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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 YEAR ENDED 31 DECEMBER 2022

The board (“**Board**”) of directors (the “**Directors**”) of Kingsoft Corporation Limited (the “**Company**”) hereby announces the audited results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2022. The results have been audited by Ernst & Young, the auditor of the Company in accordance with Hong Kong Standards on Auditing. In addition, the results have also been reviewed by the audit committee of the Company (the “**Audit Committee**”).

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Year-on-year Change %
	2022	2021	
	RMB'000	RMB'000	
Revenue	7,636,743	6,371,406	20
Operating profit	1,868,682	1,360,583	37
Operating profit before share-based compensation costs	2,129,476	1,579,734	35
Profit/(loss) attributable to owners of the parent*	(6,048,194)	395,332	Not applicable
	RMB	RMB	
Basic earnings/(loss) per share	(4.43)	0.29	Not applicable
Diluted earnings/(loss) per share	(4.45)	0.28	Not applicable

* Loss attributable to owners of the parent for the year of 2022 mainly resulted from the provision for impairment on the investment in Kingsoft Cloud Holdings Limited (“**Kingsoft Cloud**”), which was RMB5,837.2 million, net of tax.

DIVIDEND

The Board has recommended the payment of a final dividend of HK\$0.13 per share for the year ended 31 December 2022 (2021: HK\$0.12 per share). The final dividend, subject to the approval of the shareholders at the forthcoming annual general meeting (the “AGM”) of the Company, is expected to be paid on 21 June 2023.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

		As at 31 December	
		2022	2021
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		1,551,294	1,258,503
Investment properties		190,911	157,111
Right-of-use assets		470,245	488,728
Goodwill		185,564	185,564
Other intangible assets		109,992	121,859
Investments in joint ventures		141,165	146,121
Investments in associates		5,347,967	12,130,558
Equity investments designated at fair value through other comprehensive income		18,273	8,418
Financial assets at fair value through profit or loss		211,353	226,969
Deferred tax assets		93,410	124,674
Other non-current assets		28,044	35,098
Total non-current assets		8,348,218	14,883,603
CURRENT ASSETS			
Inventories		18,335	18,577
Trade receivables	10	860,597	839,268
Prepayments, other receivables and other assets		1,331,934	1,691,939
Financial assets at fair value through profit or loss		3,125,099	2,902,205
Restricted cash		2,456	9,382
Cash and bank deposits		18,201,410	16,190,138
Total current assets		23,539,831	21,651,509

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2022**

		As at 31 December	
	<i>Notes</i>	2022	2021
		RMB'000	RMB'000
CURRENT LIABILITIES			
Trade payables	11	452,672	423,400
Other payables and accruals		1,347,722	1,426,585
Lease liabilities		100,538	50,804
Contract liabilities		2,186,742	2,003,324
Income tax payable		210,903	192,071
Liability component of convertible bonds	12	2,589,698	—
		<u>6,888,275</u>	<u>4,096,184</u>
Total current liabilities			
		<u>6,888,275</u>	<u>4,096,184</u>
NET CURRENT ASSETS		<u>16,651,556</u>	<u>17,555,325</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>24,999,774</u>	<u>32,438,928</u>
NON-CURRENT LIABILITIES			
Contract liabilities		308,723	143,807
Deferred tax liabilities		357,356	1,029,633
Lease liabilities		104,962	154,455
Liability component of convertible bonds	12	—	2,248,587
Other non-current liabilities		67,128	63,830
Derivative financial instrument		6,615	6,426
		<u>844,784</u>	<u>3,646,738</u>
Total non-current liabilities			
		<u>844,784</u>	<u>3,646,738</u>
NET ASSETS		<u>24,154,990</u>	<u>28,792,190</u>
EQUITY			
Equity attributable to owners of the parent			
Issued capital		5,281	5,308
Share premium account		2,213,361	2,490,650
Treasury shares		(29,059)	(15,259)
Equity component of convertible bonds	12	468,700	468,700
Other reserves		16,842,983	21,834,670
		<u>19,501,266</u>	<u>24,784,069</u>
Non-controlling interests		<u>4,653,724</u>	<u>4,008,121</u>
TOTAL EQUITY		<u>24,154,990</u>	<u>28,792,190</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2022

		Year ended 31 December	
	<i>Notes</i>	2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue			
Office software and services		3,890,588	3,264,794
Online games and others		3,746,155	3,106,612
		7,636,743	6,371,406
Cost of revenue		(1,459,742)	(1,157,117)
		6,177,001	5,214,289
Gross profit			
Research and development costs		(2,552,754)	(2,328,009)
Selling and distribution expenses		(1,242,518)	(1,064,954)
Administrative expenses		(618,956)	(570,016)
Share-based compensation costs	6	(260,794)	(219,151)
Other income		395,156	391,203
Other expenses		(28,453)	(62,779)
		1,868,682	1,360,583
Operating profit			
Other gains/(losses), net	5	(6,499,855)	842,402
Finance income		449,005	416,250
Finance costs		(157,438)	(142,789)
Share of profits and losses of:			
Joint ventures		(19,634)	(31,673)
Associates		(1,362,103)	(1,301,645)
		(5,721,343)	1,143,128
Profit/(loss) before tax			
Income tax credit/(expense)	7	380,355	(190,285)
		(5,340,988)	952,843
Profit/(loss) for the year			
Attributable to:			
Owners of the parent		(6,048,194)	395,332
Non-controlling interests		707,206	557,511
		(5,340,988)	952,843
		(5,340,988)	952,843
		<i>RMB</i>	<i>RMB</i>
Earnings/(loss) per share attributable to ordinary equity holders of the parent			
Basic		(4.43)	0.29
Diluted		(4.45)	0.28

