



## KINGSOFT ANNOUNCES 2018 INTERIM AND SECOND QUARTER RESULTS

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### WPS Office Maintains Strong Growth New Technologies Empower Cloud Services to Achieve Breakthrough Performance

#### FINANCIAL HIGHLIGHTS

<i>RMB'000</i> <i>(Unaudited)</i>	For the 6 Months Ended June 30		For the 3 Months Ended June 30	
	2018	2017	2018	2017
<b>Revenue</b>	<b>2,609,516</b>	2,497,778	<b>1,345,789</b>	1,284,412
- Online Games	<b>1,214,260</b>	1,622,151	<b>581,882</b>	805,000
- Cloud Services	<b>887,651</b>	572,473	<b>468,731</b>	304,027
- Office Software and Services and Others	<b>507,605</b>	303,154	<b>295,176</b>	175,385
<b>Gross Profit</b>	<b>1,286,894</b>	1,499,433	<b>671,251</b>	795,514
<b>Operating Profit</b>	<b>39,286</b>	526,001	<b>13,328</b>	260,799
<b>Profit Attributable to Owners of the Parent</b>	<b>219,333</b>	488,513	<b>100,945</b>	250,044
<b>Basic EPS (RMB cents)</b>	<b>16</b>	38	<b>7</b>	19

(21 August 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 2018 interim results and its second quarter results for the period ended 30 June 2018.

For the first half of 2018, the revenue of Kingsoft increased 4% year-over-year to RMB2,609.5 million. Revenue from the online games, cloud services and office software and services and others represented 47%, 34% and 19%, respectively, of the Company’s total revenue for the first half of 2018.

For the second quarter of 2018, the Company’s revenue increased 5% year-on-year and 6% quarter-on-quarter to RMB1,345.8 million. Revenue from the online games, cloud services and office software and services and others represented 43%, 35% and 22%, respectively, of the Company’s total revenue for the second quarter of 2018. Gross profit for the second quarter of 2018 decreased 16% year-on-year and increased 9% quarter-on-quarter to RMB671.3 million.

**Mr. Jun LEI, Chairman of Kingsoft**, commented, “We maintained a steady operation during this quarter and achieved our established goals. We launched YSYY (雲裳羽衣), our new 3D costume-changing mobile game in June, which boosted our reputation and topped the free game ranking in the Apple Store on the day of its release. Kingsoft Cloud delivered a steady growth and all businesses performed well on track to meet our strategic targets. WPS Office continued its strong momentum with the global monthly active

user (MAU) of WPS family reaching 300 million, and recently it also released several new products, including WPS Office 2019 and WPS Office for Mac.”

**Mr. Tao ZOU, Chief Executive Officer of Kingsoft**, added, “Our revenue was RMB1,345.8 million in the second quarter, up 5% year-on-year and 6% quarter-on-quarter. The revenue of the first half of 2018 was RMB2,609.5 million, up 4% year-on-year. In the second quarter, revenues from cloud services and office software and services and others maintained steady growth, up 54% and 68% year-on-year, respectively. After rapid development in the past few years, China's online game market (including the mobile game market) appeared to experience a relatively sluggish growth in 2018. With the increasingly intensive competition in the mobile game market, we decided to push back the release date of our new mobile game, JX Online III mobile game, to align with our strategic deployment plan of our key gaming products. JX Online III mobile game is currently expected to be released in early 2019.”

## **BUSINESS REVIEW**

### **Online Games**

Revenue from the online games business for the first half of 2018 was RMB1,214.3 million and the revenue for the second quarter of 2018 was RMB581.9 million. China’s games market experienced a slowdown in the first half of 2018, which further aggravated the short-term pressure on the growth of the online games market.

