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## Kingsoft Corporation Limited

金山軟件有限公司

(Continued into the Cayman Islands with limited liability)

(Stock Code: 03888)

(Convertible Bonds Code: 40210)

# ANNOUNCEMENT OF THE RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2021

The board (“**Board**”) of directors (the “**Directors**”) of Kingsoft Corporation Limited (the “**Company**”) announces the unaudited results of the Company and its subsidiaries (the “**Group**” or “**Kingsoft**”) for the three months ended 31 March 2021.

## FINANCIAL HIGHLIGHTS

|   | For the three months ended                 |  |   | Year-on-year<br>Change<br>% | Quarter-on-quarter<br>Change<br>% |
|---|--|--|---|-----------------------------|-----------------------------------|
|   | 31 March<br>2021<br>RMB'000<br>(Unaudited) | 31 March<br>2020<br>RMB'000<br>(Unaudited) | 31 December<br>2020<br>RMB'000<br>(Unaudited) |                             |                                   |
| Revenue   | 1,559,607                                  | 1,171,325                                  | 1,605,510                                     | 33                          | (3)                               |
| Operating profit                                | 512,061                                    | 385,159                                    | 559,767                                       | 33                          | (9)                               |
| Profit attributable to owners<br>of the parent* | 116,572                                    | 6,257                                      | 220,562                                       | 1,763                       | (47)                              |
|   | RMB<br>(Unaudited)                         | RMB<br>(Unaudited)                         | RMB<br>(Unaudited)                            |                             |                                   |
| Basic earnings per share                        |  |  |   |                             |                                   |
| — For profit for the period                     | 0.09                                       | 0.00                                       | 0.16  | Not applicable              | (44)                              |
| — For profit from continuing<br>operations      | 0.09                                       | 0.19                                       | 0.16  | (53)                        | (44)                              |
| Diluted earnings per share                      |  |  |   |                             |                                   |
| — For profit for the period                     | 0.08                                       | 0.00                                       | 0.16  | Not applicable              | (50)                              |
| — For profit from continuing<br>operations      | 0.08                                       | 0.18                                       | 0.16  | (56)                        | (50)                              |

\* Profit attributable to owners of the parent before the effect of share-based compensation costs (including that from continuing operations and a discontinued operation) is RMB139.6 million, RMB55.2 million and RMB265.7 million for the three months ended 31 March 2021, 31 March 2020 and 31 December 2020, respectively. This represents a year-on-year increase of 153% and a quarter-on-quarter decrease of 47%.

## OPERATIONAL HIGHLIGHTS

|   | In March<br>2021 | In March<br>2020             | In December<br>2020          | Year-on-<br>year<br>Change % | Quarter-on-<br>quarter<br>Change % |
|---|------------------|------------------------------|------------------------------|------------------------------|------------------------------------|
| <b>Office Software</b>  |                  |                              |                              |                              |                                    |
| Monthly Active Users (“MAU”) of the key products* (Million)           | <u>494</u>       | <u>447</u>                   | <u>474</u>                   | 11                           | 4                                  |
|   |                  | As at<br>31 December<br>2020 | As at<br>30 June<br>2020     | As at<br>31 December<br>2019 | As at<br>30 June<br>2019           |
| Accumulated paying subscribers** (Million)                            |                  | <u>19.62</u>                 | <u>16.81</u>                 | <u>12.02</u>                 | <u>8.47</u>                        |
|   |                  |                              | As at<br>31 December<br>2020 | As at<br>31 December<br>2019 | As at<br>31 December<br>2018       |
| Total number of documents uploaded in the cloud platform*** (Billion) |                  |                              | <u>89.8</u>                  | <u>50.1</u>                  | <u>17.5</u>                        |

\* Monthly Active Users of the key products are defined as the aggregate MAU of both WPS Office and Kingsoft Powerword across all platforms.

\*\* Accumulated paying subscribers are defined as paying individual subscribers in the past twelve months (excluding one-time purchase). We disclose these figures on a semi-annual basis.

\*\*\* Total number of documents uploaded in the cloud platform do not include the repetitive editing process and historical versions. We disclose these figures on an annual basis.

