

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2024

The board (the “**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 2024.

FINANCIAL HIGHLIGHTS

	For the three months ended			Year-on-year Change %	Quarter-on- quarter Change %
	31 March 2024 <i>RMB'000</i> <i>(Unaudited)</i>	31 March 2023 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2023 <i>RMB'000</i> <i>(Unaudited)</i>		
Revenue	2,136,875	1,970,307	2,310,135	8	(7)
Operating profit	601,578	460,302	714,794	31	(16)
Profit attributable to owners of the parent	284,570	192,343	205,435	48	39
	<i>RMB</i> <i>(Unaudited)</i>	<i>RMB</i> <i>(Unaudited)</i>	<i>RMB</i> <i>(Unaudited)</i>		
Basic earnings per share	0.21	0.14	0.15	50	40
Diluted earnings per share	0.21	0.14	0.15	50	40

OPERATIONAL HIGHLIGHTS

	In March 2024	In March 2023	In December 2023	Year-on-year Change %	Quarter-on-quarter Change %
Office Software					
Monthly Active Devices of the key products* (Million)	<u>602</u>	<u>589</u>	<u>598</u>	2	1
			As at 31 December 2023	As at 31 December 2022	Year-on-year Change %
Accumulated paying subscribers** (Million)			<u>35.49</u>	<u>29.97</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.

The unaudited condensed consolidated statements 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 2024 RMB'000 (Unaudited)	31 March 2023 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Unaudited)
Revenue			
Office software and services	1,225,349	1,051,652	1,285,691
Online games and others	911,526	918,655	1,024,444
	<u>2,136,875</u>	<u>1,970,307</u>	<u>2,310,135</u>
Cost of revenue	<u>(396,222)</u>	<u>(344,914)</u>	<u>(413,885)</u>
Gross profit	1,740,653	1,625,393	1,896,250
Research and development costs	(712,788)	(661,059)	(684,925)
Selling and distribution expenses	(261,292)	(351,154)	(377,226)
Administrative expenses	(160,273)	(149,788)	(171,134)
Share-based compensation costs	(76,469)	(72,786)	(77,332)
Other income	71,301	94,707	129,410
Other expenses	446	(25,011)	(249)
	<u>601,578</u>	<u>460,302</u>	<u>714,794</u>
Operating profit	601,578	460,302	714,794
Other gains/(losses), net	(4,306)	44,044	8,386
Finance income	188,584	134,829	179,126
Finance costs	(43,596)	(40,758)	(43,350)
Share of profits and losses of:			
Joint ventures	(9,615)	(3,809)	(9,675)
Associates	(168,721)	(230,757)	(285,768)
	<u>563,924</u>	<u>363,851</u>	<u>563,513</u>
Profit before tax	563,924	363,851	563,513
Income tax expense	(42,335)	(25,903)	(125,957)
	<u>521,589</u>	<u>337,948</u>	<u>437,556</u>
Profit for the period	521,589	337,948	437,556
Attributable to:			
Owners of the parent	284,570	192,343	205,435
Non-controlling interests	237,019	145,605	232,121
	<u>521,589</u>	<u>337,948</u>	<u>437,556</u>
	RMB (Unaudited)	RMB (Unaudited)	RMB (Unaudited)
Earnings per share attributable to ordinary equity holders of the parent			
Basic	<u>0.21</u>	<u>0.14</u>	<u>0.15</u>
Diluted	<u>0.21</u>	<u>0.14</u>	<u>0.15</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended		
	31 March 2024 RMB'000 (Unaudited)	31 March 2023 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	521,589	337,948	437,556
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	(6,228)	104,769	53,894
Reclassification to profit and loss from liquidation of subsidiaries	—	(11,309)	5,594
Reclassification to profit and loss from deemed disposal of associates	(126)	49	(117)
Share of other comprehensive income/(loss) of associates	22,655	(32,026)	(34,987)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	16,301	61,483	24,384
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	9,700	(115,965)	(72,314)
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value, net of tax	—	—	195
Share of other comprehensive loss of associates	—	(1,440)	(26,008)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	9,700	(117,405)	(98,127)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	26,001	(55,922)	(73,743)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	547,590	282,026	363,813
Attributable to:			
Owners of the parent	311,746	138,568	133,826
Non-controlling interests	235,844	143,458	229,987
	547,590	282,026	363,813