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
PROFIT/(LOSS) FOR THE YEAR	<u>(5,340,988)</u>	<u>952,843</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation into presentation currency	(340,558)	101,521
Reclassification adjustments for disposal of a subsidiary	373	—
Reclassification adjustments for deemed disposal of associates	(592)	22,236
Share of other comprehensive income/(loss) of associates	<u>362,430</u>	<u>(95,844)</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>21,653</u>	<u>27,913</u>
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	467,097	(154,010)
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value, net of tax	(145)	(2,307)
Share of other comprehensive income of an associate	<u>11,750</u>	<u>40,576</u>
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	<u>478,702</u>	<u>(115,741)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>500,355</u>	<u>(87,828)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>(4,840,633)</u>	<u>865,015</u>
Attributable to:		
Owners of the parent	(5,577,877)	315,977
Non-controlling interests	<u>737,244</u>	<u>549,038</u>
	<u>(4,840,633)</u>	<u>865,015</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to owners of the parent												
	Issued capital RMB'000	Share premium account RMB'000	Treasury shares RMB'000	Equity component of convertible bonds RMB'000	Statutory reserves RMB'000	Share-based compensation reserve RMB'000	Other capital reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Foreign currency translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022	5,308	2,490,650	(15,259)	468,700	634,314	637,036	3,828,458	29,937	(223,329)	16,928,254	24,784,069	4,008,121	28,792,190
Loss for the year	—	—	—	—	—	—	—	—	—	(6,048,194)	(6,048,194)	707,206	(5,340,988)
Other comprehensive income/(loss) for the year:													
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	—	—	—	—	—	—	—	(145)	—	—	(145)	—	(145)
Exchange differences translation into presentation currency	—	—	—	—	—	—	—	—	96,607	—	96,607	29,932	126,539
Reclassification adjustments for disposal of a subsidiary	—	—	—	—	—	—	—	—	267	—	267	106	373
Reclassification adjustments for deemed disposal of associates	—	—	—	—	—	—	—	—	(592)	—	(592)	—	(592)
Share of other comprehensive income of associates	—	—	—	—	—	—	—	11,750	362,430	—	374,180	—	374,180
Total comprehensive income/(loss) for the year	—	—	—	—	—	—	—	11,605	458,712	(6,048,194)	(5,577,877)	737,244	(4,840,633)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(230,554)	(230,554)
Final 2021 dividend declared	—	(139,925)	—	—	—	—	—	—	—	—	(139,925)	—	(139,925)
Share-based compensation costs	—	—	—	—	—	172,328	—	—	—	—	172,328	91,075	263,403
Vesting and settlement of share-based awards	—	11,012	1,948	—	—	(12,960)	—	—	—	—	—	—	—
Exercise and vesting of share-based awards issued by subsidiaries	—	—	—	—	—	(54,735)	56,293	—	—	—	1,558	3,510	5,068
Share of reserves of associates	—	—	—	—	—	—	432,213	—	—	—	432,213	—	432,213
Shares repurchased for share award scheme	—	—	(23,117)	—	—	—	—	—	—	—	(23,117)	—	(23,117)
Shares repurchased and cancelled	(27)	(148,376)	7,369	—	—	—	—	—	—	—	(141,034)	—	(141,034)
Profit appropriation	—	—	—	—	217,158	—	—	—	—	(217,158)	—	—	—
Changes in the ownership interests in subsidiaries	—	—	—	—	—	—	(6,949)	—	—	—	(6,949)	56,949	50,000
Partial disposal of a subsidiary	—	—	—	—	(6,000)	—	—	—	—	6,000	—	(12,621)	(12,621)
At 31 December 2022	5,281	2,213,361	(29,059)	468,700	845,472	741,669	4,310,015	41,542	235,383	10,668,902	19,501,266	4,653,724	24,154,990

* These reserve accounts comprise the consolidated other reserves of RMB16,842,983,000 (2021: RMB21,834,670,000) in the consolidated statement of financial position.

	Attributable to owners of the parent												
	Issued capital RMB'000	Share premium account RMB'000	Treasury shares RMB'000	Equity component of convertible bonds RMB'000	Statutory reserves RMB'000	Share-based compensation reserve RMB'000	Other capital reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Foreign currency translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	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 year	—	—	—	—	—	—	—	—	—	395,332	395,332	557,511	952,843
Other comprehensive income/(loss) for the year:													
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	—	—	—	—	—	—	—	(2,307)	—	—	(2,307)	—	(2,307)
Exchange differences translation into presentation currency	—	—	—	—	—	—	—	—	(44,016)	—	(44,016)	(8,473)	(52,489)
Reclassification adjustments for partial disposal and deemed disposal of associates	—	—	—	—	—	—	—	—	22,236	—	22,236	—	22,236
Share of other comprehensive income/(loss) of associates	—	—	—	—	—	—	—	40,576	(95,844)	—	(55,268)	—	(55,268)
Total comprehensive income/(loss) for the year	—	—	—	—	—	—	—	38,269	(117,624)	395,332	315,977	549,038	865,015
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(207,867)	(207,867)
Final 2020 dividend declared	—	(227,736)	—	—	—	—	—	—	—	—	(227,736)	—	(227,736)
Share-based compensation costs	—	—	—	—	—	139,276	—	—	—	—	139,276	84,322	223,598
Exercise of share options	5	37,905	—	—	—	(13,477)	—	—	—	—	24,433	—	24,433
Vesting and settlement of share-based awards	—	18,848	3,291	—	—	(22,139)	—	—	—	—	—	—	—
Exercise and vesting of share-based awards issued by subsidiaries	—	—	—	—	—	(10,156)	5,895	—	—	—	(4,261)	(1,688)	(5,949)
Share of reserves of associates	—	—	—	—	—	—	777	—	—	—	777	—	777
Share repurchased	(13)	(100,609)	(7,369)	—	—	—	—	—	—	—	(107,991)	—	(107,991)
Profit appropriation	—	—	—	—	190,375	—	—	—	—	(190,375)	—	—	—
Changes in the ownership interests in subsidiaries	—	—	—	—	—	—	(20,965)	—	—	—	(20,965)	20,965	—
At 31 December 2021	5,308	2,490,650	(15,259)	468,700	634,314	637,036	3,828,458	29,937	(223,329)	16,928,254	24,784,069	4,008,121	28,792,190

