



KINGSOFT ANNOUNCES 2017 THIRD QUARTER RESULTS

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**JX Online III Revamped Version to be Launched in December
Cloud Services Gains Robust Revenue Growth of 80% Y.O.Y**

FINANCIAL HIGHLIGHTS

<i>RMB'000 (Unaudited)</i>	For the Three Months Ended		
	30 September 2017	30 September 2016 (Restated)*	30 June 2017
Revenue	1,303,014	1,123,223	1,284,412
- Online Games	746,656	791,920	805,000
- Cloud Services	358,101	198,793	304,027
- Office Software & Services & Others	198,257	132,510	175,385
Gross Profit	744,297	702,179	795,514
Profit Attributable to Owners of the Parent	238,461	141,693	250,044
Basic EPS (RMB Cent)	18	11	19

*Remark: the comparative figures are restated to reflect the reclassification between continuing operations and a discontinued operation of the Group. The operating results of Cheetah Mobile Inc. and its subsidiaries have been presented as a discontinued operation of the Group.

(21 November 2017 – Hong Kong) **Kingsoft Corporation Limited** (“Kingsoft” or the “Company”; HKEX stock code: 03888), a leading software and Internet service company based in China, has announced its unaudited quarterly results for the three months ended 30 September 2017 (“the period”).

For the third quarter of 2017, the revenue of Kingsoft increased 16% year-over-year and 1% quarter-over-quarter to RMB1,303.0 million. Revenue from the online games, cloud services, office software and services and others represented 57%, 28% and 15%, respectively, of the total revenue. Revenue from the cloud services for the third quarter of 2017 recorded a robust growth of 80% year-over-year and 18% quarter-over-quarter to RMB358.1 million, while the revenue from the office software and services and others for the same period increased 50% year-over-year and increased 13% quarter-over-quarter to RMB198.3 million.

Gross profit of Kingsoft increased 6% year-over-year and decreased 6% quarter-over-quarter to RMB744.3 million. Profit for the period attributable to owners of the parent before share-based compensation costs increased 65% year-over-year to RMB306.7 million.

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Mr. Jun LEI, Chairman of Kingsoft, commented, “The third quarter of 2017 has witnessed stable progress in all segments of Kingsoft’s business. Flagship PC game JX Online III has achieved another robust growth of 27% year-on-year. Kingsoft Cloud has further advanced in every vertical business segment at a strong pace. In addition, WPS Office PC version achieved a new record that its global MAU has exceeded 100 million in September. In the fourth quarter of 2017, Kingsoft is fully committed to continue its healthy ascent in online games, cloud services, and office software and services businesses.”

Mr. Tao ZOU, Chief Executive Officer of Kingsoft, added, “During the third quarter, Kingsoft has achieved a steady growth attaining a total revenue of RMB1,303.0 million at an annual growth rate of 16%. The operating profit before the share-based compensation costs was RMB224.7 million, appearing a year-on-year decrease, which was primarily due to the temporary margin pressure from the online games business. The upcoming roll out of the JX Online III revamped version in this December and a strong mobile games pipeline are envisaged to give a substantial boost in the game’s future performance in the coming years.”

BUSINESS REVIEW

Online Games

For the third quarter of 2017, the revenue from the online game business decreased 6% year-over-year and 7% quarter-over-quarter to RMB746.7 million. The decreases were largely due to the slight natural decline in gross billings from JX Online I mobile game since its launch in May 2016. In order to update its graphics and bring new gaming experience to the gamers, its revamped version, New JX Online I mobile game, has already been launched on 3 November.

Kingsoft’s flagship PC game, JX Online III, registered a steady performance in the third quarter, with revenue increased 27% year-on-year. The upcoming launch of its revamped version this December is one of the most eagerly anticipated events in the fourth quarter. In *The Game Awards* which is honored as the *Oscar Awards* in the game industry to be held in December 2017, JX Online III revamped version stood out from world-famous game manufacturers and 102 grand games, and was nominated for the *Best Chinese Game Award*. Kingsoft is fully confident that the superior game quality of the revamped version should facilitate the game’s future revenue growth while substantially extending its life cycle.

