



( continued into the Cayman Islands with limited liability )  
Stock Code: 03888

# KINGSOFT CORPORATION LIMITED

## 2022 INTERIM REPORT



剑侠情缘网络版叁



剑侠情缘手游

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# CORPORATE INFORMATION

## Legal Name of the Company

Kingsoft Corporation Limited

## Stock Code

03888

## Date of Listing

9 October 2007

## Principal Place of Business in Beijing

Building D

Xiaomi Campus

No.33 Xierqi Middle Road

Haidian District

Beijing 100085

PRC

## Principal Place of Business in Hong Kong

Suite 3208, 32/F, Tower 5

The Gateway, Harbour City

Tsim Sha Tsui, Kowloon

Hong Kong

## Registered Office

Windward 3, Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

## Executive Director

Mr. Tao ZOU

## Non-executive Directors

Mr. Jun LEI (Chairman)

Mr. Pak Kwan KAU

Mr. Chi Ping LAU

## Independent Non-executive Directors

Mr. Shun Tak WONG

Mr. David Yuen Kwan TANG

Ms. Wenjie WU

## Audit Committee

Ms. Wenjie WU (Chairman)

Mr. Shun Tak WONG

Mr. David Yuen Kwan TANG

## Remuneration Committee

Mr. Shun Tak WONG (Chairman)

Mr. Jun LEI

Mr. David Yuen Kwan TANG

Ms. Wenjie WU

## Nomination Committee

Mr. Shun Tak WONG (Chairman)

Mr. Chi Ping LAU

Ms. Wenjie WU

## Environmental, Social and Governance Committee

Mr. David Yuen Kwan TANG (Chairman)

Mr. Tao ZOU

Mr. Shun Tak WONG

Ms. Wenjie WU

## CORPORATE INFORMATION (continued)

### Board Secretary/Company Secretary

Mr. Yuk Keung NG

Ms. Hongyu LV

### Authorised Representatives

Mr. Tao ZOU

Mr. Yuk Keung NG

### Principal Share Registrar and Transfer Office

Ocorian Trust (Cayman) Limited

Windward 3, Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

### Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited

Shops 1712–1716, 17/F. Hopewell Centre

183 Queen's Road East

Hong Kong

### Auditor

Ernst & Young

Certified Public Accountants

Registered Public Interest Entity Auditor

27/F, One Taikoo Place

979 King's Road

Quarry Bay

Hong Kong

### Legal Advisor on Hong Kong Law

Baker & McKenzie

14th Floor, One Taikoo Place

979 King's Road

Quarry Bay

Hong Kong

### Principal Bankers

China CITIC Bank Corp., Ltd.

China Merchants Bank Co., Ltd.

Bank of Beijing Co., Ltd.

Bank of Communications Co., Ltd.

Industrial and Commercial Bank of China (Asia) Limited

### Investor and Media Relations

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# OPERATIONAL HIGHLIGHTS

	In June 2022	In June 2021	In March 2022	Year-on-year Change %	Quarter-on- quarter Change %
<b>Office Software</b>					
Monthly Active Devices of the key products* (Million)	570	501	572	14	0
			As at 30 June 2022	As at 30 June 2021	Year-on-year Change %
Accumulated paying subscribers** (Million)			28.56	21.88	31

\* Monthly Active Devices of the key products are defined as the aggregate Monthly Active Devices of both WPS Office and Kingsoft Powerword across all platforms, excluding WPS Docs and other products.

\*\* Accumulated paying subscribers are defined as paying individual subscribers in the past twelve months (excluding onetime purchase) in Chinese mainland.

# FINANCIAL HIGHLIGHTS

	For the three months ended		
	30 June 2022 RMB'000 (Unaudited)	30 June 2021 RMB'000 (Unaudited)	31 March 2022 RMB'000 (Unaudited)
<b>Revenue</b>			
Office software and services	924,576	786,218	871,118
Online games and others	909,576	693,308	981,897
	<b>1,834,152</b>	1,479,526	1,853,015
Cost of revenue	<b>(366,497)</b>	(271,659)	(350,684)
<b>Gross profit</b>	<b>1,467,655</b>	1,207,867	1,502,331
Research and development costs	<b>(642,273)</b>	(531,911)	(608,259)
Selling and distribution expenses	<b>(282,967)</b>	(310,073)	(269,066)
Administrative expenses	<b>(153,134)</b>	(133,330)	(147,245)
Share-based compensation costs	<b>(62,823)</b>	(40,664)	(74,204)
Other income	<b>98,453</b>	65,856	99,680
Other expenses	<b>(6,183)</b>	(27,921)	(3,786)
<b>Operating profit</b>	<b>418,728</b>	229,824	499,451
Other gains, net	<b>5,769</b>	47,793	23,027
Finance income	<b>109,381</b>	102,719	115,021
Finance costs	<b>(38,592)</b>	(36,013)	(36,997)
Share of profits and losses of:			
Joint ventures	<b>469</b>	(6,737)	(3,042)
Associates	<b>(417,707)</b>	(210,777)	(274,650)
<b>Profit before tax</b>	<b>78,048</b>	126,809	322,810
Income tax credit/(expense)	<b>(28,883)</b>	25,971	(33,736)
<b>Profit for the period</b>	<b>49,165</b>	152,780	289,074
<b>Attributable to:</b>			
Owners of the parent	<b>(139,412)</b>	48,664	99,386
Non-controlling interests	<b>188,577</b>	104,116	189,688
	<b>49,165</b>	152,780	289,074
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Earnings/(loss) per share attributable to ordinary equity holders of the parent</b>			
Basic	<b>(0.10)</b>	0.04	0.07
Diluted	<b>(0.11)</b>	0.03	0.06

## FINANCIAL HIGHLIGHTS (continued)

	For the six months ended	
	30 June 2022 RMB'000 (Unaudited)	30 June 2021 RMB'000 (Unaudited)
<b>Revenue</b>		
Office software and services	1,795,694	1,557,210
Online games and others	1,891,473	1,481,923
	<b>3,687,167</b>	3,039,133
Cost of revenue	(717,181)	(515,401)
<b>Gross profit</b>	<b>2,969,986</b>	2,523,732
Research and development costs	(1,250,532)	(1,022,913)
Selling and distribution expenses	(552,033)	(514,600)
Administrative expenses	(300,379)	(280,948)
Share-based compensation costs	(137,027)	(72,394)
Other income	198,133	156,582
Other expenses	(9,969)	(47,574)
<b>Operating profit</b>	<b>918,179</b>	741,885
Other gains, net	28,796	80,785
Finance income	224,402	192,749
Finance costs	(75,589)	(71,171)
Share of losses of:		
Joint ventures	(2,573)	(15,837)
Associates	(692,357)	(435,697)
<b>Profit before tax</b>	<b>400,858</b>	492,714
Income tax expense	(62,619)	(40,160)
<b>Profit for the period</b>	<b>338,239</b>	452,554
<b>Attributable to:</b>		
Owners of the parent	(40,026)	165,236
Non-controlling interests	378,265	287,318
	<b>338,239</b>	452,554
	<b>RMB</b>	<b>RMB</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Earnings/(loss) per share attributable to ordinary equity holders of the parent</b>		
Basic	(0.03)	0.12
Diluted	(0.05)	0.12

# BUSINESS REVIEW AND OUTLOOK

Despite the challenges posed by the recurrence of the pandemic, we remained focusing on our strategy and achieved satisfactory results in our core businesses. Kingsoft Office Group is committed to empowering the digital transformation of institutional users while enhancing the cloud office user experience for individual users. We concentrate on technological empowerment, product innovation, service enhancement as well as marketing channel and eco-system expansion. Meanwhile, we continue to pursue the product strategy of 'multi-screen, cloud, content, AI and collaboration' and have achieved good operational performance. Regarding our online games business, we adhere to the strategy of premium games, focusing on technology innovation as well as constant cultural facets enrichment, and promote further game development.

The Group maintained solid performance in the first half of 2022 with total revenue reaching RMB3,687.2 million, increasing by 21% year-on-year. Driven by the growth of subscription revenue from individual and institutional businesses, our office software and services business increased by 15% year-on-year during the first half of 2022. Our online games and other business increased by 28% year-on-year during the first half of 2022, primarily due to the contribution of mobile games launched in the fourth quarter of 2021 such as JX World III (劍俠世界3) and JX I: Gui Lai (劍網1: 歸來).

During the second quarter, individual subscription business sustained growth momentum. Based on the continuous enhancement of cloud office user experience, Kingsoft Office Group developed and introduced various new functions dedicated to specific scenarios, aiming to drive the active use of cloud services and continuous increase in paying subscribers. Meanwhile, we remained focusing on attracting more long-term paying users.

In response to the government departments' demand for digital management, end-to-cloud integration and mobile office, our products are highly compatible with government office systems, which assist the government in achieving informatization gradually and realizing centralized document management, effective and efficient file application, collaboration features, security control, etc. Facing the soaring demand for digital transformation from enterprises, our core products specialize in uploading documents to the cloud and ensuring file transfer security through continued optimization and the assistance of quality customer services.

Kingsoft Office Group has closely monitored the localization industry trend. As the localization gradually penetrates into local government, we take the initiative to tap those markets. Driven by favorable policies and industry demand, the demand for integrated end-to-cloud products from customers in the industry localization, such as finance, energy and telecommunications, continues to grow, which leads our products penetration in the localization to keep growing. We have optimized the re-flowable and fixed-layout document format standards of our localization products to provide efficient and integrated user experience, which would further strengthen the competitiveness of our products.

Kingsoft Office Group continued to strategically play down its advertising business by reducing the number of advertising spaces and the frequency of push notifications. Since we strived to improve the quality of clicks and reduce user interference, our advertising business was undergoing a steady and gradual decline.

During the second quarter, our flagship JX Online III PC game remained stable. Upon the launch of the non-deleting test in China at the end of last year, JX World III maintained an outstanding reputation and a high popularity among gamers. In addition, the game launched in Hong Kong, Macau and Taiwan during the quarter and achieved an excellent performance.

In the third quarter, we launched the open beta across all platforms and a new section for JX World III and will celebrate the 13th anniversary of JX Online III PC game. Through continuous content upgrade and technology innovation, we strive to sustain the vitality of our core IP. Meanwhile, we also uphold our corporate responsibility and continue to explore the social value of our games. Biphase (雙相), our initial self-developed charity game which focuses on bipolar disorder, has received multiple awards and acclamation from international gaming authorities upon its debut overseas last year. In addition, the game has also received the license approval in July this year and is scheduled to launch in China.

In the second quarter, we embraced the change of the complex environment and achieved further development by continuously enhancing our products and services. Looking ahead, the Group will adhere to technological empowerment, maintain our investment in R&D and enhance operational efficiency. We will keep focusing on our core strategy, adhere to integrity and innovation to empower our users and partners and create long-term returns for our shareholders.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Second Quarter of 2022 Compared with Second Quarter of 2021 and First Quarter of 2022

### *Revenue*

Revenue for the second quarter of 2022 increased 24% year-on-year and decreased 1% quarter-on-quarter to RMB1,834.2 million. Revenue from the office software and services, and online games and others represented 50% and 50% of the Group's total revenue for the second quarter of 2022, respectively.

Revenue from the office software and services business for the second quarter of 2022 increased 18% year-on-year and 6% quarter-on-quarter to RMB924.6 million. The increases were mainly due to the continued growth of individual and institutional subscription businesses, partially offset by the decreases in institutional licensing and internet advertising businesses of Kingsoft Office Group. The fast growth of individual subscription business was mainly driven by the increase in the accumulated paying subscribers as the continuous enhancement of cloud office user experience and enrichment of value-added functions. The growth of institutional subscription business was largely driven by increasing demand for digital transformation from government and enterprises. The decrease in institutional licensing business was largely due to reduction in new purchase orders on localization solutions, partially offset by increasing demand for domestic office software from government and enterprises. The decrease in internet advertising business was the result of strategic contraction for the purpose of user experience's enhancement.

Revenue from the online games and others business for the second quarter of 2022 increased 31% year-on-year and decreased 7% quarter-on-quarter to RMB909.6 million. The year-on-year increase was mainly due to revenue contribution from mobile titles released in the fourth quarter of 2021, such as JX World III and JX I: Gui Lai. The quarter-on-quarter decrease mainly reflected the high base of aforementioned games in the first quarter of 2022.

### *Cost of Revenue and Gross Profit*

Cost of revenue for the second quarter of 2022 increased 35% year-on-year and 5% quarter-on-quarter to RMB366.5 million. The year-on-year increase mainly reflected: i) increases in channel costs, as well as server and bandwidth costs of Kingsoft Office Group; and ii) greater channel costs of online games business. The quarter-on-quarter increase mainly reflected greater server and bandwidth costs and purchasing costs of products and services along with the business growth of Kingsoft Office Group.

Gross profit for the second quarter of 2022 increased 22% year-on-year and decreased 2% quarter-on-quarter to RMB1,467.7 million. The Group's gross profit margin decreased by two percentage points year-on-year and one percentage point quarter-on-quarter to 80%.

### *R&D Costs*

R&D costs for the second quarter of 2022 increased 21% year-on-year and 6% quarter-on-quarter to RMB642.3 million. The year-on-year increase was mainly attributable to increased headcount as well as personnel-related expenses of Kingsoft Office Group, which reflected our efforts in enhancing core competitiveness of products and services.

### *Selling and Distribution Expenses*

Selling and distribution expenses for the second quarter of 2022 decreased 9% year-on-year and increased 5% quarter-on-quarter to RMB283.0 million. The year-on-year decrease and quarter-on-quarter increase mainly reflected changes in marketing spending associated with Kingsoft Office Group in each corresponding quarter.

# MANAGEMENT DISCUSSION AND ANALYSIS (continued)

## *Administrative Expenses*

Administrative expenses for the second quarter of 2022 increased 15% year-on-year and 4% quarter-on-quarter to RMB153.1 million. The increases were mainly due to increased personnel-related expenses.

## *Share-based Compensation Costs*

Share-based compensation costs for the second quarter of 2022 increased 54% year-on-year and decreased 15% quarter-on-quarter to RMB62.8 million. The year-on-year increase was mainly due to the grants of awarded shares to the selected employees of certain subsidiaries of the Company.

