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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)

ANNOUNCEMENT OF THE RESULTS FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2018

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 30 September 2018.

FINANCIAL HIGHLIGHTS

	For the three months ended			Year- on-year Change %	Quarter- on-quarter Change %
	30 September 2018 <i>RMB'000</i> (Unaudited)	30 September 2017 <i>RMB'000</i> (Unaudited)	30 June 2018 <i>RMB'000</i> (Unaudited)		
Revenue	1,537,712	1,303,014	1,345,789	18	14
Profit/(loss) attributable to owners of the parent*	(59,258)	238,461	100,945	(125)	(159)
	<i>RMB</i> (Unaudited)	<i>RMB</i> (Unaudited)	<i>RMB</i> (Unaudited)		
Basic earnings per share					
— For profit/(loss) for the period	(0.04)	0.18	0.07	(122)	(157)
— For profit/(loss) from continuing operations	(0.04)	0.12	0.07	(133)	(157)
Diluted earnings per share					
— For profit/(loss) for the period	(0.04)	0.18	0.07	(122)	(157)
— For profit/(loss) from continuing operations	(0.04)	0.12	0.07	(133)	(157)

* 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 RMB(21.6) million, RMB306.7 million and RMB138.9 million for the three months ended 30 September 2018, 30 September 2017 and 30 June 2018, respectively.

OPERATIONAL HIGHLIGHTS

	For the three months ended			Year-	Quarter-
	30 September	30 September	30 June	on-year	on-quarter
	2018	2017	2018	Change	Change
				%	%
Online Games					
Daily Average Peak Concurrent Users ("ADPCU")	729,372	871,792	798,354	(16)	(9)
Monthly Average Paying Accounts ("APA")	3,430,132	4,073,300	3,272,023	(16)	5

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		
	30 September 2018 RMB'000 (Unaudited)	30 September 2017 RMB'000 (Unaudited)	30 June 2018 RMB'000 (Unaudited)
CONTINUING OPERATIONS			
Revenue			
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
	<u>1,537,712</u>	<u>1,303,014</u>	<u>1,345,789</u>
Cost of revenue	(843,209)	(558,717)	(674,538)
Gross profit	694,503	744,297	671,251
Research and development costs, net	(514,519)	(355,047)	(430,589)
Selling and distribution expenses	(228,109)	(154,082)	(157,763)
Administrative expenses	(114,671)	(63,044)	(105,883)
Share-based compensation costs	(50,712)	(74,314)	(51,827)
Other income	57,310	55,460	89,364
Other expenses	(28,704)	(2,851)	(1,225)
Operating profit/(loss)	(184,902)	150,419	13,328
Other gains/(losses), net	(82,868)	4,995	(73,645)
Finance income	90,412	47,533	83,877
Finance costs	(91,712)	(23,718)	(88,403)
Share of profits and losses of:			
Joint ventures	15,866	11,096	15,434
Associates	27,563	(3,415)	65,851
Profit/(loss) before tax from continuing operations	(225,641)	186,910	16,442
Income tax expense	(28,964)	(45,048)	(57,033)
Profit/(loss) for the period from continuing operations	(254,605)	141,862	(40,591)
DISCONTINUED OPERATION			
Profit for the period from a discontinued operation	—	130,345	—
PROFIT/(LOSS) FOR THE PERIOD	(254,605)	272,207	(40,591)
Attributable to:			
Owners of the parent	(59,258)	238,461	100,945
Non-controlling interests	(195,347)	33,746	(141,536)
	<u>(254,605)</u>	<u>272,207</u>	<u>(40,591)</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