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March 2024 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2023 <i>RMB'000</i> <i>(Audited)</i>
NON-CURRENT ASSETS		
Property, plant and equipment	2,011,280	1,983,123
Investment properties	168,329	169,831
Right-of-use assets	367,494	376,936
Goodwill	185,564	185,564
Other intangible assets	89,707	93,393
Investments in joint ventures	451,605	461,220
Investments in associates	4,299,023	4,475,829
Equity investments designated at fair value through other comprehensive income	18,468	18,468
Financial assets at fair value through profit or loss	557,530	406,196
Deferred tax assets	121,880	106,920
Other non-current assets	728,783	24,018
	<hr/>	<hr/>
Total non-current assets	8,999,663	8,301,498
CURRENT ASSETS		
Inventories	16,003	15,626
Trade receivables	778,341	785,231
Prepayments, other receivables and other assets	2,231,273	2,224,334
Financial assets at fair value through profit or loss	2,218,579	3,591,493
Restricted cash	4,257	5,337
Cash and bank deposits	20,770,189	20,271,193
	<hr/>	<hr/>
Total current assets	26,018,642	26,893,214
CURRENT LIABILITIES		
Trade payables	498,144	533,499
Other payables and accruals	1,375,016	1,617,145
Lease liabilities	36,379	37,512
Contract liabilities	2,409,014	2,429,120
Income tax payable	274,131	263,162
	<hr/>	<hr/>
Total current liabilities	4,592,684	4,880,438
NET CURRENT ASSETS	<hr/> 21,425,958	<hr/> 22,012,776
TOTAL ASSETS LESS CURRENT LIABILITIES	<hr/> 30,425,621	<hr/> 30,314,274

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	As at 31 March 2024 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2023 <i>RMB'000</i> <i>(Audited)</i>
NON-CURRENT LIABILITIES		
Contract liabilities	597,585	574,547
Deferred tax liabilities	249,513	294,448
Lease liabilities	27,832	29,496
Liability component of convertible bonds	2,808,447	2,770,192
Other non-current liabilities	66,486	65,506
Derivative financial instrument	6,828	6,828
	<hr/>	<hr/>
Total non-current liabilities	3,756,691	3,741,017
	<hr/>	<hr/>
NET ASSETS	26,668,930	26,573,257
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	5,198	5,292
Share premium account	1,659,574	2,187,981
Treasury shares	(84,222)	(306,558)
Equity component of convertible bonds	468,700	468,700
Other reserves	19,262,790	18,933,618
	<hr/>	<hr/>
	21,312,040	21,289,033
Non-controlling interests	5,356,890	5,284,224
	<hr/>	<hr/>
TOTAL EQUITY	26,668,930	26,573,257
	<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the three months ended		
	31 March 2024 RMB'000 (Unaudited)	31 March 2023 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Unaudited)
Net cash flows from operating activities	329,037	362,580	1,733,619
Net cash flows used in investing activities	(1,312,817)	(3,078,881)	(1,463,227)
Net cash flows used in financing activities	(357,325)	(116,880)	(282,249)
Net decrease in cash and cash equivalents	(1,341,105)	(2,833,181)	(11,857)
Cash and cash equivalents at beginning of the period	8,707,372	11,018,882	8,742,625
Effect of foreign exchange rate changes, net	5,897	(21,108)	(23,396)
Cash and cash equivalents at end of the period	7,372,164	8,164,593	8,707,372
Non-pledged time deposits with original maturity of over three months when acquired	13,398,025	7,538,842	11,563,821
Cash and bank deposits as stated in the condensed consolidated statement of financial position	20,770,189	15,703,435	20,271,193

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 (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.

The interim condensed consolidated financial statements for the three months ended 31 March 2024 were approved and authorized for issue in accordance with a resolution of the Board on 22 May 2024.

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 for the year ended 31 December 2023.

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 2023, 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 2024.

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

Amendments to IFRS 16	<i>Lease liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</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.

MANAGEMENT DISCUSSION AND ANALYSIS

For the Three Months Ended 31 March 2024

Revenue

Revenue for the first quarter of 2024 increased 8% year-on-year and decreased 7% quarter-on-quarter to RMB2,136.9 million. Revenue from the office software and services, and online games and others represented 57% and 43% of the Group's total revenue for the first quarter of 2024, respectively.