The unaudited condensed consolidated statement of profit or loss, comprehensive income, financial position and cash flows of the Group are listed below:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

|  | For the three months ended                 |  |   |
|--|--|--|---|
|  | 31 March<br>2021<br>RMB'000<br>(Unaudited) | 31 March<br>2020<br>RMB'000<br>(Unaudited) | 31 December<br>2020<br>RMB'000<br>(Unaudited) |
| <b>CONTINUING OPERATIONS</b>                             |  |  |   |
| <b>Revenue</b>   |  |  |   |
| Online games and others                                  | 788,615                                    | 793,736                                    | 849,037                                       |
| Office software and services                             | 770,992                                    | 377,589                                    | 756,473                                       |
|  | <u>1,559,607</u>                           | <u>1,171,325</u>                           | <u>1,605,510</u>                              |
| Cost of revenue  | (243,742)                                  | (201,177)                                  | (258,643)                                     |
|  | <u>1,315,865</u>                           | <u>970,148</u>                             | <u>1,346,867</u>                              |
| <b>Gross profit</b>                                      |  |  |   |
| Research and development costs, net                      | (491,002)                                  | (355,024)                                  | (426,767)                                     |
| Selling and distribution expenses                        | (204,527)                                  | (146,745)                                  | (277,508)                                     |
| Administrative expenses                                  | (147,618)                                  | (93,253)                                   | (141,665)                                     |
| Share-based compensation costs                           | (31,730)                                   | (30,920)                                   | (80,750)                                      |
| Other income   | 90,726                                     | 46,881                                     | 137,122                                       |
| Other expenses   | (19,653)                                   | (5,928)                                    | 2,468   |
|  | <u>512,061</u>                             | <u>385,159</u>                             | <u>559,767</u>                                |
| <b>Operating profit</b>                                  |  |  |   |
| Other gains/(losses), net                                | 32,992                                     | 3,318                                      | (111,436)                                     |
| Finance income   | 90,030                                     | 97,689                                     | 112,753                                       |
| Finance costs  | (35,158)                                   | (5,742)                                    | (35,984)                                      |
| Share of profits and losses of:                          |  |  |   |
| Joint ventures   | (9,100)                                    | 7,357                                      | (39,009)                                      |
| Associates   | (224,920)                                  | (64,009)                                   | (20,695)                                      |
|  | <u>365,905</u>                             | <u>423,772</u>                             | <u>465,396</u>                                |
| <b>Profit before tax from continuing operations</b>      |  |  |   |
| Income tax expense                                       | (66,131)                                   | (64,055)                                   | (113,986)                                     |
|  | <u>299,774</u>                             | <u>359,717</u>                             | <u>351,410</u>                                |
| <b>DISCONTINUED OPERATION</b>                            |  |  |   |
| <b>Loss for the period from a discontinued operation</b> | —  | (480,932)                                  | —   |
|  | <u>299,774</u>                             | <u>(121,215)</u>                           | <u>351,410</u>                                |
| <b>Profit/(loss) for the period</b>                      |  |  |   |
| <b>Attributable to:</b>                                  |  |  |   |
| Owners of the parent                                     | 116,572                                    | 6,257                                      | 220,562                                       |
| Non-controlling interests                                | 183,202                                    | (127,472)                                  | 130,848                                       |
|  | <u>299,774</u>                             | <u>(121,215)</u>                           | <u>351,410</u>                                |

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

|   | For the three months ended                           |  |   |
|---|--|--|---|
|   | 31 March<br>2021<br><i>RMB</i><br><i>(Unaudited)</i> | 31 March<br>2020<br><i>RMB</i><br><i>(Unaudited)</i> | 31 December<br>2020<br><i>RMB</i><br><i>(Unaudited)</i> |
| <b>Earnings per share attributable to ordinary equity holders of the parent</b> |  |  |   |
| Basic   |  |  |   |
| — For profit for the period   | <u><u>0.09</u></u>                                   | <u><u>0.00</u></u>                                   | <u><u>0.16</u></u>                                      |
| — For profit from continuing operations   | <u><u>0.09</u></u>                                   | <u><u>0.19</u></u>                                   | <u><u>0.16</u></u>                                      |
| Diluted   |  |  |   |
| — For profit for the period   | <u><u>0.08</u></u>                                   | <u><u>0.00</u></u>                                   | <u><u>0.16</u></u>                                      |
| — For profit from continuing operations   | <u><u>0.08</u></u>                                   | <u><u>0.18</u></u>                                   | <u><u>0.16</u></u>                                      |

