



**KINGSOFT ANNOUNCES 2018 ANNUAL AND FOURTH QUARTER RESULTS**

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**WPS Office Products’ Ecosystem Continues to Evolve  
Cloud Services Develop Rapidly across Verticals**

**FINANCIAL HIGHLIGHTS**

<i>RMB’000</i>	<b>For the 12 Months Ended December 31 (Audited)</b>		<b>For the 3 Months Ended December 31 (Unaudited)</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
<b>Revenue</b>	5,906,187	5,181,290	1,758,959	1,380,498
- Online Games	2,551,715	3,120,186	659,106	751,379
- Cloud Services	2,217,507	1,332,522	726,584	401,948
- Office Software and Services and Others	1,136,965	728,582	373,269	227,171
<b>Gross Profit</b>	2,736,758	3,012,383	755,361	768,653
<b>Operating Profit/(Loss)</b>	(302,320)	813,912	(156,704)	137,492
<b>Profit Attributable to Owners of the Parent</b>	389,214	3,201,837	229,139	2,474,863
<b>Basic EPS (RMB cents)</b>	29	246	17	190

(26 March 2019 – Hong Kong) **Kingsoft Corporation Limited** (“Kingsoft” or the “Company”; HKEx stock code: 03888), a leading Chinese software and Internet service company, has announced its audited 2018 annual results and its unaudited fourth quarter results for the period ended 31 December 2018.

For the year of 2018, the revenue of Kingsoft increased 14% year-on-year to RMB5,906.2 million. Revenue from the online games, cloud services and office software and services and others represented 43%, 38% and 19%, respectively, of the Company’s total revenue for the year of 2018.

For the fourth quarter of 2018, the Company’s revenue increased 27% year-on-year and 14% quarter-on-quarter to RMB1,759.0 million. Revenue from the online games, cloud services and office software and services and others represented 37%, 41% and 22%, respectively, of the Company’s total revenue for the fourth quarter of 2018. Gross profit for the fourth quarter of 2018 decreased 2% year-on-year and increased 9% quarter-on-quarter to RMB755.4 million.

**Mr. Jun LEI, Chairman of Kingsoft**, commented, “We delivered a steady fourth quarter in 2018 and our revenue continued to grow. I was encouraged by the outstanding performance of our cloud service and office software and services during the quarter and the year. One of the highlights was Kingsoft Cloud’s progressing in video cloud sector and its strong revenue growth. WPS Office products continued to attract

more and more users, and an ecosystem surrounding the products was gradually established. We also launched a new season for our flagship JX Online III PC game, and our existing mobile game JX Online I maintained its good performance during the quarter, even though China's game market experienced a number of uncertainties at the time. The development of these businesses was in line with our strategic planning."

**Mr. Tao ZOU, Chief Executive Officer of Kingsoft**, added, "Our top line in the fourth quarter continued to grow, increasing 27% year-on-year and 14% quarter-on-quarter to RMB1,759.0 million. The revenue growth reflected our strong and stable execution under the changing environment. We were particularly delighted to see the cloud service and office software and services and others businesses maintain their robust growth during the quarter, with revenue reaching a 20% and a 46% quarter-over-quarter growth respectively."

## **BUSINESS REVIEW**

### **Online Games**

Revenue from the online games business for the year of 2018 was RMB2,551.7 million and the revenue for the fourth quarter of 2018 was RMB659.1 million. With the changing market and regulation environment in China, the performance of online games business was under pressure in 2018.

Nevertheless, the Company's flagship PC game JX Online III launched a new season in the quarter and was much welcomed by gamers. The update of the game not only provided gamers with a new game experience, but also strengthened the Company's confidence in the long-term development of the game. In 2018, Kingsoft continued to host JX Online III Masters Competition to further develop the e-sports business. The peak concurrent viewers of the competition reached 11.23 million across all the streaming platforms in 2018, which helped to bring new value to our classic IP.