## *Operating Profit before Share-based Compensation Costs*

Operating profit before share-based compensation costs for the second quarter of 2022 increased 78% year-on-year and decreased 16% quarter-on-quarter to RMB481.6 million.

## *Other Gains, net*

Net other gains for the second quarter of 2022 were RMB5.8 million, compared with gains of RMB47.8 million and RMB23.0 million for the second quarter of 2021 and the first quarter of 2022, respectively.

## *Share of Losses of Associates*

We recorded share of losses of associates of RMB417.7 million for the second quarter of 2022, compared with share of losses of RMB210.8 million and RMB274.7 million for the second quarter of 2021 and the first quarter of 2022, respectively.

## *Income Tax Credit/(Expense)*

Income tax expense for the second quarter of 2022 was RMB28.9 million, compared with income tax credit of RMB26.0 million for the second quarter of 2021 and income tax expense of RMB33.7 million for the first quarter of 2022.

## *Profit/(Loss) Attributable to Owners of the Parent*

As a result of the reasons discussed above, loss attributable to owners of the parent was RMB139.4 million for the three months ended 30 June 2022, compared with profit of RMB48.7 million and RMB99.4 million for the three months ended 30 June 2021 and 31 March 2022, respectively.

## *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 is profit/(loss) attributable to owners of the parent excluding the effect of share-based compensation costs attributable to owners of the parent.

We believe that the profit/(loss) attributable to owners of the parent before share-based compensation costs will enable the investors to better understand the Group's overall operating performance. When assessing our operating performance, you should not consider this data in isolation or as a substitute for our profit/(loss) 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 was RMB96.2 million for the three months ended 30 June 2022, compared with profit of RMB71.8 million and RMB143.4 million for the three months ended 30 June 2021 and 31 March 2022, respectively. The net profit/(loss) margin excluding the effect of share-based compensation costs was (5%), 5% and 8% for the three months ended 30 June 2022, 30 June 2021 and 31 March 2022, respectively.

# MANAGEMENT DISCUSSION AND ANALYSIS (continued)

## First Half of 2022 Compared with First Half of 2021

### *Revenue*

Revenue for the first half of 2022 increased 21% year-on-year to RMB3,687.2 million. Revenue from office software and services and the online games and others represented 49% and 51% of the Group's total revenue for the first half of 2022, respectively.

Revenue from office software and services business for the first half of 2022 increased 15% year-on-year to RMB1,795.7 million. The increase was mainly due to the continued growth of individual and institutional subscription businesses, partially offset by the decreases in institutional licensing and internet advertising businesses of Kingsoft Office Group.

Revenue from the online games and others business for the first half of 2022 increased 28% year-on-year to RMB1,891.5 million. The year-on-year increase was mainly due to the successful launch of several mobile games in the fourth quarter of 2021 which broadened our games portfolio, partially offset by decreased revenue from existing games.

### *Cost of Revenue and Gross Profit*

Cost of revenue for the first half of 2022 increased 39% year-on-year to RMB717.2 million. The increase mainly reflected: i) greater channel costs and personnel-related expenses of online games business; and ii) increases in channel costs, as well as server and bandwidth costs along with the business growth of Kingsoft Office Group.

Gross profit for the first half of 2022 increased 18% year-on-year to RMB2,970.0 million. The Group's gross profit margin decreased by two percentage points year-on-year to 81%.

### *R&D Costs*

R&D costs for the first half of 2022 increased 22% year-on-year to RMB1,250.5 million. The increase was mainly attributable to increased headcount as well as personnel-related expenses from Kingsoft Office Group.

### *Selling and Distribution Expenses*

Selling and distribution expenses for the first half of 2022 increased 7% year-on-year to RMB552.0 million. The increase was mainly due to greater marketing spending on mobile games.

### *Administrative Expenses*

Administrative expenses for the first half of 2022 increased 7% year-on-year to RMB300.4 million. The increase was mainly due to increased personnel-related expenses.

### *Share-based Compensation Costs*

Share-based compensation costs for the first half of 2022 increased 89% year-on-year to RMB137.0 million. The year-on-year increase was mainly due to the grants of awarded shares to the selected employees of certain subsidiaries of the Company.

### *Operating Profit before Share-based Compensation Costs*

Operating profit before share-based compensation costs for the first half of 2022 increased 30% to RMB1,055.2 million.

### *Other Gains, net*

Net other gains for the first half of 2022 were RMB28.8 million, compared with gains of RMB80.8 million in the same period last year.

# MANAGEMENT DISCUSSION AND ANALYSIS (continued)

## *Share of Losses of Associates*

We recorded share of losses of associates of RMB692.4 million for the first half of 2022, compared with share of losses of RMB435.7 million for the first half of 2021.

## *Income Tax Expense*

Income tax expense was RMB62.6 million and RMB40.2 million for the first half of 2022 and 2021, respectively.

## *Profit/(Loss) Attributable to Owners of the Parent*

As a result of the reasons discussed above, loss attributable to owners of the parent was RMB40.0 million for the first half of 2022, compared with profit of RMB165.2 million in the same period last year.

## *Profit Attributable to Owners of the Parent before Share-based Compensation Costs*

Profit attributable to owners of the parent before share-based compensation costs for the first half of 2022 was RMB47.2 million, compared with profit of RMB211.4 million in the prior year period. The net profit margin excluding the effect of share-based compensation costs was 1% and 7% for the six months ended 30 June 2022 and 30 June 2021, respectively.

## *Liquidity and Financial Resource*

The Group had a strong cash position towards the end of reporting period. As at 30 June 2022, the Group had major financial resources in the forms of cash and bank deposits and restricted cash amounting to RMB14,204.6 million and RMB2.5 million, respectively, which together represented 38% of the Group's total assets.

As at 30 June 2022, the Group's gearing ratio, representing total liabilities divided by total assets, was 21%, which kept flat with that of 31 December 2021.

### *Note:*

The cash resources which the Group considered in cash management including but not limited to cash and cash equivalents, bank deposits, restricted cash and financial assets at fair value through profit or loss. As at 30 June 2022, the aggregate amount of cash resources of the Group was RMB19,387.6 million.

## *Foreign Currency Risk Management*

As at 30 June 2022, RMB2,978.8 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 operating activities reflected the Group's profit for the six months period mentioned above, as the case may be, as adjusted for non-cash items, such as depreciation, amortization of intangible assets, and share-based compensation costs, as well as the effect of changes in certain items of statement of financial position, such as contract liabilities, other payables and accruals.

Net cash generated from operating activities was RMB1,053.4 million and RMB869.0 million for the six months ended 30 June 2022 and 30 June 2021, respectively.

## *Capital Expenditures*

Capital expenditures represent cash payments for acquisition of business, fix assets and intangible assets. Cash used for capital expenditures was RMB197.1 million and RMB120.8 million for the six months ended 30 June 2022 and 30 June 2021, respectively.

# MANAGEMENT DISCUSSION AND ANALYSIS (continued)

## Material Investments

Following completion of the spin-off and separate listing on 8 May 2020, Kingsoft Cloud ceased to be a subsidiary and has been accounted as an associate of the Company. We hold the investment in Kingsoft Cloud to continue the implementation of the cloud strategy, one of our core strategy.

As at 30 June 2022, we held 1,423,246,584 shares of Kingsoft Cloud and the fair value of the equity interest of Kingsoft Cloud held by the Group was approximately RMB2,833.8 million (31 December 2021: RMB9,527.9 million) which was estimated based on the market price of Kingsoft Cloud, accounted for 8% of the Group's total assets.

Net loss from Kingsoft Cloud for the first half of 2022 was RMB1,609.7 million (the first half of 2021: RMB841.4 million).

Except for investment in Kingsoft Cloud, there was no other individual investment with a carrying value of 5% or more of the Group's total assets as at 30 June 2022.

## Future Plans for Material Investments or Capital Assets

As at 30 June 2022, we planned to invest approximately RMB1,900.0 million in the construction of Wuhan Campus to better attract R&D talents and enhance the R&D and innovation capabilities with respect to our products and services. The construction of Wuhan Campus is expected to be completed and put into use in 2025. Going forward, the Group will continue to look for new business opportunities to complement and enhance its existing business and explore new markets.

Save as disclosed above, there were no other plans for material investments or capital assets as at 30 June 2022.

## Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

In the first half of 2022, we did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

## OTHER INFORMATION

### Change of Directors' Information Under Rule 13.51B (1) of the Listing Rules

Below is the change of Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules (as amended from time to time) since the date of the Company's 2021 annual report:

NAME OF DIRECTOR	DETAILS OF CHANGES
Mr. Tao ZOU	In May 2022, Mr. ZOU was appointed as a member of the Environmental, Social and Governance Committee of the Company.
Mr. Yuk Keung NG	In May 2022, Mr. NG retired as an executive Director by rotation at the AGM pursuant to the bylaws of the Company and did not offer himself for re-election. Upon retirement, Mr. NG also ceased to be a member of the Environmental, Social and Governance Committee of the Company. In July 2022, Mr. NG no longer served as the CFO, the joint company secretary and Board secretary of the Company due to the expiration of his tenure.
Mr. Chi Ping LAU	In August 2022, Mr. LAU tendered his resignation as a non-executive Director and a member of the Nomination Committee of the Company due to other work arrangements.
Mr. Leiwen YAO	In August 2022, Mr. YAO was appointed as a non-executive Director and a member of the Nomination Committee of the Company.

### Directors' Interests in Securities

As at 30 June 2022, the interests and short positions of the Directors and the chief executive of the Company and their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of the SFO which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

#### *Interest in the shares and underlying shares of the Company:*

Name of Director	Capacity	Number of shares interested	% of issued share capital (Note 1)	Nature of Shares interested
Jun LEI	Interest of controlled corporation	210,116,248	15.37	Long position
	Other	100,000,000	7.32	Long position
	Total	310,116,248 (Note 2)	22.69	Long position
Pak Kwan KAU	Interest of controlled corporation	100,000,000 (Note 3)	7.32	Long position
Tao ZOU	Beneficial owner	4,411,707	0.32	Long position

Notes:

1. % of issued share capital was calculated on basis of the total number of issued shares of the Company as at 30 June 2022, which was 1,366,641,117.

## OTHER INFORMATION (continued)

- As at 30 June 2022, among these 310,116,248 shares, (i) 174,818,191 shares are held by Color Link Management Limited, a British Virgin Islands company owned as to 100% by Mr. Jun LEI; (ii) 35,298,057 shares are held by a wholly-owned subsidiary of Xiaomi Corporation, a company controlled by Mr. Jun LEI under the SFO; and (iii) 100,000,000 shares are deemed to be interested by Mr. Jun LEI under the SFO because under a voting consent agreement and its supplemental agreement entered into by Mr. Jun LEI and Mr. Pak Kwan KAU, Mr. Pak Kwan KAU would vote in the same way as Mr. Jun LEI votes with these shares.
- These shares are held by Topclick Holdings Limited, a British Virgin Islands company wholly owned by Mr. Pak Kwan KAU. In addition, Mr. Jun LEI is also deemed to be interested in these shares under the SFO because under a voting consent agreement and its supplemental agreement entered into by Mr. Jun LEI and Mr. Pak Kwan KAU, Mr. Pak Kwan KAU would vote in the same way as Mr. Jun LEI with these shares.

### *Interest in the shares and underlying shares of an associated corporation of the Company:*

Seasun Holdings (Note 1)

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of shares interested</b>	<b>% of issued share capital in class (Note 2)</b>	<b>Nature of Shares interested</b>
Tao ZOU	Beneficial owner	18,123,462	1.97	Long position

Notes:

- Seasun Holdings is a non-wholly owned subsidiary of the Company.
- % of issued share capital in class was calculated on basis of the issued ordinary shares of Seasun Holdings as at 30 June 2022, which was 920,289,438.

Cheetah Mobile (Note 1)

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of shares interested</b>	<b>% of issued share capital in class (Note 2)</b>	<b>Nature of Shares interested</b>
Jun LEI (Note 3)	Interest of controlled corporation	14,285,714	3.17	Long position

Notes:

- The Company held 47.49% ownership interest and 26.06% voting power of Cheetah Mobile as at 30 June 2022, which is listed on the NYSE.
- % of issued share capital in class was calculated on basis of the issued Class A Cheetah Shares as at 30 June 2022, which was 450,604,900.
- These shares are held by Xiaomi Corporation, a company owned as to more than 30% voting power by Mr. Jun LEI under the SFO.

Save as disclosed above, none of the Directors or chief executive and their associates, had interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations as at 30 June 2022.

## Share Option Schemes

### *2011 Share Option Scheme*

The Company operates the 2011 Share Option Scheme for the purpose of providing incentives and rewards to eligible participants. Eligible participants of the 2011 Share Option Scheme include the Company's Directors, excluding any independent non-executive Directors, and other employees of the Group. The 2011 Share Option Scheme became effective on 9 December 2011 and expired on 8 December 2021.

## OTHER INFORMATION (continued)

The following share options were outstanding under the 2011 Share Option Scheme during the six months ended 30 June 2022.

NAME OR CATEGORY OF PARTICIPANT	NUMBER OF SHARE OPTIONS					DATE OF GRANT OF SHARE OPTIONS	EXERCISE PRICE OF SHARE OPTIONS HK\$ PER SHARE
	AT 1 Jan 2022	GRANTED DURING THE PERIOD	EXERCISED DURING THE PERIOD	CANCELLED DURING THE PERIOD	AT 30 JUN 2022		
<b>Executive Director</b>							
Tao ZOU	2,529,800	—	—	—	2,529,800	21 April 2017	20.25
Yuk Keung NG*	600,000	—	—	—	600,000	23 November 2017	22.75
	3,129,800	—	—	—	3,129,800		

\* Mr. NG retired as an executive Director on 25 May 2022.

### 2021 Share Option Scheme

On 9 December 2021, the Company adopted the 2021 Share Option Scheme for the purpose of providing incentives and rewards to eligible participants, recruiting and retaining high-calibre employees and attracting valuable human resources in the anticipation of the expiration of the 2011 Share Option Scheme.

