



KINGSOFT ANNOUNCES 2019 INTERIM AND SECOND QUARTER RESULTS

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WPS Office Personal Value-added Services Develop Rapidly Cloud Business Maintains Strong Growth Momentum

FINANCIAL HIGHLIGHTS

<i>RMB'000</i> <i>(Unaudited)</i>	For the 6 Months Ended June 30		For the 3 Months Ended June 30	
	2019	2018	2019	2018
Revenue	3,600,581	2,609,516	1,874,069	1,345,789
- Online Games	1,169,491	1,214,260	569,838	581,882
- Cloud Services	1,757,509	887,651	918,239	468,731
- Office Software and Services and Others	673,581	507,605	385,992	295,176
Gross Profit	1,372,017	1,286,894	714,070	671,251
Operating Profit/(Loss)	(224,681)	39,286	(143,021)	13,328
Profit/(Loss) Attributable to Owners of the Parent	(1,482,969)	219,333	(1,415,205)	100,945
Basic EPS (RMB Yuan)	(1.09)	0.16	(1.04)	0.07

(20 August 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 unaudited 2019 interim results and its second quarter results for the period ended 30 June 2019.

For the first half of 2019, the revenue of Kingsoft increased 38% year-on-year to RMB3,600.6 million. Revenue from the online games, cloud services and office software and services and others represented 32%, 49% and 19%, respectively, of the Company’s total revenue for the first half of 2019.

For the second quarter of 2019, the Company’s revenue increased 39% year-on-year and 9% quarter-on-quarter to RMB1,874.1 million. Revenue from the online games, cloud services and office software and services and others represented 30%, 49% and 21%, respectively, of the Company’s total revenue for the second quarter of 2019. Gross profit for the second quarter of 2019 increased 6% year-on-year and 9% quarter-on-quarter to RMB714.1 million.

Mr. Jun LEI, Chairman of Kingsoft, commented, “Kingsoft maintained a stable performance in the second quarter of 2019. The debut of JX Online III mobile game in June received positive market response and we are aiming to bring better experiences to attract more gamers in the future. As Kingsoft Cloud experienced robust growth with a significant increase in revenue, we fully expect the cloud business to maintain its growth momentum throughout the year. Meanwhile, the value-added services of WPS business have

been growing quickly, and we will keep improving our products to provide better experience for the users. However, the second quarter of 2019 was also a challenging period for Kingsoft as we had to make provisions for impairment on the carrying value of Cheetah, which directly affected our earnings even though it would not affect our operating profit or cash flows. We still remain firmly committed to our core businesses and are on track to address the problems we are currently facing.”

Mr. Tao ZOU, Chief Executive Officer of Kingsoft, added, “Our revenue was RMB1,874.1 million in the second quarter, up 39% year-on-year and 9% quarter-on-quarter. Kingsoft’s revenue in the first half of 2019 was RMB3,600.6 million, up 38% year-on-year. Building upon the solid momentum achieved in the first quarter, revenues generated from cloud services and office software and services and others maintained a steady growth in the second quarter of the year, up 96% and 31% year-on-year, respectively.”

BUSINESS REVIEW

Online Games

Revenue from the online games business for the first half of 2019 was RMB1,169.5 million and revenue for the second quarter of 2019 was RMB569.8 million.

Throughout the quarter, revenue from online games remained stable. JX Online I mobile game, launched in 2016, contributed a steady monthly gross billing. On 12 June, the long-anticipated title, JX Online III mobile game, was officially released and it was ranked as the number one in the iOS downloads chart for games in China on its debut, according to App Annie data. Meanwhile, the Company has been fixing technical issues such as improving the stability of its server and optimizing the game’s content to meet the demands of users. Together with Tencent, Kingsoft will provide large scale content and feature upgrades in the fourth quarter. Kingsoft also launched a new season for its flagship JX Online III PC game on 20 June, and will celebrate its 10th anniversary in the third quarter. In the second half of the year, we are going to launch Final Fantasy Brave Exvius in China and Double Life World in Japan, and aim to make breakthroughs in different genres

Cloud Services

For the first half of 2019, revenue of cloud services increased 98% year-on-year to RMB1,757.5 million. Revenue in the second quarter increased 96% year-on-year and 9% quarter-on-quarter to RMB918.2 million. The rapid growth was mainly driven by Kingsoft Cloud’s market leading advantages in mobile videos sector, with breakthroughs in financial technology and government enterprise markets.

Kingsoft video cloud focuses on innovative technologies, such as promoting edge computing, edge node computing platforms, PCDN, smart high definition and artificial intelligence (AI), helps to push the product capability to the next level. Meanwhile, finance cloud achieved phased results by launching four solution systems: finance cloud structure, finance cloud intelligence, finance cloud native application and finance cloud value chain. Kingsoft Cloud reached a strategic cooperation with Xiaomi Finance, Nanjing Yang Zi State-owned Investment Group, and Nanjing Digital Finance Industry Research Institute to jointly operate China's first digital financial integrated service platform, helping Jiangbei New District to become a financial hub. Kingsoft Cloud’s government cloud services achieved rapid growth and helped to develop regional smart city projects, including a cutting-edge security program for the Beijing Belt and Road Summit, World Horticultural Exhibitions, etc. According to the International Data Corporation, Kingsoft

Cloud was among the top ten public cloud IaaS service providers in the world in 2018; it was also featured in Gartner's latest global CDN report, making it one of the world's leading CDN service providers.

Looking ahead, Kingsoft Cloud will continue to leverage its experience and unrivalled expertise in the cloud business, AI, edge computing and CDN field, and work with partners to create better quality and user-friendly industry solutions, accelerating the digital transformation of enterprises customers.

Office Software and Services and Others

For the first half of 2019, revenue from office software and services and others increased 33% year-over-year to RMB673.6 million. Revenue in the second quarter increased 31% year-on-year and 34% quarter-on-quarter to RMB386.0 million. The strong momentum was due to WPS Office's steady development of its personal value-added services and increased sales of WPS Office enterprise versions.

In the second quarter, the Company optimized membership benefits for WPS and Docer (“稻殼兒”) and launched products and services that improved the user experience, which in turn promoted the growth of the personal value-added services of WPS Office. WPS collaborated with China National Offshore Oil Corporation and other key enterprise customers to develop full life-cycle platforms of WPS + Office Cloud. WPS entered into a strategic cooperation with Shanghai Development Research Center of Economy and Information and other government enterprises on the deployment of smart government technologies. Regarding foreign markets, WPS Office actively expanded its presence overseas. As of June 2019, the monthly active users (“MAUs”) of WPS Office overseas had exceeded 80 million. During the period, WPS Office continued to push forward its ‘Cloud + AI’ strategy. At the 2019 Fourth Conference on Machine Translation, the AI LAB team of the Company won the English-Chinese translation task on news text. Kingsoft will continue to identify global customer needs and transform technological capabilities into products and services, to capture more opportunities.

Mr. Jun LEI concluded, “In light of our first half performance, we have outlined our targets for the second half of 2019: we expect a solid organic revenue growth on account of the steady growth and development of Kingsoft Cloud and WPS Office, as well as the launch of our new mobile games. We are confident in our strategy, the strength of our business model and our development going forward. We remain committed to creating long-term value for our shareholders through steady growth and sustainable development.”

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 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 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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