Kingsoft’s licensed mobile game Eudemons Online has been launched on all platforms on 18 October 2017. In just 12 hours after its launch, the number of new users topped 720,000. As of 6 November 2017, its gross billing exceeded the RMB100 million mark in just 19 days. Moreover, Kingsoft’s self-developed mobile game XiaoMiQiangZhan has started “public internal testing” on 30 October, which has drawn great attention and gained in high popularity among gamers soon afterwards.

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Cloud Services

Revenue from the cloud services for the third quarter of 2017 increased 80% year-over-year and 18% quarter-over-quarter to RMB358.1 million. The strong year-over-year rise was mainly driven by a robust increase in customer usage, reflecting the success of Kingsoft Cloud's efforts in reinforcing its leadership in providing cloud services to the video, mobile game and internet industries. According to IDC's *China Semiannual Public Cloud Services Tracker Report 1H2017*, in the first half of 2017, Kingsoft Cloud has achieved a market share over 6.5% in the Chinese public cloud IaaS market, which demonstrates an increase of 0.9 percentage points year-over-year, and also ranked top-3 in terms of the revenue generation.

In addition to maintaining the leading position in live streaming and short video markets, Kingsoft Cloud has extended to provide video cloud services for long videos, broadcast and television, and OTT (Over The Top) markets, and was able to secure various licensed customers in the broadcast and television communications industry. Kingsoft Cloud also accessed several platforms like Bilibili and Panda TV, while promoting the download services for smartphone companies and ensuring the smooth running of key events' live streaming. Kingsoft Cloud has strived to establish its game ecosystem and enhanced its customers' loyalty through offering bundled packages with multiple products.

As for the healthcare cloud business, Kingsoft Cloud has continued to provide quality cloud services to leading medical institutions and enterprises in the healthcare industry including PKUCare Rehabilitation Hospital, The University of Hong Kong-Shenzhen Hospital, Peking University People's Hospital and PKU Healthcare IT Co., Ltd. At the same time, it has also promoted to provide healthcare cloud services in several important provinces and build healthcare cloud infrastructure for small and medium-sized cities. In addition, Kingsoft Cloud has achieved strategic cooperation with HNA Tianhai Group and will continue to expand its customer base across various government committees, offices and departments.

Office Software and Services and Others

Revenue from the office software and services and others for the third quarter of 2017 increased 50% year-over-year and increased 13% quarter-over-quarter to RMB198.3 million. The robust increases were due to strong revenue growth from WPS online marketing services and value-added services of WPS Office personal edition, driven by higher demand from advertisers, increased user engagement and user loyalty.

In September, the global MAU of the WPS Office mobile version reached a new record of 135 million, while the global MAU of WPS Office PC version exceeded 100 million for the first time in history, enabling WPS Office to achieve the distinctive milestone that the global MAU from both PC and mobile versions exceeded the 100 million mark. With the stable development of personal cloud services, the revenue contribution from WPS Office Android users and the number of cloud users logged in through Android devices have improved steadily in the third quarter. WPS Office iOS ranked first in the App Store productivity category in September, and its global MAU exceeded 13 million.

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Two other important businesses, WPS mail and iCiba also completed the update of the latest 5.0 and 9.0 editions respectively. At the same time, Kingsoft participated as a core member in the inauguration ceremony of the Software Working Commission of the Copyright Society of China in September 2017. Following the implementation of China's "Belt and Road Initiative", Kingsoft signed a MOU (Memorandum of Understanding) with the Thai Government for further cooperation in Thailand's education sector, which has huge potential for development, and marked a major step forward in the internalization strategy of WPS.

Mr. Jun LEI concluded, "We are pleased to see the results of the third quarter manifesting the impressive execution of our overall strategies. The temporary pressure on operating profit in the third and fourth quarters this year will translate into a brighter outlook, as the proactive investments made in the game segment can boost the overall performance in the future. We continue to strive to secure a larger user base and stronger market competitiveness, through a focus on product innovation, inter-segment synergies and potential cooperation opportunities in order to achieve higher goals. With our dedicated pursuit of excellence, we are fully confident that we can deliver substantial and sustainable business growth, bring solid returns to our shareholders and partners, and keep advancing towards to our next milestone."

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About Kingsoft Corporation Limited (Stock Code: 03888)

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 www.kingsoft.com

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