There was no share option granted during the financial period ended 30 June 2022.

### Seasun Holdings Share Option Scheme

On 27 June 2013, the shareholders of the Company and Seasun Holdings, approved and adopted the Seasun Holdings Share Option Scheme for the purpose of providing incentives and rewards to eligible participants, in which selected employees of Seasun Holdings, its subsidiaries or its invested entities are entitled to participate. The Seasun Holdings Share Option Scheme will remain in force for 10 years from 27 June 2013. The Seasun Holdings Share Option Scheme was amended on 26 December 2016 and refreshed on 24 May 2017.

More details regarding the share option schemes are set out in note 13 to the financial statements.

## Share Award Schemes

### Share Award Scheme

The Share Award Scheme was adopted by the Board on 31 March 2008 and amended on 5 July 2021. As approved by the Board from time to time, the term of the Share Award Scheme has been extended to 30 March 2027.

The purpose of the Share Award Scheme is to recognise the contributions by certain employees (including without limitation to employees who are also directors) of the Company and its subsidiaries or associates and to give incentives thereto in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

Pursuant to the terms of the Share Award Scheme, the Board may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each employee determined by the Board from time to time) select an employee for participation in the Share Award Scheme and determine the number of shares to be awarded. The Board shall not grant any award of shares which would result in the total number of shares which are the subject of awards granted by the Board under the Share Award Scheme (but not counting any which have lapsed or have been forfeited) representing in aggregate over 10% of the issued share capital of the Company as at the date of such grant.

## OTHER INFORMATION (continued)

### *Season Holdings Share Award Schemes*

On 21 March 2017, the shareholders and directors of Season Holdings approved and adopted the General Share Award Scheme, the Special Share Award Scheme (A) and the Special Share Award Scheme (B) in which selected employees of Season Holdings and its subsidiaries are entitled to participate. Unless early terminated by the directors of Season Holdings, the Season Holdings Share Award Schemes are valid and effective for a term of ten years commencing from 21 March 2017. The directors of Season Holdings are authorised to issue up to 50,832,211 shares, among which the total number of shares pursuant to the Special Share Award Scheme (A) shall be no greater than 3,138,889 and the total number of shares pursuant to the General Share Award Scheme and the Special Share Award Scheme (B) shall be no greater than 47,693,322, as at the date of such grant.

### *Kingsoft Office Share Award Schemes*

On 28 April 2022, the shareholders of Kingsoft Office approved and adopted the 2022 Kingsoft Office Share Award Scheme, and on 2 June 2021, the shareholders of Kingsoft Office approved and adopted the Kingsoft Office Share Award Scheme, for the purpose of providing incentives and rewards to eligible participants, in which selected employees of Kingsoft Office Group are entitled to participate.

### *Kingsoft Shiyou Holdings Share Award Schemes*

On 13 April 2022, the shareholders and directors of Kingsoft Shiyou Holdings approved and adopted the General Share Award Scheme and the Special Share Award Scheme in which selected employees of Kingsoft Shiyou Holdings and its subsidiaries are entitled to participate. Unless early terminated by the directors of Kingsoft Shiyou Holdings, the Kingsoft Shiyou Holdings Share Award Schemes are valid and effective for a term of ten years commencing from 13 April 2022. The directors of Kingsoft Shiyou Holdings are authorised to issue up to 50,000,000 shares pursuant to the General Share Award Scheme and the Special Share Award Scheme as at the date of such grant.

More details regarding the share award schemes are set out in note 13 to the financial statements.

## Substantial Shareholders

As at 30 June 2022, as far as the Directors are aware of, the following, other than the Directors or chief executive of the Company, had an interest in the shares or underlying shares in the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who were, directly or indirectly, interested in 5% or more of the issued capital of the Company:

### *Interest in the shares and underlying shares of the Company*

<b>Name of substantial shareholder</b>	<b>Capacity</b>	<b>Number of shares interested</b>	<b>% of issued share capital (Note 1)</b>	<b>Nature of Shares interested</b>
Color Link Management Limited (Note 2)	Beneficial owner	210,116,248	15.37	Long position
Tencent Holdings Limited (Note 3)	Interest of controlled corporation	106,784,515	7.81	Long position
Topclick Holdings Limited (Note 4)	Beneficial owner	100,000,000	7.32	Long position
Brown Brothers Harriman & Co.	Approved lending agent	85,718,759	6.27	Long position

## OTHER INFORMATION (continued)

Notes:

1. % of issued share capital was calculated on basis of the total number of issued shares of the Company as at 30 June 2022, which was 1,366,641,117.
2. Mr. Jun LEI is deemed to be interested in Color Link Management Limited's interests in the Company pursuant to Part XV of the SFO because Color Link Management Limited is wholly owned by Mr. Jun LEI.
3. These shares are held by TCH Saffron Limited, a wholly-owned subsidiary of Tencent Holdings Limited. As such, Tencent Holdings Limited, MIH TC Holdings Limited and Naspers Limited, its beneficial owners, are deemed to be interested in TCH Saffron Limited's interests in the Company pursuant to Part XV of the SFO.
4. These shares are held by Topclick Holdings Limited, a British Virgin Islands company wholly owned by Mr. Pak Kwan KAU. In addition, Mr. Jun LEI is also deemed to be interested in these shares under the SFO because under a voting consent agreement and its supplemental agreement entered into by Mr. Jun LEI and Mr. Pak Kwan KAU, Mr. Pak Kwan KAU would vote in the same way as Mr. Jun LEI with these shares.

Save as disclosed above, the Directors confirm that they are not aware of any other person who has beneficial interests or short positions in any of the shares or underlying shares in the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, directly or indirectly, be interested in 5% or more of the nominal value of the shares carrying the right to vote in all circumstances at general meetings of the Company.

### Employee and Remuneration Policies

As at 30 June 2022, the Group had 7,174 full-time employees (30 June 2021: 6,300), inclusive of all its staff in Chinese mainland and overseas offices, most of whom are based in Beijing, Zhuhai and Wuhan, the PRC. The number of employees employed by the Group varies from time to time depending on business needs. Employee remuneration is determined in accordance with prevailing industry practice and employees' educational backgrounds, experiences and performance. The remuneration policy and package of the Group's employees are periodically reviewed. Apart from pension funds, in-house training programs, discretionary bonuses, medical insurance and mandatory provident fund, share awards and share options may be granted to employees according to the assessment of individual performance.

The total remuneration cost incurred by the Group for the six months ended 30 June 2022 was RMB1,715.5 million (for the six months ended 30 June 2021: RMB1,358.1 million).

### Directors' Remuneration

Please refer to note 18 to the financial statements for details of the Directors' remuneration.

### Purchase, Sale and Redemption of the Company's Listed Securities

In March 2022, the Company repurchased 2,030,000 of its own ordinary shares on the Stock Exchange at a price range from HK\$23.8 to HK\$24.8. In April 2022, the Company repurchased 1,258,200 of its ordinary shares on the Stock Exchange at a price range from HK\$22.25 to HK\$23.25. During the six months ended 30 June 2022, the Company repurchased a total of 3,288,200 of its own ordinary shares on the Stock Exchange at a total cost of approximately HK\$77.93 million. The Company considered that it is in the best interest of the shareholders to return some surplus funds to them which will in turn enhance shareholders' value.

## OTHER INFORMATION (continued)

### Convertible Bonds and Adjustment to the Conversion Price

The Company completed the issue of the 2020 Convertible Bonds in the principal amount of HK\$3,100,000,000 on 29 April 2020. Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each 2020 Convertible Bonds at 105.85% of its principal amount together with accrued and unpaid interest thereon on 29 April 2025. The net proceeds from the subscription of the 2020 Convertible Bonds, after deduction of commissions and other related expenses, were approximately HK\$3,033.94 million. Assuming full conversion of the 2020 Convertible Bonds at the initial conversion price of HK\$35.7637 per share and no further issue of shares, the 2020 Convertible Bonds will be convertible into approximately 86,680,069 shares of the Company. The net proceeds of approximately HK\$3,033.94 million represent a net issue price of approximately HK\$35.0016 per conversion share based on the initial conversion price of HK\$35.7637 per conversion share.

The initial conversion price for each conversion share was HK\$35.7637, which represented (i) a premium of approximately 27.5% over the last closing price of HK\$28.05 per share as quoted on the Stock Exchange on 23 April 2020, being the trading day on which the subscription agreement was signed; (ii) a premium of approximately 30.2% over the average closing price of approximately HK\$27.46 per share as quoted on the Stock Exchange for the five consecutive trading days up to and including 23 April 2020; and (iii) a premium of approximately 36.6% over the average closing price of approximately HK\$26.19 per share as quoted on the Stock Exchange for the ten consecutive trading days up to and including 23 April 2020. The 2020 Convertible Bonds were offered and sold to no less than six independent places (who were independent individual, corporate and/or institutional investors). The 2020 Convertible Bonds have been listed on the Stock Exchange since 4 May 2020. The interest rate is 0.625% per annum of the principal amount of the 2020 Convertible Bonds, payable semi-annually in arrear in equal instalments of HK\$3,125 per calculation amount (i.e. interest in respect of any 2020 Convertible Bonds shall be calculated per HK\$1,000,000 in principal amount of the 2020 Convertible Bonds) on 29 April and 29 October in each year. The Company intended to use the net proceeds from the subscription primarily for general corporate purposes, for strategic investments and acquisitions, if appropriate, and to supplement working capital, which is in accordance with the proposed uses as disclosed in the announcement of the Company dated 24 April 2020. The Directors are of the view that the issue of the 2020 Convertible Bonds can provide the Company with additional funds at lower funding cost for the said purposes.

In accordance with the terms and conditions of the 2020 Convertible Bonds, the aggregate payment of the special dividend in relation to the spin-off and separate listing of Kingsoft Cloud, the 2019 final dividend and the 2020 final dividend resulted in an adjustment (the “**Adjustment**”) to the conversion price of the 2020 Convertible Bonds. The Adjustment became effective on 8 June 2021, being the day after the record date in respect of the 2020 final dividend. Following the Adjustment, the conversion price of the 2020 Convertible Bonds was adjusted to HK\$35.32 per share. Assuming full conversion of the 2020 Convertible Bonds at the adjusted conversion price of HK\$35.32 per share and no further issue of shares, the 2020 Convertible Bonds will be convertible into approximately 87,768,969 shares of the Company. The net proceeds of approximately HK\$3,033.94 million represent a net issue price of approximately HK\$34.5673 per conversion share based on the adjusted conversion price of HK\$35.32 per conversion share.

The actual use of the net proceeds raised from the issue of the 2020 Convertible Bonds as at 30 June 2022 and the expected timeline for use of unutilized proceeds is set out as follows:

<b>PROPOSED USE OF PROCEEDS</b>	<b>ACTUAL USE OF PROCEEDS AS AT 30 JUNE 2022 (HK\$ MILLION)</b>	<b>UNUTILIZED PROCEEDS (HK\$ MILLION)</b>	<b>EXPECTED TIMELINE FOR USE OF UNUTILIZED PROCEEDS</b>
Strategic investments and acquisitions	154.81	2,245.18	By 2023
General corporate purposes	535.56	98.39	By 2025

## OTHER INFORMATION (continued)

As at 30 June 2022, no 2020 Convertible Bonds had been converted into new shares of the Company, and the outstanding 2020 Convertible Bonds at an aggregate principal amount of HK\$3,100,000,000 are convertible into 87,768,969 shares upon full conversion. The following table summarizes the potential effects on the shareholding structure of the Company as a result of the full conversion of the 2020 Convertible Bonds, on the assumptions that there will be no other change to the share capital of the Company from 30 June 2022 to the date of full conversion of the 2020 Convertible Bonds, save for the conversion of the 2020 Convertible Bonds:

Name of Shareholders	As at 30 June 2022		Assuming the 2020 Convertible Bonds are fully converted at the adjusted conversion price of HK\$35.32 per share	
	Number of Shares	% of total issued Shares	Number of Shares	% of the enlarged issued Shares
Mr. Jun LEI (Note 1)	210,116,248	15.37	210,116,248	14.45
Mr. Pak Kwan KAU (Note 2)	100,000,000	7.32	100,000,000	6.88
Mr. Tao ZOU (Note 3)	4,411,707	0.32	4,411,707	0.30
Tencent Holdings Limited (Note 4)	106,784,515	7.81	106,784,515	7.34
Holders of the 2020 Convertible Bonds (Note 5)	0	0.00	87,768,969	6.03
Other public shareholders	945,328,647	69.17	945,328,647	65.00
<b>Total Issued Shares (Note 6)</b>	<b>1,366,641,117</b>	<b>100.00</b>	<b>1,454,410,086</b>	<b>100.00</b>

- As at 30 June 2022, among these 210,116,248 shares, (i) 174,818,191 shares are held by Color Link Management Limited, a British Virgin Islands company owned as to 100% by Mr. Jun LEI; and (ii) 35,298,057 shares are held by a wholly-owned subsidiary of Xiaomi Corporation, a company controlled by Mr. Jun LEI under the SFO. In addition, pursuant to Part XV of the SFO, Mr. Jun LEI is deemed to be interested in Mr. Pak Kwan KAU's interests of 100,000,000 shares (see Note 2 below) pursuant to a voting consent agreement and its supplemental agreement entered into between Mr. Jun LEI and Mr. Pak Kwan KAU whereby Mr. Pak Kwan KAU would vote in the same way as Mr. Jun LEI with these shares.
- These shares are held by Topclick Holdings Limited, a British Virgin Islands company wholly owned by Mr. Pak Kwan KAU. In addition, Mr. Jun LEI is also deemed to be interested in these 100,000,000 shares under the SFO because under a voting consent agreement and its supplemental agreement entered into by Mr. Jun LEI and Mr. Pak Kwan KAU, Mr. Pak Kwan KAU would vote in the same way as Mr. Jun LEI with these shares.
- Mr. Tao ZOU is a Director of the Company.
- These shares are held by TCH Saffron Limited, a wholly-owned subsidiary of Tencent Holdings Limited. As such, Tencent Holdings Limited is deemed to be interested in TCH Saffron Limited's interests in the Company pursuant to Part XV of the SFO.
- Assuming that the holders of the 2020 Convertible Bonds do not hold any shares of the Company as at 30 June 2022.
- Any discrepancies between total and sum of percentage listed therein are due to rounding.