During the quarter, JX Online I mobile game, which launched in May 2016, continued to enhance the quality of the game and its contents, and contributed steady monthly gross billing with outstanding performance and great vitality. This quarter’s new mobile game YSY also received recognition from a wide range of players and ranked No.1 on the free games chart in the Apple Store on the day of its release. It reflected the Company’s endeavor to develop in the game segment and its commitment in achieving more breakthroughs to adapt to the rapid changes in the game market. The Company’s first animation, Dream Tower (夢塔·雪迷城), premiered online on June 1, and it has been viewed more than 40 million times up to now, which boosted its potential to be developed into another core IP. The theme song for the new animation JX Online III: Chivalrous Shen Jianxin (劍網3•俠肝義膽沈劍心) made its debut on Bilibili.com and was highly rated by fans of JX Online III. This helped to sustain the flagship game’s popularity among users ahead of the upcoming 9th anniversary celebration. The JX World II mobile game was released on iOS on July 4, and ranked No.1 on the most frequently searched list and No.2 on the chart of free games in the Apple Store on the day of its release. The Company also plans to launch a series of new game products in the coming quarters, including the new expansion pack for JX Online III PC game, JX Online II mobile game, Chinese Paladin: Sword and Fairy 4 (仙劍奇俠傳 4), etc.

### **Cloud Services**

For the first half of 2018, the revenue of cloud services increased 55% year-on-year to RMB887.7 million. Revenue in the second quarter increased 54% year-on-year and 12% quarter-on-quarter to RMB468.7 million. The increase was mainly driven by robust customer usage from mobile video and internet sectors, reflecting Kingsoft Cloud further strengthening its leading position in specific segments.

Kingsoft Cloud maintained a stable growth in the second quarter, and each business segment was in line with the strategic planning of Kingsoft. Integrating three new technologies, AI, edge computing, and

blockchain, Kingsoft Cloud further worked on smart cities and made breakthroughs in areas of government cloud, healthcare cloud, finance cloud, industrial manufacturing cloud and IoT. As one of the first contractors of the Beijing government cloud project, one of the largest government cloud projects in China, Kingsoft Cloud has served 42 municipal committees, offices and bureaus in Beijing. It also reached a strategic cooperation agreement with Rizhao city to build a smart city. Kingsoft Cloud launched CloudHIS, China's first cloud-based medical and healthcare information system, and applied it in more than a dozen provinces and cities. Driven by new technologies, Kingsoft Cloud continued to strengthen its leading position in Internet business segment, including video cloud and game cloud and successfully made breakthroughs in technology upgrading. Looking ahead, Kingsoft Cloud will further improve product quality and expand its serving scope. It will also seek opportunities in overseas markets, and continue to lead the industry to help it grow.

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

For the first half of 2018, the revenue from office software and services and others increased 67% year-over-year to RMB507.6 million. Revenue in the second quarter increased 68% year-on-year and 39% quarter-on-quarter to RMB295.2 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, as a result of increased user engagement driven by consistent products upgrades.

In the second quarter of 2018, WPS Office continued its strong momentum and the global MAU of WPS family reached 300 million, and recently it also released a series of products and services to create a better user experience. On July 3, WPS Office officially released several new products, including WPS Office 2019, WPS Office for Mac and WPS Documents. Equipped with cloud and AI technologies, the new products provide users with smarter office services that fit different working scenarios. For the personal value-added services of WPS Office, Kingsoft continued to improve the membership benefits and enhance the content quality for its users. It also initiated the membership promotion which successfully drove the number of paid memberships and the growth of revenue. Furthermore, WPS Office participated in the World Intellectual Property Day, showing its commitment in innovation-driven business and proprietary R&D. WPS Office looks forward to contributing to proprietary innovation, intellectual property protection and information security. Users' preference for domestic office software will continue to bring more development opportunities to WPS Office.

**Mr. Jun LEI** concluded, "We managed to deliver a steady quarter. Looking ahead, we believe Kingsoft Cloud and WPS Office will continue to expand in revenue and maintain a solid performance. With the expected delay of the launch of our new mobile games, continuous competition in CDN and the investment in the research and development for office software business, our operating results are expected to remain under pressure for the second half of the year. Looking ahead to 2019, we believe the overall performance will improve on account of the debut of new mobile games, as well as the steady growth of Kingsoft Cloud and WPS Office."

### **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 5,000 staff around the world. It has set up R&D centers and offices in Beijing, Zhuhai, 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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