



KINGSOFT ANNOUNCES 2019 ANNUAL AND FOURTH QUARTER RESULTS

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**Office Software and Services Business Achieves Breakthroughs
Cloud Services Further Expand Leveraging New Technologies**

FINANCIAL HIGHLIGHTS*

<i>RMB'000</i>	For the 12 Months Ended December 31 (Unaudited)		For the 3 Months Ended December 31 (Unaudited)	
	2019	2018	2019	2018
Revenue	8,218,263	5,906,187	2,594,742	1,758,959
- Online Games	2,748,738	2,551,715	915,756	659,106
- Cloud Services	3,847,176	2,217,507	1,113,328	726,584
- Office Software and Services and Others	1,622,349	1,136,965	565,658	373,269
Gross Profit	3,476,873	2,736,758	1,281,988	755,361
Operating Profit/(Loss)	(193,490)	(302,320)	163,283	(156,704)
Profit (Loss) Attributable to Owners of the Parent	(1,546,385)	389,214	(99,477)	229,139
Basic Earnings (Loss) Per Share (RMB cents)	(113)	29	(7)	17

(24 March 2020 – Hong Kong) **Kingsoft Corporation Limited** (“Kingsoft” or the “Company”; HKEx stock code: 03888), a leading Chinese software and Internet service company, has announced its 2019 unaudited annual results and fourth quarter results for the period ended 31 December 2019.

For the year of 2019, the revenue of Kingsoft increased 39% year-on-year to RMB8,218.3 million. Revenue from the online games, cloud services and office software and services and others represented 33%, 47% and 20%, respectively, of the Company’s total revenue for the year of 2019.

For the fourth quarter of 2019, the Company’s revenue increased 48% year-on-year and 28% quarter-on-quarter to RMB2,594.7 million. Revenue from the online games, cloud services and office software and services and others represented 35%, 43% and 22%, respectively, of the Company’s total revenue for the fourth quarter of 2019. Gross profit for the fourth quarter of 2019 increased 70% year-on-year and increased 56% quarter-on-quarter to RMB1,282.0 million. Operating profit before share-based compensation costs for the fourth quarter of 2019 was RMB235.0 million, compared to loss of RMB105.4 million in the corresponding period last year.

Mr. Jun LEI, Chairman of Kingsoft, commented, “Our businesses sustained positive momentum during the quarter. Our online games business delivered stable growth in both PC and mobile segments, while

**The consolidated financial statements were prepared in accordance to the International Financial Reporting Standards (IFRS)*

office software and services and cloud services continued to achieve robust revenue growth with accelerated deployment across industries. Meanwhile, we have completed the listing of our office software and services business, Beijing Kingsoft Office Software Inc. (“Beijing Office Software”), on 18 November 2019 on the science and technology innovation board of the Shanghai Stock Exchange (“SSE STAR Market”). Overall, we made solid progress in 2019, and we are confident in a robust operating outlook and sustained growth for 2020.”

Mr. Tao ZOU, Chief Executive Officer of Kingsoft, added, “Our revenue for the fourth quarter was RMB2,594.7 million, up 48% year-on-year and 28% quarter-on-quarter. Revenue of 2019 was RMB8,218.3 million, increasing 39% year-on-year. Our revenue maintained a stable growth against the backdrop of a dynamic environment thanks to our solid market competitiveness and execution capabilities. Meanwhile, annual revenue of cloud services and office software and services and others maintained a strong and rapid growth, with a year-on-year growth of 73% and 43%, respectively.”

BUSINESS REVIEW

Office Software and Services and Others

For the year of 2019, the revenue from office software and services and others increased 43% year-on-year to RMB1,622.3 million. Revenue in the fourth quarter increased 52% year-on-year and 48% quarter-on-quarter to RMB565.7 million. The increase was primarily due to strong revenue growth from WPS Office subscription and licensing services, driven by the expansion of user base, and the increase in consumption frequency and paid conversion rate. Riding on the growth of the office software market, promotion of licensed software in China, enhancement of brand recognition and technology, revenue from WPS increased rapidly year-on-year.

For the fourth quarter of 2019, the office software services sector made its debut in the capital market, gaining momentum for further development. On 18 November 2019, Beijing Office Software was listed on the SSE STAR Market, raising RMB4.459 billion for four key aspects: development and upgrade of WPS Office software, construction of an AI infrastructure R&D center for office software, Internet cloud services for office products, and internationalization of office software. During the period, Kingsoft continued to make encouraging progress in working with key government clients and entered into agreements with leading clients in the fields including energy and finance for comprehensive cooperation in office software. In October 2019, WPS Office’s overseas monthly active users exceeded 100 million as the Company actively seized the opportunities from the Belt and Road Initiative. With the proactive promotion of its cloud office strategy, WPS Office subscription services achieved significant growth during the quarter. At the beginning of 2020, the demand for cloud office and remote office work by various enterprises has significantly increased, driving the rapid development of online collaboration products like Kingsoft Docs. As of 2 March, the number of MAU of Kingsoft Docs has exceeded 239 million. This trend also further fostered user habits and boosted market demand, expanding the potential growth in WPS Office’s personal and enterprises subscription services in the future.