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|  | For the three months ended                 |  |   |
|--|--|--|---|
|  | 31 March<br>2021<br>RMB'000<br>(Unaudited) | 31 March<br>2020<br>RMB'000<br>(Unaudited) | 31 December<br>2020<br>RMB'000<br>(Unaudited) |
| <b>PROFIT/(LOSS) FOR THE PERIOD</b>  | <b>299,774</b>                             | (121,215)                                  | 351,410                                       |
| <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   | (28,475)                                   | (69,060)                                   | 80,378  |
| Reclassification adjustments for partial disposal and deemed disposal of associates                                | 687  | —  | 4,382   |
| Share of other comprehensive income/(loss) of associates   | 42,489                                     | 24,903                                     | (179,476)                                     |
| <b>Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods</b>      | <b>14,701</b>                              | (44,157)                                   | (94,716)                                      |
| Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:           |  |  |   |
| Exchange differences:  |  |  |   |
| Exchange differences on translation into presentation currency   | 23,854                                     | 79,982                                     | (246,529)                                     |
| Equity investments designated at fair value through other comprehensive income:                                    |  |  |   |
| Changes in fair value, net of tax  | —  | 359,167                                    | 167,510                                       |
| Share of other comprehensive income/(loss) of associates   | 21,057                                     | (6,007)                                    | (946)   |
| <b>Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods</b> | <b>44,911</b>                              | 433,142                                    | (79,965)                                      |
| <b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX</b>  | <b>59,612</b>                              | 388,985                                    | (174,681)                                     |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>   | <b>359,386</b>                             | 267,770                                    | 176,729                                       |
| <b>Attributable to:</b>  |  |  |   |
| Owners of the parent   | 175,561                                    | 416,850                                    | 52,583  |
| Non-controlling interests  | 183,825                                    | (149,080)                                  | 124,146                                       |
|  | <b>359,386</b>                             | 267,770                                    | 176,729                                       |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|   | As at<br>31 March<br>2021<br><i>RMB'000</i><br><i>(Unaudited)</i> | As at<br>31 December<br>2020<br><i>RMB'000</i><br><i>(Audited)</i> |
|---|---|--|
| <b>NON-CURRENT ASSETS</b>   |   |  |
| Property, plant and equipment   | 1,207,140   | 1,184,902  |
| Investment properties   | 63,619  | 64,003   |
| Right-of-use assets   | 475,381   | 504,971  |
| Goodwill  | 185,564   | 185,564  |
| Other intangible assets   | 64,701  | 67,175   |
| Investments in joint ventures   | 154,781   | 180,920  |
| Investments in associates   | 12,587,733  | 12,752,057   |
| Equity investments designated at fair value<br>through other comprehensive income | 10,725  | 10,725   |
| Financial assets at fair value through profit or loss                             | 200,341   | 198,953  |
| Deferred tax assets   | 107,720   | 116,981  |
| Other non-current assets  | 47,839  | 46,301   |
|   | <hr/>   | <hr/>  |
| Total non-current assets  | 15,105,544  | 15,312,552   |
| <b>CURRENT ASSETS</b>   |   |  |
| Inventories   | 19,979  | 19,085   |
| Trade receivables   | 750,833   | 772,485  |
| Prepayments, other receivables and other assets                                   | 1,010,649   | 967,372  |
| Financial assets at fair value through profit or loss                             | 3,652,486   | 3,910,553  |
| Restricted cash   | 513   | 13,079   |
| Cash and bank deposits  | 14,583,718  | 14,049,069   |
|   | <hr/>   | <hr/>  |
| Total current assets  | 20,018,178  | 19,731,643   |
| <b>CURRENT LIABILITIES</b>  |   |  |
| Trade payables  | 313,077   | 290,855  |
| Other payables and accruals   | 929,752   | 1,328,005  |
| Lease liabilities   | 41,304  | 52,758   |
| Deferred revenue  | 1,400,264   | 1,306,207  |
| Income tax payable  | 272,590   | 265,823  |
|   | <hr/>   | <hr/>  |
| Total current liabilities   | 2,956,987   | 3,243,648  |
| <b>NET CURRENT ASSETS</b>   |   |  |
|   | <hr/>   | <hr/>  |
|   | 17,061,191  | 16,487,995   |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                                      |   |  |
|   | <hr/>   | <hr/>  |
|   | 32,166,735  | 31,800,547   |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