Revenue from the office software and services business for the first quarter of 2024 increased 17% year-on-year and decreased 5% quarter-on-quarter to RMB1,225.3 million. The year-on-year increase was mainly due to the growth of domestic individual office subscription business, institutional subscription business and institutional licensing business of Beijing Kingsoft Office Software, Inc. (“**Kingsoft Office**”) and its subsidiaries (collectively, “**Kingsoft Office Group**”), partially offset by the decreased internet advertising business. The growth of domestic individual office subscription business was mainly attributable to the increases in both the user stickiness and paying ratio, resulting from enriched membership benefits. The growth of domestic institutional subscription business was mainly because we continuously promoted the transformation to subscription models, as the launch of WPS 365, the new productive forces in office. The increase of institutional licensing business was mainly driven by purchase orders on localization solutions. The decrease of internet advertising business was mainly due to the shut-down of our domestic third-party advertising business at the end of 2023.

Revenue from the online games and others business for the first quarter of 2024 decreased 1% year-on-year and 11% quarter-on-quarter to RMB911.5 million. The slight year-on-year decrease was primarily due to a natural decline in revenue from certain existing games, partially offset by revenue contribution from titles released in the second half of 2023. The quarter-on-quarter decrease mainly reflected the natural decline of certain existing games, partially offset by the growth from proactive operation of the anime shooter game, Snowbreak: Containment Zone (塵白禁區).

Cost of Revenue and Gross Profit

Cost of revenue for the first quarter of 2024 increased 15% year-on-year and decreased 4% quarter-on-quarter to RMB396.2 million. The year-on-year increase was primarily attributed to greater server and bandwidth costs, as well as higher service costs of institutional clients, both of which were associated with the business growth of Kingsoft Office Group.

Gross profit for the first quarter of 2024 increased 7% year-on-year and decreased 8% quarter-on-quarter to RMB1,740.7 million. The Group's gross profit margin decreased one percentage point year-on-year and quarter-on-quarter to 81%.

Research and Development (“R&D”) Costs

R&D costs for the first quarter of 2024 increased 8% year-on-year and 4% quarter-on-quarter to RMB712.8 million. The year-on-year increase primarily reflected the continuous investments in artificial intelligence (“AI”) and collaborative products and services of Kingsoft Office Group.

Selling and Distribution Expenses

Selling and distribution expenses for the first quarter of 2024 decreased 26% year-on-year and 31% quarter-on-quarter to RMB261.3 million. The decreases mainly reflected declined promotional spending on online games.

Administrative Expenses

Administrative expenses for the first quarter of 2024 increased 7% year-on-year and decreased 6% quarter-on-quarter to RMB160.3 million. The year-on-year increase was mainly due to personnel-related expenses of Kingsoft Office Group. The quarter-on-quarter decrease was largely due to a one-off expense in the fourth quarter 2023.

Share-based Compensation Costs

Share-based compensation costs for the first quarter of 2024 increased 5% year-on-year and decreased 1% quarter-on-quarter to RMB76.5 million. The year-on-year increase was mainly due to the grants of awarded shares to the selected employees of certain subsidiaries of the Company.

Operating Profit before Share-based Compensation Costs

Operating profit before share-based compensation costs for the first quarter of 2024 increased 27% year-on-year and decreased 14% quarter-on-quarter to RMB678.0 million.

Other Gains/(Losses), net

Net other losses for the first quarter of 2024 were RMB4.3 million, compared with gains of RMB44.0 million and RMB8.4 million for the first and the fourth quarter of 2023, respectively.

Share of Profits and Losses of Associates

Share of losses of associates of RMB168.7 million were recorded for the first quarter of 2024, compared with losses of RMB230.8 million and RMB285.8 million for the first and the fourth quarter of 2023, respectively.

Income Tax Expense

Income tax expense for the first quarter of 2024 increased 63% year-on-year and decreased 66% quarter-on-quarter to RMB42.3 million.

Profit Attributable to Owners of the Parent

As a result of the reasons discussed above, profit attributable to owners of the parent for the first quarter of 2024 was RMB284.6 million, compared with profit of RMB192.3 million and RMB205.4 million for the first and the fourth quarter of 2023, respectively.

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 the 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 investors to better understand the Group's overall operating performance. When assessing our operating performance, this data should not be considered in isolation or as a substitute for our profit or any other operating performance measures 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 2024 was RMB329.1 million, compared with profit of RMB235.5 million and RMB257.0 million for the first and the fourth quarter of 2023, respectively. The net profit margin excluding the effect of share-based compensation costs was 15%, 12% and 11% for the three months ended 31 March 2024, 31 March 2023 and 31 December 2023, respectively.