The existing mobile game JX Online I performed well during the quarter and maintained its popularity among gamers. The Company released new mobile games including JX World II and the Legend of Sword and Fairy 4 in 2018, which also recorded decent performances. The Company is going to focus on cooperation with Tencent in the coming year on the release of its key mobile games JX Online III and JX Online II. Going forward, in response to the changing market and rapidly evolving game industry, we will continue to focus on improving user experience and provide high-quality game content.

### **Cloud Services**

For the year of 2018, the revenue of cloud services increased 66% year-on-year to RMB2,217.5 million. Revenue in the fourth quarter increased 81% year-on-year and 20% quarter-on-quarter to RMB726.6 million. The increase was mainly driven by robust growth from both internet market such as video cloud and enterprise cloud market.

In the fourth quarter, Kingsoft Cloud maintained its leading position in video sector, with breakthroughs in enterprise cloud markets such as government, finance, healthcare and media, leading to a rapid growth of the business. Under the changing network environment and player terminal, the revenue of video cloud business continued its fast growth, with achievements in the application of artificial intelligence ("AI")-based products such as Image Enhancement and Smart High Definition for video cloud services. The government cloud business reached strategic partnership with Xuzhou municipal government and

Xichuan county government. Regarding the financial cloud, Kingsoft Cloud became an important cooperative partner with China Construction Bank during the bank's strategic Fintech transformation. In healthcare cloud, CloudHIS smart healthcare platform had been put in use in Xiantao City. Kingsoft Cloud realized deep cooperation with People.cn and Shaanxi BC&TV in media cloud. In the face of an increasingly competitive market, Kingsoft Cloud is confident to continue to develop the verticals by leveraging its established cloud ecosystem, talented team and strong research and development capabilities. Kingsoft Cloud will work with upstream and downstream partners, continue to promote the all-cloud services and strive to meet the customer needs for optimizing cost and better experience.

### **Office Software and Services and Others**

For the year of 2018, the revenue from office software and services and others increased 56% year-on-year to RMB1,137.0 million. Revenue in the fourth quarter increased 64% year-on-year and 46% quarter-on-quarter to RMB373.3 million. The strong year-on-year and quarter-on-quarter growth was due to the rapid growth from value-added services of WPS Office personal edition and increased sales of WPS Office to enterprises.

For the fourth quarter of 2018, WPS Office continued its healthy growth by adding a series of smart and efficient products and features to attract a larger user base. As of November 2018, the monthly active users ("MAU") of Android WPS Office had exceeded 100 million in Mainland China. The MAU of WPS Docs, the Company's online collaborative office application, exceeded 69 million four months after its release; and the users of its WeChat Mini Program version exceeded 80 million at the end of 2018. My WPS, the WeChat Mini Program version of WPS Office, ranked among the top 10 mini programs on the leading Mini Program analytic tool Aladdin Index and was the only utility application on the list. With its rapid growth in overseas markets, WPS Office recently won the "2018 Top App for Overseas Growth" presented by App Annie. After teaming up with Alibaba's DingTalk in December 2018, WPS provided customized Web Office services for DingTalk, creating a smart office ecosystem with its compatible platform. To better meet the needs of government and enterprise clients, WPS 2019 rolled out new features in security and collaboration. At the global "AI Challenger 2018", Kingsoft AI LAB team won the first and second place in the competition of machine translation, which is an AI technology in natural language processing that will be applied to Kingsoft smart writing software. Such technology is expected to greatly enhance the user experience in creative writing and office work.

**Mr. Jun LEI** concluded, "In the face of the changing market condition, we achieved a year of steady revenue growth with the Company's hard work in 2018. Our profitability was affected, yet our fundamentals remained intact. Looking ahead, we see a clear momentum of growth driven by the further development of all our businesses. We expect to bring our new flagship mobile games to our users within this year and continue the strong growth and development of our cloud services and office software and service businesses. With these moves, I am confident that our performance will improve in the coming year."

### **About Kingsoft Corporation Limited**

Kingsoft is a leading software and Internet services company based in China listed on the stock exchange of Hong Kong. It has three subsidiaries including Seasun, 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 6,000 staff around the world. It enjoys a large market share in various countries and regions both home and abroad. For more information, please visit <http://www.kingsoft.com>.

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