



KINGSOFT ANNOUNCES 2017 INTERIM RESULTS

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JX Online III Records Substantial Annual Growth of 47% Kingsoft Cloud and WPS Office Makes Significant Development

FINANCIAL HIGHLIGHTS

(RMB'000)	For the 3 Months Ended June 30 (Unaudited)		For the 6 Months Ended June 30 (Unaudited)	
	2017	2016	2017	2016
Revenue	1,284,412	750,964	2,497,778	1,417,375
- Online Games	805,000	476,794	1,622,151	933,664
- Cloud Services	304,027	154,314	572,473	283,124
- Office software and services and others	175,385	119,856	303,154	200,587
Gross Profit	795,514	498,315	1,499,433	973,313
Operating Profit	260,799	129,003	526,001	239,017

OPERATIONAL HIGHLIGHTS

	For the 3 Months Ended		
	30 June 2017	31 March 2017	30 June 2016
Online Games			
Daily Average Peak Concurrent Users	934,115	937,438	909,591
Monthly Average Paying Accounts ("APA")	4,321,447	4,200,840	4,822,356

(22 August 2017 – 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 2017 interim results and its unaudited second quarter results ended 30 June 2017.

For the first half of 2017, the revenue of Kingsoft increased 76% year-over-year to RMB2,497.8 million. Revenue from the online games, cloud services, office software and services and others made up 65%, 23% and 12%, respectively, of the Company's total revenue. Gross profit increased 54% year-over-year to RMB1,499.4 million. Operating profit climbed 120% year-over-year to RMB526.0 million.

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For the second quarter of 2017, the Company's revenue increased 71% year-over-year and 6% quarter-over-quarter to RMB1,284.4 million. Revenue from the online games, cloud services, office software and others made up 63%, 24% and 13%, respectively, of the Company's total revenue. Gross profit increased 60% year-over-year to RMB795.5 million. Operating profit also increased 102% year-over-year to RMB260.8 million.

Mr. Jun LEI, Chairman of Kingsoft, commented, "During the second quarter of 2017, Kingsoft achieved remarkable progress in all business segments. The flagship PC game JX Online III enjoyed a substantial yearly growth of 47%. Meanwhile, Kingsoft Cloud has maintained rapid and strong growth in every verticals and launched new services in the artificial intelligence field. In addition, WPS Office proposed A-share listing on the ChiNext board of the Shenzhen Stock Exchange to strengthen its market influence. In the second half of 2017, Kingsoft is striving to maintain the growth momentum in online games, cloud services, and office software and services businesses."

Mr. Tao ZOU, Chief Executive Officer of Kingsoft, added, "Kingsoft recorded a steady growth in the second quarter of 2017, generating a total revenue of RMB1,284.4 million at an annual growth rate of 71%. The operating profit before share-based compensation costs increased 125% year-over-year to RMB321.9 million, which indicates the stable business performance of the Company. The continuous success of online games business and the accelerating development of Kingsoft Cloud and WPS office in the second quarter have set the stage for Kingsoft business development and revenue growth."

BUSINESS REVIEW

Online Games

During the first half of 2017, revenue from the online games business increased 74% year-over-year to RMB1,622.2 million. Revenue for the second quarter of 2017 was up 69% year-over-year to RMB805.0 million.

The impressive year-over-year increase was due to the strong revenue contribution from the mobile game JX Online I and the PC game JX Online III. In the second quarter, the revenue of flagship PC game JX Online III grew 47% year-over-year. The newly released costume items of JX Online III generated enthusiastic positive feedback from gamers. Moreover, the Company has successfully organized JX Online III expert player competitions and the peak daily concurrent users watching the webcast reached 2.7 million, further enhancing the game's popularity.

In the coming quarters, the Company will continue to explore the latest demands from the gamers and expect to maintain the healthy revenue and lifespan growth following the upcoming launch of the JX Online III revamped version. JX World II mobile game will undergo closed beta testing during the third quarter. Both the image quality and the game design have achieved significant advances in this version, and the Company is highly confident in its market performance after the commercial launch.

Cloud Services

For the first half of 2017, the revenue of cloud services increased 102% year-over-year to RMB572.5 million. Revenue in the second quarter rose 97% year-over-year and 13% quarter-over-quarter to RMB304.0 million.

Kingsoft video cloud maintained its leading position in live streaming and short video markets, at the same time, achieved breakthrough in the broadcast and television communications industry. Major enterprises in this sector including CNTV, Mango TV and Wasu have started to use Kingsoft's video cloud services.

The game cloud business has been growing steadily by providing diverse valued-added services and enhancing the overall quality of game cloud services. As for healthcare cloud service, with the use of big data and AI technology, Kingsoft Cloud launched management platform for hierarchical medical system, aims to solve the "imbalance" of medical industry and to tackle the challenges in hierarchical medical system implementation.

AI applications to various industries in all sectors mentioned above, was based on AI cloud KAP (Kingsoft AI Propeller) launched in this quarter, including IaaS, PaaS, SaaS and industry solutions, among which KDL was the first AI cloud PaaS platform used for business purpose in China cloud computing enterprises. Kingsoft has entered strategic cooperation agreement with industry leaders such as Intel to conduct cooperation at a higher level, to develop extensive customization and special category cooperation in AI area.

Office Software and Services and Others

For the first half of 2017, revenue from office software and services and others increased by 51% year-over-year to RMB303.2 million. Revenue for the second quarter of 2017 was up 46% year-over-year and 37% quarter-over-quarter to RMB175.4 million. The robust year-over-year and quarter-over-quarter increases reflected the combination of strong revenue growth from WPS online marketing services, and increased sales of WPS Office from governments and enterprises.

By the end of June 2017, the global MAU of WPS Office PC version recorded 92 million, while that of the mobile version exceeded 124 million. In the second quarter, Beijing Kingsoft Office Software, Inc. has officially filed an application to the China Securities Regulatory Commission for an initial public offering (IPO) and listing on the ChiNext Board of the Shenzhen Stock Exchange. This initiative is intended to unleash the true market value of WPS office software and strengthen its market influence.

In May 2017, WPS Office Thai edition was officially launched in Thailand, which is not only in line with the globalization directive under the “One Belt, One Road” national strategy, but also marks an important milestone in the international expansion of WPS. In June, WPS Office also won the Gold Award at the China International Software Exposition.

Kingsoft Office Software has continued to advance innovation in its products. It has strengthened the integration of WPS Office Android with WPS Cloud, and the product log-in rate for the second quarter of 2017 increased substantially from 8% to 21%. At the same time, WPS Office Android has also cooperated with iFLYTEK to expand the application scope of mobile intelligence in the software suite. In addition, WPS Office iOS has also greatly enhanced user loyalty by enriching its content.

Mr. Jun Lei concluded, “In the future, we will continue to focus on product innovation, accelerate our market expansion, and actively seek business collaboration with potential partners in order to enlarge our user base and enhance our market competency. In order to enhance our game business market competency in the long run, we will focus on our mobile game expansion in the new market and the distribution of JX Online III revamped version in the second half of this year, which may temporarily affect our profitability performance in the third quarter. Meanwhile, the Company will further integrate resources advantage within each business segment to bolster synergies across all operations. Capitalizing on the upward industry trend, through our endeavors to pursue sustainable growth, we have confidence in achieving new heights in the coming quarters and bringing solid returns to our shareholders and partners.”

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About Kingsoft Corporation Limited (Stock Code: 03888)

Kingsoft is a leading Chinese software and Internet services company 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 4,000 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 www.kingsoft.com

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