The Group had a strong cash position towards the end of reporting period. As at 30 June 2022, the Group had major financial resources in the forms of cash and bank deposits and restricted cash amounting to RMB14,204.6 million and RMB2.5 million, respectively, which together represented 38% of the Group's total assets. As at 30 June 2022, the Group's gearing ratio, representing total liabilities divided by total assets, was 21%, which kept flat with that of 31 December 2021. As the reasons discussed above, even though the holders hold the 2020 Convertible Bonds to maturity, the Company is fully capable of redeeming in cash.

References are made to the announcements of the Company dated 24 April 2020 and 29 April 2020 for principal terms of the 2020 Convertible Bonds. For details of the adjustment to the conversion price of the 2020 Convertible Bonds, please refer to the announcement of the Company dated 26 May 2021.

Details of dilutive effect on the basic earnings per share as at 30 June 2022 are set out in note 8 to the financial statements.

## OTHER INFORMATION (continued)

### Review by Audit Committee

The Audit Committee of the Company has been established since year 2007 with responsibility of assisting the Board in providing an independent review of the financial statements and internal control system. It acts in accordance with its terms of reference which clearly defines its membership, authority, duties and frequency of meetings. It meets regularly with our management, external auditor and internal audit personnel to discuss accounting principles and practices adopted by the Group and internal control and financial reporting matters. The Audit Committee is comprised of three independent non-executive Directors, namely Ms. Wenjie WU (chairman), Mr. Shun Tak WONG and Mr. David Yuen Kwan TANG.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Audit Committee, together with our external auditors has reviewed the Group's unaudited interim financial information for the six months ended 30 June 2022.

### Compliance with Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry to all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code throughout the six months ended 30 June 2022.

### Corporate Governance Code

The Directors, having reviewed the corporate governance practices of the Company, confirm that the Company has complied with all the applicable code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules except for the code provisions C.1.6 and D.1.2 of the CG Code.

The code provision C.1.6 of the CG Code is regarding the attendance of independent non-executive directors and other non-executive directors at general meetings. Non-executive Director Mr. Chi Ping LAU did not attend the annual general meeting of the Company held on 25 May 2022 due to pre-arranged engagements. The code provision D.1.2 of the CG Code requires management to provide all members of the board with monthly updates on the issuer's business. The management of the Company currently reports to the Board quarterly on the Group's performance, position and prospects. The Board believes that with the executive Directors overseeing the daily operation of the Group and the effective communication among the executive Directors, the management and the non-executive Directors (including the independent non-executive Directors) on the Group's affairs, the current practice is sufficient enough for the members of the Board to discharge their duties. The Board will continue to review this practice and shall make necessary changes when appropriate and report to the shareholders accordingly.

### Appreciation

On behalf of the Board, I would like to express our sincere thanks to our shareholders and investors for their continuous support and confidence in us. I would like to thank our employees for their hard work and valuable contributions which are the core elements of the Company's success.

By Order of the Board  
**Kingsoft Corporation Limited**

**Jun Lei**  
*Chairman*

Hong Kong, 23 August 2022

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	NOTES	FOR THE THREE MONTHS ENDED 30 JUNE		FOR THE SIX MONTHS ENDED 30 JUNE	
		2022 RMB'000 (UNAUDITED)	2021 RMB'000 (UNAUDITED)	2022 RMB'000 (UNAUDITED)	2021 RMB'000 (UNAUDITED)
<b>REVENUE</b>	4	<b>1,834,152</b>	1,479,526	<b>3,687,167</b>	3,039,133
Cost of revenue		<b>(366,497)</b>	(271,659)	<b>(717,181)</b>	(515,401)
Gross profit		<b>1,467,655</b>	1,207,867	<b>2,969,986</b>	2,523,732
Research and development costs		<b>(642,273)</b>	(531,911)	<b>(1,250,532)</b>	(1,022,913)
Selling and distribution expenses		<b>(282,967)</b>	(310,073)	<b>(552,033)</b>	(514,600)
Administrative expenses		<b>(153,134)</b>	(133,330)	<b>(300,379)</b>	(280,948)
Share-based compensation costs		<b>(62,823)</b>	(40,664)	<b>(137,027)</b>	(72,394)
Other income	4	<b>98,453</b>	65,856	<b>198,133</b>	156,582
Other expenses		<b>(6,183)</b>	(27,921)	<b>(9,969)</b>	(47,574)
Operating profit		<b>418,728</b>	229,824	<b>918,179</b>	741,885
Other gains, net	5	<b>5,769</b>	47,793	<b>28,796</b>	80,785
Finance income		<b>109,381</b>	102,719	<b>224,402</b>	192,749
Finance costs		<b>(38,592)</b>	(36,013)	<b>(75,589)</b>	(71,171)
Share of profits and losses of:					
Joint ventures		<b>469</b>	(6,737)	<b>(2,573)</b>	(15,837)
Associates		<b>(417,707)</b>	(210,777)	<b>(692,357)</b>	(435,697)
<b>PROFIT BEFORE TAX</b>	6	<b>78,048</b>	126,809	<b>400,858</b>	492,714
Income tax credit/(expense)	7	<b>(28,883)</b>	25,971	<b>(62,619)</b>	(40,160)
<b>PROFIT FOR THE PERIOD</b>		<b>49,165</b>	152,780	<b>338,239</b>	452,554
Attributable to:					
Owners of the parent		<b>(139,412)</b>	48,664	<b>(40,026)</b>	165,236
Non-controlling interests		<b>188,577</b>	104,116	<b>378,265</b>	287,318
		<b>49,165</b>	152,780	<b>338,239</b>	452,554
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	8				
Basic		<b>RMB(0.10)</b>	RMBO.04	<b>RMB(0.03)</b>	RMBO.12
Diluted		<b>RMB(0.11)</b>	RMBO.03	<b>RMB(0.05)</b>	RMBO.12

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	FOR THE THREE MONTHS ENDED 30 JUNE		FOR THE SIX MONTHS ENDED 30 JUNE	
	2022 RMB'000 (UNAUDITED)	2021 RMB'000 (UNAUDITED)	2022 RMB'000 (UNAUDITED)	2021 RMB'000 (UNAUDITED)
<b>PROFIT FOR THE PERIOD</b>	<b>49,165</b>	152,780	<b>338,239</b>	452,554
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>				
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:				
Exchange differences:				
Exchange differences on translation into presentation currency	<b>(192,165)</b>	64,482	<b>(164,480)</b>	36,007
Reclassification adjustments for disposal of a subsidiary	<b>373</b>	—	<b>373</b>	—
Reclassification adjustments for deemed disposal of associates	<b>(932)</b>	501	<b>(398)</b>	1,188
Share of other comprehensive income/(loss) of associates	<b>229,681</b>	(87,692)	<b>220,013</b>	(45,203)
<b>Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods</b>	<b>36,957</b>	(22,709)	<b>55,508</b>	(8,008)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:				
Exchange differences:				
Exchange differences of the Company on translation into presentation currency	<b>272,813</b>	(87,346)	<b>231,639</b>	(63,492)
Share of other comprehensive income of an associate	<b>8,792</b>	3,233	<b>8,792</b>	24,290
<b>Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods</b>	<b>281,605</b>	(84,113)	<b>240,431</b>	(39,202)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX</b>	<b>318,562</b>	(106,822)	<b>295,939</b>	(47,210)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>367,727</b>	45,958	<b>634,178</b>	405,344
<b>Attributable to:</b>				
Owners of the parent	<b>160,713</b>	(54,311)	<b>240,210</b>	121,250
Non-controlling interests	<b>207,014</b>	100,269	<b>393,968</b>	284,094
	<b>367,727</b>	45,958	<b>634,178</b>	405,344

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

		<b>30 JUNE 2022 RMB'000 (UNAUDITED)</b>	<b>31 DECEMBER 2021 RMB'000 (AUDITED)</b>
	<b>NOTES</b>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,316,665</b>	1,258,503
Investment properties		<b>196,263</b>	157,111
Right-of-use assets		<b>499,678</b>	488,728
Goodwill		<b>185,564</b>	185,564
Other intangible assets		<b>112,298</b>	121,859
Investments in joint ventures		<b>148,548</b>	146,121
Investments in associates		<b>11,919,101</b>	12,130,558
Equity investment designated at fair value through other comprehensive income		<b>8,418</b>	8,418
Financial assets at fair value through profit or loss		<b>227,320</b>	226,969
Deferred tax assets		<b>120,838</b>	124,674
Other non-current assets		<b>60,701</b>	35,098
Total non-current assets		<b>14,795,394</b>	14,883,603
<b>CURRENT ASSETS</b>			
Inventories		<b>27,357</b>	18,577
Trade receivables	9	<b>835,962</b>	839,268
Prepayments, other receivables and other assets		<b>1,839,823</b>	1,691,939
Financial assets at fair value through profit or loss		<b>5,213,403</b>	2,902,205
Restricted cash	10	<b>2,502</b>	9,382
Cash and bank deposits	10	<b>14,204,579</b>	16,190,138
Total current assets		<b>22,123,626</b>	21,651,509
<b>CURRENT LIABILITIES</b>			
Trade payables	11	<b>512,300</b>	423,400
Other payables and accruals		<b>1,066,303</b>	1,426,585
Lease liabilities		<b>74,923</b>	50,804
Contract liabilities		<b>2,156,121</b>	2,003,324
Income tax payable		<b>162,496</b>	192,071
Total current liabilities		<b>3,972,143</b>	4,096,184
<b>NET CURRENT ASSETS</b>		<b>18,151,483</b>	17,555,325
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>32,946,877</b>	32,438,928

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2022

		<b>30 JUNE 2022 RMB'000 (UNAUDITED)</b>	<b>31 DECEMBER 2021 RMB'000 (AUDITED)</b>
	<b>NOTES</b>		
<b>NON-CURRENT LIABILITIES</b>			
Contract liabilities		<b>203,827</b>	143,807
Deferred tax liabilities		<b>963,021</b>	1,029,633
Lease liabilities		<b>134,321</b>	154,455
Liability component of convertible bonds	14	<b>2,414,675</b>	2,248,587
Other non-current liabilities		<b>65,654</b>	63,830
Derivative financial instrument		<b>6,426</b>	6,426
Total non-current liabilities		<b>3,787,924</b>	3,646,738
<b>NET ASSETS</b>		<b>29,158,953</b>	28,792,190
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	12	<b>5,297</b>	5,308
Share premium account	12	<b>2,285,148</b>	2,490,650
Treasury shares	12	<b>(11,832)</b>	(15,259)
Equity component of convertible bonds	14	<b>468,700</b>	468,700
Other reserves		<b>22,172,148</b>	21,834,670
		<b>24,919,461</b>	24,784,069
<b>Non-controlling interests</b>		<b>4,239,492</b>	4,008,121
<b>TOTAL EQUITY</b>		<b>29,158,953</b>	28,792,190

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	ATTRIBUTABLE TO OWNERS OF THE PARENT												TOTAL EQUITY RMB'000 (UNAUDITED)
	ISSUED CAPITAL RMB'000 (UNAUDITED)	SHARE PREMIUM ACCOUNT RMB'000 (UNAUDITED)	TREASURY SHARES RMB'000 (UNAUDITED)	EQUITY COMPONENT OF CONVERTIBLE BONDS RMB'000 (UNAUDITED)	STATUTORY RESERVES RMB'000 (UNAUDITED)	SHARE-BASED COMPENSATION RESERVE RMB'000 (UNAUDITED)	OTHER CAPITAL RESERVE RMB'000 (UNAUDITED)	FAIR VALUE RESERVE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME RMB'000 (UNAUDITED)	FOREIGN CURRENCY TRANSLATION RESERVE RMB'000 (UNAUDITED)	RETAINED PROFITS RMB'000 (UNAUDITED)	TOTAL RMB'000 (UNAUDITED)	NON- CONTROLLING INTERESTS RMB'000 (UNAUDITED)	
<b>At 1 January 2022</b>	5,308	2,490,650	(15,259)	468,700	634,314 <sup>#</sup>	637,036 <sup>#</sup>	3,828,458 <sup>#</sup>	29,937 <sup>#</sup>	(223,329) <sup>#</sup>	16,928,254 <sup>#</sup>	24,784,069	4,008,121	28,792,190
Profit/(loss) for the period	—	—	—	—	—	—	—	—	—	(40,026)	(40,026)	378,265	338,239
Other comprehensive income/(loss) for the period:													
Exchange differences on translation into presentation currency	—	—	—	—	—	—	—	—	51,562	—	51,562	15,597	67,159
Reclassification adjustments for disposal of a subsidiary	—	—	—	—	—	—	—	—	267	—	267	106	373
Reclassification adjustments for deemed disposal of associates	—	—	—	—	—	—	—	—	(398)	—	(398)	—	(398)
Share of other comprehensive income of associates	—	—	—	—	—	—	—	8,792	220,013	—	228,805	—	228,805
Total comprehensive income/(loss) for the period	—	—	—	—	—	—	—	8,792	271,444	(40,026)	240,210	393,968	634,178
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(230,554)	(230,554)
Final 2021 dividend declared (note 15)	—	(139,925)	—	—	—	—	—	—	—	—	(139,925)	—	(139,925)
Share-based compensation costs (note 13)	—	—	—	—	—	89,260	—	—	—	—	89,260	49,758	139,018
Vesting and settlement of share-based awards	—	6,084	1,087	—	—	(7,171)	—	—	—	—	—	—	—
Exercise and vesting of share-based awards issued by subsidiaries	—	—	—	—	—	(1,117)	(326)	—	—	—	(1,443)	(572)	(2,015)
Share purchased for share award scheme (note 12)	—	—	(5,029)	—	—	—	—	—	—	—	(5,029)	—	(5,029)
Shares repurchased and cancelled (note 12)	(11)	(71,661)	7,369	—	—	—	—	—	—	—	(64,303)	—	(64,303)
Share of reserves of an associate	—	—	—	—	—	—	(1,986)	—	—	—	(1,986)	—	(1,986)
Changes in the ownership interests in subsidiaries	—	—	—	—	—	—	18,608	—	—	—	18,608	31,392	50,000
Partial disposal of a subsidiary (note 16)	—	—	—	—	(6,000)	—	—	—	—	6,000	—	(12,621)	(12,621)
<b>At 30 June 2022</b>	5,297	2,285,148	(11,832)	468,700	628,314 <sup>#</sup>	718,008 <sup>#</sup>	3,844,754 <sup>#</sup>	38,729 <sup>#</sup>	48,115 <sup>#</sup>	16,894,228 <sup>#</sup>	24,919,461	4,239,492	29,158,953

# These reserve accounts comprise the consolidated other reserves of RMB22,172,148,000 (2021: RMB21,834,670,000) in the interim condensed consolidated statement of financial position.

