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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)

ANNOUNCEMENT OF THE RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2025

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 2025.

FINANCIAL HIGHLIGHTS

	For the three months ended			Year-on-	Quarter-on-
	31 March	31 March	31 December	year	quarter
	2025	2024	2024	Change	Change
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	%	%
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>		
Revenue	2,337,995	2,136,875	2,792,478	9	(16)
Operating profit	601,453	601,578	1,106,890	0	(46)
Profit attributable to owners of the parent	283,874	284,570	460,241	0	(38)
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>		
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>		
Basic earnings per share	0.21	0.21	0.35	0	(40)
Diluted earnings per share	0.21	0.21	0.34	0	(38)

OPERATIONAL HIGHLIGHTS

	In March 2025	In March 2024	In December 2024	Year-on-year Change %	Quarter-on-quarter Change %
Office Software					
Monthly Active Devices of WPS Office Globally* (Million)	<u>647</u>	<u>599</u>	<u>632</u>	8	2
			As at 31 December 2024	As at 31 December 2023	Year-on-year Change %
Accumulated paying subscribers** (Million)			<u>41.70</u>	<u>35.49</u>	17

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

** Accumulated paying subscribers are defined as paying individual subscribers in the past twelve months (excluding onetime purchase) in Mainland China.

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 2025 <i>RMB'000</i> (Unaudited)	31 March 2024 <i>RMB'000</i> (Unaudited)	31 December 2024 <i>RMB'000</i> (Unaudited)
Revenue			
Office software and services	1,301,469	1,225,349	1,501,181
Online games and others	1,036,526	911,526	1,291,297
	<u>2,337,995</u>	<u>2,136,875</u>	<u>2,792,478</u>
Cost of revenue	(419,409)	(396,222)	(449,134)
Gross profit	<u>1,918,586</u>	<u>1,740,653</u>	<u>2,343,344</u>
Research and development costs	(827,853)	(712,788)	(730,411)
Selling and distribution expenses	(340,468)	(261,292)	(340,275)
Administrative expenses	(160,288)	(160,273)	(152,717)
Share-based compensation costs	(53,685)	(76,469)	(59,313)
Other income	69,120	71,301	60,206
Other expenses	(3,959)	446	(13,944)
Operating profit	<u>601,453</u>	<u>601,578</u>	<u>1,106,890</u>
Other losses, net	(22,291)	(4,306)	(73,701)
Finance income	187,677	188,584	185,502
Finance costs	(44,889)	(43,596)	(45,906)
Share of profits and losses of:			
Joint ventures	(12,329)	(9,615)	34,738
Associates	(152,724)	(168,721)	(148,318)
Profit before tax	<u>556,897</u>	<u>563,924</u>	<u>1,059,205</u>
Income tax expense	(48,333)	(42,335)	(212,220)
Profit for the period	<u><u>508,564</u></u>	<u><u>521,589</u></u>	<u><u>846,985</u></u>
Attributable to:			
Owners of the parent	283,874	284,570	460,241
Non-controlling interests	224,690	237,019	386,744
	<u><u>508,564</u></u>	<u><u>521,589</u></u>	<u><u>846,985</u></u>
	<i>RMB</i> (Unaudited)	<i>RMB</i> (Unaudited)	<i>RMB</i> (Unaudited)
Earnings per share attributable to ordinary equity holders of the parent			
Basic	<u><u>0.21</u></u>	<u><u>0.21</u></u>	<u><u>0.35</u></u>
Diluted	<u><u>0.21</u></u>	<u><u>0.21</u></u>	<u><u>0.34</u></u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended		
	31 March 2025 RMB'000 (Unaudited)	31 March 2024 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	508,564	521,589	846,985
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	14,683	(6,228)	(122,903)
Reclassification to profit or loss from deemed disposal of associates	(60)	(126)	2,388
Share of other comprehensive income of associates	3,369	22,655	53,535
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	17,992	16,301	(66,980)
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	(16,953)	9,700	168,687
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value, net of tax	(9,352)	—	(654)
Share of other comprehensive income of an associate	—	—	5,510
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	(26,305)	9,700	173,543
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	(8,313)	26,001	106,563
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	500,251	547,590	953,548
Attributable to:			
Owners of the parent	281,760	311,746	559,738
Non-controlling interests	218,491	235,844	393,810
	500,251	547,590	953,548