|  | As at<br><b>31 March</b><br><b>2021</b><br><i>RMB'000</i><br><i>(Unaudited)</i> | As at<br>31 December<br>2020<br><i>RMB'000</i><br><i>(Audited)</i> |
|--|---|--|
| <b>NON-CURRENT LIABILITIES</b>                     |   |  |
| Deferred revenue                                   | 115,453   | 147,193  |
| Deferred tax liabilities                           | 1,041,686   | 1,059,090  |
| Lease liabilities                                  | 155,792   | 169,759  |
| Liability component of convertible bonds           | 2,234,877   | 2,196,595  |
|  | <hr/>   | <hr/>  |
| Total non-current liabilities                      | 3,547,808   | 3,572,637  |
|  | <hr/>   | <hr/>  |
| <b>NET ASSETS</b>                                  | <b>28,618,927</b>   | <b>28,227,910</b>  |
|  | <hr/> <hr/>   | <hr/> <hr/>  |
| <b>EQUITY</b>                                      |   |  |
| <b>Equity attributable to owners of the parent</b> |   |  |
| Issued capital                                     | 5,316   | 5,316  |
| Share premium account                              | 2,765,275   | 2,762,242  |
| Treasury shares                                    | (10,536)  | (11,181)   |
| Equity component of convertible bonds              | 468,700   | 468,700  |
| Other reserves                                     | 21,635,457  | 21,439,482   |
|  | <hr/>   | <hr/>  |
|  | 24,864,212  | 24,664,559   |
|  | <hr/>   | <hr/>  |
| <b>Non-controlling interests</b>                   | <b>3,754,715</b>  | <b>3,563,351</b>   |
|  | <hr/>   | <hr/>  |
| <b>TOTAL EQUITY</b>                                | <b>28,618,927</b>   | <b>28,227,910</b>  |
|  | <hr/> <hr/>   | <hr/> <hr/>  |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

|   | For the three months ended |                    |                    |
|---|----------------------------|--------------------|--------------------|
|   | 31 March                   | 31 March           | 31 December        |
|   | 2021                       | 2020               | 2020               |
|   | <i>RMB'000</i>             | <i>RMB'000</i>     | <i>RMB'000</i>     |
|   | <i>(Unaudited)</i>         | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| <b>Net cash flows from operating activities</b>   | <b>238,250</b>             | 544,957            | 1,013,257          |
| <b>Net cash flows (used in)/from investing activities</b>   | <b>(791,474)</b>           | (894,179)          | 353,606            |
| <b>Net cash flows (used in)/from financing activities</b>   | <b>(476)</b>               | 96,561             | 107,529            |
|   | <hr/>                      | <hr/>              | <hr/>              |
| <b>Net (decrease)/increase in cash and cash equivalents</b>   | <b>(553,700)</b>           | (252,661)          | 1,474,392          |
| Cash and cash equivalents at beginning of the period  | <b>4,455,271</b>           | 7,329,845          | 3,096,675          |
| Effect of foreign exchange rate changes, net  | <b>1,812</b>               | 24,483             | (115,796)          |
|   | <hr/>                      | <hr/>              | <hr/>              |
| <b>Cash and cash equivalents at end of the period</b>   | <b>3,903,383</b>           | 7,101,667          | 4,455,271          |
| Non-pledged time deposits with original maturity of over three months when acquired                   | <b>4,865,167</b>           | 241,000            | 2,749,999          |
| Principal protected structure deposits with original maturity of over three months when acquired      | <b>5,815,168</b>           | 6,577,674          | 6,843,799          |
| Less: Cash and cash equivalents attributable to a discontinued operation                              | <b>—</b>                   | (1,969,905)        | —                  |
|   | <hr/>                      | <hr/>              | <hr/>              |
| <b>Cash and bank deposits as stated in the condensed consolidated statement of financial position</b> | <b>14,583,718</b>          | 11,950,436         | 14,049,069         |
|   | <hr/> <hr/>                | <hr/> <hr/>        | <hr/> <hr/>        |

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. Corporate information

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 Cayman Islands. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 9 October 2007.

