



KINGSOFT ANNOUNCES 2018 THIRD QUARTER RESULTS

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**Kingsoft Cloud Maintains Rapid Growth
WPS Office Sustains Positive Outlook**

FINANCIAL HIGHLIGHTS

<i>RMB'000 (Unaudited)</i>	For the three months ended		
	30 September 2018	30 September 2017	30 June 2018
Revenue	1,537,712	1,303,014	1,345,789
- Online Games	678,349	746,656	581,882
- Cloud Services	603,272	358,101	468,731
- Office Software and Services and Others	256,091	198,257	295,176
Gross Profit	694,503	744,297	671,251
Operating Profit/(Loss)	(184,902)	150,419	13,328
Profit/(Loss) Attributable to Owners of the Parents	(59,258)	238,461	100,945
Basic EPS (RMB cents)	4	18	7

(12 November 2018 – 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 30 September 2018 (“period under review”).

During the period under review, the revenue of Kingsoft increased 18% year-on-year and 14% quarter-on-quarter to RMB1,537.7 million. Revenue from the online games, cloud services, and office software and services and others represented 44%, 39% and 17%, respectively, of total revenue. Gross profit for the third quarter increased 3% quarter-on-quarter to RMB694.5 million. Loss attributable to owners of the parent recorded RMB59.3 million.

Mr. Jun LEI, Chairman of Kingsoft, commented, “We realized a steady growth in the quarter, with Kingsoft Cloud and WPS Office enjoying a good performance. Due to the unfavorable environment of China’s game market at present, the performance of our existing games has been under pressure this year.”

Mr. Tao ZOU, Chief Executive Officer of Kingsoft, added, “Our revenue was RMB1,537.7 million in the third quarter, up 18% year-on-year and 14% quarter-on-quarter, showing the stable financial performance of the Company. In the third quarter, the Kingsoft Cloud and office software and services and others businesses continued to deliver healthy growth, up 68% and 29% year-on-year, respectively.”

BUSINESS REVIEW

Online Games

Revenue from the online games business for the third quarter of 2018 increased 17% quarter-on-quarter to RMB678.3 million. The quarter-on-quarter increase was mainly due to the revenue contribution of JX World II mobile game, which was launched on the iOS platform in July 2018.

In the third quarter, the Company made good progress in its brand development. On 28 August, the Company celebrated the 9th anniversary of JX Online III at the National Aquatics Centre in Beijing, attracting a record number of viewers. The new expansion pack released in July for the JX Online I mobile game continued to attract players’ attention and kept the vitality of the game. The new comedy animation JX Online III: Chivalrous Shen Jianxin (劍網3•俠肝義膽沈劍心) was a popular release. On 28 September, JX Online III presented the designs and exquisite details of its costumes at Paris Fashion Week 2018, which showcased the beauty of contemporary Chinese style to the world. The Company’s first theatrical play JX Online III: Live Fantasy was staged in Chengdu in October 2018. On 7 November, the Legend of Sword and Fairy 4 was officially released. The game is expected to further diversify the Company’s mobile game portfolio and bring new experiences to users. JX Online II mobile game will be launched in spring 2019.

Cloud Services

Revenue from the cloud services for the third quarter of 2018 recorded rapid growth, increasing 68% year-on-year and 29% quarter-on-quarter to RMB603.3 million. The customer usage from mobile video and internet sectors increased steadily. During the quarter, Kingsoft Cloud targeted the enterprise client market and made a number of breakthroughs. It provided enterprise clients with comprehensive cloud-based industry solutions by integrating innovative technologies such as big data, artificial intelligence (AI), blockchain and the Internet of Things (IoT) to meet their needs.

In the third quarter, in addition to the growing businesses of all-cloud services among key video cloud clients, Kingsoft Cloud was able to make progress in government, finance, healthcare, manufacturing and Internet of Vehicles sectors. Kingsoft Cloud won the bid for the Beijing E-Government Cloud Phase III project and began to establish the Zaixiantong project, a one-stop government service platform. Kingsoft Cloud also signed service contracts or advanced cooperation with Huatai Securities, Xiantao city, An Steel and Great Wall Motor. In Xiantao city, Kingsoft Cloud’s smart healthcare project was launched. Jिंगgang Cloud, the industrial cloud platform jointly built by An Steel and Kingsoft Cloud, also went online. Kingsoft Cloud cooperated with Great Wall Motor to advance the Internet of Vehicles project. Looking forward, Kingsoft Cloud will continue to expand its market share of the all-cloud services, extend its ecosystem to the enterprise-level market and support overseas expansion of its clients.

Office Software and Services and Others

Revenue from the office software and services and others for the third quarter of 2018 increased 29% year-on-year to RMB256.1 million. The rapid growth was mainly driven by the value-added services of WPS Office personal edition.

WPS Office continued its steady growth during the quarter. Benefiting from user-friendly features and high-quality content, the number of paid members increased rapidly, along with the membership value-added services. WPS Office won a number of bids to provide office software products and services to government departments in the quarter. WPS Office now provides the secure edition of WPS Drive to the Ministry of Justice, facilitating its use of all WPS Office products on the cloud. WPS Office also became the exclusive office software provider on the procurement platform of the State Administration of Taxation and completed the adaptive binding on the taxation office platform. The Company continued to invest in R&D in the third quarter, advancing the practical application of AI. The smart writing robot program of WPS Office was among the first batch of national AI innovation projects. With persistent efforts to drive innovations in its technology and rich professional experience of the industry, WPS Office chaired the Smart Writing Industry Alliance in China. In the future, the Company will increasingly apply AI technology in its products and services and add more AI-based solutions in its portfolio.

Mr. Jun LEI concluded, “Our operation remained generally stable with good momentum for growth in the third quarter. Faced with some unfavorable factors, our overall profitability might be under a bit of pressure during the remainder of the year. Looking ahead, while continuing to push forward with steady operation, we will focus on bringing the advantages of our integrated cloud services and office software business into play. With the debut of our flagship mobile games next year and the continuing growth and development of Kingsoft Cloud and WPS Office, we believe the overall performance will improve in 2019.”

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 has set up R&D centers and offices in Beijing, Zhuhai, Wuhan, 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 <http://www.kingsoft.com>.

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