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March 2025 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2024 <i>RMB'000</i> <i>(Audited)</i>
NON-CURRENT ASSETS		
Property, plant and equipment	2,249,129	2,215,482
Investment properties	162,730	164,075
Right-of-use assets	326,248	335,986
Goodwill	185,564	185,564
Other intangible assets	78,383	83,944
Investments in joint ventures	819,316	831,645
Investments in associates	3,452,705	3,484,092
Equity investments designated at fair value through other comprehensive income	8,462	17,814
Financial assets at fair value through profit or loss	549,426	551,270
Deferred tax assets	122,809	137,223
Other non-current assets	34,203	36,983
Total non-current assets	7,988,975	8,044,078
CURRENT ASSETS		
Inventories	12,722	11,465
Trade receivables	770,818	698,070
Prepayments, other receivables and other assets	3,040,763	2,945,726
Financial assets at fair value through profit or loss	3,193,237	2,764,308
Restricted cash	3,039	5,806
Cash and bank deposits	22,818,992	23,815,022
Total current assets	29,839,571	30,240,397
CURRENT LIABILITIES		
Trade payables	503,360	478,381
Other payables and accruals	1,249,358	2,056,722
Lease liabilities	21,303	22,533
Contract liabilities	2,732,428	2,822,856
Income tax payable	280,585	343,107
Liability component of convertible bonds	3,015,584	2,985,899
Derivative financial instrument	—	7,116
Total current liabilities	7,802,618	8,716,614
NET CURRENT ASSETS	22,036,953	21,523,783
TOTAL ASSETS LESS CURRENT LIABILITIES	30,025,928	29,567,861

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	As at 31 March 2025 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2024 <i>RMB'000</i> <i>(Audited)</i>
NON-CURRENT LIABILITIES		
Contract liabilities	908,754	929,952
Deferred tax liabilities	195,979	205,294
Lease liabilities	10,609	11,782
Other non-current liabilities	8,432	8,431
	<hr/>	<hr/>
Total non-current liabilities	1,123,774	1,155,459
	<hr/>	<hr/>
NET ASSETS	28,902,154	28,412,402
	<hr/>	<hr/>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	5,183	5,187
Share premium account	1,433,699	1,439,985
Treasury shares	(139,701)	(137,342)
Equity component of convertible bonds	468,700	468,700
Reserves	20,974,446	20,679,746
	<hr/>	<hr/>
	22,742,327	22,456,276
	<hr/>	<hr/>
Non-controlling interests	6,159,827	5,956,126
	<hr/>	<hr/>
TOTAL EQUITY	28,902,154	28,412,402
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the three months ended		
	31 March 2025 <i>RMB'000</i> <i>(Unaudited)</i>	31 March 2024 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2024 <i>RMB'000</i> <i>(Unaudited)</i>
Net cash flows (used in)/from operating activities	(102,150)	329,037	1,825,592
Net cash flows used in investing activities	(135,532)	(1,312,817)	(333,079)
Net cash flows used in financing activities	<u>(275,429)</u>	<u>(357,325)</u>	<u>(22,459)</u>
Net (decrease)/increase in cash and cash equivalents	(513,111)	(1,341,105)	1,470,054
Cash and cash equivalents at beginning of the period	3,703,586	8,707,372	2,202,483
Effect of foreign exchange rate changes, net	<u>(2,963)</u>	<u>5,897</u>	<u>31,049</u>
Cash and cash equivalents at end of the period	3,187,512	7,372,164	3,703,586
Non-pledged time deposits with original maturity of over three months when acquired	<u>19,631,480</u>	<u>13,398,025</u>	<u>20,111,436</u>
Cash and bank deposits as stated in the condensed consolidated statement of financial position	<u>22,818,992</u>	<u>20,770,189</u>	<u>23,815,022</u>

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:

- research and development and provision of WPS Office, WPS 365, WPS AI and other office products and services; and
- research and development of games, and provision of PC games, mobile games services, etc.

The interim condensed consolidated financial statements for the three months ended 31 March 2025 were approved and authorized for issue in accordance with a resolution of the Board on 28 May 2025.

2. Basis of preparation and material 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 2024.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Basis of preparation and material accounting policies (continued)

Material 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 2024, which have been prepared in accordance with IFRS Accounting Standards, except for the adoption of new standards and interpretations effective as at 1 January 2025.