The Group was principally involved in the following activities:

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

The discontinued operation of the Group was involved in the provision of cloud services including cloud computing, storage and delivery, and comprehensive cloud-based solutions through Kingsoft Cloud Holdings Limited ("**Kingsoft Cloud**") and its subsidiaries (collectively, "**Kingsoft Cloud Group**").

The interim condensed consolidated financial statements for the three months ended 31 March 2021 were approved and authorized for issue in accordance with a resolution of the Board on 25 May 2021.

## 2. Basis of preparation and significant accounting policies

### *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 International Accounting Standards Board ("**IASB**").

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 financial statements as at 31 December 2020.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2. Basis of preparation and significant accounting policies (continued)

### *Significant Accounting Policies*

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 financial statements for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), except for the adoption of new standards and interpretations effective as at 1 January 2021.

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

|   |   |
|---|---|
| Amendments to IFRS 9, IAS 39,<br>IFRS 7, IFRS 4 and IFRS 16 | <i>Interest Rate Benchmark Reform — Phase 2</i> |
|---|---|

None of the above amendments to IFRSs has had a significant financial effect on the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Certain comparative amounts have been reclassified to conform with the current year's presentation.

# MANAGEMENT DISCUSSION AND ANALYSIS

## For the Three Months Ended 31 March 2021

### Revenue

Revenue for the first quarter of 2021 increased 33% year-on-year and decreased 3% quarter-on-quarter to RMB1,559.6 million. Revenue from the online games and others and office software and services represented 51% and 49% of the Group's total revenue for the first quarter of 2021, respectively.

Revenue from the online games and others business for the first quarter of 2021 decreased 1% year-on-year and 7% quarter-on-quarter to RMB788.6 million. The slight year-on-year decrease was mainly due to decreased revenue of mobile games, partially offset by revenue growth of JX Online III. The quarter-on-quarter decrease was largely due to the natural declining life cycles of existing mobile games.

Revenue from the office software and services business for the first quarter of 2021 increased 104% year-on-year and 2% quarter-on-quarter to RMB771.0 million. The remarkable year-on-year increase was mainly attributable to the rapid growth of both licensing business from enterprise and government, and subscription services driven by the increasing demand for cloud and collaboration.

### Cost of Revenue and Gross Profit

Cost of revenue for the first quarter of 2021 increased 21% year-on-year and decreased 6% quarter-on-quarter to RMB243.7 million. The year-on-year increase was mainly due to higher internet data center ("IDC") cost and content delivery network ("CDN") cost associated with fast growth of personal subscription services from Beijing Kingsoft Office Software, Inc. ("Kingsoft Office") and its subsidiaries (collectively, "Kingsoft Office Group").

Gross profit for the first quarter of 2021 increased 36% year-on-year and decreased 2% quarter-on-quarter to RMB1,315.9 million. The Group's gross profit margin increased by one percentage point year-on-year and kept flat quarter-on-quarter to 84%.

### Research and Development ("R&D") Costs, net

R&D costs, net, for the first quarter of 2021 increased 38% year-on-year and 15% quarter-on-quarter to RMB491.0 million. The increases were mainly attributable to increased personnel related expenses, as we continued to increase our investment in technology innovation and new products development.

### Selling and Distribution Expenses

Selling and distribution expenses for the first quarter of 2021 increased 39% year-on-year and decreased 26% quarter-on-quarter to RMB204.5 million. The year-on-year increase mainly reflected greater spending of Kingsoft Office Group to expand its reach into enterprise and government markets. The quarter-on-quarter decrease was mainly due to fewer promotional activities in this quarter.

## **Administrative Expenses**

Administrative expenses for the first quarter of 2021 increased 58% year-on-year and 4% quarter-on-quarter to RMB147.6 million. The increases were primarily due to increased staff-related costs.

## **Share-based Compensation Costs**

Share-based compensation costs for the first quarter of 2021 increased 3% year-on-year and decreased 61% quarter-on-quarter to RMB31.7 million. The quarter-on-quarter decrease was largely due to new grants of awarded shares to the selected employees of certain subsidiaries of the Company, some of which were vested at the grant date in the fourth quarter of 2020.

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

Operating profit before share-based compensation costs for the first quarter of 2021 increased 31% year-on-year and decreased 15% quarter-on-quarter to RMB543.8 million as a result of the combination of the above reasons. The operating profit margin before share-based compensation costs for the first quarter of 2021 decreased by one percentage point year-on-year and five percentage points quarter-on-quarter to 35%.