Liquidity and Financial Resource

The Group had a strong cash position towards the end of the reporting period. As at 31 March 2024, the Group had major financial resources in the forms of cash and bank deposits and restricted cash amounting to RMB20,770.2 million and RMB4.3 million, respectively, which together represented 59% of the Group's total assets.

As at 31 March 2024, the Group's gearing ratio, representing total liabilities divided by total assets, was 24%, which kept flat with that of 31 December 2023.

Note:

The cash resources which the Group considered in cash management including but not limited to cash and bank deposits, restricted cash and financial assets at fair value through profit or loss. As at 31 March 2024, the aggregate amount of cash resources of the Group was RMB22,974.1 million.

Foreign Currency Risk Management

As at 31 March 2024, RMB4,281.7 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 for the three-month period mentioned above, as the case maybe, as adjusted for non-cash items such as share of losses of associates, finance income, 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 RMB329.0 million, RMB362.6 million and RMB1,733.6 million for the three months ended 31 March 2024, 31 March 2023 and 31 December 2023, respectively.

Capital Expenditures

Capital expenditures represent cash payments for fixed assets, investment properties and intangible assets. Cash used for capital expenditures was RMB114.6 million, RMB79.6 million and RMB131.2 million for the three months ended 31 March 2024, 31 March 2023 and 31 December 2023, respectively.

MANAGEMENT COMMENTS

Mr. Jun LEI, Chairman of the Company, commented: “We are off to a good start in 2024 with solid performance. With opportunities arising from the booming digital economy, Kingsoft Office Group focuses on AI and collaboration, deepening the R&D and commercialization of related products, and actively advances the implementation of new productive forces in the office field. Online games business maintains the strategy of prime games, focusing on deepening and expanding the classic JX online series while continuously exploring new game genres.”

Mr. Tao ZOU, Chief Executive Officer of the Company, added: “In the first quarter, the Group demonstrated steady financial performance. The total revenue for the first quarter amounted to RMB2,136.9 million, representing a year-on-year increase of 8%, among which the revenue from the office software and services business was RMB1,225.3 million, representing a year-on-year increase of 17%. The operating profit of the Group for the first quarter increased remarkably to RMB601.6 million, marking a 31% year-on-year growth.

Kingsoft Office Group continued optimizing its product portfolio to support intelligent office solutions. In terms of domestic individual subscription business, we continuously enriched the membership benefits to enhance user stickiness and paying ratio. With regard to domestic institutional subscription business, we kept improving the product system, enhancing service experience, expanding ecosystem channels, and actively promoting the transformation to cloud and collaboration office. Driven by orders in the localization industry, the institutional licensing business achieved growth. In March, WPS AI began its initial commercialization. In April, with the trend towards cloud-based, collaborative, and intelligent development in enterprises and organizational office, we launched upgraded WPS 365, the new productive forces in office, covering the upgraded versions of WPS Office, WPS AI Enterprise Edition, and WPS Collaboration, and providing users with one-stop AI office solutions.

Regarding online games business, the flagship JX3 Online maintained steady performance, demonstrating resilience and vitality. For the mobile version JX3 Ultimate (劍網3無界), we initiated extensive testing in collaboration with players to continuously improve the game quality. It is expected to be launched in June 2024, realizing full-platform accessibility for the flagship JX3 Online, and offering players unified gaming experience across multiple platforms. We also achieved phased progress in exploring new game genres, upheld the principle of user-first and paid high attention to user feedback and suggestions. We actively operated the anime shooter game, Snowbreak: Containment Zone, which achieved significant increases in both daily active users and gross receipts in the first quarter. The sci-fi game Mecha BREAK (解限機) received the license approval in March 2024, and is undergoing testing and continuous optimization in Chinese Mainland and overseas regions, while maintaining in the top 100 of the Steam Global Wishlist since its debut.”

Mr. Jun LEI concluded, “Looking ahead, Kingsoft Office Group will remain dedicated to investing in R&D of AI and collaboration, continuously exploring the application of WPS AI in office scenarios across various industries. Online games business will keep focusing on prime games, listening to user feedback and providing high-quality gaming experience. We firmly believe that these efforts will strengthen the Group’s core competitiveness and lay a solid foundation for our long-term sustainable development.”

By order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

Hong Kong, 22 May 2024

As at the date of this announcement, the Executive Directors 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, Zuotao CHEN, and Ms. Wenjie WU.