	ATTRIBUTABLE TO OWNERS OF THE PARENT												TOTAL EQUITY RMB'000 (UNAUDITED)
	ISSUED CAPITAL RMB'000 (UNAUDITED)	SHARE PREMIUM ACCOUNT RMB'000 (UNAUDITED)	TREASURY SHARES RMB'000 (UNAUDITED)	EQUITY COMPONENT OF CONVERTIBLE BONDS RMB'000 (UNAUDITED)	STATUTORY RESERVES RMB'000 (UNAUDITED)	SHARE-BASED COMPENSATION RESERVE RMB'000 (UNAUDITED)	OTHER CAPITAL RESERVE RMB'000 (UNAUDITED)	FAIR VALUE RESERVE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME RMB'000 (UNAUDITED)	FOREIGN CURRENCY TRANSLATION RESERVE RMB'000 (UNAUDITED)	RETAINED PROFITS RMB'000 (UNAUDITED)	TOTAL RMB'000 (UNAUDITED)	NON- CONTROLLING INTERESTS RMB'000 (UNAUDITED)	
<b>At 1 January 2021</b>	5,316	2,762,242	(11,181)	468,700	443,939	543,532	3,842,751	(8,332)	(105,705)	16,723,297	24,664,559	3,563,351	28,227,910
Profit for the period	—	—	—	—	—	—	—	—	—	165,236	165,236	287,318	452,554
Other comprehensive income/(loss) for the period:													
Exchange differences on translation into presentation currency	—	—	—	—	—	—	—	—	(24,261)	—	(24,261)	(3,224)	(27,485)
Reclassification adjustments for deemed disposal of associates	—	—	—	—	—	—	—	—	1,188	—	1,188	—	1,188
Share of other comprehensive income/(loss) of associates	—	—	—	—	—	—	—	24,290	(45,203)	—	(20,913)	—	(20,913)
Total comprehensive income/(loss) for the period	—	—	—	—	—	—	—	24,290	(68,276)	165,236	121,250	284,094	405,344
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(207,867)	(207,867)
Final 2020 dividend declared	—	(227,736)	—	—	—	—	—	—	—	—	(227,736)	—	(227,736)
Share-based compensation costs (note 13)	—	—	—	—	—	46,899	—	—	—	—	46,899	26,244	73,143
Vesting and settlement of share-based awards	—	6,187	1,090	—	—	(7,277)	—	—	—	—	—	—	—
Exercise and vesting of share-based awards issued by subsidiaries	—	—	—	—	—	(1,102)	(3,159)	—	—	—	(4,261)	(1,688)	(5,949)
Share of reserves of associates	—	—	—	—	—	—	782	—	—	—	782	—	782
Changes in the ownership interests in subsidiaries	—	—	—	—	—	—	651	—	—	—	651	(651)	—
<b>At 30 June 2021</b>	5,316	2,540,693	(10,091)	468,700	443,939	582,052	3,841,025	15,958	(173,981)	16,888,533	24,602,144	3,663,483	28,265,627

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	NOTES	FOR THE SIX MONTHS ENDED 30 JUNE	
		2022 RMB'000 (UNAUDITED)	2021 RMB'000 (UNAUDITED)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>400,858</b>	492,714
Adjustments for:			
Loss/(gain) on disposal of property, plant and equipment		<b>9</b>	(94)
Depreciation of property, plant and equipment	6	<b>72,649</b>	59,362
Depreciation of investment properties	6	<b>4,858</b>	766
Depreciation of right-of-use assets	6	<b>37,993</b>	28,237
Amortisation of other intangible assets	6	<b>17,203</b>	15,839
Finance costs	6	<b>75,589</b>	71,171
Finance income		<b>(224,402)</b>	(192,749)
Fair value gains on financial instruments at fair value through profit or loss, net	5	<b>(47,794)</b>	(77,974)
Share-based compensation costs		<b>137,027</b>	72,394
Impairment of trade and other receivables	6	<b>8,895</b>	45,426
Share of losses of joint ventures		<b>2,573</b>	15,837
Share of losses of associates		<b>692,357</b>	435,697
Foreign exchange differences, net	5	<b>15,649</b>	(14,305)
Gain on disposal of a subsidiary	5	<b>(19,541)</b>	—
Loss on partial disposal of a subsidiary	5	<b>126</b>	—
Gain on deemed disposal of a joint venture	5	<b>—</b>	(3,033)
Loss on deemed disposal of associates	5	<b>22,764</b>	10,488
Compensation to a shareholder of a joint venture	5	<b>—</b>	4,039
		<b>1,196,813</b>	963,815
(Increase)/decrease in trade receivables		<b>(3,853)</b>	9,527
Decrease/(increase) in prepayments, other receivables and other assets		<b>16,146</b>	(6,516)
Increase in other non-current assets		<b>(23,075)</b>	(4,724)
(Increase)/decrease in inventories		<b>(9,085)</b>	180
Increase in trade payables		<b>82,782</b>	44,635
Increase in contract liabilities		<b>213,247</b>	139,411
Decrease in other payables and accruals		<b>(313,167)</b>	(119,602)
Cash generated from operations		<b>1,159,808</b>	1,026,726
Interest received		<b>48,603</b>	59,937
Income tax paid		<b>(154,970)</b>	(217,682)
Net cash flows from operating activities		<b>1,053,441</b>	868,981

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2022

	NOTES	FOR THE SIX MONTHS ENDED 30 JUNE	
		2022 RMB'000 (UNAUDITED)	2021 RMB'000 (UNAUDITED)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		<b>121,002</b>	98,022
Purchases of property, plant and equipment		<b>(190,053)</b>	(114,078)
Purchases of other intangible assets		<b>(7,024)</b>	(6,742)
Decrease/(increase) in time deposits with original maturity of over three months when acquired		<b>2,225,154</b>	(885,790)
Investments in joint ventures		<b>(1,000)</b>	(14,200)
Investments in associates		<b>(266,880)</b>	—
(Purchases)/redemption of financial assets at fair value through profit or loss		<b>(2,313,227)</b>	772,542
Disposal of property, plant and equipment		<b>150</b>	378
(Increase)/decrease in other loans		<b>(35,271)</b>	899
Dividends received from associates		<b>27,045</b>	13,000
Disposal of a subsidiary	16	<b>10,044</b>	—
Partial disposal of a subsidiary	16	<b>(26,842)</b>	—
Advance from disposal of an associate		<b>—</b>	27,000
Net cash flows used in investing activities		<b>(456,902)</b>	(108,969)

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2022

	NOTES	FOR THE SIX MONTHS ENDED 30 JUNE	
		2022 RMB'000 (UNAUDITED)	2021 RMB'000 (UNAUDITED)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Changes in the ownership interests in subsidiaries		50,000	—
Repurchase of shares		(69,332)	—
Proceeds from exercise of share options		9,871	—
Cash settlement of share options issued by a subsidiary		(2,015)	(5,949)
Decrease in restricted cash		—	9,699
Principal portion of lease payments		(40,476)	(2,277)
Dividends paid	15	(139,925)	(227,736)
Dividends paid to non-controlling interests		(295,156)	(172,604)
Interest paid		(12,462)	(13,647)
Net cash flows used in financing activities		(499,495)	(412,514)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of the period		4,553,428	4,455,271
Effect of foreign exchange rate changes, net		64,048	(10,938)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>			
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	10	2,534,208	2,569,190
Deposits with original maturity of less than three months when acquired	10	2,180,312	2,222,641
<b>CASH AND CASH EQUIVALENTS AS STATED IN THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS</b>			
		4,714,520	4,791,831

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

## 1. CORPORATE INFORMATION

Kingsoft Corporation Limited (the “Company”) was incorporated under the Companies Act of the British Virgin Islands on 20 March 1998. On 15 November 2005, the Company was redomiciled to the Cayman Islands under the Company Law (2004 revision) of the Cayman Islands. The registered office of the Company is located at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The Company’s shares have been listed on the Stock Exchange of Hong Kong Limited since 9 October 2007.

The principal place of business of the Company is located at Building D, Xiaomi Campus, No. 33 Xierqi Middle Road, Haidian District, Beijing, the People’s Republic of China (“PRC”).

During the six months ended 30 June 2022, the Company and its subsidiaries (together, the “Group”) were involved in the following principal activities:

- design, research and development and sales and marketing of office software products and services of WPS Office; and
- research and development of games, and provision of PC games and mobile games services.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### 2.1. 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 the International Accounting Standards Board.

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 consolidated financial statements for the year ended 31 December 2021. The interim condensed consolidated statement of profit or loss for the three months ended 30 June 2022 and 2021 included in page 21 of the interim financial information is only for reference.

### 2.2. Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendment to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRSs 2018–2020</i>	Amendments to IFRS 1, IFRS 9 and IAS 41

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2022

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2. Changes in accounting policies and disclosures (continued)

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to IFRSs 2018–2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:
  - IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
  - IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2022

## 3. OPERATING SEGMENTS

For management purposes, the Group is organised into business units based on their products and services, and has two reportable operating segments as follows:

- (a) the office software and services segment engages in the design, research and development, and sales and marketing of the office software products and services of WPS Office; and
- (b) the entertainment software and others segment engages in the research and development of games, and the provision of PC games and mobile games services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that net other gains, finance income, non-lease related finance costs as well as share of profits and losses of joint ventures and associates are excluded from such measurement.

	<b>OFFICE SOFTWARE AND SERVICES RMB'000 (UNAUDITED)</b>	<b>ENTERTAINMENT SOFTWARE AND OTHERS RMB'000 (UNAUDITED)</b>	<b>TOTAL RMB'000 (UNAUDITED)</b>
<b>For the six months ended 30 June 2022</b>			
<b>Segment revenue</b>			
Sales	<b>1,795,694</b>	<b>1,891,473</b>	<b>3,687,167</b>
<b>Segment results</b>	<b>406,250</b>	<b>507,355</b>	<b>913,605</b>
<i>Reconciliation:</i>			
Other gains, net			<b>28,796</b>
Finance income			<b>224,402</b>
Finance costs (other than interest on lease liabilities)			<b>(71,015)</b>
Share of losses of:			
Joint ventures			<b>(2,573)</b>
Associates			<b>(692,357)</b>
Profit before tax			<b>400,858</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2022

## 3. OPERATING SEGMENTS (continued)

	OFFICE SOFTWARE AND SERVICES RMB'000 (UNAUDITED)	ENTERTAINMENT SOFTWARE AND OTHERS RMB'000 (UNAUDITED)	TOTAL RMB'000 (UNAUDITED)
<b>For the six months ended 30 June 2021</b>			
<b>Segment revenue</b>			
Sales	1,557,210	1,481,923	3,039,133
<b>Segment results</b>			
	499,518	236,842	736,360
<i>Reconciliation:</i>			
Other gains, net			80,785
Finance income			192,749
Finance costs (other than interest on lease liabilities)			(65,646)
Share of losses of:			
Joint ventures			(15,837)
Associates			(435,697)
Profit before tax			492,714

### Geographical information

(a) Revenue from external customers:

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2022 RMB'000 (UNAUDITED)	2021 RMB'000 (UNAUDITED)
Chinese mainland	3,477,966	2,874,043
Hong Kong	187,946	144,996
Other countries and regions	21,255	20,094
Total	3,687,167	3,039,133

The revenue information above is based on the locations of the Group's operations.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2022

### 3. OPERATING SEGMENTS (continued)

#### Geographical information (continued)

(b) *Non-current assets:*

	<b>30 JUNE 2022 RMB'000 (UNAUDITED)</b>	<b>31 DECEMBER 2021 RMB'000 (AUDITED)</b>
China	<b>2,356,749</b>	2,236,312
Other countries and regions	<b>2,988</b>	3,266
<b>Total</b>	<b>2,359,737</b>	2,239,578

The non-current asset information above is based on the locations of the assets and excludes financial instruments, deferred tax assets and investments in associates and joint ventures.