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	2022	2021
	<i>RMB'000</i>	<i>RMB'0000</i>
Net cash flows from operating activities	2,573,519	2,220,098
Net cash flows from/(used in) investing activities	4,421,589	(1,605,298)
Net cash flows used in financing activities	(619,041)	(479,605)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	6,376,067	135,195
Cash and cash equivalents at beginning of the year	4,553,428	4,455,271
Effect of foreign exchange rate changes, net	89,387	(37,038)
	<hr/>	<hr/>
Cash and cash equivalents at end of the year	11,018,882	4,553,428
Non-pledged time deposits with original maturity of over three months when acquired	7,182,528	4,997,482
Principal protected structure deposits with original maturity of over three months when acquired	—	6,639,228
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Cash and bank deposits as stated in the consolidated statement of financial position	18,201,410	16,190,138
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NOTES TO 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 the Cayman Islands. The Company's shares (the "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 is principally engaged in the following activities:

- design, research and development and sales and marketing of the 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

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance.

The financial statements have been prepared under the historical cost convention, except for derivative financial instruments, equity investments and certain other financial assets which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Significant accounting policies

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

Amendments to IFRS 3
Amendments to IAS 16

Amendments to IAS 37
*Annual Improvements to
IFRSs 2018–2020*

*Reference to the Conceptual Framework
Property, Plant and Equipment: Proceeds
before Intended Use*

Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRS 1, IFRS 9 and IAS 41

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.

3. Operating segments information

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/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that net other gains/(losses), 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.

Year ended 31 December 2022	Office software and services RMB'000	Entertainment software and others RMB'000	Total RMB'000
Segment revenue:			
Sales	<u>3,890,588</u>	<u>3,746,155</u>	<u>7,636,743</u>
Segment results	927,049	933,176	1,860,225
<i>Reconciliation:</i>			
Other losses, net			(6,499,855)
Finance income			449,005
Finance costs (other than interest on lease liabilities)			(148,981)
Share of profits and losses of:			
Joint ventures			(19,634)
Associates			<u>(1,362,103)</u>
Loss before tax			<u><u>(5,721,343)</u></u>

3. Operating segments information (continued)

Year ended 31 December 2021	Office software and services <i>RMB'000</i>	Entertainment software and others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:			
Sales	<u>3,264,794</u>	<u>3,106,612</u>	<u>6,371,406</u>
Segment results	896,850	454,803	1,351,653
<i>Reconciliation:</i>			
Other gains, net			842,402
Finance income			416,250
Finance costs (other than interest on lease liabilities)			(133,859)
Share of profits and losses of:			
Joint ventures			(31,673)
Associates			<u>(1,301,645)</u>
Profit before tax			<u><u>1,143,128</u></u>

4. Profit/(loss) before tax

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	2022	2021
	RMB'000	RMB'000
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	2,624,130	2,257,246
Social insurance costs and staff welfare	367,743	332,942
Share-based compensation costs	260,794	219,151
Pension plan contributions*	234,072	194,351
	3,486,739	3,003,690
Gain on disposal of items of property, plant and equipment	(42)	(231)
Gain on disposal of items of other intangible assets	(9,338)	—
Lease payments not included in the measurement of lease liabilities	19,487	26,308
Cost of inventories sold	4,397	2,128
Cost of services provided	1,183,227	920,592
Depreciation of property, plant and equipment	154,267	126,997
Depreciation of investment properties	9,360	1,533
Depreciation of right-of-use assets	73,750	56,460
Amortisation of other intangible assets	35,417	27,445
Impairment of trade and other receivables**	25,468	46,324
Donations**	1,391	10,018

* At 31 December 2022, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2021: nil).

** These amounts are included in "other expenses" on the consolidated statement of profit or loss.

5. Other gains/(losses), net

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Gain on disposal of an associate	—	51,048
Gain/(loss) on deemed disposal of associates	(1,691)	628,586
Gain on deemed disposal of joint ventures	2,570	9,856
Gain on partial disposal of an associate	—	3,276
Gain on disposal of subsidiaries	23,698	—
Loss on partial disposal of a subsidiary	(126)	—
Loss on disposal of a joint venture	(4,892)	—
Impairment of investments in associates	(6,526,228)	—
Impairment of loans to a joint venture	(8,636)	—
Impairment of loan receivables	(16,955)	—
Foreign exchange differences, net	(54,603)	32,522
Fair value gains on financial instruments at fair value through profit or loss, net	94,808	121,153
Others	(7,800)	(4,039)
	<u>(6,499,855)</u>	<u>842,402</u>

6. Share-based compensation costs

(a) Share option schemes

2011 Share Option Scheme

The Company operates the 2011 share option scheme (the “**2011 Scheme**”) for the purpose of providing incentives and rewards to eligible participants. Eligible participants of the 2011 Scheme include the Group’s executive directors (exclusive of any non-executive director) and other employees of the Group. The 2011 Scheme became effective on 9 December 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The following share options were outstanding under the 2011 Scheme during the years ended 31 December 2022 and 2021, and their weighted average exercise prices (“**WAEP**”) are also listed as below:

	2022 Number of share options	2022 WAEP HK\$ per share	2021 Number of share options	2021 WAEP HK\$ per share
Outstanding at 1 January	3,129,800	20.73	4,600,000	20.58
Exercised during the year	—	—	(1,470,200)	20.25
Outstanding at 31 December	<u>3,129,800</u>	20.73	<u>3,129,800</u>	20.73
Exercisable at 31 December	<u>3,129,800</u>	20.73	<u>3,009,800</u>	20.65