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

Amendments to IAS 21

Lack of Exchangeability

None of the above amendments to IFRS Accounting Standards 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 2025

Revenue

Revenue for the first quarter of 2025 increased 9% year-on-year and decreased 16% quarter-on-quarter to RMB2,338.0 million. Revenue from the office software and services, and online games and others represented 56% and 44% of the Group's total revenue for the first quarter of 2025, respectively.

Revenue from the office software and services business for the first quarter of 2025 increased 6% year-on-year and decreased 13% quarter-on-quarter to RMB1,301.5 million. The year-on-year increase was mainly attributable to the growth of WPS individual and WPS 365 businesses, partially offset by the decline of WPS software business of Beijing Kingsoft Office Software, Inc. ("**Kingsoft Office**") and its subsidiaries (collectively, "**Kingsoft Office Group**"). The steady growth of WPS individual business was mainly driven by the expansion of user base and paying subscribers, supported by operational strategies to boost AI-active users and enriched membership benefits. The robust increase of WPS 365 business primarily reflected our continuous efforts on assisting institutional clients in digital and intelligent office, along with the accelerated coverage of private enterprises and local state-owned enterprises. The decrease of WPS software business mainly reflected the adjustment of new procurement process in localization in 2025. The quarter-on-quarter decrease was mainly due to decreased WPS software business.

Revenue from the online games and others business for the first quarter of 2025 increased 14% year-on-year and decreased 20% quarter-on-quarter to RMB1,036.5 million. The year-on-year increase was mainly attributable to the revenue contribution from anime game Snowbreak: Containment Zone (塵白禁區) and JX3 Online, as the launch of JX3 Ultimate (劍網3無界) in June 2024 enhanced player experience and boosted user growth and engagement. The quarter-on-quarter decrease was mainly due to the release of fewer commercial content updates for JX3 Online in the first quarter of 2025.

Cost of Revenue and Gross Profit

Cost of revenue for the first quarter of 2025 increased 6% year-on-year and decreased 7% quarter-on-quarter to RMB419.4 million. The year-on-year increase was mainly due to the growth in server and bandwidth costs, as well as rising channel costs associated with new games. The quarter-on-quarter decrease was primarily due to declined service costs of institutional clients and lower channel costs of Kingsoft Office Group.

Gross profit for the first quarter of 2025 increased 10% year-on-year and decreased 18% quarter-on-quarter to RMB1,918.6 million. The Group's gross profit margin increased by one percentage point year-on-year and decreased by two percentage points quarter-on-quarter to 82%.

Research and Development (“R&D”) Costs

R&D costs for the first quarter of 2025 increased 16% year-on-year and 13% quarter-on-quarter to RMB827.9 million. The year-on-year increase was primarily driven by increased headcount and rising AI-related expenses to support the development of AI and collaboration capabilities of Kingsoft Office Group, as well as enhanced investments in new game genres in online games business. The quarter-on-quarter increase was largely due to higher personnel-related expenses, including accrued performance-based bonus.

Selling and Distribution Expenses

Selling and distribution expenses for the first quarter of 2025 increased 30% year-on-year and kept flat quarter-on-quarter to RMB340.5 million. The year-on-year increase was mainly driven by greater promotional and advertising efforts in supporting testing and pre-launch activities of new games. The quarter-on-quarter stability reflected increased marketing activities of new games, offset by reduced promotional spending of office software and services business.

Administrative Expenses

Administrative expenses for the first quarter of 2025 kept flat year-on-year and increased 5% quarter-on-quarter to RMB160.3 million.

Share-based Compensation Costs

Share-based compensation costs for the first quarter of 2025 decreased 30% year-on-year and 9% quarter-on-quarter to RMB53.7 million.

Operating Profit before Share-based Compensation Costs

Operating profit before share-based compensation costs for the first quarter of 2025 decreased 3% year-on-year and 44% quarter-on-quarter to RMB655.1 million.

Other Losses, net

Net other losses for the first quarter of 2025 were RMB22.3 million, compared with losses of RMB4.3 million and RMB73.7 million for the first and the fourth quarter of 2024, respectively.

Share of Profits and Losses of Associates

Share of losses of associates of RMB152.7 million were recorded for the first quarter of 2025, compared with losses of RMB168.7 million and RMB148.3 million for the first and the fourth quarter of 2024, respectively.