### 4. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	<b>FOR THE SIX MONTHS ENDED 30 JUNE</b>	
	<b>2022 RMB'000 (UNAUDITED)</b>	<b>2021 RMB'000 (UNAUDITED)</b>
<i>Revenue from contracts with customers</i>	<b>3,670,806</b>	3,025,259
<i>Revenue from other sources</i>		
Gross rental income from investment property operating leases:		
Lease payments, including fixed payments	<b>16,361</b>	13,874
	<b>3,687,167</b>	3,039,133

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2022

## 4. REVENUE AND OTHER INCOME (continued)

Disaggregated revenue information

For the six months ended 30 June 2022

SEGMENTS	OFFICE SOFTWARE AND SERVICES RMB'000 (UNAUDITED)	ENTERTAINMENT SOFTWARE AND OTHERS RMB'000 (UNAUDITED)	TOTAL RMB'000 (UNAUDITED)
<b>Types of goods or services</b>			
Sales and subscription of software and related services	1,715,271	—	1,715,271
Game services	—	1,616,131	1,616,131
Royalties	—	216,313	216,313
Online marketing services	80,094	—	80,094
Others	—	42,997	42,997
Total revenue from contracts with customers	<b>1,795,365</b>	<b>1,875,441</b>	<b>3,670,806</b>
<b>Geographical markets</b>			
Chinese mainland	1,737,840	1,723,765	3,461,605
Hong Kong	36,720	151,226	187,946
Other countries	20,805	450	21,255
Total revenue from contracts with customers	<b>1,795,365</b>	<b>1,875,441</b>	<b>3,670,806</b>
<b>Timing of revenue recognition</b>			
Goods or services transferred at a point in time	724,920	60,360	785,280
Services transferred over time	1,070,445	1,815,081	2,885,526
Total revenue from contracts with customers	<b>1,795,365</b>	<b>1,875,441</b>	<b>3,670,806</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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## 4. REVENUE AND OTHER INCOME (continued)

Disaggregated revenue information (continued)

For the six months ended 30 June 2021

SEGMENTS	OFFICE SOFTWARE AND SERVICES RMB'000 (UNAUDITED)	ENTERTAINMENT SOFTWARE AND OTHERS RMB'000 (UNAUDITED)	TOTAL RMB'000 (UNAUDITED)
<b>Types of goods or services</b>			
Sales and subscription of software and related services	1,372,124	—	1,372,124
Game services	—	1,177,979	1,177,979
Royalties	—	243,735	243,735
Online marketing services	184,824	—	184,824
Others	—	46,597	46,597
<b>Total revenue from contracts with customers</b>	<b>1,556,948</b>	<b>1,468,311</b>	<b>3,025,259</b>
<b>Geographical markets</b>			
Chinese mainland	1,506,896	1,353,273	2,860,169
Hong Kong	34,610	110,386	144,996
Other countries	15,442	4,652	20,094
<b>Total revenue from contracts with customers</b>	<b>1,556,948</b>	<b>1,468,311</b>	<b>3,025,259</b>
<b>Timing of revenue recognition</b>			
Goods or services transferred at a point in time	679,603	58,983	738,586
Services transferred over time	877,345	1,409,328	2,286,673
<b>Total revenue from contracts with customers</b>	<b>1,556,948</b>	<b>1,468,311</b>	<b>3,025,259</b>

### Other income

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2022 RMB'000 (UNAUDITED)	2021 RMB'000 (UNAUDITED)
Government grants*	<b>188,843</b>	150,859
Others	<b>9,290</b>	5,723
<b>Total</b>	<b>198,133</b>	156,582

\* There are no unfulfilled conditions or contingencies relating to these government grants.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2022

## 5. OTHER GAINS, NET

	NOTES	FOR THE SIX MONTHS ENDED 30 JUNE	
		2022 RMB'000 (UNAUDITED)	2021 RMB'000 (UNAUDITED)
Gain on deemed disposal of a joint venture		—	3,033
Loss on deemed disposal of associates		(22,764)	(10,488)
Foreign exchange differences, net		(15,649)	14,305
Fair value gains on financial instruments at fair value through profit or loss, net		47,794	77,974
Gain on disposal of a subsidiary	16	19,541	—
Loss on partial disposal of a subsidiary	16	(126)	—
Others		—	(4,039)
		<b>28,796</b>	<b>80,785</b>

## 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2022 RMB'000 (UNAUDITED)	2021 RMB'000 (UNAUDITED)
Employee benefit expenses	1,715,492	1,358,113
Depreciation of property, plant and equipment	72,649	59,362
Depreciation of investment properties	4,858	766
Depreciation of right-of-use assets	37,993	28,237
Amortisation of other intangible assets	17,203	15,839
Interest on lease liabilities, convertible bonds and other liabilities	75,589	71,171
Impairment of trade and other receivables	8,895	45,426

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2022

## 7. INCOME TAX EXPENSE

PRC corporate income tax represents the tax charged on the estimated assessable profits arising in the Chinese Mainland during the period. In general, the PRC subsidiaries of the Group are subject to the PRC corporate income tax rate of 25% except for certain PRC subsidiaries which are entitled to tax holidays and preferential tax rates.

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	<b>FOR THE SIX MONTHS ENDED 30 JUNE</b>	
	<b>2022 RMB'000 (UNAUDITED)</b>	<b>2021 RMB'000 (UNAUDITED)</b>
Current income tax	<b>125,395</b>	101,780
Deferred income tax	<b>(62,776)</b>	(61,620)
Income tax expense	<b>62,619</b>	40,160

## 8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,366,532,812 (six months ended 30 June 2021: 1,368,375,045) in issue during the period.

The calculation of diluted earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent, adjusted to reflect the impact on earnings arising from the share option schemes and the award share schemes adopted by the Group's subsidiaries. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares. No adjustment has been made to the basic loss per share amounts presented for the period ended 30 June 2022 in respect of the convertible bonds outstanding as the impact was anti-dilutive.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2022

## 8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

The calculations of basic and diluted earnings/(loss) per share are based on:

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2022 RMB'000 (UNAUDITED)	2021 RMB'000 (UNAUDITED)
<i>Earnings/(loss)</i>		
Profit/(loss) attributable to ordinary equity holders of the parent used in the basic earnings/(loss) per share calculation:	<b>(40,026)</b>	165,236
Decrease in earnings/increase in loss adjusted for the share option schemes and the share award schemes adopted by the Group's subsidiaries	<b>(21,522)</b>	(4,496)
Adjusted profit/(loss) attributable to ordinary equity holders of the parent	<b>(61,548)</b>	160,740

	NUMBER OF SHARES FOR THE SIX MONTHS ENDED 30 JUNE	
	2022 (UNAUDITED)	2021 (UNAUDITED)
<i>Shares</i>		
Weighted average number of ordinary shares in issue less shares held for the share award schemes during the period used in the basic earnings/(loss) per share calculation	<b>1,366,532,812</b>	1,368,375,045
Effect of dilution — weighted average number of ordinary shares:		
Share options	—	2,896,088
Awarded shares	—	2,228,972
	<b>1,366,532,812</b>	1,373,500,105

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2022

## 9. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	<b>30 JUNE 2022 RMB'000 (UNAUDITED)</b>	<b>31 DECEMBER 2021 RMB'000 (AUDITED)</b>
0–30 days	<b>389,416</b>	358,400
31–60 days	<b>80,576</b>	113,692
61–90 days	<b>81,914</b>	102,589
91–365 days	<b>207,492</b>	149,186
1 to 2 years	<b>59,859</b>	74,679
Over 2 years	<b>16,705</b>	40,722
	<b>835,962</b>	839,268

## 10. CASH AND BANK DEPOSITS AND RESTRICTED CASH

	<b>30 JUNE 2022 RMB'000 (UNAUDITED)</b>	<b>31 DECEMBER 2021 RMB'000 (AUDITED)</b>
Cash and bank balances	<b>2,534,208</b>	1,816,922
Non-pledged time deposits with original maturity of less than three months when acquired	<b>2,156,312</b>	1,618,596
Principal protected structure deposits with original maturity of less than three months when acquired	<b>24,000</b>	1,117,910
	<b>4,714,520</b>	4,553,428
Non-pledged time deposits with original maturity of over three months when acquired	<b>6,183,549</b>	4,997,482
Principal protected structure deposits with original maturity of over three months when acquired	<b>3,306,510</b>	6,639,228
	<b>9,490,059</b>	11,636,710
Cash and bank deposits	<b>14,204,579</b>	16,190,138
Restricted cash	<b>2,502</b>	9,382
	<b>14,207,081</b>	16,199,520

Notes:

- (i) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of one day to a year depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.
- (ii) The RMB is not freely convertible into other currencies, however, under Chinese mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2022

## 11. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 JUNE 2022 RMB'000 (UNAUDITED)	31 DECEMBER 2021 RMB'000 (AUDITED)
0–30 days	209,716	210,511
31–60 days	44,395	69,504
61–90 days	41,374	31,134
91–365 days	191,091	97,903
Over 1 years	25,724	14,348
	<b>512,300</b>	423,400

## 12. SHARE CAPITAL

The movement of the Company's share capital is as follows:

	NUMBER OF SHARES IN ISSUE (UNAUDITED)	ISSUED SHARE CAPITAL RMB'000 (UNAUDITED)	SHARE PREMIUM ACCOUNT RMB'000 (UNAUDITED)	TREASURY SHARES RMB'000 (UNAUDITED)	TOTAL RMB'000 (UNAUDITED)
At 1 January 2022	1,366,898,760*	5,308	2,490,650	(15,259)	2,480,699
Final 2021 dividend declared	—	—	(139,925)	—	(139,925)
Vesting of awarded shares	454,560	—	6,084	1,087	7,171
Share purchased for share award scheme	(270,000)	—	—	(5,029)	(5,029)
Shares repurchased and cancelled	(3,562,600)	(11)	(71,661)	7,369	(64,303)
At 30 June 2022	<b>1,363,520,720*</b>	<b>5,297</b>	<b>2,285,148</b>	<b>(11,832)</b>	<b>2,278,613</b>

\* Excluding 3,120,397 (31 December 2021: 3,304,957) shares held by the Share Award Scheme Trust as at 30 June 2022.

### Share options

Details of the Company's share option schemes and the share options issued under these schemes are included in note 13 to the financial statement.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2022

## 13. SHARE-BASED COMPENSATION COSTS

### The Company's share award arrangements

- (a) The Company operates the 2011 Share Option Scheme for the purpose of providing incentives and rewards to eligible participants. Eligible participants of the 2011 Share Option Scheme include the Company's executive directors (exclusive of any non-executive director) and other employees of the Group. The 2011 Share Option Scheme became effective on 9 December 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. Any options granted before the termination date of the 2011 Share Option Scheme shall continue to be valid and effective until the options' expiry date.

The following table illustrates the number of and movements in the share options outstanding under the 2011 Share Option Scheme during the six months ended 30 June 2022 and 2021, and their weighted average exercise prices ("WAEP"):

	2022		2021	
	NUMBER OF SHARE OPTIONS (UNAUDITED)	WAEP HK\$ PER SHARE (UNAUDITED)	NUMBER OF SHARE OPTIONS (UNAUDITED)	WAEP HK\$ PER SHARE (UNAUDITED)
Outstanding at 1 January and 30 June	<b>3,129,800</b>	<b>20.73</b>	4,600,000	20.58
Exercisable at 30 June	<b>3,009,800</b>	<b>20.65</b>	3,560,000	20.50

The share options outstanding as at the end of reporting period were granted during 21 April 2017 to 23 November 2017 and the vesting periods of these share options were various from 1 to 5 years. The exercise period of the share options granted under the 2011 Share Option Scheme shall be any time after the end of the vesting period and before the tenth anniversary of the grant date.

- (b) The Company operates the 2021 Share Option Scheme for the purpose of providing incentives and rewards to eligible participants. Eligible participants of the 2021 Share Option Scheme include the directors and other employees of the Group or any of the Group's invested entities. The 2021 Share Option Scheme became effective on 9 December 2021 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

No share options was granted under the 2021 Share Option Scheme during the six months ended 30 June 2022 since its adoption.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2022

## 13. SHARE-BASED COMPENSATION COSTS (continued)

### The Company's share award arrangements (continued)

- (c) On 31 March 2008, the directors of the Company approved and adopted the Share Award Scheme in which selected employees of the Group are entitled to participate. Unless early terminated by the directors of the Company, the Share Award Scheme is valid and effective for a term of five years commencing from 31 March 2008. On 25 November 2010, the directors of the Company resolved to extend the termination date of the Share Award Scheme from 30 March 2013 to 30 March 2017. On 19 November 2016, the directors of the Company resolved to extend the termination date of the Share Award Scheme from 30 March 2017 to 30 March 2022. On 5 July 2021, the directors of the Company resolved to extend the termination date of the Share Award Scheme from 30 March 2022 to 30 March 2027. The directors will not grant any awarded shares which would result in the total number of shares (but not counting those which have lapsed or have been forfeited), in aggregate, over 10% of the issued capital of the Company as at the date of such grant.

The following table illustrates the number of and movements in the Share Award Scheme during the six months ended 30 June 2022 and 2021.

	<b>2022 NUMBER OF AWARDED SHARES (UNAUDITED)</b>	<b>2021 NUMBER OF AWARDED SHARES (UNAUDITED)</b>
Outstanding at 1 January	<b>5,054,760</b>	2,735,280
Granted during the period	<b>26,000</b>	—
Forfeited during the period	<b>(512,900)</b>	—
Vested during the period	<b>(454,560)</b>	(461,220)
Outstanding at 30 June	<b>4,113,300</b>	2,274,060

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2022

## 13. SHARE-BASED COMPENSATION COSTS (continued)

### Seasun Holdings' share award arrangements

- (a) On 27 June 2013 (the "Seasun Holdings Share Option Adoption Date"), the shareholders of the Company and Seasun Holdings Limited ("Seasun Holdings"), a subsidiary of the Company, approved and adopted the Seasun Holdings Share Option Scheme for the purpose of providing incentives and rewards to eligible participants, in which selected employees of Seasun Holdings and its subsidiaries are entitled to participate. The maximum number of ordinary shares under the Seasun Holdings Share Option Scheme which may be issued upon exercise of all share options to be granted may not in aggregate exceed 80,000,000 shares (representing 10% of the shares in issue). On 24 May 2017, the shareholders of the Company and Seasun Holdings approved to amend the maximum number of ordinary shares, which may be issued upon exercise in the Seasun Holdings Share Option Scheme, to 40,000,000 shares. The Seasun Holdings Share Option Scheme shall be valid and effective for a term of ten years commencing on the Seasun Holdings Share Option Adoption Date. The exercise price and exercise period of share options are determinable by the board of Seasun Holdings.

The following table illustrates the numbers of and movements in the Seasun Holdings Share Option Scheme during the six months ended 30 June 2022 and 2021.