## **Other Gains/(Losses), net**

Net other gains of RMB33.0 million were recorded for the first quarter of 2021, compared to net other gains of RMB3.3 million for the first quarter of 2020 and net other losses of RMB111.4 million for the fourth quarter of 2020. The net other losses in the fourth quarter of 2020 were mainly due to the recognition of a loss on deemed disposal of Kingsoft Cloud as a result of the dilution impact of the exercise of its employee options.

## **Finance costs**

Finance costs for the first quarter of 2021 was RMB35.2 million, compared with finance costs of RMB5.7 million and RMB36.0 million for the first quarter of 2020 and the fourth quarter of 2020. The year-on-year increase was primarily due to issued convertible bonds in April 2020 with the interest rate of an equivalent market interest rate for a similar bond in the accounting treatment, instead of the actual yield to maturity, which would not result in cash outflow.

## **Share of Profits and Losses of Associates**

Share of losses of associates of RMB224.9 million were recorded for the first quarter of 2021, compared to share of losses of RMB64.0 million for the first quarter of 2020 and share of losses of RMB20.7 million for the fourth quarter of 2020. The losses in the first quarter of 2021 were mainly due to the losses recognized in Kingsoft Cloud and Cheetah Mobile Inc. (“**Cheetah Mobile**”). The losses in the first quarter of 2020 were mainly due to the losses recognized in Cheetah Mobile. The losses in the fourth quarter of 2020 were mainly due to the losses recognized in Kingsoft Cloud, partially offset by the profits recognized in Cheetah Mobile.

## **Income Tax Expense**

Income tax expense for the first quarter of 2021 increased 3% year-on-year and decreased 42% quarter-on-quarter to RMB66.1 million.

## **Profit Attributable to Owners of the Parent**

As a result of the reasons discussed above, profit attributable to owners of the parent (including that from continuing operations and a discontinued operation) for the first quarter of 2021 was RMB116.6 million, compared to profit of RMB6.3 million for the first quarter of 2020 and profit of RMB220.6 million for the fourth quarter of 2020.

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

Profit attributable to owners of the parent before share-based compensation costs is profit 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 attributable to owners of the parent before share-based compensation costs will enable the investor 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 or any other operating performance measure that is calculated in accordance with IFRSs. In addition, our profit attributable to owners of the parent before share-based compensation costs may not be comparable to similarly titled measures utilized by other companies.

Profit attributable to owners of the parent before share-based compensation costs for the first quarter of 2021 (including that from continuing operations and a discontinued operation) was RMB139.6 million, compared to profit of RMB55.2 million for the first quarter of 2020 and profit of RMB265.7 million for the fourth quarter of 2020. The net profit margin excluding the effect of share-based compensation costs was 9%, 2% and 17% for the three months ended 31 March 2021, 31 March 2020 and 31 December 2020, respectively.

## **Liquidity and Financial Resource**

The Group had a strong cash position towards the end of the reporting period. As at 31 March 2021, the Group had major financial resources in the forms of restricted cash and cash and bank deposits amounting to RMB0.5 million and RMB14,583.7 million, respectively, which totally represented 42% of the Group's total assets.

As at 31 March 2021, the Group's gearing ratio, which represents total liabilities divided by total assets, was 19%, compared to 19% as at 31 December 2020.

### *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 of loss. As at 31 March 2021, the aggregate amount of cash resources of the Group was RMB18,207.6 million.

## **Foreign Currency Risk Management**

As at 31 March 2021, RMB3,358.1 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 the operating activities reflects the Group's profit/(loss) for the three-month period mentioned above, as the case maybe, as adjusted for non-cash items, such as depreciation and share-based compensation costs, as well as the effect of changes in certain items of statement of financial position, such as deferred revenue, other payables and accruals.

Net cash generated from operating activities (including that from continuing operations and a discontinued operation) was RMB238.3 million, RMB545.0 million and RMB1,013.3 million for the three months ended 31 March 2021, 31 March 2020 and 31 December 2020, respectively.

## **Capital Expenditures**

Capital expenditures represent cash payments for acquisition of business, fixed assets and intangible assets. Cash used for capital expenditures (including that from continuing operations and a discontinued operation) was RMB75.1 million, RMB328.0 million and RMB74.4 million for the three months ended 31 March 2021, 31 March 2020 and 31 December 2020, respectively.