2021 Share Option Scheme

The Company operates the 2021 share option scheme (the “**2021 Scheme**”) for the purpose of providing incentives and rewards to eligible participants. Eligible participants of the 2021 Scheme include the directors and other employees of the Group or any of the Group’s invested entities. The 2021 Scheme became effective on 9 December 2021 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The following share options were outstanding under the 2021 Scheme during the years ended 31 December 2022 and 2021, and their WAEP are also listed as below:

	2022 Number of share options	2022 WAEP HK\$ per share	2021 Number of share options	2021 per share WAEP HK\$
Outstanding at 1 January	—	—	—	—
Granted during the year	<u>5,500,000</u>	31.69	—	—
Outstanding at 31 December	<u>5,500,000</u>	31.69	<u>—</u>	—

6. Share-based compensation costs (continued)

(b) Share Award Scheme

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. In prior years, the directors of the Company resolved to have several extensions to the termination date of the Share Award Scheme and on 5 July 2021, the directors of the Company resolved to further extend the termination date of the Share Award Scheme 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 awarded shares were outstanding under the Share Award Scheme during the years ended 31 December 2022 and 2021:

	2022	2021
	Number of Awarded shares	Number of Awarded shares
Outstanding at 1 January	5,054,760	2,735,280
Granted during the year	2,626,000	4,282,800
Forfeited during the year	(866,540)	(582,100)
Vested during the year	(814,560)	(1,381,220)
	<u>5,999,660</u>	<u>5,054,760</u>
Outstanding as at 31 December		

7. Income tax

The People's Republic of China (the "PRC") corporate income tax represents the tax charged on the estimated assessable profits of entities within the Group established in the Chinese mainland. 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 year, 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 is taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%).

7. Income tax (continued)

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current — Mainland China	236,824	203,423
Current — Hong Kong	11,613	5,841
Current — Elsewhere	12,221	18,172
Deferred	(641,013)	(37,151)
Total tax charge/(credit) for the year	<u>(380,355)</u>	<u>190,285</u>

8. Dividends

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Proposed final dividend (note (a)): HK\$0.13 (2021: HK\$0.12) per share based on issued share capital as at year end	158,202	134,433
Less: dividend for shares held for share award scheme as at year end	(436)	(364)
	<u>157,766</u>	<u>134,069</u>

(a) The proposed final dividend for the year is subject to the approval of the shareholders of the Company at the forthcoming AGM.

9. Earnings/(loss) per share attributable to ordinary equity holders of the parent

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,364,079,868 (2021: 1,368,379,188) in issue during the year.

The calculation of diluted earnings/(loss) per share amounts is based on the profit/(loss) for the year 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 year, 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 earnings/(loss) per share amounts presented for the year of 2022 in respect of the convertible bonds outstanding as the impact was anti-dilutive.

9. 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent used in the basic earnings/(loss) per share calculation:	<u>(6,048,194)</u>	<u>395,332</u>
Decrease in earnings/increase in loss adjusted for the share option schemes and the share award schemes adopted by the Group's subsidiaries	<u>(28,114)</u>	<u>(13,798)</u>
	<u>(6,076,308)</u>	<u>381,534</u>
	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue less shares held for the share award schemes during the year used in the basic earnings/(loss) per share calculation	1,364,079,868	1,368,379,188
Effect of dilution — weighted average number of ordinary shares:		
Share options	—	3,013,201
Awarded shares	—	<u>2,983,872</u>
	<u>1,364,079,868</u>	<u>1,374,376,261</u>

10. Trade receivables

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0–30 days	402,450	358,400
31–60 days	124,859	113,692
61–90 days	91,232	102,589
91–365 days	179,385	149,186
1 to 2 years	43,127	74,679
Over 2 years	19,544	40,722
	<u>860,597</u>	<u>839,268</u>

11. Trade payables

An aging analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0–30 days	157,696	210,511
31–60 days	61,916	69,504
61–90 days	71,054	31,134
91–365 days	124,545	97,903
Over 1 year	37,461	14,348
	<u>452,672</u>	<u>423,400</u>

12. Convertible bonds

On 29 April 2020, the Company issued five-year convertible bonds in the principal amount of HK\$3,100 million 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.

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, 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, and the respective 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, representing an increase of 1,088,900 shares from the original 86,680,069 shares.

There was no conversion or redemption of the 2020 Convertible Bonds during the year ended 31 December 2022.

OPERATIONAL HIGHLIGHTS

	In December 2022	In December 2021	In September 2022	Year-on-year Change %	Quarter-on-quarter Change %
Office Software					
Monthly Active Devices of the key products* (Million)	<u>573</u>	<u>544</u>	<u>578</u>	5	(1)
			As at 31 December 2022	As at 31 December 2021	Year-on-year Change %
Accumulated paying subscribers** (Million)			<u>29.97</u>	<u>25.37</u>	18