	For the three months ended		
	30 September 2018 <i>RMB</i> <i>(Unaudited)</i>	30 September 2017 <i>RMB</i> <i>(Unaudited)</i>	30 June 2018 <i>RMB</i> <i>(Unaudited)</i>
Earnings per share attributable to ordinary equity holders of the parent			
Basic			
— For profit/(loss) for the period	(0.04)	0.18	0.07
— For profit/(loss) from continuing operations	<u>(0.04)</u>	<u>0.12</u>	<u>0.07</u>
Diluted			
— For profit/(loss) for the period	(0.04)	0.18	0.07
— For profit/(loss) from continuing operations	<u>(0.04)</u>	<u>0.12</u>	<u>0.07</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended		
	30 September 2018 <i>RMB'000</i> <i>(Unaudited)</i>	30 September 2017 <i>RMB'000</i> <i>(Unaudited)</i>	30 June 2018 <i>RMB'000</i> <i>(Unaudited)</i>
PROFIT/(LOSS) FOR THE PERIOD	(254,605)	272,207	(40,591)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value	—	93,133	—
Exchange differences:			
Exchange differences on translation of foreign operations	217,645	(90,590)	174,131
Share of other comprehensive income/(loss) of associates	(9,088)	—	104,066
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	208,557	2,543	278,197
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Net fair value gain/(loss) on financial assets at fair value through other comprehensive income (“FVOCI”)	(155,787)	—	206,462
Share of comprehensive income/(loss) of associates	(444)	—	6,614
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods	(156,231)	—	213,076
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	52,326	2,543	491,273
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(202,279)	274,750	450,682
Attributable to:			
Owners of the parent	(19,080)	265,679	574,374
Non-controlling interests	(183,199)	9,071	(123,692)
	(202,279)	274,750	450,682

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 September 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	1,931,507	1,329,203
Investment properties	64,302	—
Prepaid land lease payments	289,684	289,561
Goodwill	9,559	9,559
Other intangible assets	54,046	56,375
Investments in joint ventures	147,338	177,110
Investments in associates	4,109,052	3,878,421
Available-for-sale investments	—	1,269,216
Financial assets at fair value through other comprehensive income	1,049,056	—
Other financial assets	79,689	63,430
Deferred tax assets	96,470	101,807
Other non-current assets	17,544	42,640
	7,848,247	7,217,322
CURRENT ASSETS		
Inventories	23,991	10,327
Trade receivables	1,269,083	1,167,745
Prepayments, deposits and other receivables	944,027	679,612
Available-for-sale investment	—	88,000
Financial asset at fair value through other comprehensive income	10,000	—
Restricted cash	98,331	93,400
Cash and bank deposits	9,854,202	8,505,984
	12,199,634	10,545,068
CURRENT LIABILITIES		
Trade payables	208,458	179,301
Interest-bearing bank loans	1,095,852	374,165
Other payables and accruals	1,655,035	1,612,667
Deferred revenue	681,939	608,557
Income tax payable	124,936	125,465
Liability component of convertible bonds	40,222	832,876
Derivative financial instruments	163,797	121,076
	3,970,239	3,854,107
NET CURRENT ASSETS	8,229,395	6,690,961
TOTAL ASSETS LESS CURRENT LIABILITIES	16,077,642	13,908,283

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	As at 30 September 2018 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2017 <i>RMB'000</i> <i>(Audited)</i>
NON-CURRENT LIABILITIES		
Deferred revenue	35,231	20,788
Deferred tax liabilities	19,930	58,707
Interest-bearing bank loans	231,224	287,682
Liability component of convertible bonds	—	37,864
Liability component of redeemable convertible preferred shares	2,664,171	950,271
	<hr/>	<hr/>
Total non-current liabilities	2,950,556	1,355,312
	<hr/>	<hr/>
NET ASSETS	13,127,086	12,552,971
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	5,319	5,127
Share premium account	2,984,875	2,287,958
Treasury shares	(31,555)	(22,517)
Equity component of convertible bonds	1,274	7,564
Other reserves	10,154,016	9,810,458
	<hr/>	<hr/>
	13,113,929	12,088,590
	<hr/>	<hr/>
Non-controlling interests	13,157	464,381
	<hr/>	<hr/>
TOTAL EQUITY	13,127,086	12,552,971
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the three months ended		
	30 September 2018 <i>RMB'000</i> <i>(Unaudited)</i>	30 September 2017 <i>RMB'000</i> <i>(Unaudited)</i>	30 June 2018 <i>RMB'000</i> <i>(Unaudited)</i>
Net cash flows from operating activities	5,649	623,483	264,927
Net cash flows from/(used in) investing activities	84,476	(889,886)	(408,044)
Net cash flows (used in)/from financing activities	(66,191)	306,826	308,165
	<hr/>	<hr/>	<hr/>
Net increase in cash and cash equivalents	23,934	40,423	165,048
Cash and cash equivalents at beginning of the period	3,251,538	4,972,714	2,974,138
Effect of foreign exchange rate changes, net	19,161	(70,352)	112,352
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at end of the period	3,294,633	4,942,785	3,251,538
Non-pledged time deposits with original maturity of over three months when acquired	3,470,998	1,128,043	4,303,949
Principal protected structure deposits with original maturity of over three months when acquired	3,088,571	3,056,930	2,686,470
Less: Cash and cash equivalents attributable to a discontinued operation	—	(1,652,868)	—
	<hr/>	<hr/>	<hr/>
Cash and bank deposits as stated in the condensed consolidated statement of financial position	<u>9,854,202</u>	<u>7,474,890</u>	<u>10,241,957</u>