Income Tax Expense

Income tax expense for the first quarter of 2025 increased 14% year-on-year and decreased 77% quarter-on-quarter to RMB48.3 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 2025 was RMB283.9 million, compared with profit of RMB284.6 million and RMB460.2 million for the first and the fourth quarter of 2024, 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 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 IFRS Accounting Standards. 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 2025 was RMB316.0 million, compared with profit of RMB329.1 million and RMB496.5 million for the first and the fourth quarter of 2024, respectively. The net profit margin excluding the effect of share-based compensation costs was 14%, 15% and 18% for the three months ended 31 March 2025, 31 March 2024 and 31 December 2024, respectively.

Liquidity and Financial Resource

The Group had a strong cash position towards the end of the reporting period. As at 31 March 2025, the Group had major financial resources in the forms of cash and bank deposits and restricted cash amounting to RMB22,819.0 million and RMB3.0 million, respectively, which together represented 60% of the Group's total assets.

As at 31 March 2025, the Group's gearing ratio, representing total liabilities divided by total assets, was 24%, compared with 26% as at 31 December 2024.

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 2025, the aggregate amount of cash resources of the Group was RMB26,014.5 million.

Foreign Currency Risk Management

As at 31 March 2025, RMB4,963.4 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 (Used in)/Generated from Operating Activities

Net cash (used in)/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 finance income, share of losses of associates, 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 used in operating activities was RMB102.2 million for the three months ended 31 March 2025, and net cash generated from operating activities was RMB329.0 million and RMB1,825.6 million for the three months ended 31 March 2024 and 31 December 2024, respectively.

Capital Expenditures

Capital expenditures represent cash payments for fixed assets and intangible assets. Cash used for capital expenditures was RMB121.2 million, RMB114.6 million and RMB153.3 million for the three months ended 31 March 2025, 31 March 2024 and 31 December 2024, respectively.

MANAGEMENT COMMENTS

Mr. Jun LEI, Chairman of the Company, commented: “We achieved a steady start in the first quarter. Kingsoft Office Group continues to prioritize user value, refining product experience while strengthening the core competitiveness of WPS 365 in enterprise collaboration. We are deepening the application of AI technology in the office business and advancing our global expansion. Online games business maintains its prime games strategy, with classic JX series and new game genres developing synergistically, ensuring consistent performance.”

Mr. Tao ZOU, Chief Executive Officer of the Company, added: “In the first quarter, the Group’s total revenue reached RMB2,338.0 million, representing a year-on-year increase of 9%. Of this, revenue from the office software and services business amounted to RMB1,301.5 million, up 6% year-on-year, while revenue from online games and others business reached RMB1,036.5 million, reflecting a 14% growth year-on-year.

Kingsoft Office Group’s WPS individual business maintained steady growth. We actively adapted to market changes and promptly adjusted operational strategies to make increasing AI-active user numbers a core objective, driving growth in both the user base and paying subscribers. Overseas WPS individual business achieved rapid growth through localized operations and differentiated features. WPS 365 leverages its three core capabilities — document management, collaboration, and AI — to consistently empower institutional clients to achieve digital and intelligent office. It is also accelerating its penetration among private enterprises and local state-owned enterprises.

In the first quarter, JX3 Online solidified its core player base through content updates and refreshed gameplay. The anime shooter game Snowbreak: Containment Zone maintained stable user engagement and positive reception, thanks to its differentiated content and long-term operational strategy. The sci-fi mech game Mecha BREAK (解限機) is scheduled for release this summer. It garnered widespread attention from global players and the industry during its testing phase, and peaked at 5th on Steam’s global wishlist. Additionally, the Fate of Sword: Zero (劍俠情緣•零), a classic sequel to the JX series, will carry forward the IP’s legacy and is planned for launch in the second quarter.”

Mr. Jun LEI concluded, “In the coming quarters, Kingsoft Office Group will maintain its strategic focus on AI, collaboration, and global market expansion, while sustaining R&D investments to transform innovative technologies into practical office productivity tools for our users. For online games business, we will continue to strengthen franchise operations for our flagship IPs while concentrating on our new game genres such as anime-style and sci-fi genres. By enhancing our content innovation capabilities, we are committed to delivering premium gaming experience that offer greater immersion and more distinctive gameplay features to our players.”

By order of the Board
Kingsoft Corporation Limited
Jun LEI
Chairman

Hong Kong, 28 May 2025

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, Zuotao CHEN, and Ms. Wenjie WU.