* 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

	Three months ended		
	31 December 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Unaudited)	30 September 2022 RMB'000 (Unaudited)
Revenue			
Office software and services	1,090,168	903,901	1,004,726
Online games and others	1,022,281	918,209	832,401
	<u>2,112,449</u>	<u>1,822,110</u>	<u>1,837,127</u>
Cost of revenue	<u>(371,609)</u>	<u>(372,524)</u>	<u>(370,952)</u>
Gross profit	1,740,840	1,449,586	1,466,175
Research and development costs	(660,562)	(684,258)	(641,660)
Selling and distribution expenses	(334,842)	(307,777)	(355,643)
Administrative expenses	(162,478)	(155,461)	(156,099)
Share-based compensation costs	(60,190)	(73,094)	(63,577)
Other income	111,636	108,399	85,387
Other expenses	<u>(15,671)</u>	<u>(5,996)</u>	<u>(2,813)</u>
Operating profit	618,733	331,399	331,770
Other gains/(losses), net	(41,997)	27,676	(6,486,654)
Finance income	117,679	114,868	106,924
Finance costs	(41,997)	(35,545)	(39,852)
Share of profits and losses of:			
Joint ventures	(13,042)	(9,507)	(4,019)
Associates	<u>(255,516)</u>	<u>(579,869)</u>	<u>(414,230)</u>
Profit/(loss) before tax	383,860	(150,978)	(6,506,061)
Income tax credit/(expense)	<u>(145,514)</u>	<u>(52,685)</u>	<u>588,488</u>
Profit/(loss) for the period	<u>238,346</u>	<u>(203,663)</u>	<u>(5,917,573)</u>
Attributable to:			
Owners of the parent	46,732	(335,102)	(6,054,900)
Non-controlling interests	<u>191,614</u>	<u>131,439</u>	<u>137,327</u>
	<u>238,346</u>	<u>(203,663)</u>	<u>(5,917,573)</u>
	<i>RMB</i> (Unaudited)	<i>RMB</i> (Unaudited)	<i>RMB</i> (Unaudited)
Earnings/(loss) per share attributable to ordinary equity holders of the parent			
Basic	<u>0.03</u>	<u>(0.24)</u>	<u>(4.44)</u>
Diluted	<u>0.03</u>	<u>(0.25)</u>	<u>(4.44)</u>

FINANCIAL HIGHLIGHTS (CONTINUED)

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue		
Office software and services	3,890,588	3,264,794
Online games and others	3,746,155	3,106,612
	<u>7,636,743</u>	<u>6,371,406</u>
Cost of revenue	(1,459,742)	(1,157,117)
	<u>6,177,001</u>	<u>5,214,289</u>
Gross profit		
Research and development costs	(2,552,754)	(2,328,009)
Selling and distribution expenses	(1,242,518)	(1,064,954)
Administrative expenses	(618,956)	(570,016)
Share-based compensation costs	(260,794)	(219,151)
Other income	395,156	391,203
Other expenses	(28,453)	(62,779)
	<u>1,868,682</u>	<u>1,360,583</u>
Operating profit		
Other gains/(losses), net	(6,499,855)	842,402
Finance income	449,005	416,250
Finance costs	(157,438)	(142,789)
Share of profits and losses of:		
Joint ventures	(19,634)	(31,673)
Associates	(1,362,103)	(1,301,645)
	<u>(5,721,343)</u>	<u>1,143,128</u>
Profit/(loss) before tax		
Income tax credit/(expense)	380,355	(190,285)
	<u>(5,340,988)</u>	<u>952,843</u>
Profit/(loss) for the year		
Attributable to:		
Owners of the parent	(6,048,194)	395,332
Non-controlling interests	707,206	557,511
	<u>(5,340,988)</u>	<u>952,843</u>
	<i>RMB</i>	<i>RMB</i>
Earnings/(loss) per share attributable to ordinary equity holders of the parent		
Basic	<u>(4.43)</u>	<u>0.29</u>
Diluted	<u>(4.45)</u>	<u>0.28</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Fourth Quarter of 2022 Compared with Fourth Quarter of 2021 and Third Quarter of 2022

Revenue

Revenue for the fourth quarter of 2022 increased 16% year-on-year and 15% quarter-on-quarter to RMB2,112.4 million. Revenue from the office software and services, and online games and others represented 52% and 48% of the Group's total revenue for the fourth quarter of 2022, respectively.

Revenue from the office software and services business for the fourth quarter of 2022 increased 21% year-on-year and 9% quarter-on-quarter to RMB1,090.2 million. The year-on-year increase was mainly due to the sustainable growth of individual subscription business, and robust growth of institutional subscription business of Beijing Kingsoft Office Software, Inc. (“**Kingsoft Office**”) and its subsidiaries (collectively, “**Kingsoft Office Group**”). The solid growth of individual subscription business was mainly driven by the increases in the number of accumulated paying subscribers and the proportion of long-term paying subscribers. The remarkable growth of institutional subscription business was mainly attributable to the increasing demand for the digital office platform products from government and enterprises, conforming to the trend of the digital transformation. The quarter-on-quarter increase was mainly due to the growth of individual subscription business.

Revenue from the online games and others business for the fourth quarter of 2022 increased 11% year-on-year and 23% quarter-on-quarter to RMB1,022.3 million. The year-on-year increase was mainly due to revenue contribution from JX World III mobile game released in the fourth quarter of 2021, and revenue growth from JX Online III driven by continuous improvement in content, gameplay and overall user experience, partially offset by decreased revenue from existing games. The quarter-on-quarter increase was mainly due to robust revenue growth from JX Online III in the fourth quarter, reflecting the successful launch of a large-scale expansion pack which boosted user engagement and in-game consumption.

Cost of Revenue and Gross Profit

Cost of revenue for the fourth quarter of 2022 kept flat year-on-year and quarter-on-quarter to RMB371.6 million.

Gross profit for the fourth quarter of 2022 increased 20% year-on-year and 19% quarter-on-quarter to RMB1,740.8 million. The Group's gross profit margin increased by two percentage points year-on-year and quarter-on-quarter to 82%.

Research and Development (“R&D”) Costs

R&D costs for the fourth quarter of 2022 decreased 3% year-on-year and increased 3% quarter-on-quarter to RMB660.6 million. The year-on-year decrease mainly reflected fluctuations of outsourcing expenses.

Selling and Distribution Expenses

Selling and distribution expenses for the fourth quarter of 2022 increased 9% year-on-year and decreased 6% quarter-on-quarter to RMB334.8 million. The year-on-year increase was mainly due to increased marketing spending of Kingsoft Office Group to expand its presence in the domestic enterprise market, partially offset by reduced promotional spending of online games business as the result of fewer new released games in the fourth quarter of 2022. The quarter-on-quarter decrease was mainly due to a large-scale of promotion for JX World III mobile game in the third quarter of 2022.

Administrative Expenses

Administrative expenses for the fourth quarter of 2022 increased 5% year-on-year and 4% quarter-on-quarter to RMB162.5 million.