	2022		2021	
	NUMBER OF SHARE OPTIONS (UNAUDITED)	WAEP RMB PER SHARE (UNAUDITED)	NUMBER OF SHARE OPTIONS (UNAUDITED)	WAEP RMB PER SHARE (UNAUDITED)
Outstanding at 1 January	<b>23,063,389</b>	<b>4.49</b>	22,277,500	4.30
Granted during the period	<b>200,000</b>	<b>4.87</b>	1,930,889	8.05
Forfeited during the period	<b>(160,000)</b>	<b>7.42</b>	(590,000)	7.19
Cancelled during the period	<b>(400,000)</b>	<b>2.00</b>	(350,000)	6.35
Outstanding at 30 June	<b>22,703,389</b>	<b>4.52</b>	23,268,389	3.85
Exercisable at 30 June	<b>17,763,900</b>	<b>3.88</b>	13,844,800	2.72

The share options outstanding as at the end of reporting period were granted during 18 July 2013 to 1 April 2022 and the vesting periods of these share options were various from 4 to 5 years. The exercise period of the share options granted under the Seasun Holdings Share Option Scheme shall be any time after the end of the vesting period and before the tenth anniversary of the grant date.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2022

## 13. SHARE-BASED COMPENSATION COSTS (continued)

### Seasun Holdings' share award arrangements (continued)

- (b) On 21 March 2017, the directors of the Company and Seasun Holdings approved and adopted the Seasun Holdings Share Award Scheme, in which selected employees of Seasun Holdings and its subsidiaries are entitled to participate. Unless early terminated by the directors of Seasun Holdings, the Seasun Holdings Share Award Scheme is valid and effective for a term of ten years commencing from 21 March 2017. The directors of Seasun Holdings will not grant those awarded shares which would result in the total number of shares (but not counting any shares which have lapsed or have been forfeited) greater than 50,832,211 shares, as at the date of such grant.

The following table illustrates the number of and movements in the Seasun Holdings Awarded Shares during the six months ended 30 June 2022 and 2021.

	<b>2022 NUMBER OF AWARDED SHARES (UNAUDITED)</b>	<b>2021 NUMBER OF AWARDED SHARES (UNAUDITED)</b>
Outstanding at 1 January	<b>50,366,461</b>	43,136,799
Granted during the period	<b>50,000</b>	6,289,662
Forfeited during the period	<b>(183,000)</b>	(50,000)
Outstanding at 30 June	<b>50,233,461</b>	49,376,461

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2022

## 13. SHARE-BASED COMPENSATION COSTS (continued)

### Kingsoft Shiyou Holdings' share award arrangements

- (a) On 13 April 2022, the shareholders and directors of the Kingsoft Shiyou Holdings Limited ("Kingsoft Shiyou Holdings"), a subsidiary of the Company, approved and adopted the Kingsoft Shiyou Holdings Share Award Scheme, in which selected employees of Kingsoft Shiyou Holdings and its subsidiaries are entitled to participate. Unless early terminated by the directors of Kingsoft Shiyou Holdings, the Kingsoft Shiyou Holdings Share Award Scheme is valid and effective for a term of ten years commencing from 13 April 2022. The directors of Kingsoft Shiyou Holdings will not grant those awarded shares which would result in the total number of shares (but not counting any shares which have lapsed or have been forfeited) greater than 50,000,000 shares, as at the date of such grant.

No share awards was granted under the Kingsoft Shiyou Holdings Share Award Scheme during the six months ended 30 June 2022 since its adoption.

### Kingsoft Office's share award arrangements

- (a) On 2 June 2021, the shareholders of Beijing Kingsoft Office Software, Inc. ("Beijing Kingsoft Office"), a subsidiary of the Company, approved and adopted the Kingsoft Office Share Award Scheme for the purpose of providing incentives and rewards to eligible participants, in which selected employees of Beijing Kingsoft Office and its subsidiaries are entitled to participate. The maximum number of ordinary shares under the Kingsoft Office Share Award Scheme which may be issued upon exercise of all restricted share units (the "RSUs") with option feature to be granted may not in aggregate exceed 870,000 shares (representing 0.19% of the shares of Beijing Kingsoft Office in issue). The Kingsoft Office Share Award Scheme shall be valid and effective for a term of five years commencing on 2 June 2021. The exercise price and exercise period of RSUs are determinable by the board of Beijing Kingsoft Office.

The following table illustrates the numbers and movements of RSUs granted under the Kingsoft Office Share Award Scheme during the six months ended 30 June 2022 and 2021.

	2022		2021	
	NUMBER OF RSUs (UNAUDITED)	WAEP RMB PER SHARE (UNAUDITED)	NUMBER OF RSUs (UNAUDITED)	WAEP RMB PER SHARE (UNAUDITED)
Outstanding at 1 January	829,400	45.26	—	—
Granted during the period	—	—	700,000	45.86
Forfeited during the period	(15,571)	44.56	—	—
Outstanding at 30 June	813,829	44.56	700,000	45.86
Exercisable at 30 June	221,529	44.56	—	—

The RSUs outstanding as at the end of reporting period were granted during 2 June 2021 to 28 December 2021 and the vesting periods of these RSUs were various from 1 to 3 years. The exercise period of the RSUs granted under the Kingsoft Office Share Award Scheme shall be any time after the end of the vesting period and before the fifth anniversary of the grant date.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2022

## 13. SHARE-BASED COMPENSATION COSTS (continued)

### Kingsoft Office's share award arrangements (continued)

- (b) On 28 April 2022, the shareholders of Beijing Kingsoft Office approved and adopted the 2022 Kingsoft Office Share Award Scheme for the purpose of providing incentives and rewards to eligible participants, in which selected employees of Beijing Kingsoft Office and its subsidiaries are entitled to participate. The maximum number of ordinary shares under the 2022 Kingsoft Office Share Award Scheme which may be issued upon exercise of all RSUs with option feature to be granted may not in aggregate exceed 1,000,000 shares. The 2022 Kingsoft Office Share Award Scheme shall be valid and effective for a term of five years commencing on 29 April 2022. The exercise price and exercise period of RSUs are determinable by the board of Beijing Kingsoft Office.

The following table illustrates the numbers and movements of RSUs granted under the 2022 Kingsoft Office Share Award Scheme during the six months ended 30 June 2022.

	<b>2022 NUMBER OF SHARE OPTIONS (UNAUDITED)</b>	<b>2022 WAEP RMB PER SHARE (UNAUDITED)</b>
Outstanding at 1 January	—	—
Granted during the period	800,000	45.86
Forfeited during the period	(11,000)	45.86
<b>Outstanding at 30 June</b>	<b>789,000</b>	<b>45.86</b>
Exercisable at 30 June	—	—

The RSUs outstanding as at the end of reporting period were granted on 29 April 2022 and the vesting periods of these RSUs were various from 1 to 3.5 years. The exercise period of the RSUs granted under the 2022 Kingsoft Office Share Award Scheme shall be any time after the end of the vesting period and before the fifth anniversary of the grant date.

- (c) On 3 December 2012, the directors of the Company and Kingsoft Office Software Holdings Limited ("KOS Holdings") approved and adopted the share award scheme (the "KOS Share Award Scheme"), in which selected employees of KOS Holdings and its subsidiaries are entitled to participate. Unless early terminated by the directors of KOS Holdings, the KOS Share Award Scheme shall be valid and effective for a term of ten years from 3 December 2012. In November 2015, pursuant to the approval of the directors and the shareholders of KOS Holdings and a series of agreements, all the outstanding awarded shares under the KOS Share Award Scheme were replaced by the restricted shares of Beijing Kingsoft Office, held through certain limited partnerships. The limited partnerships were set up for the purpose of holding the shares of Beijing Kingsoft Office, which is a similar arrangement for the benefit of employees as the KOS Share Award Scheme.

The following table illustrates the number of and movements in the restricted shares granted by Beijing Kingsoft Office during the six months ended 30 June 2022 and 2021.

	<b>2022 NUMBER OF RESTRICTED SHARES (UNAUDITED)</b>	<b>2021 NUMBER OF RESTRICTED SHARES (UNAUDITED)</b>
Outstanding at 1 January	<b>2,920,832</b>	5,430,831
Vested during the period	<b>(75,000)</b>	(75,000)
<b>Outstanding at 30 June</b>	<b>2,845,832</b>	5,355,831

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2022

## 14. CONVERTIBLE BONDS

On 29 April 2020, the Company issued five-year convertible bonds in the principal amount of HK\$3,100,000,000 (equivalent to RMB2,827,820,000) which bear interest at a rate of 0.625% per annum payable semi-annually (the "2020 Convertible Bonds"). The 2020 Convertible Bonds are convertible at the option of the bondholders into ordinary shares of the Company from 9 June 2020 to the date falling 10 days prior to the maturity date, at a price of HK\$35.7637 per share, subject to adjustments. The Company may redeem under certain circumstances the outstanding 2020 Convertible Bonds at a predetermined amount together with interest accrued by giving the bondholders not less than 30 nor more than 60 days' prior notice. On the maturity date, any 2020 Convertible Bonds not converted will be redeemed by the Company at 105.85% of the principal amount together with accrued and unpaid interest thereon. There was no conversion or redemption of the 2020 Convertible Bonds during the period ended 30 June 2022.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

In accordance with the terms and conditions of the 2020 Convertible Bonds, the aggregate payment of the special dividend in relation to the spin-off and separate listing of Kingsoft Cloud Holdings Limited ("Kingsoft Cloud"), the 2019 final dividend and the 2020 final dividend distributed by the Company resulted in adjustments (the "Adjustments") to the conversion price of the 2020 Convertible Bonds. The Adjustments became effective on 8 June 2021, the respective conversion price of the 2020 Convertible Bonds was adjusted to HKD35.32 per share. Assuming full conversion of the 2020 Convertible Bonds at the adjusted conversion price of HK\$35.32 per share and no further issue of shares the 2020 Convertible Bonds will be convertible into approximately 87,768,969 shares of the Company, representing an increase of 1,088,900 shares from the original 86,680,069 shares.

The movements of the liability component and the equity component of the 2020 Convertible Bonds for the six months ended 30 June 2022 are set out below:

	<b>LIABILITY COMPONENT RMB'000 (UNAUDITED)</b>	<b>EQUITY COMPONENT RMB'000 (UNAUDITED)</b>
At 1 January 2022	2,248,587	468,700
Interest expenses	68,736	—
Interest paid	(8,025)	—
Exchange realignment	105,377	—
At 30 June 2022	2,414,675	468,700

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2022

## 15. DIVIDENDS

A final dividend of HK\$0.12 per ordinary share for 2021 totalling HK\$163,617,000 (equivalent to RMB139,925,000), proposed by the board of directors of the Company ("Board") was approved by the shareholders of the Company on 25 May 2022.

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

## 16. DISPOSAL OF A SUBSIDIARY/PARTIAL DISPOSAL OF A SUBSIDIARY

### Disposal of a subsidiary

On 5 June 2022, the Group through one of its subsidiaries entered into a share transfer agreement with a third party company to dispose of 100% equity interests in Magic Fuel Game, Inc. ("MFG"), a company engaged in the game research and development business, at an aggregate cash consideration of US\$3,000,000 (equivalent to RMB19,829,000).

The details of the net assets disposed of are as follows:

	NOTE	RMB'000 (UNAUDITED)
Net assets disposed of:		
Other intangible assets		21
Trade receivables		22
Prepayments, other receivables and other assets		133
Cash and cash equivalents		193
Trade payables		(88)
Other payables and accruals		(365)
		(84)
Exchange fluctuation reserve		372
		288
Gain on disposal of a subsidiary	5	19,541
		19,829
Satisfied by:		
Cash		10,237
Other receivables		9,592
		19,829

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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## 16. DISPOSAL OF A SUBSIDIARY/PARTIAL DISPOSAL OF A SUBSIDIARY (continued)

### Disposal of a subsidiary (continued)

An analysis of the net inflows of cash and cash equivalents in respect of the disposal of MFG is as follows:

	<b>FOR THE SIX MONTHS ENDED 30 JUNE 2022 RMB'000 (UNAUDITED)</b>
Cash consideration received	<b>10,237</b>
Cash and cash equivalents disposed of	<b>(193)</b>
<b>Net cash inflows from the disposal of a subsidiary</b>	<b>10,044</b>

### Partial disposal of a subsidiary

On 10 February 2022, the Group through one of its subsidiaries entered into a share transfer agreement with a third party company to dispose of 20.1% equity interests in Chengdu Jishan Health Technology Co., Ltd. ("Jishan Health"), a company primarily engaged in the healthcare business, at an aggregate cash consideration of RMB6,232,000, and continues to hold 40% equity interests in Jishan Health. Upon the completion of disposal, the Group lost control of Jishan Health and accounted for the remaining portion of equity interests in Jishan Health as an associate.

