing to grow year-on-year. On 8 May 2020 (New York time), Kingsoft Cloud Holdings Limited was successfully listed on the NASDAQ. Our cloud services business continued to maintain its robust growth in the first quarter, and as the largest shareholder of Kingsoft Cloud, we have full confidence in its future performance. Riding on the wave of the post-pandemic digital transformation, we are marching towards a bright future and are determined to become a winner of this unprecedented new digital era.”

Mr. Tao ZOU, Chief Executive Officer of the Company, added, “In the first quarter, our total revenue was RMB1,171.3 million, up 32% year-on-year, kicking off 2020 on a positive note in spite of the COVID-19 outbreak. Our office software and services and others, and online game businesses grew 36% and 30% year-on-year respectively in the first quarter.

For the first quarter of 2020, the business of Beijing Kingsoft Office Software, Inc. and its subsidiaries (collectively, “**Kingsoft Office**”) developed steadily. Global monthly active users of WPS family reached record highs with strong growth of cloud office products and services, particularly WPS Docs. WPS Docs, an online document product, has become one of the largest online collaboration tools in China. Kingsoft Office has further consolidated its leading position in the office market in China, with a dominant user base in WPS Office and WPS Docs. During the quarter, Kingsoft Office provided more than 4 million free business collaborative cloud office accounts to various governments organizations, enterprises, schools and medical institutions, to support remote working and work resumption in the fight against COVID-19. More than 100 government organizations and industry associations have adopted WPS+, WPS business’s one-stop cloud office service platform, as their preferred remote office product. With continued innovation and leading position in the field of office software, Beijing Kingsoft Office Software, Inc. was named as an “Innovation Pioneer Enterprise” in Information Technology Application, and it was also admitted to the Information Technology Park in Jingkai district, a National Cybersecurity Industrial Park. WPS Office 2019 Security Edition received the prestigious “Butian Award” from the Independent Innovation Report of Internet Information in 2019 and “Outstanding Product and Technology Award” of Information Technology Application in China in recognition of its product excellency. The above breakthroughs provide a solid foundation for our licensing business to seize opportunities in the areas of cloud office, innovative information technology and infrastructure investment. Going forward, Kingsoft Office will further leverage its technology capabilities to maintain dominant position and stellar reputation in document and information processing, while enhancing user experience and offering easy-to-use yet highly effective products and services.

In the first quarter, the online games business maintained robust year-on-year revenue and user growth, reflecting our R&D track record in developing compelling online games and IPs. Revenue and average daily active users of our flagship JX Online III PC game recorded a year-on-

year growth of 33% and 20% respectively, while revenue from other PC games of the JX series increased by 44% year-on-year. For mobile games business, our key mobile game JX Online I and Eudemons Online (魔域) continued to perform steadily during the quarter.

During the COVID-19 outbreak, we have launched several charity initiatives such as setting up in-game fund raising and offering free game log-ins in response to China's call to support epidemic prevention and control. We aimed to deliver positive messages in these unprecedented times and further enhance the positive influence of our IPs.

On 22 May 2020, we launched Jie Lu Zai Jiang Hu (結廬在江湖), a new expansion pack for JX Online III PC game, aiming to provide gamers with a new game experience. Going forward, we will continue to focus on quality content creation and further enhance the integration of R&D and operation, thus laying a solid foundation for our long-term development.”

Mr. Jun LEI concluded, “We are pleased to achieve a satisfactory performance in the first quarter amid the COVID-19 outbreak. Our business has shown strong resilience and we are confident in the strength of our business model and our developments going forward. Looking ahead, we will continue to increase our investment in key areas, improve our product and service capabilities, innovate on our business model, with our ultimate focus being the provision of high-quality products and services to our customers.”

By order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

Hong Kong, 26 May 2020

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.