## MANAGEMENT COMMENTS

Mr. Jun LEI, Chairman of the Company, commented, “Our first-quarter results signal a good start for the year as we continued to focus on office application services for governments, enterprises and individuals, and high-quality IPs and premium games. Kingsoft Office Group seized the opportunity for digital transformation and will continue to develop the ecosystem for cloud and collaboration. In the online games business, we maintained steady development of our core games while actively carrying out R&D for new game genres.”

Mr. Tao ZOU, Chief Executive Officer of the Company, added, “In the first quarter, the Company achieved a decent start to the year. Our total revenue came in at RMB1,559.6 million, up 33% year-on-year, while our office software and services business recorded strong year-on-year growth of 104%. The online games and others business was down slightly year-on-year at 1%. With the robust growth of office software and services revenue, our operating profit in the first quarter was RMB512.1 million, up 33% compared to the same period last year.

For the first quarter of 2021, revenue from Kingsoft Office Group achieved significant growth, mainly driven by the accelerated development of its ecosystem for cloud and collaboration. Kingsoft Office Group is dedicated to transforming to a premium service provider of cloud and collaboration office solutions, providing upgraded products experience and promoting cloud office migration and penetration in the government and enterprise markets. As the localization business has entered a mature period, the customer procurement increased. Kingsoft Office Group has witnessed an exponential growth in the office software product licensing business during this quarter.

During China’s 2021 Two Sessions, customized office software document services of WPS Office were provided to facilitate online transmission, review and approval of all official documents. Kingsoft Office Group has also accelerated its development of commercial distribution network. The 2021 Partner Conference of the Kingsoft Office Group was held in April 2021, attracting more than 1,000 attendees from its distributors and service provider partners across the ecosystem.

Meanwhile, Kingsoft Office Group has continued to optimize user experience for individuals and enterprises, and improve its customer loyalty through the application of cloud and collaboration to enhance the penetration within the public cloud market and to promote the growth of the office service subscription business.

As at 31 March 2021, MAU of Kingsoft Office Group’s core products reached 494 million, achieving a year-on-year growth of 11%. MAU of PC edition and mobile edition of WPS Office amounted to 194 million and 294 million, with a year-on-year increase of 15% and 8% respectively. In addition, our internet advertising and promotion service businesses remained steady during the quarter, which was in line with Kingsoft Office Group’s overall strategy.

During the quarter, the online games business delivered solid performance with a key focus on new genres and overseas market development. Revenue from our flagship JX Online III PC game increased by 23% year-on-year in the first quarter of 2021. In April, online games business launched Bai Di Feng Yun (白帝風雲), a new expansion pack for the JX Online III PC game with enriched content and new gameplay resulting in a growth in daily active independent accounts after launch. Meanwhile, the performance of other JX series PC games has remained stable.

In addition, the online games business has achieved breakthroughs in overseas mobile games business. Upon its debut, the JX I Pocket mobile game was ranked the first in both the top free charts and grossing charts for iOS and Android apps in Vietnam. In May, First-person shooting (FPS) game Bullet Angel was released, and gained popularity in Thailand, Malaysia, etc.

Forging ahead, multiple new games are scheduled for launch. For example, JX Online III: Yuan Qi (劍網3緣起), the retro version of JX Online III, and War of the Visions: Final Fantasy Brave Exvius are expected to be launched in the middle of this year.”

Mr. Jun LEI concluded, “We are pleased that all businesses performed well and started on a sound footing in the first quarter. We are full of confidence for our development going forward. Looking ahead, we will adhere to high-intensity investment in R&D with an emphasis in new technologies such as cloud and artificial intelligence to promote innovation and optimization, to prepare for breakthroughs, and to achieve sustainable growth and development as well as creating a better future with our customers and partners.”

By order of the Board  
**Kingsoft Corporation Limited**  
**Jun LEI**  
*Chairman*

Hong Kong, 25 May 2021

*As at the date of this announcement, the Executive Directors are Messrs. Tao ZOU and Yuk Keung NG; the Non-executive Directors are Messrs. Jun LEI, Pak Kwan KAU and Chi Ping LAU; the Independent Non-executive Directors are Messrs. Shun Tak WONG, David Yuen Kwan TANG, and Ms. Wenjie WU.*