The details of the net assets disposed of are as follows:

	<b>NOTE</b>	<b>RMB'000 (UNAUDITED)</b>
Net assets disposed of:		
Property, plant and equipment		386
Inventories		308
Trade receivables		22
Prepayments, other receivables and other assets		901
Cash and cash equivalents		33,074
Non-pledged time deposits with original maturity of over three months when acquired		42,000
Other payables and accruals		(45,060)
Non-controlling interests		(12,621)
<b>Loss on partial disposal of a subsidiary</b>	<b>5</b>	<b>19,010 (126)</b>
		<b>18,884</b>
Satisfied by:		
Cash		6,232
Investment in an associate		12,652
		<b>18,884</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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## 16. DISPOSAL OF A SUBSIDIARY/PARTIAL DISPOSAL OF A SUBSIDIARY (continued)

### Partial disposal of a subsidiary (continued)

An analysis of the net outflows of cash and cash equivalents in respect of the partial disposal of Jishan Health is as follows:

	<b>FOR THE SIX MONTHS ENDED 30 JUNE 2022 RMB'000 (UNAUDITED)</b>
Cash consideration received	<b>6,232</b>
Cash and cash equivalents disposed of	<b>(33,074)</b>
Net cash outflows from the partial disposal of a subsidiary	<b>(26,842)</b>

## 17. COMMITMENTS

The Group had the following capital commitments as at the end of the reporting period:

	<b>NOTE</b>	<b>30 JUNE 2022 RMB'000 (UNAUDITED)</b>	<b>31 DECEMBER 2021 RMB'000 (AUDITED)</b>
Contracted, but not provided for:			
Development of land and buildings	(a)	<b>830,820</b>	142,208
Purchase of property, plant and equipment		<b>530</b>	154
		<b>831,350</b>	142,362

- (a) As at 30 June 2022, the Group's capital commitment for the development of a piece of land in Zhuhai, the development of a piece of land in Wuhan and leasehold improvements were RMB96,727,000, RMB722,418,000 and RMB11,675,000, respectively (31 December 2021: RMB111,706,000, RMB23,221,000 and RMB7,281,000, respectively).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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## 18. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these interim condensed consolidated financial statements, the Group had the following transactions with related parties during the period:

	NOTES	FOR THE SIX MONTHS ENDED 30 JUNE	
		2022 RMB'000 (UNAUDITED)	2021 RMB'000 (UNAUDITED)
Interest income from joint ventures of the Group		146	237
Interest income from associates of the Group	(i)	11,028	324
Interest income from non-controlling shareholders of subsidiaries		228	10
Provision of services to a company controlled by a director of the Company	(ii)	1,284	6,247
Provision of services to associates	(iii)	10,022	10,201
Provision of services to joint ventures	(iv)	2,117	1,601
Licence fee from a company whose parent has a significant influence on the Company	(v)	112,520	137,336
Licence fee from an associate	(vi)	3,694	4,177
Purchases of products from a company controlled by a director of the Company		220	375
Purchases of services from a company controlled by a director of the Company	(vii)	2,813	7,373
Licence fee to a joint venture	(viii)	54,274	57,534
Rental to a company controlled by a director of the Company	(ix)	19,863	19,458
Purchase of cloud services from an associate	(x)	102,206	66,026

- (i) In 2021, the Group entered into a one-year loan agreement with an associate, pursuant to which, the Group has provided a loan of RMB500,000,000 to this associate with an interest rate of 4.65% per annum. As at 30 June 2022, the outstanding balance included accumulated unpaid principal and interest receivable of RMB500,000,000 (31 December 2021: RMB500,000,000) and RMB4,043,000 (31 December 2021: RMB4,088,000), respectively. The interest income from the associate during the period was approximately RMB11,028,000 (six months ended 30 June 2021: nil).
- In 2019 and 2020, the Group entered into two loan agreements with another associate, pursuant to which, the Group provided loans of RMB5,000,000 and RMB10,000,000 to this associate, respectively, with interest rates of 4.35% and 4.35% per annum, respectively. The associate was disposed of in 2021. The interest income from the associate during the period of six months ended 30 June 2021 was approximately RMB324,000.
- (ii) In prior years, the Group entered into framework agreements with a company controlled by a director of the Company. Pursuant to the framework agreements, the Group provides promotion services to this related company and its affiliates at the prevailing fair market price in the same industry for similar transactions.
- (iii) During 2017 to 2022, the Group entered into agreements with associates to provide leasing services to them at the prevailing fair market price.
- (iv) During 2017 to 2022, the Group entered into agreements with joint ventures to provide technology support and leasing services to them at the prevailing fair market price.
- (v) During 2015 to 2021, the Group entered into various licensing agreements with a company whose parent has a significant influence on the Company to operate the Group's online games with this related company at the prevailing fair market price.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2022

## 18. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

- (vi) In 2017, the Group entered into an exclusive licensing agreement with an associate to grant the exclusive right to use certain office software.
  - (vii) During 2014 to 2021, the Group entered into framework agreements with a company controlled by a director of the Company. Pursuant to the framework agreements, affiliates of this related company provide various forms of promotion services to the Group through the internet platforms. The price is based on (i) the prevailing fair market price, (ii) the actual cost incurred plus a reasonable profit margin, or (iii) a price with reference to the price or reasonable profit margin of an independent third party conducting similar transactions.
  - (viii) In 2015 and 2016, the Group entered into the game joint development and operation agreement with a joint venture to jointly develop and operate the Group's online games at the prevailing fair market price.
  - (ix) During 2018 to 2022, the Group entered into lease agreements with a company controlled by a director of the Company at the prevailing market rent of similar properties and business nature in nearby locations. As at 30 June 2022, the carrying amounts of right-of-use assets and lease liabilities in respect with the lease agreements were RMB136,420,000 (31 December 2021: RMB139,834,000) and RMB143,244,000 (31 December 2021: RMB154,376,000), respectively.
  - (x) During 2020 to 2022, the Group entered into cloud service agreements with Kingsoft Cloud and its subsidiaries (collectively, "Kingsoft Cloud Group"). Pursuant to the agreements, Kingsoft Cloud Group provides cloud services to the Group at the prevailing fair market price.
  - (xi) During 2014 to 2022, the Group entered into framework agreements with a company controlled by a director of the Company. Pursuant to the framework agreements, the Group jointly operates the Group's online games operations with an affiliate of this related company by ways of exclusive and non-exclusive licensing. The Company is entitled to receive licensing fee under the exclusive arrangements and the affiliate of this related company acted as a distribution platform to collect payments from players on behalf of the Group through the non-exclusive arrangements. The net amount remitted to the Group during the period amounted to RMB8,323,000 (six months ended 30 June 2021: RMB2,711,000), including the licensing fee collected on behalf of the Group after deduction of commission in accordance with the co-operation agreements, which is charged at the prevailing fair market price.
- (b) Since 2016, the Group has guaranteed the non-revolving banking facilities granted to Kingsoft Cloud Group amounting to RMB400,000,000 within 5 years after first withdraw was made. After 8 May 2020, Kingsoft Cloud became an associate of the Group and the guarantee is disclosed as a related party transaction thereafter. During the year ended 31 December 2021, the guarantee is released after the banking facilities were terminated.
- (c) Compensation of key management personnel of the Group (including directors' remuneration):

	<b>FOR THE SIX MONTHS ENDED 30 JUNE</b>	
	<b>2022 RMB'000 (UNAUDITED)</b>	<b>2021 RMB'000 (UNAUDITED)</b>
Salaries, allowances, and benefits in kind	<b>2,879</b>	3,206
Pension scheme contributions	<b>53</b>	72
Share-based compensation costs	<b>24,461</b>	42,265
<b>Total compensation paid to key management personnel</b>	<b>27,393</b>	45,543

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2022

## 19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	CARRYING AMOUNTS		FAIR VALUES	
	30 JUNE 2022 RMB'000 (UNAUDITED)	31 DECEMBER 2021 RMB'000 (AUDITED)	30 JUNE 2022 RMB'000 (UNAUDITED)	31 DECEMBER 2021 RMB'000 (AUDITED)
<b>Financial assets</b>				
Loan receivables	11,432	7,238	9,065	6,596
Equity investments designated at fair value through other comprehensive income	8,418	8,418	8,418	8,418
Financial assets at fair value through profit or loss	5,440,723	3,129,174	5,440,723	3,129,174
	<b>5,460,573</b>	3,144,830	<b>5,458,206</b>	3,144,188
<b>Financial liabilities</b>				
Derivative financial instrument	6,426	6,426	6,426	6,426
Other non-current liabilities	49,449	47,175	52,846	50,897
Liability component of convertible bonds	2,414,675	2,248,587	2,485,198	2,326,172
	<b>2,470,550</b>	2,302,188	<b>2,544,470</b>	2,383,495

Management has assessed that the fair values of cash and bank deposits, restricted cash, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer ("CFO") and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the CFO and the valuation process and results are discussed with the audit committee.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of loans receivable has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value of the liability portion of the convertible bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2022

## 19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair value of an unlisted equity investment designated at fair value through other comprehensive income has been estimated using a market-based valuation technique and equity valuation allocation model. These valuation techniques are based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to revenue ("EV/Revenue") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investment to measure the fair value. The directors believe that the estimated fair value resulting from the valuation technique, which is recorded in the consolidated statement of financial position, and the related changes in fair value which are recorded in other comprehensive income, are reasonable, and that it was the most appropriate value at the end of the reporting period.

The fair values of financial assets at fair value through profit or loss have been estimated as follows: (i) for wealth management products, the fair values have been estimated by using discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks; (ii) for subscription options, the fair values have been estimated by using the Black Scholes Model. The valuation requires the directors to make estimates about the life of option, dividend yield and expected volatility; and (iii) for other financial assets at fair value through profit or loss, the fair values have been estimated by reference to market approach or discount cashflow approach, and using equity valuation allocation model. The valuation requires the directors to make estimates about the underlying equity value, expected volatility and risk-free rate. The estimation of the underlying equity value is based on estimation of price multiple or expected future cash flows. These valuation techniques are based on assumptions that are not supported by observable market prices or rates. The directors believe that the estimated fair values resulting from these valuation techniques, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in the consolidated statement of profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

*Assets measured at fair value:*

**As at 30 June 2022**

	FAIR VALUE MEASUREMENT USING			TOTAL RMB'000 (UNAUDITED)
	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1) RMB'000 (UNAUDITED)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) RMB'000 (UNAUDITED)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) RMB'000 (UNAUDITED)	
Equity investments designated at fair value through other comprehensive income	—	—	8,418	8,418
Financial assets at fair value through profit or loss	—	—	5,440,723	5,440,723
	—	—	5,449,141	5,449,141

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2022

## 19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

### Fair value hierarchy (continued)

Assets measured at fair value: (continued)

As at 31 December 2021

	FAIR VALUE MEASUREMENT USING			TOTAL RMB'000 (AUDITED)
	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1) RMB'000 (AUDITED)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) RMB'000 (AUDITED)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) RMB'000 (AUDITED)	
Equity investments designated at fair value through other comprehensive income	—	—	8,418	8,418
Financial assets at fair value through profit or loss	—	—	3,129,174	3,129,174
	—	—	3,137,592	3,137,592

The movement of assets in fair value measurements in Level 3 during the period is as follows:

	RMB'000
Equity investments designated at fair value through other comprehensive income/financial assets at fair value through profit or loss:	
At 1 January 2022	<b>3,137,592</b>
Additions	<b>2,251,561</b>
Total gains recognised in profit or loss	<b>47,794</b>
Exchange differences	<b>12,194</b>
At 30 June 2022 (Unaudited)	<b>5,449,141</b>

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2022:

	VALUATION TECHNIQUES	SIGNIFICANT UNOBSERVABLE INPUTS	SENSITIVITY OF FAIR VALUE TO THE INPUT
Financial assets at fair value through profit or loss	Black Scholes Model	Fair value per share	5% increase (decrease) in fair value per share would result in increase (decrease) in fair value by RMB3,535,000 (RMB(208,000))

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2022

## 19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

### Fair value hierarchy (continued)

Liabilities measured at fair value:

#### As at 30 June 2022

	FAIR VALUE MEASUREMENT USING			TOTAL RMB'000 (UNAUDITED)
	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1) RMB'000 (UNAUDITED)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) RMB'000 (UNAUDITED)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) RMB'000 (UNAUDITED)	
Derivative financial instrument	—	—	6,426	6,426

#### As at 31 December 2021

	FAIR VALUE MEASUREMENT USING			TOTAL RMB'000 (AUDITED)
	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1) RMB'000 (AUDITED)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) RMB'000 (AUDITED)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) RMB'000 (AUDITED)	
Derivative financial instrument	—	—	6,426	6,426

## 20. Contingent liabilities

As at 30 June 2022, the Group had no significant contingent liabilities (31 December 2021: nil).

## 21. Approval of the financial statements

The interim condensed consolidated financial statements were approved and authorised for issue by the Board on 23 August 2022.

## TERMS AND GLOSSARIES

"2011 Share Option Scheme"	the share option scheme adopted by the Company on 9 December 2011
"2020 Convertible Bonds"	the convertible bonds issued by the Company on 29 April 2020
"2021 Share Option Scheme"	the share option scheme adopted by the Company on 9 December 2021
"AI"	artificial intelligence
"Audit Committee"	the audit committee of the Company
"Board"	the board of directors of the Company
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Cheetah Mobile"	Cheetah Mobile Inc., an associated corporation of the Company and was listed on NYSE in May 2014
"Class A Cheetah Shares"	the class A ordinary shares of Cheetah Mobile, par value US\$0.000025 per share
"Company" or "Kingsoft"	Kingsoft Corporation Limited, an exempted limited liability company incorporated in the British Virgin Islands on 20 March 1998 and discontinued in the British Virgin Islands and continued into the Cayman Islands on 15 November 2005, with its shares listed on the Stock Exchange (stock code: 03888)
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRSs"	International Financial Reporting Standards
"Kingsoft Cloud"	Kingsoft Cloud Holdings Limited, a subsidiary of the Company until its separate listing on NASDAQ in May 2020
"Kingsoft Cloud Group"	Kingsoft Cloud and its subsidiaries
"Kingsoft Office"	Beijing Kingsoft Office Software, Inc., a subsidiary of the Company and was listed on the STAR Market of Shanghai Stock Exchange in November 2019
"Kingsoft Office Group"	Kingsoft Office and its subsidiaries
"Kingsoft Office Share Award Schemes"	the share option schemes adopted by Kingsoft Office on 2 June 2021 and 28 April 2022
"Kingsoft Shiyou Holdings"	Kingsoft Shiyou Holdings Limited, a subsidiary of the Company
"Kingsoft Shiyou Holdings Share Award Schemes"	The share award schemes adopted by Kingsoft Shiyou Holdings on 13 April 2022

## TERMS AND GLOSSARIES (continued)

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
“NASDAQ”	National Association of Securities Dealers Automated Quotations
“NYSE”	New York Stock Exchange
“PRC”, “China” or “Chinese mainland”	the People’s Republic of China excluding, for the purpose of this interim report only, Hong Kong, the Macau Special Administrative Region and Taiwan
“R&D”	research and development
“RMB”	the lawful currency of the PRC
“Seasun Holdings”	Seasun Holdings Limited, a subsidiary of the Company
“Seasun Holdings Share Award Schemes”	the General Share Award Scheme, the Special Share Award Scheme (A) and the Special Share Award Scheme (B) approved and adopted by the shareholders and directors of Seasun Holdings on 21 March 2017
“Seasun Holdings Share Option Scheme”	the share option scheme of Seasun Holdings approved and adopted by the shareholders of the Company and Seasun Holdings on 27 June 2013
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share Award Scheme”	the share award scheme of the Company adopted by the Board on 31 March 2008
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Wuhan Campus”	the campus of Wuhan headquarters
“%”	percent