Share-based Compensation Costs

Share-based compensation costs for the fourth quarter of 2022 decreased 18% year-on-year and 5% quarter-on-quarter to RMB60.2 million.

Operating Profit before Share-based Compensation Costs

Operating profit before share-based compensation costs for the fourth quarter of 2022 increased 68% year-on-year and 72% quarter-to-quarter to RMB678.9 million.

Other Gains/(Losses), net

Net other losses for the fourth quarter of 2022 were RMB42.0 million, compared with gains of RMB27.7 million for the fourth quarter of 2021, and losses of RMB6,486.7 million for the third quarter of 2022, respectively. The losses in the fourth quarter of 2022 were mainly due to the impairment provisions of certain investee companies. The losses in the third quarter of 2022 primarily resulted from the provision for impairment on the investment in Kingsoft Cloud.

Share of Profits and Losses of Associates

We recorded share of losses of associates of RMB255.5 million for the fourth quarter of 2022, compared with losses of RMB579.9 million and RMB414.2 million for the fourth quarter of 2021 and the third quarter of 2022, respectively.

Income Tax Credit/(Expense)

Income tax expense for the fourth quarter of 2022 was RMB145.5 million, compared with income tax expense of RMB52.7 million for the fourth quarter of 2021 and income tax credit of RMB588.5 million for the third quarter of 2022, respectively. The income tax credit for the third quarter of 2022 was mainly attributable to the deferred tax effect of the impairment provision recognized for Kingsoft Cloud.

Profit/(Loss) Attributable to Owners of the Parent

As a result of the reasons discussed above, profit attributable to owners of the parent was RMB46.7 million for the fourth quarter of 2022, compared with loss of RMB335.1 million and RMB6,054.9 million for the fourth quarter of 2021 and the third quarter of 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, which is defined as profit/(loss) attributable to owners of the parent excluding the effect of share-based compensation costs attributable to owners of the parent, is a measure supplementary to the consolidated financial statements presented in accordance with IFRSs.

We believe that the profit/(loss) attributable to owners of the parent before share-based compensation costs will enhance investors' overall understanding of the Company's 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.

Profit attributable to owners of the parent before share-based compensation costs was RMB81.7 million for the fourth quarter of 2022, compared with loss of RMB292.4 million and RMB6,007.5 million for the fourth quarter of 2021 and the third quarter of 2022. The net profit/(loss) margin excluding the effect of share-based compensation costs was 4%, (16)% and (327)% for the three months ended 31 December 2022, 31 December 2021 and 30 September 2022, respectively.

Year 2022 Compared with Year 2021

Revenue

Revenue for the year of 2022 increased 20% year-on-year to RMB7,636.7 million. Revenue from the office software and services, and online games and others represented 51% and 49% of the Group's total revenue for the year of 2022, respectively.

Revenue from the office software and services business for the year of 2022 increased 19% year-on-year to RMB3,890.6 million. The increase was mainly due to the sustainable growth of individual subscription business and fast growth of institutional subscription business, partially offset by the decreases in institutional licensing and internet advertising businesses of Kingsoft Office Group. The revenue growth of individual subscription business was primarily driven by the increases in the number of accumulated paying subscribers and the proportion of long-term paying subscribers. The rapid growth of institutional subscription business was mainly attributable to the revenue growth of Kingsoft Digital Office Platform, driven by the increasing demand for digital transformation from domestic government and enterprise customers. The mild decrease in institutional licensing business was mainly due to the reduction in 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 better user experience.

Revenue from the online games and others business for the year of 2022 increased 21% year-on-year to RMB3,746.2 million. The year-on-year increase was mainly due to the successful launch of several mobile games, which broadened our games portfolio in the fourth quarter of 2021, such as JX World III and JX I: Gui Lai, partially offset by decreased revenue from existing games.

Cost of Revenue and Gross Profit

Cost of revenue for the year of 2022 increased 26% year-on-year to RMB1,459.7 million. The year-on-year increase was primarily due to: i) greater server and bandwidth costs, and purchasing costs of products and services along with the business growth of Kingsoft Office Group; and ii) greater channel costs associated with the increased revenue of online games.

Gross profit for the year of 2022 increased 18% year-on-year to RMB6,177.0 million. The Group's gross profit margin decreased by one percentage point year-on-year to 81%.

R&D Costs

R&D costs for the year of 2022 increased 10% year-on-year to RMB2,552.8 million. The increase was mainly due to increased headcount as well as personnel-related expenses of Kingsoft Office Group, driven by enhanced investments in cloud and collaboration.

Selling and Distribution Expenses

Selling and distribution expenses for the year of 2022 increased 17% year-on-year to RMB1,242.5 million. The increase mainly reflected that Kingsoft Office Group continued to expand its reach into domestic enterprise and government market, and online games business expanded scale of promotion for new mobile games.

Administrative Expenses

Administrative expenses for the year of 2022 increased 9% year-on-year to RMB619.0 million. The increase was mainly due to increased personnel-related expenses.

Share-based Compensation Costs

Share-based compensation costs for the year of 2022 increased 19% year-on-year to RMB260.8 million. The increase was primarily 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 year of 2022 increased 35% year-on-year to RMB2,129.5 million.

Other Gains/(Losses), net

Net other losses for 2022 were RMB6,499.9 million, compared with gains of RMB842.4 million for the last year. The losses in 2022 primarily resulted from the provision for impairment on the investment in Kingsoft Cloud. The gains in 2021 were mainly due to that we recognized a gain on deemed disposal of Kingsoft Cloud as a result of the dilution impact of issue of new shares of it.

Share of Profits and Losses of Associates

Share of losses of associates for 2022 were RMB1,362.1 million, compared with losses of RMB1,301.6 million for the last year.