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, it was redomiciled to the Cayman Islands under the Company Law (2004 revision) of Cayman Islands. The Company's shares (the "**Shares**") have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 9 October 2007.

The Group was principally involved in the following activities:

- research and development of games, and provision of online games, mobile games and casual game services;
- provision of cloud storage and cloud computation services; and
- design, research and development and sales and marketing of the office software products and services of WPS Office.

The interim condensed consolidated financial statements for the three months ended 30 September 2018 were approved and authorised for issue in accordance with a resolution of the Board on 12 November 2018.

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 2017.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), except for the adoption of new standards and interpretations effective as at 1 January 2018.

The Group adopted IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* on 1 January 2018, using a modified retrospective method. The Group didn't restate comparative information and recognised the transition adjustments against the opening balance of retained earnings at 1 January 2018. The effect of adopting IFRS 9 and IFRS 15 is as follows:

The adoption of IFRS 9 has a significant impact on the classification and measurement of the Group's financial assets. Under IAS 39 *Financial Instruments: Recognition and Measurement*, the Group's available-for-sale investments were measured at fair value or stated at cost less any impairment losses when the fair value cannot be reliably measured, upon the adoption of the IFRS 9, these available-for-sale investments of RMB1,357.2 million as at 1 January 2018 were reclassified to financial assets at FVOCI of RMB1,355.5 million and financial assets at fair value through profit or loss of RMB1.7 million, respectively.

The adoption of IFRS 15 has no material impact on the financial statements of the Company and its subsidiaries, and the cumulative catch-up adjustments related to an associate of the Group at the date of initial application of IFRS 15 increased the Group's opening balance of retained earnings as at 1 January 2018 by RMB5.7 million.

The following other amendments and interpretation to IFRSs do not have any significant impact on the accounting policies, financial position or performance of the Group:

IFRIC Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Amendments to IAS 40	<i>Transfers of Investment Property</i>
Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>
Annual Improvements to 2014–2016 Cycle	<i>Amendments to a number of IFRSs</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 30 September 2018

Revenue

Revenue for the third quarter of 2018 increased 18% year-on-year and 14% quarter-on-quarter to RMB1,537.7 million. Revenue from the online games, cloud services, office software and services and others represented 44%, 39% and 17%, respectively, of the Group's total revenue for the third quarter of 2018. Revenue from these business lines is reported net of intra-group transactions.

Revenue from the online games business for the third quarter of 2018 decreased 9% year-on-year and increased 17% quarter-on-quarter to RMB678.3 million. The year-on-year decrease primarily reflected a decrease in revenue from existing games, partially offset by the revenue contribution from newly released mobile games. The quarter-on-quarter increase was mainly due to the revenue contribution of JX World II mobile game, which was launched on iOS platform in July 2018, reflecting our continuous efforts on diversifying and expanding mobile game portfolio with introducing high-quality mobile games.