Cloud Services

For the year of 2019, the revenue of cloud services increased 73% year-on-year to RMB3,847.2 million. Revenue in the fourth quarter amounted to RMB1,113.3 million. Leveraging the Company’s competitive

advantages in internet and video sectors, as well as the accelerated implementation of Kingsoft Cloud across various industry sectors, revenue from cloud services business maintained its rapid growth during the fourth quarter.

Kingsoft Cloud strengthened its industry leading position in the internet and video sectors, continued to focus on technology innovation and further promoted the integration and implementation of cutting-edge technologies such as edge computing, smart high definition and artificial intelligence (“AI”) etc. As a leading cloud service provider, Kingsoft Cloud made strong inroads in terms of government and enterprise services, financial services and artificial intelligence of things (“AIoT”). Key highlights include:

- Beijing government’s cloud project was recognized as one of the “Outstanding Innovation Case Studies” in “2019 Innovation Case Studies of Government Digital Applications”.
- Kingsoft Cloud was awarded the “Outstanding Contribution Award for Fintech Product Innovation” etc.

Kingsoft Cloud quickly responded to the COVID-19 outbreak and launched eight anti-epidemic products and solutions, covering epidemic prevention and control, collaborative office, remote education and telemedicine etc. The Emergency Materials Management System has provided services to more than 10,000 institutions in multiple municipalities and autonomous regions across China upon its launch, receiving unanimous praise from the customers.

Meanwhile, the Company is considering a possible spin-off and separate listing of Kingsoft Cloud Holdings Limited. On 20 December 2019 (New York time), Kingsoft Cloud Holdings Limited submitted on a confidential basis to SEC a draft registration statement for a possible IPO. Going forward, Kingsoft Cloud remains committed to strengthening the strategic cooperation with Xiaomi’s AIoT, increasing the in-depth service of oversea business, leading the integration of cloud computing, big data, AI and other cutting-edge technologies with various industry scenarios, striving for cost optimization, and empowering enterprise clients in their digital transformations.

Online Games

Revenue from the online games business for the year of 2019 increased 8% year-on-year to RMB2,748.7 million. Revenue in the fourth quarter increased 39% year-on-year and 38% quarter-on-quarter to RMB915.8 million. Both PC and mobile games recorded stable performance during the year, and revenues improved year-on-year.

Kingsoft has launched a new expansion pack for its flagship JX Online III PC game in the fourth quarter, resulting in a 24% jump in average daily active users (compared to 30 days prior to the launch) and a record-high monthly gross billing in December. The Company’s classic PC game JX World achieved year-on-year growth in both number of gamers and revenue. The continued growth of the JX series demonstrated the Company’s resilience and strong capabilities in developing and operating long-term games and IP values. For mobile games, Kingsoft’s JX Online I continued to perform well during the year with a stable concurrent income. In addition, the Company has launched a new mobile game Double Life World (雙生視界) in Japan in September, followed by China in November, earning high praise at home and abroad. The newly launched mobile game was ranked as the number one in the iOS top free charts on its debut, and subsequently climbed to top five in the top grossing charts. The successful launch of Double Life World (雙生視界) has further strengthened the Company’s diversified product strategy.

Kingsoft will seize market opportunities and achieve breakthroughs in product diversification. In view of the dynamic market and regulatory environment in China, Kingsoft will continue to expand overseas presence to further drive the growth of games business.

Mr. Jun LEI concluded, “Amidst a turbulent economic environment, we managed to achieve a satisfactory performance in 2019. Our operating loss margin has been narrowed during the year, mainly due to the significant improvement of the operation efficiency of our cloud business. Meanwhile, Beijing Office Software was successfully listed on the SSE STAR Market. Although our investments in the cloud business led to an operating loss in 2019, we recommended the payment of a final dividend of HK\$0.1 per share with an aim to reciprocate our shareholders’ long-term support. Subsequent to the relief of the global COVID-19 pandemic and conclusion of the IPO of Kingsoft Cloud Holdings Limited, we will further review our dividend policy as and when appropriate. Going forward, Kingsoft Cloud will be committed to strengthening its market position, by leveraging leading technologies and promoting innovation across various industries. We will work with strategic partners to further expand our ecosystem, and to make our cloud computing offerings more accessible globally. In terms of office software and services, WPS will focus on its multi-pronged strategies of “Cloud, Multi-screen, Content and AI” to solve our users’ diverse needs and to maintain our competitive advantages. As we continue to seize opportunities arising from enterprises’ digital transformation, Kingsoft will maintain its competitive edge in the industry. Looking ahead, we see a clear momentum of growth across all our business segments driven by increasing customer demand. We are confident to meet our performance targets in the coming year and create long-term value for our shareholders.”

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 7,000 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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