Income Tax Credit/(Expense)

Income tax credit for the year of 2022 was RMB380.4 million, compared with income tax expense of RMB190.3 million for the last year. The income tax credit for the year of 2022 was mainly attributable to the deferred tax effect of the impairment provision recognized for Kingsoft Cloud.

Profit/(Loss) Attributable to Owners of the Parent

For the reasons described above, loss attributable to owners of the parent was RMB6,048.2 million for the year of 2022, compared with profit of RMB395.3 million for the last year.

Profit/(Loss) Attributable to Owners of the Parent before Share-based Compensation Costs

Loss attributable to owners of the parent before share-based compensation costs was RMB5,878.5 million for the year of 2022, compared with profit of RMB530.2 million for the last year.

The net profit/(loss) margin excluding the effect of share-based compensation costs was (77%) and 8% for the year 2022 and 2021, respectively.

Liquidity and Financial Resource

The Group had a strong cash position towards the end of 2022. As at 31 December 2022, the Group had major financial resources in the forms of cash and bank deposits and restricted cash amounting to RMB18,201.4 million and RMB2.5 million, respectively, which together represented 57% of the Group's total assets.

As at 31 December 2022, the Group's gearing ratio, representing total liabilities divided by total assets, was 24%, compared with 21% as at 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 31 December 2022, the aggregate amount of cash resources of the Group was RMB21,310.4 million.

Foreign Currency Risk Management

As at 31 December 2022, RMB3,062.9 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 year, 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 RMB2,573.5 million and RMB2,220.1 million for the years ended 31 December 2022 and 31 December 2021, respectively.

Capital Expenditures

Capital expenditures represent cash payments for acquisition of business, fixed assets and intangible assets. Cash used for capital expenditures was RMB508.7 million and RMB363.8 million for the years ended 31 December 2022 and 31 December 2021, respectively.

BUSINESS REVIEW AND OUTLOOK

Mr. Jun LEI, Chairman of the Company, commented, “2022 was full of challenges and uncertainties, in which we actively embraced changes, maintained strategic focus, and further strengthened our core competitiveness. Kingsoft Office Group was committed to empowering the digital transformation of institutional customers and enhancing the cloud office user experience for individual users. Our business performance showed resilience, with the strategy of ‘multi-screen, cloud, content, artificial intelligence (“AI”) and collaboration’. Online games business focused on the development of premium games, and our flagship and new launched titles gained popularity. All these achievements have given us confidence to keep advancing our strategy in the enterprise services and online games sectors.”

Mr. Tao ZOU, Chief Executive Officer of the Company, added, “The Group’s businesses continued to make robust progress in 2022, with total revenue reaching RMB7,636.7 million, increasing by 20% year-on-year. In 2022, the office software and services business maintained solid growth with revenue of RMB3,890.6 million, up 19% year-on-year. Notably, individual and institutional subscription businesses grew robustly. The online games and others business experienced solid growth, with annual revenue reaching a new record high of RMB3,746.2 million, up 21% year-on-year, as the result of outstanding performance of JX World III mobile game. Operating profit of the Group was RMB1,868.7 million in 2022, increasing significantly by 37% year-on-year. These results reflected the resilience of our business model, efficiency of our business execution, as well as years of investment in R&D of our Group’s core products.

Despite the sluggish shipments of global PC and smartphone markets, the number of monthly active devices of Kingsoft Office Group’s main products continued to grow against the trend in 2022. We constantly optimized the user experience of our products in cross-platform scenarios such as cloud and collaboration to encourage users to use cloud document services continuously. By the end of 2022, the number of documents uploaded to the public cloud platform has exceeded 175.2 billion, up 35% year-on-year. We continued to add membership privileges of WPS and Docer to attract users to become paying subscribers, enhance user loyalty, achieve stable growth in the number of paying subscribers, increase the proportion of long-term members, and optimize the membership structure.

Kingsoft Office Group deeply served the digital transformation of domestic government and enterprises, catered for their needs of efficiency improvement, data management, information security and industry scenario applications, and continued to promote their end-to-cloud integration and collaboration process. In response to the government’s demand for standardized, efficient, and long-term electronic document management, we launched an electronic document resource library product. Making full use of cloud computing, big data, AI and other technologies, we assisted party and government agencies in building electronic document resource library platforms and supported the full lifecycle management of electronic documents in digital government construction. For premium enterprise customers, we provided modular digital office empowerment services, continuously advancing the enterprise cloud integration process, addressing core pain points of enterprises, such as “improving efficiency, enhancing data security, and controlling costs”, and assisting enterprises in achieving cost reduction and efficiency improvement. For the public cloud service, our full range of digital office platform products with tiered versions were utilized to encourage customers to use cloud and collaboration applications in high frequency, which enhanced user engagement and payment retention.

Kingsoft Office Group has closely monitored the localization industry policy changes and customer demand, and taken the initiative to tap local government and industry localization markets in advance. Starting from the replacement needs of industries such as finance, operators and energy, we promoted the adoption of the Windows/Linux dual-version annual venue mode and deepened their cloud and collaboration office process.

Looking forward, following the strategy of ‘multi-screen, cloud, content, AI and collaboration’, Kingsoft Office Group will focus on AI to achieve more breakthroughs in technology applications, and continue to explore innovative business models and optimize user experience. At the same time, we will continuously improve service quality, empower government and enterprises with high-quality products and technological services, and assist them in achieving digital transformation more effectively.

Online games business continuously cultivated key IP franchises more deeply and broadly, and further enhanced the value of core IPs. Flagship JX Online III marched into its thirteenth year and remained steady, and we put our focus on driving players’ engagement. We launched two expansion packs and conducted multiple in-game events and campaigns to improve player activeness in 2022. In October, the number of daily active accounts achieved a recent high with the successful release of the anniversary expansion pack for JX Online III, Heng Dao Duan Lang (橫刀斷浪). To further enrich our game content, we actively incorporated traditional cultural elements and launched a series of IP crossover campaigns in this game.