ADPCU for the Group's online games for the third quarter of 2018 decreased 16% year-on-year and 9% quarter-on-quarter to 0.7 million. APA for the Group's online games for the third quarter of 2018 decreased 16% year-on-year and increased 5% quarter-on-quarter to 3.4 million. The year-on-year decreases in ADPCU and APA were largely due to the natural declining life cycles of existing games, which were partially offset by the release of new mobile games.

Revenue from the cloud services for the third quarter of 2018 increased 68% year-on-year and 29% quarter-on-quarter to RMB603.3 million. The healthy increases were mainly driven by solid increase of customer usage from mobile video and internet sectors, which demonstrated that Kingsoft Cloud Holdings Limited and its subsidiaries (collectively, "**Kingsoft Cloud**") have been sticking to fulfill customers' needs and integrate innovative technology, thus further solidify competitive advantage in particular industries by providing advanced products and reliable services.

Revenue from the office software and services and others for the third quarter of 2018 increased 29% year-on-year and decreased 13% quarter-on-quarter to RMB256.1 million. The year-on-year increase was mainly due to rapid growth from the value-added services of WPS Office personal edition, which reflected the increased user engagement and stickiness with more practical functions and premium content provided. The quarter-on-quarter decrease was primarily due to weak seasonality of sales of WPS Office enterprise edition and online marketing services of WPS Office personal edition.

Cost of Revenue and Gross Profit

Cost of revenue for the third quarter of 2018 increased 51% year-on-year and 25% quarter-on-quarter to RMB843.2 million. The increases were primarily due to higher bandwidth and internet data center (“IDC”) cost resulting from increased customer usage of cloud services.

Gross profit for the third quarter of 2018 decreased 7% year-on-year and increased 3% quarter-on-quarter to RMB694.5 million. The Group’s gross profit margin decreased by twelve percentage points year-on-year and five percentage points quarter-on-quarter to 45%. The decreases of the gross profit margins are largely due to our change in sales mix.

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

Net R&D costs for the third quarter of 2018 increased 45% year-on-year and 19% quarter-on-quarter to RMB514.5 million. The increases were mainly due to enhanced R&D investments, as we engaged in enhancing user experience and enriching products and functions.

Selling and Distribution Expenses

Selling and distribution expenses for the third quarter of 2018 increased 48% year-on-year and 45% quarter-on-quarter to RMB228.1 million. The increases were primarily due to increased advertising and promotional spending on online games.

Administrative Expenses

Administrative expenses for the third quarter of 2018 increased 82% year-on-year and 8% quarter-on-quarter to RMB114.7 million. The year-on-year increase was mainly due to increased staff-related costs and professional service fees. We have had several self-owned properties put to use since early 2018.

Share-based Compensation Costs

Share-based compensation costs for the third quarter of 2018 decreased 32% year-on-year and 2% quarter-on-quarter to RMB50.7 million.

Operating Profit/(Loss) before Share-based Compensation Costs

Operating loss before share-based compensation costs for the third quarter of 2018 was RMB134.2 million, compared to operating profit before share-based compensation costs of RMB224.7 million for the third quarter of 2017 and RMB65.2 million for the second quarter of 2018.

Other Gains/(Losses), net

Net other losses for the third quarter of 2018 were RMB82.9 million, compared to gains of RMB5.0 million in the corresponding period last year, and losses of RMB73.6 million in the second quarter of 2018. The losses in the third and second quarter of 2018 were mainly due to the recognition of foreign exchange loss in corresponding quarters.

Share of Profits and Losses of Associates

We recorded share of profits of associates of RMB27.6 million for the third quarter of 2018, compared to share of losses of RMB3.4 million for the third quarter of 2017 and share of profits of RMB65.9 million for the second quarter of 2018. Cheetah Mobile Inc. and its subsidiaries (collectively, “**Cheetah Mobile**”) have been accounted as the Group’s associate since 1 October 2017.

Income Tax Expense

Income tax expense for the third quarter of 2018 decreased 36% year-on-year and 49% quarter-on-quarter to RMB29.0 million.

Profit/(Loss) Attributable to Owners of the Parent

As a result of the reasons discussed above, loss attributable to owners of the parent for the third quarter of 2018 was RMB59.3 million, compared to profit attributable to owners of the parent (including that from continuing operations and a discontinued operation) of RMB238.5 million for the third quarter of 2017 and RMB100.9 million for the second quarter of 2018.