JX World III mobile game, one of the classic JX IP, performed strongly in 2022. In order to bring more immersive and authentic wuxia world experience to players, we continued to introduce distinctive gameplay and content to keep players engaged and entertained. We launched three expansion packs in 2022 on the basis of weekly updates. In August, we released the open beta across all platforms in Chinese mainland.

Looking ahead, we will proactively make progress in new game genres and overseas markets. Our new anime games, Snowbreak: Containment Zone (塵白禁區) and The Other Shore (彼岸), have received the approval of gaming licenses and are expected to be released in China and aboard from the second half of 2023. We will focus on long-term operation of existing titles. The upgrade version of JX Online III PC game is expected to be launched by the end of 2023, laying the foundation for JX3 Ultimate (劍網3全平台旗艦版) and ensuring high-quality game iteration.”

Mr. Jun LEI concluded, “In 2022, we achieved steady growth. In 2023, we will continue to seek progress while maintaining stability, and drive business growth with technology and service innovation. For office software and services business, we will continue to empower enterprises’ digital transformation, focus on AI to achieve more breakthroughs in technology applications, reconstruct and optimize the membership system, further promote the transformation of subscriptions. For online games business, we will continue to extend the longevity of premium games based on original IPs, actively expand new game genres, and pursue opportunities in overseas markets. Amid increasingly fierce industry competition, we believe that by relying on technology innovation, products and services enhancements and operations optimization, we will achieve further high-quality development.”

OTHER INFORMATION

Employee and Remuneration Policies

The remuneration policy and package of the Group's employees are periodically reviewed. Apart from salaries, medical insurance, discretionary bonuses and state managed retirement benefit scheme, the Group has also adopted share option schemes and share award schemes for its employees, providing incentives and rewards to eligible participants with reference to their contribution.

As at 31 December 2022, the Group employed approximately 7,116 full-time employees (2021: 7,054) inclusive of all its staff in Chinese mainland and overseas offices, most of whom are based at the Company's offices in Beijing, Zhuhai and Wuhan. The staff costs of the Group including Directors' and senior management's emoluments in 2022 and 2021 were approximately RMB3,486.7 million and RMB3,003.7 million, respectively.

Purchase, Redemption or Sale 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. In August 2022, the Company repurchased 770,600 of its ordinary shares on the Stock Exchange at a price range from HK\$21.6 to HK\$23. In September 2022, the Company repurchased 585,800 of its ordinary shares on the Stock Exchange at a price range from HK\$20.85 to HK\$21.8. In October 2022, the Company repurchased 2,989,000 of its ordinary shares on the Stock Exchange at a price range from HK\$17.44 to HK\$20.05. During the year ended 31 December 2022, the Company repurchased a total of 7,633,600 of its own ordinary shares on the Stock Exchange at a total cost of approximately HK\$163.39 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.

Code of Conduct Regarding Directors' Securities Transaction

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") to govern securities transactions by Directors. Further to the specific enquiries made by the Company to all Directors, they have confirmed their compliance with the Model Code during their terms of services for the year ended 31 December 2022.

Closure of Register of Members

For the purposes of determining shareholders' eligibility to attend and vote at AGM and entitlement to the final dividend, the register of members of the Company will be closed. Details of such closures are set out below:

(i) For determining eligibility to attend and vote at the AGM

Latest time to lodge transfer documents for registration	4:30 p.m. on Thursday, 18 May 2023
Closure of the register of members of the Company	Friday, 19 May 2023 to Wednesday, 24 May 2023 (both dates inclusive)
Record date	Wednesday, 24 May 2023

(ii) For determining entitlement to the final dividend

Latest time to lodge transfer documents for registration	4:30 p.m. on Monday, 5 June 2023
Closure of the register of members of the Company	Tuesday, 6 June 2023 to Friday, 9 June 2023 (both dates inclusive)
Record date	Friday, 9 June 2023

During the above closure periods, no transfer of shares will be registered. In order to qualify for the proposed final dividend and the right to attend and vote at the forthcoming AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than the aforementioned latest time.

Review by Audit Committee

The Audit Committee of the Company has been established since 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. During the year ended 31 December 2022, our Audit Committee comprised of three independent non-executive Directors, namely Ms. Wenjie WU (chairman of the Audit Committee), Mr. David Yuen Kwan TANG, and Mr. Shun Tak WONG.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters with management.

The Audit Committee has reviewed the Group's audited financial statements for the year ended 31 December 2022, and is of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

Code on Corporate Governance Practices

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 Corporate Governance Code and Corporate Governance Report (the "Code") contained in Appendix 14 to the Listing Rules, except for the code provision C.1.6 and D.1.2 of the Code.

The code provision C.1.6 of the Code is regarding the non-executive directors' attendance to 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. Non-executive Director, Leiwen YAO, did not attend the annual general meeting of the Company held on 25 May 2022 due to not in the position at that time. The code provision D.1.2 of the 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 between 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 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.

Forward-Looking Statements

This announcement contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Group. These forward-looking statements are based upon current plans, estimates and projections and represent the Company's expectations or beliefs concerning future events, therefore, no undue reliance should be placed upon them.

Forward-looking statements contain inherent risks and uncertainties. The Company warns that should any of these risks or uncertainties ever materialize or should any number of important factors or events occur or not occur, then the actual results of the Company may differ materially from those either expressed or implied in any of these forward-looking statements.

Publication of the Annual Results, Annual Reports and Corporate Governance Report

All the financial and other related information of the Company required by the Listing Rules will be published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.kingsoft.com) in due course.

By Order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

Hong Kong, 21 March 2023

As at the date of this announcement, the Executive Director is Mr. Tao ZOU; the Non-executive Directors are Messrs. Jun LEI, Pak Kwan KAU and Leiwen YAO; the Independent Non-executive Directors are Messrs. Shun Tak WONG, David Yuen Kwan TANG and Ms. Wenjie WU.