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, which is defined as profit/(loss) attributable to owners of the parent excluding the effect of share-based compensation costs attributable to owners of the parent, is a measure supplementary to the consolidated financial statements presented in accordance with IFRS.

We believe the profit/(loss) attributable to owners of the parent before share-based compensation costs will enhance investors’ overall understanding of the Company’s operating performance. When assessing our operating performance, you should not consider this data in isolation or as a substitute for our profit 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.

Loss attributable to owners of the parent before share-based compensation costs for the third quarter of 2018 was RMB21.6 million, compared to profit attributable to owners of the parent before share-based compensation costs (including that from continuing operations and a discontinued operation) of RMB306.7 million for the third quarter of 2017 and RMB138.9 million for the second quarter of 2018. The net profit/(loss) margin excluding the effect of share-based compensation costs was (1%), 12% and 10% for the three months ended 30 September 2018, 30 September 2017 and 30 June 2018, respectively.

Liquidity and Financial Resource

The Group had a strong cash position towards the end of the reporting period. As at 30 September 2018, the Group had major financial resources in the forms of restricted cash and cash and bank deposits amounting to RMB98.3 million and RMB9,854.2 million, respectively, which totally represented 50% of the Group's total assets.

As at 30 September 2018, the Group's gearing ratio, which represents total liabilities divided by total assets, was 35%, compared to 29% as at 31 December 2017. As at 30 September 2018, the Group had HK\$45.7 million (equivalent of RMB40.2 million) debt of convertible bonds and bank loans of RMB295.1 million, US\$150.0 million (equivalent to RMB1,032.0 million).

Foreign Currency Risk Management

Certain expenses of the Group were denominated in currencies other than RMB. The Directors considered that the Group has certain exposure to foreign currency risks as some of its revenue which is generated from license sales is denominated in foreign currencies, which are US\$ and HK\$. The Group will monitor any exchange risks closely and hold within appropriate limits.

As at 30 September 2018, RMB4,659.7 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 Operating Activities

Net cash generated from 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 operating activities (including that from continuing operations and a discontinued operation) was RMB5.6 million, RMB623.5 million and RMB264.9 million for the three months ended 30 September 2018, 30 September 2017 and 30 June 2018, 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 RMB532.4 million, RMB177.0 million and RMB254.3 million for the three months ended 30 September 2018, 30 September 2017 and 30 June 2018, respectively.

Management comments

Mr. Jun LEI, Chairman of the Company, 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 mobile game market at present, the performance of our existing games has been under pressure this year.”

Mr. Tao ZOU, Chief Executive Officer of the Company, 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.

Our flagship PC game JX Online III and our major mobile game JX Online I both achieved a stable performance during the third quarter, the JX World II mobile game released on the iOS platform in July enriched our product portfolio, and we also made good progress in the brand development. 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. On 28 August, we celebrated the 9th anniversary of JX Online III at the National Aquatics Centre in Beijing, attracting a record number of viewers. The new comedy animation JX Online III: Chivalrous Shen Jianxin (劍網 3 • 俠肝義膽沈劍心) was a popular release. In 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. Our first theatrical play JX Online III: Live Fantasy was staged in Chengdu in October. On 7 November, the Legend of Sword and Fairy 4 was officially released. The game is expected to further diversify our mobile game portfolio and bring new experiences to players. We are also planning to launch JX Online II mobile game in spring 2019.

In addition to the growing businesses of all-cloud services among key video cloud clients, Kingsoft Cloud 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. Kingsoft Cloud has made 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 for advanced cooperation with Huatai Securities, Xiantao city, An Steel and Great Wall Motor. In Xiantao city, Kingsoft Cloud’s smart healthcare project was launched. Jinggang 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.

WPS Office maintained a steady year-on-year 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 some key government departments in the quarter. WPS Office provided 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. We 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, we will increasingly apply AI technology in our products and services and add more AI-based solutions in our 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 and services 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.”

By order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

Hong Kong, 12 November 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.